STEINHOFF

INVESTMENT HOLDINGS LTD

Registration number: 1954/001893/06

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

DIRECTORS' RESPONSIBILITY AND APPROVAL STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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**" or the "**Group**") as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards ("**IFRS**") and interpretations of IFRS standards, as issued by the International Accounting Standards Board and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The external auditors are engaged to express an independent opinion on the consolidated and separate annual financial statements.

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

In determining the appropriate basis of preparation of the 2021 consolidated and separate financial statements, the board of directors is required to consider whether the Steinhoff Investments Group and the Company can continue in operational existence for the foreseeable future.

The board of directors draw attention to the critical assumptions listed and disclosures made in the 2021 consolidated and separate financial statements. Significant matters considered by the board of directors for the Steinhoff Investments Group's going concern assessment are:

Litigation

On 15 February 2021 the Company's ultimate holding company, Steinhoff International Holdings N.V. ("**Steinhoff N.V.**" and together with its subsidiaries the "**Steinhoff N.V. Group**"), applied for the opening of Dutch Suspension of Payments ("**SoP**") proceedings and offered the Steinhoff N.V. Composition Plan to its SoP creditors. The Dutch Court confirmed the Steinhoff N.V. Composition Plan on 23 September 2021. No appeal was lodged to the Dutch Court's decision and accordingly, the order became final and binding and by consequence the Steinhoff N.V. Composition Plan became binding on all SoP creditors in accordance with its terms. The Steinhoff N.V. Composition Plan was proposed in parallel with the proposal by Steinhoff International Holdings Proprietary Limited ("**SIHPL**") made in terms of the Section 155 of the Companies Act (the "**SIHPL Section 155 Proposal**"). Both proposals, which are inter-conditional, form part of the global settlement proposal ("**Litigation Settlement Proposal**") to resolve the legacy claims arising from the announcement of accounting irregularities.

Once sanctioned, the SIHPL Section 155 Proposal will result in a compromise of claims against SIHPL in accordance with the terms of the SIHPL Section 155 Proposal. The SIHPL Section 155 Proposal commenced in February 2021 and has been adopted by all three classes of the scheme creditors during September 2021. Approval and sanction, in the form of a Court Order, is required for the order sanctioning the compromise to be final and binding on all of SIHPL's scheme creditors. Pursuant to the SIHPL Section 155 Proposal having been adopted overwhelmingly by the SIHPL scheme creditors, SIHPL brought the sanction application, which will be heard by the Court in the week of 24 January 2022.

Notwithstanding the ongoing litigation and claims the Group has received, which claims it continues to defend, the board of directors remain confident that the Litigation Settlement Proposal, as announced, will conclude substantially all the various litigation proceedings. It is management's view that the sanctioning by the Western Cape High Court of the SIHPL Section 155 Proposal, is highly probable as all eligible claimants have voted overwhelming in favour of the global settlement without any votes against. Furthermore, the legal claims at SIHPL, are ring-fenced to SIHPL.

As at 30 September 2021, the SIHPL obligation has been classified as a provision and measured as per the 30 September 2021 SIHPL Section 155 Proposal term sheet as that is the best estimate of the total amount to be incurred to settle the present obligation. The obligation will no longer be disclosed as a contingent liability as all eligible claimants have adopted the SIHPL Section 155 Proposal. The Steinhoff Investments Group and the Company's cash flow forecasts have been adjusted for the impact of the legal provision as detailed in note 23.3 of these consolidated annual financial statements.

SIHPL CPU (Claim by Financial Creditors)

Certain parties applied to the South African High Court to challenge both the 2014 guarantee and the SIHPL Contingent Payment Undertaking ("**SIHPL CPU**") entered into by SIHPL in 2019 in order to restructure its crystallised liability as the guarantor (under both the guarantees). The basis of the challenge was that the South African statutory financial assistance provisions were contravened. In its decision handed down on 2 July 2021 (the Section 45 Judgement), the Court in first instance confirmed the validity of the 2014 guarantee, but in relation to the SIHPL CPU, found that financial assistance provisions in section 45 of the Companies Act had been breached, and held that the resolution of the SIHPL board authorising entry into the SIHPL CPU and thus the SIHPL CPU itself is void. This judgement has been appealed by both SIHPL and the relevant financial creditors.

The appealing financial creditors notified SIHPL that, if their appeal of the Section 45 Judgement proved to be unsuccessful, in their opinion they would be entitled to the benefit of the continuing debt claims or restitutionary claims against SIHPL which fall outside the scope of the Section 45 Judgement. The financial creditors contend that SIHPL will owe an English law debt to them either under the original guarantees or on similar terms by way of restitution for unjust enrichment suffered as a result of the loss of the benefit of those guarantees in circumstances where both parties had intended that SIHPL would remain liable to the financial creditors under the SIHPL CPU following the 2019 financial restructuring.

Conditional upon the settlement effective date of the Litigation Settlement Proposal, any and all claims and actions of the financial creditors against SIHPL (whether asserted or unasserted, and whether the subject of pending proceedings and appeals or otherwise) arising under, out of or in connection with the SIHPL CPU, the convertible bonds guaranteed by SIHPL, the guarantees or any other related matter will be fully and finally compromised by way of their waiver and released on specified terms.

While the SIHPL CPU may have been declared null and void, the financial creditors have an equitable claim under the terms of the 2019 financial restructuring for a similar amount to what is due under the SIHPL CPU. This obligation arises under the provisions of the existing contracts and SIHPL has little to no ability to avoid settlement of such obligation. The full negative equity of SIHPL has been included in the consolidated results of Steinhoff Investments Group, as required by IFRS.

Classification of debt

As part of the implementation steps of the Litigation Settlement Proposal, the Steinhoff N.V. Group delivered the interim extension option request to its lenders on 6 August 2021 requesting consent to extend the maturity date of the Steinhoff N.V. Group's outstanding debt from December 2021 to December 2022 ("**Interim Extension**").

On 11 August 2021, consent for the Interim Extension was granted by its creditors (including the SIHPL CPU financial creditors). A further term extension could be granted, initially to 30 June 2023, with a further 6 months extension to 31 December 2023, subject to the successful implementation of the Litigation Settlement Proposal. Consequently, the maturity date of the SIHPL CPU, now labelled as Claim by Financial Creditors, was also extended from 31 December 2021 to 31 December 2022. As a result, the Claim by Financial Creditors, in accordance with IAS 1, is classified as non-current at 30 September 2021. Refer to Note 17.

COVID-19

Operational management continues to expect a constrained retail environment going forward as a result of the longer-term impact of Covid-19 on the South African economy, further exacerbated by the recent civil unrest. The Group's unparalleled position in the discount and value retail market segments continues to be increasingly relevant in addressing consumer needs. The Group has assessed its Expected Credit Loss ("**ECL** calculations as well as the impairment of goodwill and intangible assets taking into consideration the constrained retail environment and has concluded that its ECL provisions are reasonable and that no further impairment of goodwill and intangible assets are necessary as at 30 September 2021.

DIRECTORS' RESPONSIBILITY AND APPROVAL STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

Conclusion

In determining the appropriate basis of preparation of the 2021 consolidated and separate financial statements of Steinhoff Investments, the board of directors is required to consider whether the Steinhoff Investments Group can continue in operational existence for the foreseeable future. The board of directors draw attention to the following facts:

- the board of directors remain confident that the Court will sanction the SIHPL Section 155 Proposal, as proposed and adopted by creditors;
- At 30 September 2021, the Steinhoff Investments Group's current assets exceed its current liabilities; and
- management does not intend to liquidate the entity and plans to recover its assets and settle its debt in the normal course of business.

Given due cognisance of the Steinhoff 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 is a going concern for the 12 month period following the date of issue of these 2021 consolidated and separate financial statements.

The consolidated and separate annual financial statements are prepared on a 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 35.

The consolidated and separate annual financial statements set out on pages 1 to 18 and 36 to 187, were approved by the board on xx December 2021 and were signed on their behalf by:

STATEMENT OF THE GROUP CEO AND THE GROUP FINANCIAL DIRECTOR'S RESPONSIBILITY

The directors, whose names are stated below, hereby confirm that:

- the consolidated and separate annual financial statements set out on pages 36 to 187, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves Directors, and have taken the necessary remedial action.

L du Preez
Executive director

TLR de Klerk
Executive director

SECRETARY CERTIFICATION

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 2021 financial year.

Steinhoff Secretarial Services Proprietary Limited
Company secretary

15 December 2021
On behalf of Steinhoff Investment Holdings Limited

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2021

The directors submit their report on the consolidated and separate annual financial statements of Steinhoff Investments for the twelve months ended 30 September 2021.

NATURE OF BUSINESS
Steinhoff Investments is a wholly-owned subsidiary of Steinhoff N.V. and is primarily involved in the retailing of general merchandise. The Steinhoff Investments Group currently operates predominantly 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.

COMPLIANCE WITH LAWS AND REGULATIONS
Steinhoff Investments' directors have confirmed that, to the best of their knowledge, Steinhoff Investments:
i) complied with its laws of incorporation; and
ii) operated in accordance with its memorandum of incorporation, during the year under review.

HOLDING COMPANY
The Company's holding company and ultimate parent entity is Steinhoff N.V., incorporated in the Netherlands, which holds 100% of the issued ordinary shares.

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 2021 Reporting Period are fully set out in the attached consolidated and separate annual financial statements.

The Board of Directors want to emphasise the following key elements included in the consolidated and separate annual financial statements of Steinhoff Investments for the year ended 30 September 2021:

Corporate activity and material disposals
- **Continued operations – The Building Company**
  During the prior year, the Group's material subsidiary, Pepkor Holdings Limited ("**Pepkor Holdings**"), entered into a sale and purchase agreement for the disposal of the entire issued share capital of The Building Company. The approval of the transaction by the Competition Authorities was not fulfilled by the transaction long stop date of 16 August 2021. As a result, the parties agreed to terminate the transaction. The Building Company has performed well and has made substantial progress to restructure and consolidate the business while improving its strategic alignment, performance and profitability. Prior year comparatives have been restated to account for The Building Company as a continuing operation, where it was previously classified as a discontinued operation. Refer to note 1.

- **Pepkor Holdings - Civil unrest**
  The civil unrest of July 2021 resulted in a damages insurance claim of R1.2 billion and a business interruption claim of R717 million. Interim payments of R500 million and R 171 million have been received from the respective insurers and accounted for in the 2021 Reporting Period. It is expected that the full claim will be paid.

- **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.

  The total fine of R15 million was paid on 2 February 2021, which brought this matter to a close.

FINANCIAL REVIEW (continued)

Corporate activity and material disposals (continued)

- **Disposal of Africa Properties**
  With effect from March 2019, the Steinhoff Investments Group has commenced a process to dispose of its remaining property portfolios in Africa. As at the Reporting Date the majority of the properties have been disposed of and the remaining properties are expected to be disposed within the next 12 months. Pepkor Holdings issued 68.7 million ordinary shares from the end of July 2021 up until September 2021 as purchase consideration for various properties acquired from the Steinhoff Group.

- **Accelerated bookbuild of 370 million ordinary shares in Pepkor Holdings**
  During September 2021 the Steinhoff Group successfully placed, via an accelerated bookbuild, 370 million ordinary shares in Pepkor Holdings ("**Placing Shares**"), raising total gross proceeds of R7.3 billion. The Placing Shares were placed at a price of R19.75 per share, a 9.0% discount to the pre-launch closing share price of ordinary shares at market close on 13 September 2021. These shares constitute approximately 9.9% of total issued share capital of Pepkor Holdings. Following the conclusion of the placement, Steinhoff's interest in Pepkor Holdings reduced from 68.2% to approximately 58.3%. A 180-day lock-up period is applicable to further placements, excluding those placed with claimants in terms of the Litigation Settlement Proposal.

Debt paid and/or restructured and settlement of loans receivable

- **Pepkor Holdings - settlement of preference share funding**
  Following the settlement of R4.0 billion in preference share funding by Pepkor Holdings during the 2020 financial year, the remaining R2.0 billion in preference share funding was settled during the Reporting Period.

- **Pepkor Holdings - Domestic Medium Term Note Programme**
  Pepkor Holdings successfully raised R2.2 billion in the South African bond market following an auction held on 30 April 2021. The Domestic Medium Term Note Programme is part of Pepkor Holdings' strategy to diversify its sources of funding and to reduce its cost of funding. Proceeds from the notes issued will be used to replace existing term debt due for repayment in 2022; thereby strengthening the Pepkor Holdings group's liquidity and debt repayment profile.

  Pepkor Holdings further notified shareholders and noteholders that the JSE had granted the listing of its PEP03 and PEP04 Senior Unsecured Floating Rate Notes effective 5 May 2021, in terms of its programme dated 2 March 2020 and guaranteed by Pepkor Trading Proprietary Limited.

- **Internal restructure - Newshelf 1093 Proprietary Limited ("Newshelf") Preference shares**
  On 29 September 2021, the Newshelf C Preference share terms were amended to voluntarily redeemable at the option of Newshelf. Following the amendment, Newshelf and Steinhoff Africa Holdings Proprietary Limited ("**Steinhoff Africa**") entered into a preference share settlement agreement in terms of which the C Preference Share redemption value was discharged by the transfer of shares in Ainsley Holdings Proprietary Limited ("**Ainsley**") equivalent to the value of the C Preference Share redemption value. The remainder of the shares held by Newshelf in Ainsley were distributed to Steinhoff Africa.

Litigation Settlement Proposal

- On 15 February 2021 the ultimate holding company, Steinhoff N.V., applied for the opening of SoP proceedings and offered the Steinhoff N.V. Composition Plan to its SoP creditors. The Dutch Court confirmed the Steinhoff N.V. Composition Plan on 23 September 2021. No appeal was lodged to the Dutch Court's decision and accordingly, the order became final and binding and by consequence the Steinhoff N.V. Composition Plan became binding on all SoP creditors in accordance with its terms. The Steinhoff N.V. Composition Plan was proposed in parallel with the SIHPL Section 155 Proposal. Both proposals, which are inter-conditional, form part of the Litigation Settlement Proposal to resolve the legacy claims arising from the announcement of accounting irregularities.

- Creditors' meetings in terms of the SIHPL Section 155 Proposal, were held on 6th and 10th September 2021 in which over 8,500 claimants representing approximately R91.7 bn of claims voted in favour of the SIHPL Section 155 Proposal, with no votes against. Subsequently the Court received intervention and opposing applications from the following:
  - i a party who under the SIHPL Section 155 Proposal is a Non-Qualifying Claimant and that will continue to be disputed following the implementation of the settlement effective date, being: Trevo Capital Limited ("**Trevo**"), a Mauritian entity associated with the former CEO of Pepkor Holdings, Mr Erasmus; with the support of six individuals (who are also all Non-Qualifying Claimants); and
  - ii parties purporting to be Market Purchase Claimants under the Proposal, being: the trustees of Sport City Trust and AJVH Holdings Proprietary Limited, both of which are associated with the former owners of Tekkie Town, and an individual, Mr Lamprecht.

  In addition, an intervention application in support of SIHPL's sanction application has been received from Deloitte SA.

FINANCIAL REVIEW (continued)

Litigation Settlement Proposal (continued)

The SIHPL Section 155 Proposal has been adopted by all three classes of the scheme creditors during September 2021.

SIHPL opposed certain of the interventions and all of the opposing applications as it continues to work towards implementing the SIHPL Section 155 Proposal that has achieved the overwhelming support of so many claimants and so that those claimants can receive the settlement consideration as soon as possible under the terms of the SIHPL Section 155 Proposal.

- Once sanctioned, the SIHPL Section 155 Proposal will result in a compromise of claims asserted by the scheme creditors against SIHPL in accordance with the terms of the SIHPL Section 155 Proposal. Court sanctioning of the SIHPL Section 155 Proposal (which will be filed with the CIPC) is required for it to be final and binding on all of SIHPL's scheme creditors. Pursuant to the SIHPL Section 155 Proposal having been adopted overwhelmingly by the SIHPL scheme creditors, SIHPL brought the sanction application, which will be heard by the Court in the week of 24 January 2022.

- Only the SIHPL portion (c. R16.6 billion) of the total Litigation Settlement Proposal provision (c. R28 billion) is relevant to Steinhoff Investments, and it has therefore been included in the consolidated annual financial statements for the year ended 30 September 2021. These amounts are subject to change based on the ZAR:EUR exchange rate and the prevailing Pepkor Holdings share price at date of settlement. The exchange rate used in the determination of these amounts was R17.57 and a Pepkor Holdings share price of R21.57. Refer to note 23.3 – Litigation Settlement Proposal and note 4.2.7 – Material other expenses;

- In preparing the Litigation Settlement Proposal, the position of the preference shareholders and their rights and the obligations of the Company (Steinhoff Investments) was taken into account;

COVID-19

- The full effect of COVID-19 is still playing out and having a major impact on consumers in the lower end of the market. Despite this challenging operating environment, Pepkor Holdings is ideally positioned in the discount and value segment of the market to serve our customers with affordable products and services. Although COVID-19 is expected to continue to constrain the retail environment from an economic perspective, current level of restrictions do not have a significant impact on the ability to operate.

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 or preference shares were issued during the 2021 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	2 056	15 000 000	100.00%
Non-public shareholders	-	-	0.00%
	2 056	15 000 000	100.00%

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

SBSA ITF PGR CAP High Growth H4 QHF	19.1%
SBSA ITF PGR CAP PURE HEDGE H4 RHF	6.3%
LAURIUM L/S PRESCIENT RI HEDGE FUND	6.1%
SBSA ITF PGR CAP PURE HEDGE H4 QHF	5.7%
RAND MERCHANT BANK COLLATERAL	5.2%
SBSA ITF PGR CAP High Growth H4 RHF	5.1%

None of the directors held any ordinary or preference shares in the Company in either the 2020 or 2021 Reporting Periods. This has not changed since the Reporting Date.

DIVIDENDS TO OWNERS OF PREFERENCE SHAREHOLDERS

The following preference dividends were declared and paid by Steinhoff Investments during the 2021 Reporting Period to preference 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 2020 to 31 December 2020	Monday, 26 April 2021	292.42
1 January 2021 to 30 June 2021	Monday, 25 October 2021	286.38

CONTRACTS

No contracts, other than those disclosed in Note 31, 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.

EVENTS AFTER THE REPORTING DATE

Management carefully considered each subsequent event to assess if any of these events classify as adjusting events. The material events after the 2021 Reporting Period are listed below.

Non-adjusting subsequent events

- **Dividend to Preference Shareholders**
  The board of directors of the Company declared a gross dividend of 286.37671 cents per share in respect of the period 1 January 2021 to 30 June 2021, payable to the shareholders of the 15 000 000 cumulative, non-redeemable, non-participating, variable rate preference shares issued by the Company. The dividend was paid on 25 October 2021.

- **Termination of the Dutch SoP proceedings for Steinhoff N.V.**
  On 2 October 2021, the appeal period in respect of the order by the District Court of Amsterdam confirming Steinhoff N.V.'s Composition Plan lapsed. No party lodged an appeal against this confirmation order. Thus the confirmation of Steinhoff N.V.'s Composition Plan became final and unappealable (*in kracht van gewijsde*), resulting in the termination of the SoP proceedings of Steinhoff N.V. pursuant to Section 276 of the Dutch Bankruptcy Act.

- **Litigation Settlement Proposal - SARB Approval**
  Steinhoff N.V. and SIHPL received the necessary approvals from the South Africa Reserve Bank ("**Finsurv**") on 18 October 2021, for the implementation of the cross-border transfers contemplated by the revised Litigation Settlement Proposal. The approval is valid until 31 May 2022.

- **Pepkor Holdings - Dividend declaration**
  The board of directors of Pepkor Holdings, declared a dividend of 44.2 cents per ordinary share, which is payable to shareholders on 24 January 2022 in respect of the twelve months ended 30 September 2021.

Adjusting subsequent events

- **Conditional settlement with Trevo**
  Steinhoff N.V.'s announcement on 11 August 2021 confirmed the treatment of Trevo as a Non-Qualifying Claimant (being a class of claimants to whom an offer of compromise is not made under the terms of the Section 155 Proposal). Trevo and others have opposed the sanction application for the Section 155 Proposal notwithstanding that they are not a Section 155 Proposal scheme creditor.

  On 15 December 2021, Steinhoff N.V. announced that Trevo had agreed to a settlement in which Trevo confirmed its conditional support for the Section 155 Proposal subject to the satisfaction of suspensive conditions on or before 11 January 2021 unless waived or extended by the parties. Until those suspensive conditions are achieved Trevo will maintain its opposition to the sanction application and its other litigation proceedings against Steinhoff remain on foot and Steinhoff will continue to resist such opposition. It is viewed as an adjusting event for the 2021 Reporting Period and R270 million was raised as part of the Litigation Settlement Proposal provision, representing the best estimate for settlement of the claim. Refer to Note 23.3.

EVENTS AFTER THE REPORTING DATE (continued)

Adjusting subsequent events (continued)

- **Tekkie Town settlement and Liquidation Application Proceedings**

  On 6 September 2021, the Court granted an Order ("**the 6 September Order**") in terms of which it dismissed the preliminary argument raised by *inter alia* Steinhoff N.V. that a South African Court does not have jurisdiction to wind up Steinhoff N.V. by virtue of the fact that Steinhoff N.V. is an external foreign company (**"the jurisdictional issue**"). On 10 September 2021, the Court gave a further Order, amongst other things, refusing a postponement of the liquidation application ("**the 10 September Order**"). On 28 October 2021, the Court granted Steinhoff N.V., and its financial creditors, leave to appeal to the Supreme Court of Appeal with respect to the jurisdictional issue, the financial creditors' intervention application and the appeals against the 10 September Order, as well as granting the applications for postponement of the liquidation application are pending the outcome of those appeals.

  As set out in the Steinhoff N.V. Composition Plan, certain former owners of the Tekkie Town business instituted claims against the Steinhoff N.V. Group (together the "**Former Tekkie Town Owner Claimants**"). One of those claimants, AJVH Holdings Proprietary Limited, and a related party, Sport City Trust, also attempted to oppose the application for the sanction of the Section 155 Proposal by arguing that they have SIHPL Market Purchase Claims (as defined in the Section 155 Proposal). In addition, the Former Tekkie Town Owner Claimants instituted liquidation proceedings (the "**Liquidation Application**") against Steinhoff N.V. on 12 May 2021.

  On 15 December 2021, the Steinhoff N.V. Group and the Former Tekkie Town Owner Claimants (including associated parties who have joined or supported their Liquidation Application and Section 155 Proposal opposition) have agreed that the Former Tekkie Town Owner Claimants will (i) support, and withdraw their opposition to, the Section 155 Proposal with immediate effect and (ii) withdraw the Liquidation Application (and their opposition to the appeal pending before the South African Supreme Court of Appeal), subject to implementation of the Litigation Settlement Proposal. It is viewed as an adjusting event for the 2021 Reporting Period and R741 million was raised as part of the Litigation Settlement Proposal provision, representing the best estimate for settlement of the claim. Refer to Note 23.3.

GOING CONCERN

In determining the appropriate basis of preparation of the 2021 consolidated and separate financial statements, the board of directors is required to consider whether the Steinhoff Investments Group and the Company can continue in operational existence for the foreseeable future.

The board of directors draw attention to the critical assumptions listed and disclosures made in the 2021 consolidated and separate financial statements. Significant matters considered by the board of directors for the Steinhoff Investments Group's going concern assessment are:

Litigation

On 15 February 2021 the Company's ultimate holding company, Steinhoff N.V., applied for the opening of SoP proceedings and offered the Steinhoff N.V. Composition Plan to its SoP creditors. The Dutch Court confirmed the Steinhoff N.V. Composition Plan on 23 September 2021. No appeal was lodged to the Dutch Court's decision and accordingly, the order became final and binding and by consequence the Steinhoff N.V. Composition Plan became binding on all SoP creditors in accordance with its terms. The Steinhoff N.V. Composition Plan was proposed in parallel with the SIHPL Section 155 Proposal. Both proposals, which are inter-conditional, form part of the Litigation Settlement Proposal to resolve the legacy claims arising from the announcement of accounting irregularities.

Once sanctioned, the SIHPL Section 155 Proposal will result in a compromise of claims against SIHPL in accordance with the terms of the SIHPL Section 155 Proposal. The SIHPL Section 155 Proposal commenced in February 2021 and has been adopted by all three classes of the scheme creditors during September 2021. Approval and sanction, in the form of a Court Order, is required for the order sanctioning the compromise to be final and binding on all of SIHPL's scheme creditors. Pursuant to the SIHPL Section 155 Proposal having been adopted overwhelmingly by the SIHPL scheme creditors, SIHPL brought the sanction application, which will be heard by the Court in the week of 24 January 2022.

Notwithstanding the ongoing litigation and claims the Group has received, which claims it continues to defend, the board of directors remain confident that the Litigation Settlement Proposal, as announced, will conclude substantially all the various litigation proceedings. It is management's view that the sanctioning by the Western Cape High Court of the SIHPL Section 155 Proposal, is highly probable as all eligible claimants have voted overwhelming in favour of the global settlement without any votes against. Furthermore, the legal claims against SIHPL, are ring-fenced to SIHPL.

As at 30 September 2021, the SIHPL obligation has been classified as a provision and measured as per the 30 September 2021 SIHPL Section 155 Proposal term sheet as that is the best estimate of the total amount to be incurred to settle the present obligation. The obligation will no longer be disclosed as a contingent liability as all eligible claimants have adopted the SIHPL Section 155 Proposal. The Steinhoff Investments Group and the Company's cash flow forecasts have been adjusted for the impact of the Litigation Settlement Proposal provision as detailed in note 23.3 of these consolidated annual financial statements.

GOING CONCERN (continued)

SIHPL CPU (Claim by Financial Creditors)

Certain parties applied to the South African High Court to challenge both the 2014 guarantee and the SIHPL CPU entered into by SIHPL in 2019 in order to restructure its crystallised liability as the guarantor (under both the guarantees). The basis of the challenge was that the South African statutory financial assistance provisions were contravened. In its decision handed down on 2 July 2021 (the Section 45 Judgement), the Court in first instance confirmed the validity of the 2014 guarantee, but in relation to the SIHPL CPU, found that financial assistance provisions in section 45 of the Companies Act had been breached, and held that the resolution of the SIHPL board authorising entry into the SIHPL CPU and thus the SIHPL CPU itself is void. This judgement has been appealed by both SIHPL and the relevant financial creditors.

The appealing financial creditors notified SIHPL that, if their appeal of the Section 45 Judgement proved to be unsuccessful, in their opinion they would be entitled to the benefit of the continuing debt claims or restitutionary claims against SIHPL which fall outside the scope of the Section 45 Judgment. The financial creditors contend that SIHPL will owe an English law debt to them either under the original guarantees or on similar terms by way of restitution for unjust enrichment suffered as a result of the loss of the benefit of those guarantees in circumstances where both parties had intended that SIHPL would remain liable to the financial creditors under the SIHPL CPU following the 2019 financial restructuring.

Conditional upon the settlement effective date of the Litigation Settlement Proposal, any and all claims and actions of the financial creditors against SIHPL (whether asserted or unasserted, and whether the subject of pending proceedings and appeals or otherwise) arising under, out of or in connection with the SIHPL CPU, the convertible bonds guaranteed by SIHPL, the guarantees or any other related matter will be fully and finally compromised by way of their waiver and released on specified terms.

While the SIHPL CPU may have been declared null and void, the financial creditors have an equitable claim under the terms of the 2019 financial restructuring for a similar amount to what is due under the SIHPL CPU. This obligation arises under the provisions of the existing contracts and SIHPL has little to no ability to avoid settlement of such obligation. The full negative equity of SIHPL has been included in the consolidated results of Steinhoff Investments Group, as required by IFRS.

Classification of debt

As part of the implementation steps of the Litigation Settlement Proposal, the Steinhoff N.V. Group delivered the interim extension option request to its lenders on 6 August 2021 requesting consent to extend the maturity date of the Steinhoff N.V. Group's outstanding debt from December 2021 to December 2022.

On 11 August 2021, consent for the Interim Extension was granted by its creditors (including the SIHPL CPU financial creditors). A further term extension could be granted, initially to 30 June 2023, with a further 6 months extension to 31 December 2023, subject to the successful implementation of the Litigation Settlement Proposal. Consequently, the maturity date of the SIHPL CPU, now labelled as Claim by Financial Creditors, was also extended from 31 December 2021 to 31 December 2022. As a result, the Claim by Financial Creditors, in accordance with IAS 1, is classified as non-current at 30 September 2021. Refer to Note 17.

COVID-19

Operational management continues to expect a constrained retail environment going forward as a result of the longer-term impact of Covid-19 on the South African economy, further exacerbated by the recent civil unrest. The Group's unparalleled position in the discount and value retail market segments continues to be increasingly relevant in addressing consumer needs. The Group has assessed its ECL calculations as well as the impairment of goodwill and intangible assets taking into consideration the constrained retail environment and has concluded that its ECL provisions are reasonable and that no further impairment of goodwill and intangible assets are necessary as at 30 September 2021.

Conclusion

In determining the appropriate basis of preparation of the 2021 consolidated and separate financial statements of Steinhoff Investments, the board of directors is required to consider whether the Steinhoff Investments Group can continue in operational existence for the foreseeable future. The board of directors draw attention to the following facts:

- the board of directors remain confident that the Court will sanction the SIHPL Section 155 Proposal, as proposed and adopted by creditors;
- At 30 September 2021, the Steinhoff Investments Group's current assets exceed its current liabilities; and
- management does not intend to liquidate the entity and plans to recover its assets and settle its debt in the normal course of business.

Given due cognisance of the Steinhoff 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 is a going concern for the 12 month period following the date of issue of these 2021 consolidated and separate financial statements.

CORPORATE GOVERNANCE

JSE Listings Requirements

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. A delegation of authority framework has been adopted by the board, enabling the efficient administration of the day to day affairs of the Company. All other matters beyond the administrative scope of the delegation of authority framework are considered and determined by the full board, acting collectively. The board has appointed an independent non-executive chairman who does not hold the position of chief executive officer.

Board Committees

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

The Social & Ethics committee operates under terms of reference that are aligned with the requirements of the Companies Act and King IV™ The Social & 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 Broader Diversity at Board Level

On 17 June 2021, the board approved a new policy on broader diversity at board level in accordance with changes to the JSE Listings Requirements. In terms of the policy, appointments to the board are based on levels of skill, acumen and experience with due regard to gender, race, culture, age, field of knowledge. 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* .

MATERIAL RISKS

A description of all immediately identifiable material risks which are specific to Steinhoff Investments, its industry and/or its issued preference shares are available on www.steinhoffinternational.com.

AUDITOR

Mazars were appointed as external auditors for the financial period ended 30 September 2021 and will remain in office in accordance with Section 90(6) of the Companies Act.

EXTERNAL AUDIT

The 2021 consolidated and separate financial statements have been audited by the external auditor, Mazars, and their audit opinion is set out on page 19 to 35. The consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Steinhoff Investments as at 30 September 2021, and consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act.

DIRECTORATE

	Type	Date of appointment
Directorate in office 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

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.

Composition of board committees

	Audit and Risk Committee	Social and Ethics Committee
Non-executive directors		
Moira Moses	✓	-
Alex Watson	**Chairperson**	**Chairperson**
Hugo Nelson	✓	✓
Executive directors		
Louis du Preez	-	✓
Theodore de Klerk	-	-

Attendance of meetings

Board meetings	Hugo Nelson	Louis du Preez	Moira Moses	Alex Watson	Theodore de Klerk
28 October 2020	✓	✓	✓	✓	✓
15 December 2020	✓	✓	✓	✓	✓
17 June 2021	✓	✓	✓	✓	✓

Audit and Risk Committee meetings	Hugo Nelson	Moira Moses	Alex Watson
12 October 2020	✓	✓	✓
28 October 2020	✓	✓	✓
15 December 2020	✓	✓	✓
17 June 2021	✓	✓	✓

Social and Ethics Committee meetings	Hugo Nelson	Louis du Preez	Alex Watson
21 May 2021	✓	✓	✓

With effect from 29 October 2018, Ms Moira Moses was appointed as an independent non-executive director and a member of the Audit and Risk Committee of the Company. On 22 May 2020 Ms Moses was appointed as the Chairperson of the board of Steinhoff Investments. Ms Moses shall retire by rotation at the Company's next annual general meeting, where she will be nominated for re-appointment by the Company's ordinary shareholder.

On 22 May 2020, the holding company, Steinhoff N.V.'s Supervisory Board designated Moira Moses as chairperson of the Steinhoff N.V.'s Supervisory Board and appointed her as chairperson its Nomination Committee. She graduated from the University of the Witwatersrand in 1987 and completed a Management Advancement Programme at the Business School of the University of the Witwatersrand in 1995. She enjoyed a successful career in the motor industry holding the position of Managing Director of Land Rover, Volvo and Jaguar in Southern Africa from 2000 to 2004. Ms Moses was with Transnet Limited from 2005 – 2012 and held the position of Group Executive, Capital Projects. She has held a number of Non-Executive Board positions including Transnet Limited, Viamax Proprietary Ltd, Afrisam Group and MTN Group Limited. From 2007 to 2015 she served on the Board of the Public Investment Corporation, and from 2009 to 2018 at the Government Employees Pension Fund. She is currently on the Boards of Kansai Plascon Africa Limited and Thusanang Trust, a non-profit organisation focused on child education.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2021

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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Western Cape
7600

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AUDIT AND RISK COMMITTEE REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2021

BACKGROUND
The audit and risk committee of Steinhoff Investments ("**Audit Committee**") is pleased to present its report for the year ended 30 September 2021 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
Audit Committee members		
Alex Watson	Chairman	29 October 2018
Moira Moses	Member	29 October 2018
Hugo Nelson	Member	30 August 2019

The board of directors is satisfied that the 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 2021 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 and separate annual financial statements of the Group, 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 and separate annual financial statements of the Group 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 Audit Committee in respect of the 2021 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 and separate annual financial statements of the Group for the year ended 30 September 2021.
- 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.

OBJECTIVE AND SCOPE (continued)

Activities of the Audit Committee in respect of the 2021 Reporting Period (continued)

- 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 as contemplated in paragraph 3.84(g)(ii) and concluded that they are working.
- Reviewed the accounting policies and financial statements for the year ended 30 September 2021 and, based on the information provided to the Audit Committee, considers that the Company and Group comply, in all material respects, with the JSE Listings Requirements; IFRS; the interpretations adopted by the International Accounting Standards Board ("**IASB**"); the IFRS Interpretations Committee of the IASB ("**IFRIC** ") the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; and the manner required by the Companies Act.
- 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 Reporting 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 was implemented and resulted in overall improvements in controls throughout the Group. More details are available in the already published 2017, 2018, 2019 and 2020 annual reports of Steinhoff N.V. Where weaknesses in specific controls were identified, management implemented appropriate corrective actions to mitigate the weaknesses identified.

Following the December 2017 events, internal controls and systems were designed to provide reasonable assurance as to the integrity and reliability of the financial information presented 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 2021 financial year. 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 Mazars as the external auditor for the 2021 financial year, and Yolandie Ferreira 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 her third year as auditor of the Company.

The Audit Committee was satisfied that Mazars and Yolandie Ferreira had fulfilled all pre-requisites for reappointment and recommended that Mazars, as the independent external audit firm of Steinhoff Investments, and Yolandie Ferreira, as audit engagement partner, be reappointed for the 2022 financial year, subject to shareholder approval at the upcoming AGM.

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

MATTERS AND RISK AREAS PERTAINING TO THE 2021 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:

- Considered transactions for related-party entity disclosure.
- The provision for the Litigation Settlement Proposal.
- Goodwill and indefinite life intangible asset impairment assessments of all operating segments, and the headroom estimated for each segment, which resulted in the impairment of the goodwill and other intangible assets.
- Management's assessment of Steinhoff Investments' going concern.
- The expected credit losses raised on financial assets. The model methodology and application of the methodology are in line with the requirements of IFRS 9. The degree of judgement and estimation applied by management in determining the ECL.
- 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.

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 Mazars' audit opinion set out on page 19 to 35. The Audit Committee considers the Group's accounting policies, accounting practices and financial disclosures, as amended, to be appropriate.

EVALUATION OF CHIEF FINANCIAL OFFICER

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

ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the consolidated and separate annual financial statements for the year ended 30 September 2021, 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

A Watson
Audit Committee chairman
15 December 2021

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Independent Auditor's Report

30 September 2021

To the Shareholder of Steinhoff Investment Holdings Limited and its subsidiaries ("the Group")

Report on the Audit of the Consolidated Annual Financial Statements

Opinion

We have audited the consolidated annual financial statements of Steinhoff Investment Holdings Limited and its subsidiaries (the Group) set out on pages 36 to 165, which comprise the consolidated statement of financial position as at 30 September 2021, 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.

In our opinion, the consolidated annual financial statements present fairly, in all material respects, the consolidated financial position of Steinhoff Investment Holdings Limited and its subsidiaries as at 30 September 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Provision: Litigation Settlement Proposal (Note 23.3) On 27 July 2020, the Group along with Steinhoff International Holdings N.V. (Steinhoff N.V.) announced the terms of a proposed settlement to conclude certain of the complex legal claims and ongoing pending litigation proceedings arising from the historic events first announced in December 2017. The proposed settlement consisted of the Dutch Suspension of Payments ("SoP") proceedings (for the Steinhoff N.V. creditors) and the Section 155 Proposal in terms of the South African Companies Act 2008 ("Section 155 Proposal") as it applies to Steinhoff International Holdings Proprietary Limited ("SIHPL") creditors. The provision of R16,6 billion is raised in respect of the Section 155 market purchase claims (MPC), contractual claimants and other non-qualifying claims as set out in Note 23.3 (Provision – Litigation Settlement Proposal). During the 2021 financial year Steinhoff N.V.'s Composition Plan as well as SIHPL's Section 155 Proposal has been voted on and adopted by the eligible claimants. The Dutch Court confirmed the Steinhoff N.V. Composition Plan on 23 September 2021. On 2 October 2021, following an eight-day appeal period	Our audit procedures included an assessment of the litigation settlement provision recognised by management in the current year in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), the detailed procedures are as follows: • we inspected relevant documentation and interviewed management and management experts to assess the reasonability and appropriateness of management's judgements in determining the provision; • we reviewed the work performed by management's experts and assessed the reasonableness of their conclusions; • we inspected the acceptance of the claimants of the SoP and the S155 proposal and verified the sanctioning of the Dutch SoP process by the Dutch court; • we challenged management's judgement of the most probable outcome by considering the outstanding sanctioning of the Section155 Proposal;

where no appeals were received, the SoP proceedings terminated. The Dutch Court order became final, with the SoP procedures terminating and the Steinhoff N.V. Composition Plan became binding. The Steinhoff N.V. Composition Plan was proposed in parallel with the SIHPL Section 155 Proposal. The SIHPL Section 155 Proposal has been adopted by all three classes of the scheme creditors during September 2021. Pursuant to the SIHPL Section 155 Proposal having been adopted overwhelmingly by the SIHPL scheme creditors, SIHPL brought the sanction application, which will be heard by the Court in the week of 24 January 2022. At the reporting date the SIHPL Section 155 Proposal has not yet been sanctioned by the Court. A contractual obligation exists between SIHPL and its eligible claimants for SIHPL to deliver a specified amount of cash and/or Pepkor Holdings Limited shares. Since the SIHPL Section 155 Proposal is still dependent on the Court sanctioning before it is implemented and effective, a provision has been raised. The Litigation Settlement Proposal provision was reviewed by management at the end of the Reporting Period and adjusted to reflect the current best estimate to settle the obligation. Based on the current status of the Litigation Settlement Proposal the expected outflow of economic benefit will be the value as included under the Steinhoff N.V. Composition Plan and the SIHPL Section 155 Proposal which will be settled in cash and/or Pepkor Holdings Limited shares. Only the SIHPL portion R16.6 billion of the total proposed legal settlement provision R28 billion is relevant to the Group and has therefore been included in the consolidated annual financial statements for the year ended 30 September 2021.	• we appointed and consulted with specialist independent external legal counsel to provide an independent confirmation of the opinion provided by management experts on the most probable outcome of the sanctioning of the Section 155 Proposal to be heard by the court; • we obtained legal confirmations verifying the status of the legal process and the legal claims submitted by claimants; and • we assessed and evaluated the presentation and disclosure of the above matter.

We considered this area to be a matter of most significance to our current year audit due to the following: • the critical judgement applied by management in the estimation and recognition of the Litigation Settlement Proposal provision; • the complex legal requirements applicable to the settlement; • the magnitude of the Litigation Settlement Proposal provision; • the current legal status of the Section 155 Proposal ; and • the appropriateness of the presentation and disclosure of the Litigation Settlement Proposal provision.	
Impact of litigation on the consolidated annual financial statements **Basis of preparation (Going Concern)** Management has prepared the consolidated annual financial statements on the basis that the Group is a going concern. Entities within the Group of which Steinhoff N.V. is the ultimate holding company, are subject to multiple legal claims. The legal claims within the Group pertain to (“SIHPL”), a company that is consolidated into the Group. Management have identified, in the basis of preparation note (going concern) that the legal claims are ring-fenced against SIHPL and no other Group company has an obligation to settle the legal claims on SIHPL's behalf. The liquidity impact of the Litigation Settlement Proposal provision has been considered in the	As part of the audit work performed, we have evaluated the impact of the Steinhoff N.V. and SIHPL litigation on the Group. Our audit procedures included the following: • we reperformed the calculation included in management’s going concern assessment; • we reviewed the reasonability of the period covered by and the assumptions underlying management’s assessment; • we examined the results of cash flow forecasts and evaluated whether management’s conclusion regarding the impact on going concern is appropriate; • we verified the acceptance by the claimants of the Dutch SoP and Section 155 Proposal by inspection of the underlying signed term sheets and inspected the sanctioning

Group liquidity calculations (Note 21.4 and Basis of Preparation – Going Concern statement). Management disclosed (basis of preparation) that it does not intend to liquidate the entity and plans to recover its assets and settle its debt in the normal course of business. We considered this area to be a matter of most significance to our current year audit due to the following: • the nature and extent of the potential impact of the litigation on Steinhoff N.V. and SIHPL; and • the adoption of the SoP and the SIHPL Section 155 Proposal and current status regarding the outstanding sanctioning of the Section 155 Proposal at 30 September 2021.	announcement. Refer to the extent of the work performed in the “Provision: Litigation Settlement Proposal ” key audit matter above; • we reperformed management’s calculation of the Provision - Litigation Settlement Proposal; • we verified the acceptance of the claimants of the SoP proposal and inspected the sanctioning of the Dutch SoP process by the Dutch court; • we inspected legal confirmation letters obtained by management noting the status of the ongoing litigation within SIHPL; • we evaluated the adequacy and appropriateness of management’s assessment and disclosure in respect of the critical assumptions on Steinhoff N.V. and the other entities within the group and the possible impact on the going concern assumption for the Group; and • we assessed and evaluated the adequacy and appropriateness of management’s presentation and disclosure of the above matters in the consolidated annual financial statements, as set out in the basis of preparation (Going Concern and Litigation) and Note 24.3 (Contingent liabilities).
Lancaster litigation (Note 12 and Note 17) At the beginning of the 2018 Reporting Period, Steinhoff Africa Holdings (Pty) Ltd, a subsidiary within the Group, subscribed for 1 000 preference	Our audit procedures included an assessment of the Lancaster transaction and the recognition and disclosure thereof in the consolidated annual financial statements. Our detailed procedures are as follows:

shares to the value of R4 billion in Lancaster 102 (Pty) Ltd as part of an intraday loop transaction in which all the parties utilised the same funding. Lancaster 102 (Pty) Ltd subscribed for ordinary shares in Thibault for a total subscription amount of R4 billion, and Thibault purportedly subscribing for preference shares in Steinhoff Africa (Pty) Ltd for a total subscription amount of R4 billion. As stated in Note 12 (Other Financial Assets), Steinhoff Africa Holdings (Pty) Ltd initiated a separate application seeking declaratory relief that all transactions included in the Lancaster 102 (Pty) Ltd loop transaction be declared void. This matter is currently subject to a suspension agreement entered by the parties. We considered this area to be a matter of most significance to our current year audit due to management's judgements applied to the uncertainty related to how the settlement of the litigation could impact the classification of other financial assets and related borrowings as a result of the legal and regulatory processes which have not yet been finalised.	• we inspected the signed agreements and minutes of meetings and resolutions regarding the Loop transaction; • we inspected management's expert legal counsel opinions and conclusions regarding the invalidity of the Loop transaction; • We inspected the legal documentation regarding the applications filed by affected parties regarding the declaratory relief; • we evaluated the adequacy and appropriateness of management's assessment of the impact of these events on the consolidated annual financial statements; and • we assessed and evaluated the presentation and disclosure of these events in the consolidated annual financial statements.
Impairment assessments in respect of goodwill and indefinite life intangible assets (Note 8) The Group's net assets include a significant amount of goodwill amounting to R37.3 billion, and trade and brand names amounting to R17.6 billion classified as indefinite life intangible assets, allocated to groups of cash generating units ("CGUs"). Please refer to Note 8 (Intangible assets) to the consolidated annual financial statements. Management performs annual impairment tests to assess the recoverability of the carrying value of goodwill and indefinite life intangible assets. The recoverable amount of the CGUs to which goodwill has been allocated is based on fair value less cost of disposal calculations, determined using discounted cash flow models.	Our audit procedures included testing of the principles, integrity and mathematical accuracy of the Group's discounted cash flow models. The details of these audit procedures are listed below: • through inspection of relevant documentation and discussions, we assessed management's judgements relating to the allocation of goodwill and indefinite life intangible assets to the lowest level at which it is being monitored; • we utilised our internal valuations expertise to test the principles of management's calculation for each model, this included

Based on their impairment assessments and calculations, management recognised an impairment loss of R13 million against its material subsidiary, Pepkor Holdings Limited Eezi CGU. No further impairment losses were recognised to goodwill and indefinite life intangible assets in relation to the other groups of CGUs. We considered this area to be a matter of most significance to our current year audit due to the following: • the significant judgement and key assumptions applied by management in performing the impairment assessments and calculations, which included the discount rate, long term growth rate, short to medium term revenue growth rate and future cash flows; and • the magnitude of the related goodwill and indefinite life intangible asset balances.	challenging key inputs in the calculations by comparing the discount rate, long term growth rate and short to medium-term revenue growth rate to approved business plans, independent market and economic data; • we assessed management's forecasts by evaluating sales and margin forecasts and comparing it to the past performance of each of the Groups of CGUs, we considered the extent and appropriateness of the impact of the COVID-19 pandemic and lockdown restrictions on the market-related assumptions through discussions with management and our valuation specialists; • we performed independent sensitivity calculations on the impairment assessments where no impairments were recognised, to assess the degree by which the key assumptions needed to change in order to trigger an impairment; and • we have assessed and evaluated the presentation and disclosure of the above matter.
Tax liability for uncertain tax obligations (Note 6) The Group operates across numerous jurisdictions which have differing tax legislation. Determination of the amounts which should be recognised for uncertain tax liabilities is subject to management's judgement, including consideration of regulations by various tax authorities. Taxation positions are provided for based on either the most probable outcome method or the expected value of the taxation position for each type of taxation exposure. Determining the tax liability amount that should be recognised for uncertain tax positions for the Group was considered to be a matter of most significance	Making use of our tax specialists, we performed the following procedures: • we challenged management's judgement of the most probable outcome by considering alternative views and probability factors in terms of assessing tax risks, legislative developments, tax regulations, contingencies and the recognition thereof; • we performed sensitivity analyses around the key assumptions, such as probability, used in management's assessments and the calculation of the tax liability;

to our current year audit due to the significant judgement applied by management in the application of existing tax laws in each jurisdiction and in accordance with relevant tax regulations. Tax liabilities for uncertain tax obligations are provided for in current income tax liabilities as disclosed in the consolidated statement of financial position.	• we made use of the information obtained as referred to above to independently calculate an expected range in respect of the Group's tax liability; and • we have assessed and evaluated the presentation and disclosure of the above matter.

Recognition of insurance receivable in relation to recovery of losses arising from South Africa's political and social unrest (Note 24.2)
 	
Refer to Note 4.1 (Other Income) and Note 11 (Effect of South Africa's political and social unrest) in the consolidated annual financial statements.
 	
At the beginning of July 2021, the South African provinces of KwaZulu-Natal and Gauteng experienced extreme social and political unrest, leading to wide scale looting and destruction of infrastructure.
 	
A total of 549 stores across the Pepkor Holdings Limited group were impacted in the affected areas. Stores were burnt, looted or damaged to varying degrees. As a result of the above, inventory losses of R673 million, property, plant and equipment losses of R76 million, and cash on hand losses of R18 million were recognised in the current year.
 	
The damage claim and the business interruption claims were made to two different insurers which Pepkor Holdings had existing insurance contracts with. The damages were claimed from the South African Special Risks Insurance Association ("SASRIA") and the business interruption claims from Emerald (Independent Insurer).
 	
As at year-end, the Pepkor Holdings Limited group submitted gross claims for material damage losses to the value of R1.2 billion, and R717 million for business interruption loss. Management recognised
	Our audit procedures included an assessment of the insurance income and receivable recognised by management in the current year in accordance with IAS 37, which determines that an asset can
	
	only be recognised to the extent that it is virtually certain. The following substantive audit procedures were performed:
	
	• we obtained and inspected all bank statements for actual receipt of cash before year end from the insurers to every income received;
	
	• we assessed whether any recognised insurance income was "virtually certain" at year end date by inspecting the following:
	
	  • a confirmation from the insurer stating their intention to pay the specified amount and their ability to pay such an amount relating to claims made before year end;
	
	  • bank statement after year end for actual receipt of cash relating to claims made before year end;
	
	  • the independent loss adjusters report showing that all claims were submitted before year end;

insurance income of R500 million of R1.2 billion for damages to assets and R171 million of R717 million for business interruptions as a result of cash that had been received for claims submitted at year end. For amounts not yet received at year end, a contingent asset has been disclosed, refer to Note 24.2 (Contingent Liabilities and Assets). We considered the insurance claim to be a matter of most significance to our audit due to the following: • the significant judgement applied by management in the recognition of the insurance income in the current financial year due to uncertainty as to the full amount that may be received from their insurance parties; • the magnitude of the claims submitted by management in relation to the losses incurred by the Group and the income received from both SASRIA and Emerald Africa; and • the appropriateness of the presentation and disclosure of the losses and income recognised from the looting.	• we agreed the classification of reported balances to supporting documentation to determine whether they are in accordance with the applicable framework and • we have assessed and evaluated the presentation and disclosure of the above matter.
Recoverability of financial and other assets (Basis of Preparation - Recoverability of financial and other assets) As described within the Basis of preparation – areas of critical judgements and estimates, it is noted that the recoverability of loans and assets with counterparties have been assessed as required under IFRS 9 Financial Instruments. Refer to Note 32 (Transactions and balances with the Steinhoff N.V Group) where it is noted that the estimated disposal values of the underlying assets in the Steinhoff Europe Group are significant estimates in determining the recoverable amounts of the intragroup loans. The valuation techniques used are subject to estimation uncertainty and depends on future performances of the underlying	Our audit procedures included an assessment of the recoverability of the loans receivables in current year in accordance with IFRS 9: • we compared the carrying values of the loans receivables to the respective recoverable amounts of the entities the loans are held with and assessed for any indicators of impairment or any reversals of impairment; • we assessed and performed procedures over the liquidity of the underlying shares held; • we utilised our internal valuations expertise to test the principles of management's

businesses, and potential discounts/taxes payable as a result of future disposals. As disclosed in Note 32.2 an impairment reversal of R 11.3 billion was noted in relation to the Steenbok Lux Finco 2 SARL (Lux Finco 2) and Steenbok Newco 2A Limited (Newco 2A) loans. These loans were previously credit-impaired, however a significant increase in the expected recovery and a decrease in the credit risk has been noted in the current financial year. We considered this area to be a matter of most significance to our current year audit due to the following: • the estimates applied by management in determining the recoverability of the loans receivable; • the magnitude of the loans and the impairments related to the Loans and receivables from the Steinhoff N.V. group; • the complexities of the loan recoverability calculations and complex loan agreements; and • the appropriateness of the presentation and disclosure of the loans from the Steinhoff N.V Group.	calculation for each model, this included challenging key inputs in the calculations; • we assessed management's forecasts by evaluating sales and margin forecasts and comparing it to the past performance, we considered the extent and appropriateness of the impact of the COVID-19 pandemic and lockdown restrictions on the market-related assumptions through discussions with management and our valuation experts; • we performed independent sensitivity calculations on the impairment and impairment reversal assessments, to assess the degree by which the key assumptions needed to change in order to trigger an impairment or impairment reversal; and • we assessed and evaluated the presentation and disclosure of the above matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled “Steinhoff Investment Holdings Limited Consolidated Annual Financial Statements for the year ended 30 September 2021””, which includes the Directors’ Report, the Audit Committee’s Report and the Company Secretary’s Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated annual or the separate annual financial statements and our auditor’s reports thereon.

Our opinion on the consolidated annual 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 annual 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 annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Annual Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Steinhoff Investment Holdings Limited for 3 years.

Mazars
Partner: Yolandie Ferreira
Registered Auditor
Date: 15 December 2021
Cape Town

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Independent Auditor's Report

30 September 2021

To the Shareholder of Steinhoff Investment Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Steinhoff Investment Holdings Limited (the company) set out on pages 167 to 186, which comprise the separate statement of financial position as at 30 September 2021, and 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.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Steinhoff Investment Holdings Limited as at 30 September 2021, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recoverability of financial and other assets (Basis of Preparation - Recoverability of financial and other assets)	
As described within the Basis of preparation – Significant judgements and sources of estimation uncertainty (Recoverability of financial and other assets, including investment in subsidiaries), it is noted that the determination of the amount and timing of the impairment losses necessitate a number of judgements and estimates. This includes the determination of the recoverable amount which is based, as far as possible, on the fair value of the underlying net assets less costs to sell. In addition, the Basis of preparation (Going concern assessment) includes management's view that the Company will be able to meet its liabilities as they become due. Refer to Note 7 (Investments in subsidiaries), Note 8 (Loans to related parties), Note 12 (Loans from related parties), and Note 4 (Other operating gains) of the separate annual financial statements. The recoverability of financial and other assets and the reversals of impairment losses are material matters, is subjective and involves estimation uncertainty. We considered this area to be a matter of most significance to our current year audit due to the following: • the estimates applied by management in determining the recoverability of the loans receivable from and investments in unconsolidated fellow subsidiaries; and	As part of the audit work performed: • we compared the carrying values of the investments and loans receivables in the subsidiary companies to the respective recoverable amounts of the underlying subsidiaries and assessed for any indicators of impairment; • we performed independent probability default/loss given defaults considerations on the impairment assessments where no impairments were recognised, to assess the degree by which the key assumptions needed to change in order to trigger an impairment; • we assessed and performed procedures over the liquidity of the underlying shares held; and • we have assessed and evaluated the presentation and disclosure of the above matter.

• management's view is that the Company will be able to meet its liabilities as they become due, in the 12-month period due to the highly liquid underlying shares in Pepkor Holdings Limited, which is separately listed on the JSE.	

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Steinhoff Investment Holdings Limited separate Annual Financial Statements for the year ended 30 September 2021", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the 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 Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of the company for 3 years.

Mazars
Partner: Yolandie Ferreira
Registered Auditor
Date: 15 December 2021
Cape Town

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 Rm	Restated[1] 2020 Rm
Continuing operations			
Revenue	3	77 329	70 827
Cost of sales[2]		(48 877)	(44 761)
Gross profit		28 452	26 066
Other income	4.1	1 085	858
Distribution expenses	4.3	(1 917)	(1 867)
Administration expenses	4.3	(18 222)	(16 778)
Debtors' cost	4.3.6	(785)	(1 734)
Net reversal of impairment losses on financial assets	4.2	11 349	3 884
Net other expenses	4.2	(8 052)	(19 762)
Operating profit/(loss)		11 910	(9 333)
Finance costs	5	(2 543)	(3 526)
Income from investments	5	1 463	1 461
Share of profit/(loss) of equity accounted companies	11.2	111	(93)
Impairment of equity accounted companies	11.2	-	(333)
Profit/(loss) before taxation		10 941	(11 824)
Taxation	6	(2 800)	(1 225)
Profit/(loss) from continuing operations		8 141	(13 049)
Discontinued operations			
Loss from discontinued operations	1	(39)	(463)
Profit/(loss) for the period		8 102	(13 512)
Profit/(loss) attributable to:			
Ordinary shareholders of Steinhoff Investments		6 427	(12 542)
Preference shareholders of Steinhoff Investments		87	107
Non-controlling interests	30	1 588	(1 077)
Profit/(loss) for the period		8 102	(13 512)
Basic and diluted profit/(loss) per share (cents)			
From continuing operations	7	11 756.4	(21 961.8)
From discontinued operations	7	(70.9)	(841.8)
		11 685.5	(22 803.6)

[1] *Refer to note 1 for details regarding the restatement of comparative numbers for the effect of the reclassification of The Building Company from discontinued to continuing operations as well as the correction of a prior period error for the reclassification between cost of sales and distribution expense.*

[2] *The material component of cost of sales comprises the cost of sales of inventory (R49 billion). Cost of sales also include merchandise written off due to the civil unrest of R673 million and an insurance claim recovery of R500 million that was offset against the write-off.*

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 Rm	Restated[1] 2020 Rm
Profit/(loss) for the period		**8 102**	(13 512)
Total other comprehensive (loss)/income for the period			
Items that will not be reclassified subsequently to profit or loss:			
Net fair value gain/(loss) on assets measured at fair value through other comprehensive income		**95**	(16)
		95	(16)
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of foreign operations		**(77)**	(89)
Foreign currency translation reserve reclassified to profit or loss		**(89)**	165
Net fair value (loss)/profit on cash flow hedges	**21.1**	**(740)**	1 231
Deferred taxation on cash flow hedges		**52**	(39)
Other comprehensive income of equity accounted companies	**11.2**	**(1)**	-
		(855)	1 268
Total other comprehensive (loss)/income for the period		**(760)**	1 252
Total comprehensive income/(loss) for the period		**7 342**	(12 260)
Total comprehensive income/(loss) attributable to:			
Ordinary shareholders of Steinhoff Investments		**5 858**	(11 290)
Preference shareholders of Steinhoff Investments		**87**	107
Non-controlling interests		**1 397**	(1 077)
Total comprehensive income/(loss) for the period		**7 342**	(12 260)

[1] *Refer to note 1 for details regarding the restatement of comparative numbers for the effect of the reclassification of The Building Company from discontinued to continuing operations. The prior year comparatives have further been restated in order to directly account for the net fair value gain/(loss) on cash flow hedges transferred to inventory directly in reserves, and not OCI as previously disclosed in error, in terms of IFRS 9 Financial Instruments. Refer to note 36.*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	Ordinary share capital and premium Rm	Accumulated losses Rm	Foreign currency translation reserve Rm	Excess of consideration (paid to)/received from non-controlling interest Rm	Sundry reserves Rm	Total ordinary equity attributable to owners of Steinhoff Investments Rm	Preference share capital and premium Rm	Accumulated profit/loss due to preference shareholders Rm	Preference equity attributable to preference shareholders Rm	Non-controlling interests Rm	Total Rm
Total equity at 30 September 2019		119 020	(88 446)	(228)	(1 735)	(103)	28 508	1 382	32	1 414	16 582	46 504
Effect of adopting IFRS 16, net of taxation		-	(1 692)	-	-	-	(1 692)			-	(765)	(2 457)
Restated balance as at 1 October 2019		119 020	(90 138)	(228)	(1 735)	(103)	26 816	1 382	32	1 414	15 817	44 047
Loss for the period		-	(12 714)	-	-	-	(12 714)	-	107	107	(1 077)	(13 684)
Other comprehensive income for the period		-	-	76	-	248	324	-	-	-	-	324
Total comprehensive (loss)/income for the period		-	(12 714)	76	-	248	(12 390)	-	107	107	(1 077)	(13 360)
Preference dividends paid		-	-	-	-	-	-	-	(116)	(116)	-	(116)
Ordinary dividends paid by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	(213)	(213)
Derecognition of subsidiaries with non-controlling interests		-	-	-	-	-	-			-	5	5
Transactions with non-controlling interests without change in control	30	-	(312)	-	(136)	-	(448)	-	-	-	2 400	1 952
Attributable share of other reserves relating to equity accounted investments	11.2	-	-	-	-	(271)	(271)	-	-	-	-	(271)
Share-based payments		-	-	-	-	126	126	-	-	-	-	126
Transfers to other reserves		-	54	-	21	(75)	-	-	-	-	-	-
Other movements in reserves		-	(3)	-	-	-	(3)	-	-	-	-	(3)
Total equity at 30 September 2020		**119 020**	**(103 113)**	**(152)**	**(1 850)**	**(75)**	**13 830**	**1 382**	**23**	**1 405**	**16 932**	**32 167**
Effect of reclassification of discontinued operation to continuing operation[1]		-	116	-	-	-	116	-	-	-	56	172
Fair value loss on cash flow hedges transferred to inventory previously recognised in other comprehensive income[1]	36	-	-	-	-	928	928	-	-	-	-	928
Fair value loss on cash flow hedges transferred to inventory directly accounted for in reserves[1]	36	-	-	-	-	(928)	(928)	-	-	-	-	(928)
Restated balance as at 30 September 2020		119 020	(102 997)	(152)	(1 850)	(75)	13 946	1 382	23	1 405	16 988	32 339
Profit for the period		-	6 427	-	-	-	6 427	-	87	87	1 588	8 102
Other comprehensive loss for the period		-	-	(112)	-	(457)	(569)	-	-	-	(191)	(760)
Total comprehensive (loss)/income for the period		-	6 427	(112)	-	(457)	5 858	-	87	87	1 397	7 342
Preference dividends paid		-	-	-	-	-	-	-	(87)	(87)	-	(87)
Ordinary dividends paid by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	(9)	(9)
Eliminated on disposal of subsidiaries		-	(8)	-	-	(1)	(9)	-	-	-	-	(9)
Transactions with non-controlling interests without change in control[2]	30.2	-	-	-	1 381	(118)	1 263	-	-	-	5 215	6 478
Attributable share of other reserves relating to equity accounted investments	11.2	-	-	-	-	87	87	-	-	-	-	87
Share-based payments		-	37	-	-	155	192	-	-	-	74	266
Release of fair value reserves on disposal of investments		-	(51)	-	-	51	-	-	-	-	-	-
Net fair value gain on cash flow hedges transferred to inventory		-	-	-	-	263	263	-	-	-	-	263
Transfers from other reserves[3]		-	(399)	-		399	-	-	-	-	-	-
Total equity at 30 September 2021		119 020	(96 991)	(264)	(469)	304	21 600	1 382	23	1 405	23 665	46 670

[1] *Prior year comparatives have been restated for the effect of releasing the provision for the loss on sale of The Building Company due to it being reclassified from discontinued operation to continuing operation. The prior year comparatives have further been restated in order to directly account for the net fair value gain/(loss) on cash flow hedges transferred to inventory directly to reserves, and not OCI as previously disclosed in error, in terms of IFRS 9 Financial Instruments.*

[2] *During the Reporting Period, the Group's shareholding in Pepkor Holdings reduced from 67.75% to 58.93%. Refer to note 30 for the detail of the events.*

[3] *The transfers from other reserves to retained earnings relate to the release of reserves, specifically cash flow hedging reserve, share-based payment reserves and capital redemption reserve fund.*

Refer to note 27 for description of nature and purpose of each reserve.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

	Notes	30 September 2021 Rm	Restated[1] 30 September 2020 Rm
ASSETS			
Non-current assets			
Goodwill	8	37 280	37 280
Intangible assets	8	18 090	18 032
Property, plant and equipment	9	6 877	5 547
Right-of-use assets	10	10 239	10 497
Investments in equity accounted companies	11	2 659	2 526
Other financial assets	12	5 482	5 200
Deferred tax assets	6.3	2 764	2 794
Trade and other receivables	13	-	81
Intergroup loans and receivables	32	14 008	3 429
		97 399	85 386
Current assets			
Inventories	15	13 347	11 992
Trade and other receivables	13	8 409	8 033
Derivative financial instrument	13	145	636
Taxation receivable		694	819
Intergroup loans and receivables	32	11	706
Other financial assets	12	31	5
Cash and cash equivalents	16	28 870	18 869
		51 507	41 060
Assets classified as held-for-sale	35	367	2 235
		51 874	43 295
Total assets		149 273	128 681
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital and premium	28	119 020	119 020
Other reserves	27	(429)	(2 077)
Accumulated losses	27	(96 991)	(102 997)
Total ordinary equity attributable to owners of Steinhoff Investments		21 600	13 946
Preference share capital and premium		1 382	1 382
Accumulated profit attributable to preference shareholders		23	23
Total equity attributable to preference shareholders of Steinhoff Investments	29	1 405	1 405
Non-controlling interests	30	23 665	16 988
Total equity		46 670	32 339
Non-current liabilities			
Borrowings	17	38 511	38 949
Lease liabilities	18	11 960	12 772
Employee benefits	22	146	86
Deferred tax liabilities	6.3	4 782	4 143
Provisions	23	91	91
		55 490	56 041
Current liabilities			
Trade and other payables	19	12 736	12 086
Taxation payable		2 019	2 051
Intergroup loans and payables	32	3 197	3 217
Employee benefits	22	1 314	944
Provisions	23	3 128	183
Provision - Litigation Settlement Proposal	23.3	16 552	9 379
Lease liabilities	18	2 380	2 240
Borrowings	17	5 717	10 155
		47 043	40 255
Liabilities directly associated with assets classified as held-for-sale	35	70	46
		47 113	40 301
Total equity and liabilities		149 273	128 681

[1] *Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.*

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 Rm	2020 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**25.1**	**10 624**	13 619
Dividends received	**5 & 11.2**	**65**	-
Ordinary dividends paid		**(8)**	(79)
Preference dividends paid		**(44)**	(179)
Interest received	**5 & 1.2**	**916**	1 152
Interest paid	**5 & 1.2**	**(2 143)**	(3 214)
Taxation paid		**(1 982)**	(1 460)
Net cash inflow from operating activities		**7 428**	9 839
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and investment property	**9 & 35**	**(1 639)**	(2 675)
Additions to intangible assets	**8**	**(212)**	(237)
Proceeds on disposal of property, plant and equipment and intangible assets		**535**	611
Acquisition of subsidiaries and businesses, net of cash on hand at acquisition	**26.1 & 26.3**	**-**	(86)
Claw back on acquisition of business		**-**	52
Disposal of businesses net of cash	**1.3**	**106**	3 011
Proceeds on disposal of equity accounted companies		**155**	-
Increase in loans to equity accounted companies	**11.2**	**(1)**	(11)
Decrease/(Increase) in related party loans receivable		**1 270**	(27)
Advances received from/(payments made to) other financial assets		**32**	88
Net cash inflow from investing activities		**246**	726
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares disposed (2020: issued) through accelerated bookbuild	**30.2**	**7 308**	1 898
Amount paid on share buy-back by Pepkor Holdings	**30.2**	**(762)**	-
Payment of lease liabilities	**18.1**	**(2 382)**	(2 021)
Proceeds on disposal of treasury shares		**-**	22
Transactions with non-controlling interests	**30.2**	**(68)**	(65)
Repayment of borrowings	**17.2 & 25.2**	**(6 500)**	(11 038)
Proceeds from borrowings	**17.2 & 25.2**	**4 712**	6 092
Net cash inflow/(outflow) from financing activities		**2 308**	(5 112)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**9 982**	5 453
Effects of exchange rate translations on cash and cash equivalents		**13**	221
Cash and cash equivalents at beginning of the period	**16 & 35**	**18 876**	13 202
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**28 871**	18 876
Reconciliation of Cash and Cash Equivalents at end of period			
Cash and cash equivalents	**16**	**28 870**	18 869
Cash and cash equivalents included in assets held-for-sale	**35**	**1**	7
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**28 871**	18 876

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

BASIS OF PREPARATION

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 2021 comprise Steinhoff Investments and its subsidiaries and the Group's interest in associate companies and joint-venture companies. The Group is primarily involved in the retailing of general merchandise. The Group operates in Africa.

BASIS OF PREPARATION

Statement of compliance

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

Accounting policies set out here have been applied consistently to all periods presented and are consistent with policies applied in previous accounting periods. All new accounting standards that became effective in the current Reporting Period have been adopted, none of which were material.

Historical cost convention

The financial statements are prepared under the historical cost convention adjusted for the effects of inflation where entities operate in hyperinflationary economies and for the revaluation of certain financial instruments to fair value. During the Reporting Period, the Angolan economy was considered in accordance with the accounting principles set out in IAS 29: Financial Reporting in Hyperinflationary Economies, and has been considered to be out of hyperinflation for the 2021 and 2020 Reporting Periods.

Going concern

In determining the appropriate basis of preparation of the consolidated and separate annual 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.

The board of directors draw attention to the critical assumptions and disclosures made throughout the consolidated and separate annual financial statements. Significant matters considered by the board of directors for the Steinhoff Investments Group's going concern assessment are highlighted below:

Litigation

On 15 February 2021 the Company's ultimate holding company, Steinhoff N.V., applied for the opening of SoP proceedings and offered the Steinhoff N.V. Composition Plan to its SoP creditors. The Dutch Court confirmed the Steinhoff N.V. Composition Plan on 23 September 2021. No appeal was lodged to the Dutch Court's decision and accordingly, the order became final and binding and by consequence the Steinhoff N.V. Composition Plan became binding on all SoP creditors in accordance with its terms. The Steinhoff N.V. Composition Plan was proposed in parallel with the SIHPL Section 155 Proposal. Both proposals, which are inter-conditional, form part of the Litigation Settlement Proposal to resolve the legacy claims arising from the announcement of accounting irregularities.

Once sanctioned, the SIHPL Section 155 Proposal will result in a compromise of claims against SIHPL in accordance with the terms of the SIHPL Section 155 Proposal. The SIHPL Section 155 Proposal commenced in February 2021 and has been adopted by all three classes of the scheme creditors during September 2021. Approval and sanction, in the form of a Court Order, is required for the order sanctioning the compromise to be final and binding on all of SIHPL's scheme creditors. Pursuant to the SIHPL Section 155 Proposal having been adopted overwhelmingly by the SIHPL scheme creditors, SIHPL brought the sanction application, which will be heard by the Court in the week of 24 January 2022.

Notwithstanding the ongoing litigation and claims the Group has received, which claims it continues to defend, the board of directors remain confident that the Litigation Settlement Proposal, as announced, will conclude substantially all the various litigation proceedings. It is management's view that the sanctioning by the Western Cape High Court of the SIHPL Section 155 Proposal, is highly probable as all eligible claimants have voted overwhelming in favour of the global settlement without any votes against. Furthermore, the legal claims against SIHPL, are ring-fenced to SIHPL.

BASIS OF PREPARATION (continued)

Going concern (continued)

As at 30 September 2021, the SIHPL obligation has been classified as a provision and measured as per the 30 September 2021 SIHPL Section 155 Proposal term sheet as that is the best estimate of the total amount to be incurred to settle the present obligation. The obligation will no longer be disclosed as a contingent liability as all eligible claimants have adopted the SIHPL Section 155 Proposal. The Steinhoff Investments Group and the Company's cash flow forecasts have been adjusted for the impact of the Litigation Settlement Proposal provision as detailed in note 23.3 of these consolidated annual financial statements.

SIHPL CPU (Claim by Financial Creditors)

Certain parties applied to the South African High Court to challenge both the 2014 guarantee and the SIHPL CPU entered into by SIHPL in 2019 in order to restructure its crystallised liability as the guarantor (under both the guarantees). The basis of the challenge was that the South African statutory financial assistance provisions were contravened. In its decision handed down on 2 July 2021 (the Section 45 Judgement), the Court in first instance confirmed the validity of the 2014 guarantee, but in relation to the SIHPL CPU, found that financial assistance provisions in section 45 of the Companies Act had been breached, and held that the resolution of the SIHPL board authorising entry into the SIHPL CPU and thus the SIHPL CPU itself is void. This judgement has been appealed by both SIHPL and the relevant financial creditors.

The appealing financial creditors notified SIHPL that, if their appeal of the Section 45 Judgement proved to be unsuccessful, in their opinion they would be entitled to the benefit of the continuing debt claims or restitutionary claims against SIHPL which fall outside the scope of the Section 45 Judgment. The financial creditors contend that SIHPL will owe an English law debt to them either under the original guarantees or on similar terms by way of restitution for unjust enrichment suffered as a result of the loss of the benefit of those guarantees in circumstances where both parties had intended that SIHPL would remain liable to the financial creditors under the SIHPL CPU following the 2019 financial restructuring.

Conditional upon the settlement effective date of the Litigation Settlement Proposal, any and all claims and actions of the financial creditors against SIHPL (whether asserted or unasserted, and whether the subject of pending proceedings and appeals or otherwise) arising under, out of or in connection with the SIHPL CPU, the convertible bonds guaranteed by SIHPL, the guarantees or any other related matter will be fully and finally compromised by way of their waiver and released on specified terms.

While the SIHPL CPU may have been declared null and void, the financial creditors have an equitable claim under the terms of the 2019 financial restructuring for a similar amount to what is due under the SIHPL CPU. This obligation arises under the provisions of the existing contracts and SIHPL has little to no ability to avoid settlement of such obligation. The full negative equity of SIHPL has been included in the consolidated results of Steinhoff Investments Group, as required by IFRS.

Classification of debt

As part of the implementation steps of the Litigation Settlement Proposal, the Steinhoff N.V. Group delivered the interim extension option request to its lenders on 6 August 2021 requesting consent to extend the maturity date of the Steinhoff N.V. Group's outstanding debt from December 2021 to December 2022.

On 11 August 2021, consent for the Interim Extension was granted by its creditors (including the SIHPL CPU financial creditors). A further term extension could be granted, initially to 30 June 2023, with a further 6 months extension to 31 December 2023, subject to the successful implementation of the Litigation Settlement Proposal. Consequently, the maturity date of the SIHPL CPU, now labelled as Claim by Financial Creditors, was also extended from 31 December 2021 to 31 December 2022. As a result, the Claim by Financial Creditors, in accordance with IAS 1, is classified as non-current at 30 September 2021. Refer to Note 17.

COVID-19

Operational management continues to expect a constrained retail environment going forward as a result of the longer-term impact of Covid-19 on the South African economy, further exacerbated by the recent civil unrest. The Group's unparalleled position in the discount and value retail market segments continues to be increasingly relevant in addressing consumer needs. While the specific areas of judgement did not change, given the dynamic and evolving nature of COVID-19, uncertainty regarding the economic and financial impact of such a pandemic on intangible asset impairments and ECL estimations have resulted in additional judgements within those identified areas. The Group has assessed its ECL calculations as well as the impairment of goodwill and intangible assets taking into consideration the constrained retail environment and has concluded that its ECL provisions are reasonable and that no further impairment of goodwill and intangible assets are necessary as at 30 September 2021.

BASIS OF PREPARATION (continued)

Going concern (continued)

Conclusion

In determining the appropriate basis of preparation of the 2021 consolidated and separate financial statements of Steinhoff Investments, the board of directors is required to consider whether the Steinhoff Investments Group can continue in operational existence for the foreseeable future. The board of directors draw attention to the following facts:

- the board of directors remain confident that the Court will sanction the SIHPL Section 155 Proposal, as proposed and adopted by creditors;
- at 30 September 2021, the Steinhoff Investments Group's current assets exceed its current liabilities; and
- management does not intend to liquidate the entity and plans to recover its assets and settle its debt in the normal course of business.

Given due cognisance of the Steinhoff 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 is a going concern for the 12 month period following the date of issue of these 2021 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 Group's presentation currency and the Company's functional currency.

AREAS OF CRITICAL JUDGEMENTS AND ESTIMATES

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

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

Judgements:		**Note reference**
Going concern assumption		Basis of preparation
Consolidation decisions		
Entity	**Treated as controlled**	**Note reference**
Steinhoff Recovery Foundation ("**SRF**")	No (unconsolidated structured entity)	Basis of preparation

In order to give effect to the Composition Plan and the S155 Scheme upon the Settlement Effective Date, SRF was incorporated on 24 August 2021. The objective of the SRF is to become a party to the Litigation Settlement Proposal and fulfil its duties as per the S155 Scheme, Composition Plan and various Steinhoff global settlement agreements (together the "**Agreements**"), which is mainly to distribute the settlement funds it will receive to the relevant market purchase claimants and contractual claimants.

SRF is governed by a board of directors, of which two directors are independent from the Group. The chairperson is independent and has a casting vote in the event of a deadlock in decision making. The SRF is required to fulfil its duties as set out in the Agreements. The SRF board of directors is bound by the Composition Plan as approved through the Dutch SoP and the objectives as set out in the deed of incorporation.

The Group does not have the current ability to direct the relevant activities and has no exposure to variable returns, Steinhoff does not control the SRF and therefore its results are not consolidated. The Group also does not have significant influence over the SRF.

The SRF will receive the total estimated settlement amount to be paid to the Steinhoff N.V. and SIHPL Market Purchase Claimant, the Steinhoff N.V. Contractual Claimants (together the "**SOP settlement fund**") and to the SIHPL market purchase claimants (the "**S155 Settlement Fund**").

In the execution of the Composition Plan, the SRF will distribute the SOP Settlement Fund, S155 Settlement Fund and the additional contributions by the Deloitte Firms and the D&O insurers as announced to the Steinhoff N.V. Market Purchase Claimants, the SIHPL Market Purchase Claimants, certain Steinhoff N.V. Contractual Claimants. The SRF will do so pursuant to the SRF and claims administration conditions in the Composition Plan. The SRF will become bound to the Composition Plan as of the Settlement Effective Date by countersigning the Composition Plan, which will occur close to Settlement Effective Date.

AREAS OF CRITICAL JUDGEMENTS AND ESTIMATES (continued)

Consolidation decisions (continued)

In order to fund its operations, the SRF will receive a cost contribution of R351 million from Steinhoff Africa (which has been provided for, refer to note 4.2.8 and 23.2), c.R19.5 million from Deloitte and c.R19.5 million from the D&O insurers. For the 2021 Reporting Period a total of R33 million has been spent by Steinhoff Africa on SRF costs and will be deducted from the committed R351 million, once Settlement Effective Date occurs.

On 15 September 2021, Steinhoff Africa ceded and pledged bank accounts to the value of R6.2 billion to the SRF and Ainsley ceded 283 million Pepkor Holdings shares in order to prove to the District Court of Amsterdam that the Steinhoff N.V. Group will be able to perform under the Composition Plan when Settlement Effective Date occurs.

Recoverability of financial and other assets

Financial assets Note 12, 21.3 and 32.2

The recoverability of loans and assets with counterparties have been assessed for impairment as required under IFRS 9 Financial Instruments.

Impairment reversal on intragroup loans	**Note reference**
• Loans with holding company and fellow subsidiaries	Note 32
Recognition and measurement of provisions	Note 23
Correct classification and completeness of contingent liabilities	Note 24
Correct classification and completeness of liabilities and events occurring after the Reporting Period	Note 24 and note 37

Estimates	Note reference
• **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 useful life and residual values of buildings**	Note 9
• **Estimates of provision to be raised for the Litigation Settlement Proposal**	Note 24.3
• **Estimation in determining the lease terms applicable to lease agreements**	Note 10
• **Estimation in determining impairment provisions for financial assets**	Note 21
• **Estimation in determining recoverable amount of intragroup loans**	Note 32

BASIS OF PREPARATION

FOR THE YEAR ENDED 30 SEPTEMBER 2021

ACCOUNTING POLICY ELECTIONS

The following significant accounting policy and disclosure 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. Refer to note 1.
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. Refer to note 1.

1. DISCONTINUED OPERATIONS

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

The businesses included in the following former reportable segments were disposed of or classified as held-for-sale during the 2021 Reporting Period and 2020 Reporting Period. These businesses have been presented as discontinued operations:

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. The effective sale date has been determined as 25 November 2019. Unitrans Motor Holdings Proprietary Limited was fully consolidated up to this date.

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.

A loss of R57 million was recognised on the sale of the total Unitrans Motor Holdings Proprietary Limited shareholding in the 2020 Reporting Period.

Africa Properties

The Group commenced a process post March 2019 to dispose of the remaining African property portfolio. As at the Reporting Date, the portfolio has been materially disposed of. Management believes that the remaining properties will be disposed of within the next 12 months as agreements have already been entered into for all but one property. The portfolio therefore still meets the criteria to be classified as held-for-sale.

Twelve of the properties are used by Pepkor Holdings' operating entities as distribution centres with one property being used as a corporate head office and one property being used as a call centre. As announced on 14 April 2021 the transaction for Pepkor Holdings to acquire these twelve properties currently leased from the Group, received the necessary approvals and all conditions precedent were fulfilled. Pepkor Holdings issued a total of 70 million new Pepkor Holdings shares as consideration for these properties, of which 68.7 million shares were issued at the Reporting Date.

The businesses discussed above are presented as discontinued operations in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the period ended 30 September 2020 and 2021, as required by IFRS. Comparative information has been restated accordingly.

The detail of assets classified as held-for-sale is presented in note 35.

Reclassification out of discontinued operations

Pepkor Holdings – The Building Company

During the 2020 Reporting Period, Pepkor Holdings entered into a sale and purchase agreement for the disposal of the entire issued share capital of The Building Company. The approval of the transaction by the Competition Authorities was not fulfilled by the transaction long stop date of 16 August 2021 (Long Stop Date). As a result, the parties have accordingly agreed to terminate the transaction.

The Building Company has performed well and has made substantial progress to restructure and consolidate the business while improving its strategic alignment, performance and profitability. Prior year comparatives have been restated, to account for The Building Company as a continued operation, where it was previously classified as a discontinued operation.

ACCOUNTING POLICY

Intercompany transactions between continuing and discontinued operations

Intercompany transactions and balances between continuing and discontinued operations are eliminated within both continuing and discontinued operations. The intercompany eliminations are added back as reconciling items for segmental reporting to present the reportable segments prior to the intercompany 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

	2020			
			Note 1.1.1.	
	Previously reported Rm	Adjustment for discontinued operations reclassified to continuing operations Rm	Prior period error on classification of expenses Rm	Continuing operations presented Rm
Revenue	63 679	7 148	-	70 827
Cost of sales	(40 603)	(5 247)	1 089	(44 761)
Gross profit	23 076	1 901	1 089	26 066
Other income	810	48	-	858
Distribution expenses*	(634)	(144)	(1 089)	(1 867)
Administration expenses*	(15 162)	(1 616)	-	(16 778)
Debtors' cost	(1 671)	(63)	-	(1 734)
Net reversal of impairment losses on financial assets	3 884	-	-	3 884
Net other income	(19 794)	32	-	(19 762)
Operating profit	(9 491)	158	-	(9 333)
Finance costs	(3 383)	(143)	-	(3 526)
Income from investments	1 412	49	-	1 461
Share of profit of equity accounted companies	(93)	-	-	(93)
Impairment of equity accounted companies	(333)	-	-	(333)
Profit before taxation	(11 888)	64	-	(11 824)
Taxation	(1 252)	27	-	(1 225)
Profit for the period	(13 140)	91	-	(13 049)

** R362 million was reclassified between Distribution expenses and administration expenses to better reflect the nature of the costs.*

1.1.1. PRIOR PERIOD ERROR ON CLASSIFICATION OF EXPENSES

During the Reporting Period, it came to management's attention that the classification of costs between cost of sales and distribution expenses were not being reported by the underlying operations in a consistent manner. As a result, a detailed exercise was performed to correct the classification of the prior year and to ensure that the classification is accurately reported in future.

As a result a restatement was recognised to correct the prior year income statement classification between cost of sales and distribution expense to the value of R1 089 million.

1. DISCONTINUED OPERATIONS (continued)

1.2. STATEMENT OF PROFIT OR LOSS FOR DISCONTINUED OPERATIONS

	Notes	2021 Rm	Restated[1] 2020 Rm
Revenue		**58**	4 893
Cost of sales		**(5)**	(4 099)
Gross profit		**53**	794
Other income		**15**	154
Administration expenses		**(100)**	(732)
Net other income/(expenses)		**46**	(399)
Reversal of impairment/(impairments)	**1.2.1**	**3**	(424)
Profit on disposal of property, plant and equipment and investment properties	**1.2.2**	**41**	250
Net gain/(loss) on sale or partial sale of investments	**1.2.3**	**2**	(60)
Foreign currency reserve reclassified to profit or loss		**-**	(165)
Operating profit/(loss)		**14**	(183)
Finance costs		**-**	(42)
Income from investments		**2**	32
Impairment of equity accounted companies		**-**	(55)
Profit/(loss) before taxation		**16**	(248)
Taxation		**(55)**	(215)
Loss for the period		**(39)**	(463)
Loss attributable to:			
Owners of Steinhoff Investments		**(39)**	(463)
Non-controlling interests		**-**	-
Loss for the period		**(39)**	(463)

1.2.1 (Reversal of impairment)/impairments

	2021 Rm	2020 Rm
Investment property	**-**	155
Property, plant and equipment	**-**	271
Other	**(3)**	(2)
	(3)	424

	2021 Rm	2020 Rm
1.2.2 Profit on disposal of property, plant and equipment and intangible assets	**(41)**	(250)
1.2.3 (Profit)/loss on sale and partial sale of investments	**(2)**	60

[1] Comparative numbers have been restated for the effect of the reclassification of The Building Company from discontinued to continuing operations.

1. DISCONTINUED OPERATIONS (continued)

1.3. DETAILS OF THE DISPOSAL OF SUBSIDIARIES WITHIN SEGMENTS CLASSIFIED AS DISCONTINUED OPERATIONS

	Properties - Africa* Rm	Pepkor Holdings** Rm	Total Rm
30 September 2021			
Assets			
Property, plant and equipment	109	(4)	105
Right-of-use asset	-	1	1
Inventories	-	38	38
Trade and other receivables	7	45	52
Cash and cash equivalents	1	-	1
Assets held for sale	10	-	10
Liabilities			
Trade and other payables	(7)	(15)	(22)
Taxation payable	-	(1)	(1)
Carrying amount of net assets sold	120	64	184
Profit/(loss) on disposal of discontinued operations/disposal group	3	(1)	2
Total consideration	123	63	186
Net cash inflow arising on disposals			
Total consideration	123	63	186
Less receivable recognised for consideration payable	(80)	-	(80)
Less cash on hand at date of disposal	(1)	-	(1)
Net cash inflow	42	63	105

** Relates to the disposal of Broadway Business Centre Proprietary Limited and Eastwest Real Estate Investments Proprietary Limited, both of which were subsidiaries of the Properties - Africa segment.*

*** Relates to the disposal of John Craig and other various small subsidiaries that formed part of the Pepkor Holdings Group.*

	Automotive Rm	Other Rm	Total Rm
30 September 2020			
Carrying amount of net assets sold	3 830	4	3 834
Loss on disposal of discontinued operations/disposal group	(56)	(4)	(60)
Total consideration	3 774	-	3 774
Net cash inflow arising on disposals			
Total consideration	3 774	-	3 774
Less cash on hand at date of disposal	(763)	-	(763)
Net cash inflow	3 011	-	3 011

1. DISCONTINUED OPERATIONS (continued)

1.4. PRESENTATION OF DISCONTINUED OPERATIONS IN THE STATEMENT OF CASH FLOWS

	2021 Rm	Restated[1] 2020 Rm
Cash flows from discontinued operations		
Net cash inflow from operating activities	**240**	504
Net cash inflow from investing activities	**445**	363
Net cash outflow from financing activities	**(556)**	(787)
Net cash inflow	**129**	80

1.5. SEGMENTAL INFORMATION RELATING TO DISCONTINUED OPERATIONS

Segmental revenue from discontinued operations

	2021 Rm	Restated[1] 2020 Rm
Automotive	**-**	4 695
Pepkor Holdings - Zimbabwe & John Craig	**-**	99
Africa Properties	**58**	99
Net external revenue from discontinued operations*	**58**	4 893

** Revenue between discontinued operations have been eliminated.*

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

	2021 Rm	Restated[1] 2020 Rm
EBITDA reconciles to the operating loss per statement of profit or loss from discontinued operations as follows:		
Operating profit/(loss) from discontinued operations	**14**	(183)
Depreciation and amortisation	**-**	-
Other (income)/expenses	**(46)**	399
Intercompany elimination with continuing operations	**104**	-
EBITDA per segment reporting from discontinued operations	**72**	216
Automotive	**-**	132
Pepkor Holdings - Zimbabwe & John Craig	**-**	(71)
Africa Properties	**72**	155
EBITDA from discontinued operations as presented	**72**	216

[1] Comparative numbers have been restated for the effect of the reclassification of The Building Company from discontinued to continuing operations.

1. DISCONTINUED OPERATIONS (continued)

1.5. SEGMENTAL INFORMATION RELATING TO DISCONTINUED OPERATIONS

Operating profit adjusted for material other expenses ("EBIT")

	2021 Rm	Restated[1] 2020 Rm
EBIT reconciles to the operating loss per statement of profit or loss from discontinued operations as follows:		
Operating profit/(loss) from discontinued operations	**14**	(183)
Other (income)/expenses	**(46)**	399
Intercompany eliminations with continuing operations	**104**	-
EBIT per segment reporting from discontinued operations	**72**	216
Automotive	**-**	132
Pepkor Holdings - Zimbabwe & John Craig	**-**	(71)
Africa Properties	**72**	155
EBIT from discontinued operations as presented	**72**	216

Material other income and expenses

Material other income and expenses added back in the calculation of EBIT and EBITDA above are allocated to the reportable segments as follows:

	Notes	2021 Rm	Restated[1] 2020 Rm
(Reversal of impairment)/Impairments	**1.2.1**	**(3)**	424
Africa Properties		**(3)**	424
Profit on disposal of property, plant and equipment and intangible	**1.2.2**	**(41)**	(250)
Automotive		**-**	(1)
Pepkor Holdings - Zimbabwe & John Craig		**-**	(4)
Africa Properties		**(41)**	(245)
(Profit)/loss on sale and partial sale of investments	**1.2.3**	**(2)**	60
Automotive		**-**	56
Pepkor Holdings - Zimbabwe & John Craig		**1**	4
Africa Properties		**(3)**	-
Foreign currency reserve reclassified to profit or loss		**-**	165
Pepkor Holdings - Zimbabwe & John Craig		**-**	165
Total other expenses		**(46)**	399

[1] *Comparative numbers have been restated for the effect of the reclassification of The Building Company from discontinued to continuing operations.*

2. SEGMENT INFORMATION

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

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

- **Pepkor Holdings**
  The Pepkor Holdings group is listed on the JSE. Revenue in Pepkor Holdings is derived from a portfolio of retail chains focused on selling predominantly clothing, footwear, textiles, cell phones, airtime and fast-moving consumer goods ("**FMCG**"). Pepkor Holdings also operates in the Building Supplies and Furniture divisions where revenue is derived from sales of DIY building supplies and materials and furniture and appliances, respectively. The Pepkor Holdings group operates within Africa and majority of its revenue is derived from South Africa. The CODM monitors the performance of this listed group on a consolidated basis. The Pepkor Holdings group's annual consolidated financial statements for the year ended 30 September 2021 were released on 13 December 2021 and can be found on the group's website at: *www.pepkor.co.za.*

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

Measures reported to the CODM

2.1. SEGMENTAL REVENUE

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

	2021			Restated[1] 2020		
	Total segment revenue Rm	**Intersegment revenue Rm**	**Revenue from external customers Rm**	Total segment revenue Rm	Intersegment revenue Rm	Revenue from external customers Rm
Pepkor Holdings**	**77 329**	**-**	**77 329**	70 827	-	70 827
Corporate and treasury services	**-**	**-**	**-**	-	-	-
	77 329	**-**	**77 329**	70 827	-	70 827
Intercompany revenue from discontinued operations *	**-**	**-**	**-**	-	-	-
	77 329	**-**	**77 329**	70 827	-	70 827

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

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

[1] Refer to note 1 for details regarding the restatement of comparative numbers for the effect of the reclassification of The Building Company from discontinued to continuing operations.

2. SEGMENT INFORMATION (continued)

2.1. SEGMENTAL REVENUE (continued)

Revenue from external customers - by geography from continuing operations

	2021 Rm	Restated[1] 2020 Rm
The Company is domiciled in South Africa. The Group operates within Africa. The amount of its revenue from external customers are presented below based on the geographies that contribute materially to the Group's revenue.		
Rest of Africa	**7 810**	7 394
South Africa	**69 519**	63 433
	77 329	70 827

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

2.2. OPERATING PERFORMANCE MEASURES - CONTINUING OPERATIONS

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

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

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

Segment expenses include distribution expenses and administration expenses.

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

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

	Notes	2021 Rm	Restated[1] 2020 Rm
Operating profit/(loss) per statement of profit or loss		**11 910**	(9 333)
Depreciation and amortisation	**4.3.1**	**3 754**	3 837
Other (income)/expenses	**4.2**	**(3 297)**	15 878
Intercompany eliminations (discontinued operations)		**(104)**	-
EBITDA per segment reporting		**12 263**	10 382
EBITDA per segment:			
Pepkor Holdings*		**12 644**	10 546
Corporate and treasury services		**(381)**	(164)
		12 263	10 382

[1] Refer to note 1 for details regarding the restatement of comparative numbers for the effect of the reclassification of The Building Company from discontinued to continuing operations.

** Includes IFRS 16 eliminations for properties leased from other Group entities.*

2. SEGMENT INFORMATION (continued)

2.2. OPERATING PERFORMANCE MEASURES - CONTINUING OPERATIONS (continued)

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

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

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

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

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

	Note	2021 Rm	Restated[1] 2020 Rm
Operating profit/(loss) per statement of profit or loss		**11 910**	(9 333)
Other (income)/expenses	**4.2**	**(3 297)**	15 878
Intercompany eliminations (discontinued operations)		**(104)**	-
EBIT per segment reporting		**8 509**	6 545
EBIT per segment:			
Pepkor Holdings*		**8 895**	6 717
Corporate and treasury services		**(386)**	(172)
		8 509	6 545

[1] Refer to note 1 for details regarding the restatement of comparative numbers for the effect of the reclassification of The Building Company from discontinued to continuing operations.

** Includes IFRS 16 eliminations for properties leased from other Group entities.*

2. SEGMENT INFORMATION (continued)

2.2. OPERATING PERFORMANCE MEASURES - CONTINUING OPERATIONS (continued)

2.2.3 Material items

Material items added back in the calculation of EBIT and EBITDA above are allocated to the reportable segments as follows:

	Notes	2021 Rm	Restated[1] 2020 Rm
Impairments	**4.2.1**	**227**	5 093
Pepkor Holdings		**227**	5 084
Corporate and treasury services		**-**	9
Reversal of impairment of financial assets	**4.2.2**	**(11 349)**	(3 884)
Corporate and treasury services		**(11 349)**	(3 884)
Loss on disposal of property, plant and equipment and intangible assets	**4.2.3**	**32**	21
Pepkor Holdings		**26**	23
Corporate and treasury services		**6**	(2)
(Profit)/loss on sale and partial sale of investments	**4.2.4**	**(70)**	-
Pepkor Holdings		**(89)**	-
Corporate and treasury services		**19**	-
Foreign currency (gains)/losses	**4.2.5**	**(2 997)**	4 984
Corporate and treasury services		**(2 997)**	4 984
Fees relating to legal advisory and regulatory support	**4.2.6**	**259**	285
Corporate and treasury services		**259**	285
Provision – Litigation Settlement Proposal	**4.2.7**	**7 173**	9 379
Corporate and treasury services		**7 173**	9 379
Costs associated with the Litigation Settlement Proposal provision	**4.2.8**	**3 428**	-
Corporate and treasury services		**3 428**	-
		(3 297)	15 878

[1] Refer to note 1 for details regarding the restatement of comparative numbers for the effect of the reclassification of The Building Company from discontinued to continuing operations.

2. SEGMENT INFORMATION (continued)

2.3. SEGMENTAL ASSETS

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

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

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

Reconciliation between total assets per statement of financial position and segmental assets	Notes	30 September 2021 Rm	30 September 2020 Rm
Total assets per statement of financial position		**149 273**	128 681
Less: Cash and cash equivalents	**16 & 2.5**	**(28 870)**	(18 869)
Less: Investments in equity accounted companies	**11**	**(2 659)**	(2 526)
Less: Non-current other financial assets	**12**	**(5 482)**	(5 200)
Less: Current other financial assets	**12**	**(31)**	(5)
Less: Intragroup loans and receivables	**32.2**	**(14 019)**	(4 135)
Less: Assets classified as held-for-sale	**35**	**(367)**	(2 235)
Segmental assets		**97 845**	95 711
Segmental assets:			
Pepkor Holdings		**97 351**	94 845
Corporate and treasury services		**494**	866
		97 845	95 711

2.4. SEGMENTAL NON-CURRENT ASSETS

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

Reconciliation between non-current assets per statement of financial position and segmental assets	Notes	30 September 2021 Rm	30 September 2020 Rm
Total non-current assets per statement of financial position		**97 399**	85 386
Less: Deferred taxation assets	**6**	**(2 764)**	(2 794)
Less: Non-current other financial assets	**12**	**(5 482)**	(5 200)
Segmental non-current assets		**89 153**	77 392
Pepkor Holdings		**72 529**	71 464
Corporate and treasury services		**16 624**	5 928
		89 153	77 392

2. SEGMENT INFORMATION (continued)

2.5. SEGMENTAL NET DEBT

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

30 September 2021	Gross Cash Rm	Gross Debt Rm	Net Debt Rm
Pepkor Holdings	**6 174**	**(11 151)**	**(4 977)**
Corporate and treasury services	**22 696**	**(33 077)**	**(10 381)**
	28 870	**(44 228)**	**(15 358)**
	Note 16	**Note 17**	

30 September 2020	Gross Cash Rm	Gross Debt Rm	Net Debt Rm
Pepkor Holdings	5 870	(12 939)	(7 069)
Corporate and treasury services	12 999	(36 165)	(23 166)
	18 869	(49 104)	(30 235)
	Note 16	**Note 17**	

3. REVENUE

	Note	2021 Rm	Restated[1] 2020 Rm
Revenue from contracts with customers			
Sale of goods and related revenue		**74 644**	67 777
Service fee income		**397**	448
Other revenue		**167**	175
Other sources of revenue			
Financial services income		**1 798**	2 126
Insurance revenue		**323**	301
Total revenue from continuing operations	**2.1**	**77 329**	70 827

[1] Refer to note 1 for details regarding the restatement of comparative numbers for the effect of the reclassification of The Building Company from discontinued to continuing operations.

ACCOUNTING POLICY

Revenue from contracts with customers

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

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

As a result of the rights of customer to return goods an estimate is made of the expected return of goods. Revenue is not recognised to the extent that a return of goods is expected. Where the Group acts as agent and is remunerated on a commission basis, only the commission income, and not the value of the business transaction, is included in revenue.

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

Discounts

Different discounts are recognised depending on the nature of the customer. Some discounts are unconditional, such as cash discounts and early payment discounts. Unconditional discounts are recognised as a reduction in revenue at the same moment as the related sales transaction. Conditional discounts to customers such as volume and promotional rebates are recognised based on estimated target realisation. The estimation is based on accumulated experience supported by historical and current sales information.

Right of return

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

3. REVENUE (continued)

ACCOUNTING POLICY (continued)

Revenue from contracts with customers (continued)

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

Sale of goods and related revenue

The Group operates retail stores selling clothing, general merchandise, furniture, appliances, electronics and building materials. Revenue from the sale of goods is recognised at a point in time when the performance obligation is met. Performance obligation to customer is met once control of goods transfer to customers.

Payment is usually received via cash, debit card or credit card. Related card transaction costs are recognised in the statement of comprehensive income as other expenses. When goods are sold under instalment sale agreements for the furniture, appliances and electronics segment, the present value of the instalment sale payments is recognised as a receivable using the effective interest rate computed at initial recognition over the 1 to 5 year term of the agreement.

The Group earns ongoing revenue on starter packs that have been sold in stores. The recognition of ongoing revenue under IFRS 15 requires a certain level of judgement. The Group's policy is only to recognise the variable consideration as revenue as and when it is received, because it is only at this point that it is highly probable that a significant reversal in revenue for that contract will not occur in the future.

Deposits received from customers are recognised as deferred revenue. These balances are considered contract liabilities, as they are received prior to the satisfaction of performance obligations.

Lay-by revenue is recognised on the initiation of the contract with the customer for the clothing and general merchandise segment, as this is deemed to be when control of the goods passes to the customer. The Group recognises revenue at the amount of consideration to which they expect to be entitled and for which a significant reversal of revenue is not considered probable. A contract liability for the expected possible unsuccessful lay-bys is recognised as an adjustment to revenue as well as an asset (with a corresponding adjustment to cost of sales) representing its right to recover the products from the customer. The Group uses projection methods to forecast unsuccessful lay-bys that are based on historical data. Any significant changes in experience as compared to historical patterns will impact the percentages estimated by the Group. Estimated percentages are updated regularly and the contract liability for unsuccessful lay-bys is adjusted accordingly.

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

Recognising revenue from major business activities

Financial services revenue - effective interest income

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

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

Collection revenue

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

Insurance revenue

Insurance revenue consists of gross insurance premiums and re-insurance commission earned less re-insurance premiums. Insurance premiums are recognised on a straight-line basis over the period of the contract, after an appropriate allowance is made for commission and re-insurance. Re-insurance commissions are earned on a straight-line basis over the period of the contract.

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

	Notes	2021 Rm	Restated[1] 2020 Rm
4.1. OTHER INCOME			
Commission received[2]		**528**	505
Business interruption insurance claim recovery - civil unrest		**171**	-
Other income		**386**	353
		1 085	858

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

ACCOUNTING POLICY

Commission received

The Pepkor Holdings group acts as an agent for the services and products provided by a variety of third parties to the group's customers through its retail footprint. The agent's commissions received by the businesses, other than the FinTech segment, from the third parties for the services are recognised as other income. Commissions relating to third-party products, money transfers and bill payments are recognised at the point in time when the underlying third-party payment takes place, as control is transferred to the customer and all performance obligations are deemed to be met.

	Notes	2021 Rm	Restated[1] 2020 Rm
4.2. OTHER EXPENSES/(INCOME)			
The 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 Group.			
4.2.1 Impairment			
Goodwill	8	**13**	4 699
Intangible assets	8	**-**	103
Property, plant and equipment	9	**58**	87
Right-of-use assets	10	**156**	203
Other		**-**	1
		227	5 093
4.2.2 (Reversal of impairment)/impairment of financial assets			
a) Intragroup loans and receivables	32.2	**(11 392)**	(3 907)
Refer to note 32.2 for detail regarding the reversals.			
b) Other loans and receivables		**43**	23
		(11 349)	(3 884)
4.2.3 Loss on disposal of property, plant and equipment and intangible assets		**32**	21
4.2.4 Profit on sale and partial sale of investments			
Profit on the disposal of Micawber 455 Proprietary Limited ("**Micawber**")		**(9)**	-
FCTR released on liquidation of foreign subsidiary		**(89)**	-
Loss on disposal of Steinhoff N.V. shares		**28**	-
		(70)	-

[1] Refer to note 1 for details regarding the restatement of comparative numbers for the effect of the reclassification of The Building Company from discontinued to continuing operations.

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

	Notes	2021 Rm	Restated[1] 2020 Rm
4.2. OTHER EXPENSES/(INCOME) (continued)			
4.2.5 Foreign currency (gains)/losses			
Foreign exchange (gain)/loss on Claim from Financial Creditors (SIHPL CPU)	17.6	(3 375)	4 984
The Claim from Financial Creditors (SIHPL CPU) is euro denominated. Refer to Note 17.6 for further disclosure. The closing rand/euro exchange rate strengthened from 19.7092 at 30 September 2020 to 17.5629 at 30 September 2021, resulting in a large foreign exchange gain being recognised.			
Foreign currency loss on loans with Ibex Retail Investments (Europe) Limited		378	-
In terms of an intergroup restructure in September 2020, Ibex Retail Investments (Europe) Limited ("**Ibex (Europe)**") (previously Pepco Holdco Limited) was introduced into the European Group structure and acquired the shares in Steenbok Newco 7 Limited ("**Newco 7**"), which holds the underlying Pepco Group shares. Upon the acquisition of the shares in Newco 7, Steinhoff Africa and Newshelf released Steinhoff Retail GmbH from its loan commitment and it was deemed that Steinhoff Africa and Newshelf have provided Ibex Retail with loans of €67.5 million and €106.4 million respectively. The Ibex Retail loans are euro denominated, carry interest at 8% per annum and are repayable on 31 December 2022.			
The closing rand/euro exchange rate strengthened from 19.7092 at 30 September 2020 to 17.5629 at 30 September 2021, resulting in a foreign exchange loss being recognised.			
		(2 997)	4 984
4.2.6 Fees relating to legal advisory and regulatory support		259	285

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 legal, financial and regulatory requirements. The scale and complexity of this task has meant that the aggregate adviser costs for the Reporting Period have once again been significant. The principal adviser relationships included legal advisors and corporate advisory functions that support the Group on discussions and engagement with its litigants, creditors, forensic investigation services and regulatory and taxation advisory services.

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

	Notes	2021 Rm	Restated[1] 2020 Rm
4.2. OTHER EXPENSES/(INCOME) (continued)			
4.2.7 Provision – Litigation Settlement Proposal	23.3	7 173	9 379

On 15 February 2021 the ultimate holding company, Steinhoff N.V., applied for the opening of a Dutch SoP proceedings and offered the Steinhoff N.V. Composition Plan to its SoP creditors. The Dutch Court confirmed the Steinhoff N.V. Composition Plan on 23 September 2021. Following expiry of a prescribed 8-day period wherein the court's decision is open to appeal, during which no appeal was lodged, the Dutch Court order became final and binding and by consequence the Steinhoff N.V. Composition Plan became binding on all SoP creditors in accordance with its terms. The Steinhoff N.V. Composition Plan was proposed in parallel with the SIHPL Section 155 Proposal. Both proposals, which are inter-conditional, form part of the Litigation Settlement Proposal to resolve the legacy claims arising from the announcement of accounting irregularities. Refer to Note 23.3 - Litigation Settlement Proposal for relevant changes made to the provision, as announced throughout the 2021 Reporting Period.

4.2.8 Costs associated with the Litigation Settlement Proposal provision

	Notes	2021 Rm	Restated[1] 2020 Rm
Fair value adjustment - Synthetic Forward		341	-
Provision - ACG lawyer fees	23.2	527	-
Provision - SRF cost contribution	23.2	351	-

Fair value adjustment - Synthetic Forward
Steinhoff Africa agreed to pay a portion of the Litigation Settlement Proposal provision on behalf of Steinhoff N.V. As a result, Steinhoff Africa has during the 2020 Reporting Period entered into a forward exchange agreement with multiple banks in order to hedge against the foreign currency risk.

Provision - ACG lawyer fees

In order to improve recoveries to market purchase claimants, the Group will be making available an amount of up to R527 million (€30 million), subject to the implementation of the Litigation Settlement Proposal, to pay in respect of certain fees, costs and work undertaken by the active claimant groups (“**ACGs**”).

Provision - SRF cost contribution
The Group established a new Dutch foundation ("**Stichting**") on 24 August 2021, together with supporting arrangements in South Africa (for South African claimants) to act as the SRF. The purpose of the SRF is to administer and distribute the settlement consideration paid by, or on behalf of, the Group and other contributing parties. It will be governed by a board of newly appointed directors with majority independence from the 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. The Group will contribute up to R351 million (€20 million) to cover the costs of the SRF. This value excludes any additional cost contributions to be made by other parties (i.e. Deloitte firms and Settling D&O insurers) as stipulated in the Steinhoff N.V. Composition Plan. Any costs incurred by the SRF in excess of the cost contributions, will be deducted from the settlement payment, and any surplus cost contribution amount will revert to the parties that have paid such amounts to SRF, pro rata to the cost contribution of each such party. During the 2021 Reporting Period the Group contributed R33 million towards costs incurred by the SRF, which amount will be deducted from the anticipated cost contribution, as provided.

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

	Notes	2021 Rm	Restated[1] 2020 Rm
4.2. OTHER EXPENSES/(INCOME) (continued)			
4.2.8 Costs associated with the Litigation Settlement Proposal provision (continued)			
Recognition of SIHPL loan commitment	23.4	2 209	-
SIHPL has entered into a loan commitment to obtain a financial asset, the Titan Receivable, at more than its fair value. The loan commitment provision will be set-off against the Titan Receivable on the issue of the Newco 2A Loan Note on SED. SIHPL accounted for a loan commitment at its fair value of R2.2 billion in the 2021 Reporting Period.			
		3 428	-
TOTAL OTHER EXPENSES/(INCOME) FROM CONTINUING OPERATIONS		(3 297)	15 878

4.3. OPERATING EXPENSES BY NATURE

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

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

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

	Notes	2021 Rm	Restated[1] 2020 Rm
4.3.1 Depreciation and amortisation			
Depreciation - Property, plant and equipment	9	1 203	1 260
Depreciation - Right-of-use assets	10	2 411	2 476
Amortisation	8	140	101
		3 754	3 837
Included in distribution and administration expenses		3 750	3 833
Included in cost of sales		4	4
		3 754	3 837
4.3.2 Auditor's remuneration			
Audit fees expensed		54	63
4.3.3 Employee benefit expenses			
Salaries and wages		8 105	7 322
Share-based payments (Pepkor Holdings Executive Share Right Scheme)	34.1.1	229	126
Contributions to defined benefit plans (post-retirement benefit expenses)		242	144
Contributions to defined contribution plans (post-retirement benefit expenses)		345	330
		8 921	7 922

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

	Notes	2021 Rm	Restated[1] 2020 Rm
4.3.4 Net foreign exchange losses/(gains)			
Net loss/(gain) on forward exchange contracts		352	(372)
Net loss/(gain) on conversion of monetary assets - realised		180	(75)
Net loss on conversion of monetary assets - unrealised		38	126
		570	(321)

[1] Refer to note 1 for details regarding the restatement of comparative numbers for the effect of the reclassification of The Building Company from discontinued to continuing operations.

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

	2021 Rm	Restated[1] 2020 Rm
4.3. OPERATING EXPENSES BY NATURE (continued)		
4.3.5 Lease related expenses		
Short-term rentals	**434**	255
Low value asset rentals	**11**	10
Variable lease payment not included in the measurement of the right of use asset / lease liability	**442**	231
Leases of plant, equipment, vehicles and other	**-**	10
	887	**506**
4.3.6 Debtors' cost		
Debtor/loan balances written off	**1 395**	1 396
(Decrease)/increase in ECL's	**(472)**	407
Debtor/loan balances recovered	**(138)**	(69)
	785	1 734
4.3.7 Other distribution and administration expenses	**5 625**	5 149
TOTAL DISTRIBUTION AND ADMINISTRATION EXPENSES FROM CONTINUING OPERATIONS	**20 139**	18 645
Distribution expenses	**1 917**	1 867
Administration expenses	**18 222**	16 778
TOTAL DISTRIBUTION AND ADMINISTRATION EXPENSES FROM CONTINUING OPERATIONS	**20 139**	18 645

[1] Refer to note 1 for details regarding the restatement of comparative numbers for the effect of the reclassification of The Building Company from discontinued to continuing operations.

5. FINANCE COSTS AND INCOME FROM INVESTMENTS

	Finance Costs Rm	Finance income Rm	Net income /(cost) Rm
2021			
Dividends received*	**-**	**287**	**287**
Finance costs and income from investments			
(Bank overdrafts)/Cash and cash equivalents	**(162)**	**805**	**643**
Lease liabilities	**(1 318)**	**-**	**(1 318)**
Loans and liabilities	**(937)**	**4**	**(933)**
Other	**(126)**	**367**	**241**
	(2 543)	**1 463**	**(1 080)**
Restated[1] 2020			
Dividends received*	-	341	341
Finance costs and income from investments			
(Bank overdrafts)/Cash and cash equivalents	(207)	963	756
Lease liabilities	(1 521)	-	(1 521)
Loans and liabilities	(1 633)	8	(1 625)
Other	(165)	149	(16)
	(3 526)	1 461	(2 065)

** The majority of the dividends received relates to accrued dividends on the investment in preference shares of Lancaster 102 Proprietary Limited ("* ***Lancaster 102*** *"). Refer to note 12 for terms of the preference share investment.*

[1] Refer to note 1 for details regarding the restatement of comparative numbers for the effect of the reclassification of The Building Company from discontinued to continuing operations.

ACCOUNTING POLICY

Interest income, finance costs and other finance income and costs

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

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

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

6. TAXATION

Steinhoff Investments is a South African tax resident.

For periods ending 30 September 2021 and 30 September 2020 the corporate taxation rate in South Africa is 28%. Capital gains are taxed at 22.4%.

ACCOUNTING POLICY

Current taxation

Included within the tax charge are charges relating to:

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

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

Each entity in the Group has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing. If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

Deferred tax

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

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

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

Significant accounting estimate and judgments

Recoverability of deferred taxation assets

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

6. TAXATION (continued)

6.1. Income tax expense recognised in profit or loss

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

	2021 Rm	Restated[1] 2020 Rm
Current tax		
Income tax		
Current period	**1 907**	1 927
Prior period adjustments	**90**	(223)
Capital gains tax	**4**	-
Withholding tax	**51**	75
	2 052	1 779
Deferred taxation		
Originating and reversing temporary differences - current period	**749**	(484)
Adjustments relating to prior period	**(1)**	(70)
	748	(554)
Total tax from continuing operations	**2 800**	1 225
Components of the tax expense from discontinued operations:		
Current tax	**55**	216
Deferred taxation	**-**	(1)
	55	215
Total taxation expense recognised in profit or loss	**2 855**	1 440

Reconciliation of rate of taxation

	2021 Rm	Restated[1] 2020 Rm
Profit/(loss) before income tax from continuing operations	**10 941**	(11 824)
Profit/(loss) before income tax from discontinued operations	**16**	(248)
	10 957	(12 072)
South African standard rate of taxation at 28%	**(3 068)**	3 380
Effect of different statutory taxation rates of subsidiaries in other jurisdictions	**(6)**	(79)
Effect of non-deductible expenses and tax-exempt income[2]	**1 416**	(4 573)
Unrecognised tax losses	**(1 256)**	(254)
Effect of profit of equity accounted companies	**27**	(26)
Prior period adjustments	**(89)**	262
Withholding taxes	**(51)**	(75)
Utilisation of previously unrecognised tax losses and temporary differences	**205**	21
Previously unrecognised tax losses raised	**(1)**	-
FCTR release through profit and loss	**(28)**	-
Other reconciling items	**(4)**	(96)
Total taxation expense recognised in profit or loss	**(2 855)**	(1 440)

[1] Refer to note 1 for details regarding the restatement of comparative numbers for the effect of the reclassification of The Building Company from discontinued to continuing operations.

[2] Non-deductible expenses/tax-exempt income are largely attributable to impairments of goodwill and intangible assets, impairment reversals of intergroup loans and the provision for the Litigation Settlement Proposal.

6.2. Tax provisions

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

6. TAXATION (continued)

6.3. Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	30 September 2021 Rm	Restated[1] 30 September 2020 Rm	30 September 2021 Rm	Restated[1] 30 September 2020 Rm	30 September 2021 Rm	Restated[1] 30 September 2020 Rm
Recognised deferred tax assets and liabilities attributable to the following categories:						
Intangible assets and goodwill	**(6)**	(14)	**(3 911)**	(3 911)	**(3 917)**	(3 925)
Property, plant and equipment	**(46)**	(1)	**(27)**	(32)	**(73)**	(33)
Right-of-use assets	**(3 017)**	(2 862)	**(245)**	-	**(3 262)**	(2 862)
Lease liability	**4 232**	4 168	**113**	-	**4 345**	4 168
Provisions	**986**	939	**(6)**	(19)	**980**	920
Share-based payments	**144**	76	**-**	-	**144**	76
Taxation losses	**68**	51	**1**	-	**69**	51
Other*	**403**	437	**(707)**	(181)	**(304)**	256
Balance at end of the period	**2 764**	2 794	**(4 782)**	(4 143)	**(2 018)**	(1 349)

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

	Notes	30 September 2021 Rm	Restated[1] 30 September 2020 Rm
Balance at beginning of period		**(1 349)**	(2 779)
Deferred tax of businesses acquired	**26**	**-**	6
Amounts charged directly to other comprehensive income:			
Cash flow hedging reserve and fair value reserves		**52**	(39)
Amounts charged directly to equity:			
Share based payment reserves		**37**	-
Effect of adopting IFRS 16		**-**	978
Current period charge:			
From continuing operations	**6.1**	**(748)**	554
From discontinued operations	**6.1**	**-**	1
Other		**-**	(70)
Exchange differences on translation of foreign operations		**(10)**	-
Balance at end of the period		**(2 018)**	(1 349)

¹ Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.

6. TAXATION (continued)

6.3. Deferred tax assets and liabilities

	30 September 2021 Rm	30 September 2020 Rm
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Unrecognised taxation losses	**3 985**	3 134

Deferred tax assets have not been recognised in respect of these items because it is not yet certain that future taxable profits will be available against which the Group can realise the benefits therefrom.

	30 September 2021 Rm	30 September 2020 Rm
Taxation losses		
Estimated recognised taxation losses available for offset against future taxable income	**240**	210

6.4. Expiry profile of taxation losses

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

7. EARNINGS PER SHARE

	2021 Cents	Restated[1] 2020 Cents
The calculation of per share numbers uses the exact unrounded numbers. This may result in differences when compared to calculating the numbers using the rounded number of shares and loss as disclosed below.		
Basic and diluted earnings/(loss) per share		
From continuing operations	**11 756.4**	(21 961.8)
From discontinued operations	**(70.9)**	(841.8)
Basic and diluted earnings/(loss) per share	**11 685.5**	(22 803.6)
Headline earnings/(loss) per share		
Headline earnings/(loss) is an additional earnings/(loss) number that is permitted by IAS 33: Earnings per Share ("**IAS 33**"). The starting point is profit/(loss) as determined in IAS 33, excluding separately identifiable remeasurements, net of related taxation (both current and deferred) and related non-controlling interests other than remeasurements specifically included in headline earnings/(loss). This number is required to be reported by the JSE, where the Group is listed, and is defined by Circular 1/2021 Headline Earnings.		
Separately identifiable remeasurements are those where the applicable IFRS explicitly requires separate disclosure of the operating and/or the platform remeasurement in the consolidated financial statements. No adjustments would be permitted on the basis of voluntary disclosure of gains or losses (or components of these).		
From continuing operations	**11 992.7**	(12 199.4)
From discontinued operations	**(149.1)**	(283.6)
Headline earnings/(loss) per share	**11 843.6**	(12 483.0)

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

RECONCILIATIONS OF DENOMINATOR AND NUMERATOR

7.1 Weighted average number of ordinary shares

	Note	2021 Million	2020 Million
Issued ordinary shares at beginning of the period	**28.2**	**55**	55
Weighted average number of ordinary shares at end of the period for the purpose of basic earnings/(loss) per share and headline earnings/(loss) per share		**55**	55

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

	Notes	Continuing operations Rm	Discontinued operations Rm	Total Rm
2021				
Basic earnings for the period attributable to Owners of Steinhoff Investments		**6 466**	**(39)**	**6 427**
Adjusted for remeasurement items	**7.3**	**130**	**(43)**	**87**
Headline earnings attributable to Owners of Steinhoff Investments		**6 596**	**(82)**	**6 514**
2020				
Basic loss for the period attributable to Owners of Steinhoff Investments		(12 079)	(463)	(12 542)
Adjusted for remeasurement items	**7.3**	5 369	307	5 676
Headline loss attributable to Owners of Steinhoff Investments		(6 710)	(156)	(6 866)

7. EARNINGS PER SHARE (continued)

7.3 Remeasurement items as defined by the HEPS circular

	Notes	2021 Gross of taxation and non-controlling interests Rm	2021 Net of taxation and non-controlling interests Rm	Restated [1] 2020 Gross of taxation and non-controlling interests Rm	Restated [1] 2020 Net of taxation and non-controlling interests Rm
Remeasurement items reflect and affect the resources committed in producing operating/ trading performance and are not the performance itself. These items deal with the platform/capital base of the entity.					
Refer to note 4 for further details regarding the nature of the remeasurement items.					
Continuing operations					
Impairment		**227**	**179**	5 426	5 288
Goodwill	**4.2.1**	**13**	**13**	4 699	4 699
Intangible assets	**4.2.1**	**-**	**-**	103	80
Property, plant and equipment	**4.2.1**	**58**	**45**	87	68
Right-of-use asset	**4.2.1**	**156**	**121**	203	182
Investments in equity accounted companies		**-**	**-**	333	258
Other	**4.2.1**	**-**	**-**	1	1
Loss on disposal of property, plant and equipment and intangible assets	**4.2.3**	**32**	**21**	21	2
Profit on sale and partial sale of investments	**4.2.4**	**(70)**	**(70)**	-	79
Remeasurement items - Continuing operations		**189**	**130**	5 447	5 369
Discontinued operations					
Impairment	**1.2.1**	**-**	**-**	481	332
Goodwill		**-**	**-**	-	-
Intangible assets		**-**	**-**	-	-
Property, plant and equipment		**-**	**-**	271	211
Investment property		**-**	**-**	155	121
Right-of-use asset		**-**	**-**	-	-
Investments in equity accounted companies		**-**	**-**	55	-
Profit on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet	**1.2.2**	**(41)**	**(41)**	(250)	(250)
FCTR release on sale of disposal group		**-**	**-**	165	165
(Profit)/loss on sale and partial sale of investments	**1.2.3**	**(2)**	**(2)**	60	60
Remeasurement items - Discontinued operations		**(43)**	**(43)**	456	307

[1] Refer to note 1 for details regarding the restatement of comparative numbers for the effect of the reclassification of The Building Company from discontinued to continuing operations.

8. INTANGIBLE ASSETS

ACCOUNTING POLICY

Goodwill

Goodwill is recognised as the excess of the:
- consideration transferred, plus
- the amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net assets acquired in a business combination.

Refer to note 26 for the accounting policy applied to business combinations.

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

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

Other intangible assets

Trade and brand names

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

Software and ERP systems

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

Other intangible assets

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

Amortisation of intangible assets with finite useful lives

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

Impairment of intangible assets

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

8. INTANGIBLE ASSETS (continued)

Significant accounting estimates and judgements

Useful life of intangible assets

Software and ERP systems

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

Indefinite useful life intangible assets

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

Trade and brand names

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

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

8. INTANGIBLE ASSETS (continued)

	Notes	Goodwill Rm	Trade and brand names Rm	Software and ERP systems Restated [1] Rm	Other intangibles Rm	Total Restated [1] Rm
Balance at 1 October 2019		41 865	17 655	313	11	59 844
Additions			4	98	135	237
Amortisation		-	-	(101)	-	(101)
From continuing operations	**4.3.1**	-	-	(101)	-	(101)
Disposals		-	-	1	-	1
Acquired on acquisition of businesses	**26.3**	114	17	-	-	131
Impairment	**8.1**	(4 699)	(103)	-	-	(4 802)
From continuing operations	**4.2.1**	(4 699)	(103)	-	-	(4 802)
Transfer (to)/from property, plant and equipment		-	-	(6)	8	2
Balance at 30 September 2020		37 280	17 573	305	154	55 312
Additions		**-**	**-**	**147**	**65**	**212**
Amortisation		**-**	**(1)**	**(137)**	**(2)**	**(140)**
Disposals		**-**	**-**	**(4)**	**-**	**(4)**
Acquired on acquisition of businesses	**26.1**	**13**	**-**	**-**	**-**	**13**
Impairment	**8.1**	**(13)**	**-**	**-**	**-**	**(13)**
From continuing operations	**4.2.1**	**(13)**	**-**	**-**	**-**	**(13)**
Transfer (to)/from property, plant and equipment	**9**	**-**	**-**	**(10)**	**-**	**(10)**
Transferred to discontinued operations and assets held-for-sale	**35**	**-**	**-**	**-**	**-**	**-**
Balance at 30 September 2021		**37 280**	**17 572**	**301**	**217**	**55 370**
Cost		**42 664**	**18 223**	**1 408**	**244**	**62 539**
Amortisation and impairment		**(5 384)**	**(651)**	**(1 107)**	**(27)**	**(7 169)**
Net book value at 30 September 2021		**37 280**	**17 572**	**301**	**217**	**55 370**
Cost		42 651	18 223	1 451	179	62 504
Amortisation and impairment		(5 371)	(650)	(1 146)	(25)	(7 192)
Net book value at 30 September 2020		37 280	17 573	305	154	55 312

[1] *Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.*

	Goodwill Rm	Trade and brand names Rm	Software and ERP systems Rm	Other intangibles Rm	Total Rm
Classification of intangible assets					
2021					
Indefinite useful life assets	**37 280**	**17 556**	**-**	**-**	**54 836**
Definite life assets	**-**	**16**	**301**	**217**	**534**
	37 280	**17 572**	**301**	**217**	**55 370**
2020					
Indefinite useful life assets	37 280	17 556	-	-	54 836
Definite life assets	-	17	305	154	476
	37 280	17 573	305	154	55 312

8. INTANGIBLE ASSETS (continued)
Summary of net carrying value

	30 September 2021 Rm	30 September 2020 Rm
Goodwill	**37 280**	37 280
Indefinite useful life trade and brand names	**17 572**	17 573
Definite useful life intangible assets	**518**	459
	55 370	55 312

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

	Goodwill		Trade and brand names	
	30 September 2021 Rm	30 September 2020 Rm	30 September 2021 Rm	30 September 2020 Rm
Goodwill and trade and brand names are considered a significant class of intangible assets to the Group. The carrying amount per segment is presented below:				
Pepkor Holdings*	**37 280**	37 280	**17 572**	17 573

** Pepkor Holdings has been identified as one CGU on a Steinhoff Investments Group level. For more detail on the CGU's at a Pepkor Holdings level and the Trade and Brand names included under these CGU's, refer to the published annual financial statements of Pepkor Holdings.*

When the Group acquires a business that qualifies as a business combination in respect of IFRS 3: Business Combinations, the Group determines the fair value of assets acquired, including identifiable intangible assets, and the liabilities assumed. Any excess of the aggregate of the consideration transferred, non-controlling interest in the acquiree and for a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, over the fair value of those net assets, is considered to be goodwill. The goodwill acquired in a business combination is allocated, at acquisition, to the Group of CGUs that is expected to benefit from that business. Goodwill is assessed for impairment annually, irrespective of whether there is any indication of impairment.

8.1 Impairment tests

Review of impairment

Goodwill

The impairment test compares the carrying amount of the CGU, including goodwill to the higher of the value in use, or fair value less cost to sell of the unit. The recoverable amount of the group of CGUs is determined from the fair value less cost to sell calculation (fair value hierarchy level 3), using a discounted cash flow model. The key assumptions for the fair value less cost to sell calculation are those regarding the discount rates, growth rates, expected changes to the revenue growth during the forecast period and working capital requirements. The discount rates are based on the weighted average cost of capital, while growth rates are based on management's experience and expectations. Growth rates used do not exceed the long-term average growth rate for the area in which the group of CGUs operates. Assumptions are based on past practices and expectations of future changes in the market and included the impact of COVID-19 on future cash flows and economic environment, and are derived from the most recent financial budgets and forecasts that have been prepared by management for the next three years and extrapolated cash flows for the following years based on an estimated growth rate as set out below. Management has further assessed the impact of the political and social unrest in South Africa during July 2021 on future cash flows and is comfortable that the impact is not significant and does not lead an impairment of goodwill.

Below, the detailed impairment assessments at a Pepkor Holdings level is discussed based on the CGU's identified at a Pepkor Holdings level. On a Steinhoff Investments Group level Pepkor Holdings has been identified as one CGU.

Management assessed the various CGUs for impairment based on the input factors above and found it to be reasonable to not further impair any goodwill subsequent to the significant impairments processed in the prior year. (2020: The clothing and general merchandise segment experienced lower than expected growth, due to trade restrictions following lockdowns in the majority of countries where the group operates. Management expects constrained future growth, especially for the PEP Africa, Shoe City and Tekkie Town divisions, due to weak projected macroeconomic activity and the effect thereof on customer disposable income.) None of the group of CGU's were identified as being sensitive to further impairments in the current year.

8. INTANGIBLE ASSETS (continued)

8.1 Impairment tests (continued)

Review of impairment (continued)

Goodwill (continued)

An impairment charge is recognised for both goodwill and indefinite life intangible assets when the carrying amount exceeds the recoverable amount. The recoverable amount of the group of CGUs reflected the fair value less cost to sell. During the year a R13 million impairment was processed relating to the Eezi CGU (2020: an impairment charge of R3.019 billion was processed to impair the goodwill relating to Ackermans, Dunns, PEP, PEP Africa, Refinery, Shoe City and Tenacity group of CGUs; R1.645 billion was processed to impair the goodwill relating to Tekkie Town's group of CGUs; and R35 million relating to the goodwill of Eezi to its recoverable amount).

Intangible assets

An impairment charge is required for both goodwill and other indefinite life intangible assets when the carrying amount exceeds the recoverable amount. The recoverable amount of the group of CGU's reflected the fair value less cost to sell. Indefinite useful life intangible assets were tested for impairment during the year and no impairment was required in light of the recovery in the market (2020: R103 million relating to the Incredible Connection division within the furniture, appliances and electronics segment).

There is no indication based on a reasonable fluctuation in the key assumptions that the remaining balance of the indefinite useful life intangible assets should be impaired.

No impairment relating to software was recognised in the current and prior financial year. There is no indication that the software and ERP systems are impaired.

All impairment testing was done consistently with methods used in the prior year.

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	Forecasted cash flows	Short- to medium-term revenue (annual growth rate)	Long term growth rate
30 September 2021				
Continuing operations				
Pepkor Holdings[1]	**17.5% to 21.2%**	**5 years**	**3% to 10.4%**	**4.5% to 6.0%**
30 September 2020				
Continuing operations				
Pepkor Holdings[1]	16.9% to 19.2%	5 years	0.2% to 7.4%	4.5% to 5.5%

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

Pre-tax discount rate	Reflect specific risks relating to the relevant segments and the countries in which they operate.
Revenue	Average annual growth rate over the budgeted period; based on current industry trends and including long-term inflation forecasts for each group of CGU's.
Long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the five-year period. The rates are consistent with forecasts included in industry reports.
Forecasted cash flows	Management base future cash flow assumptions on historical performance and approved budgets.

[1] *This represents a summary of the Pepkor Holdings group's various goodwill models disclosed as part of their published 2021 annual financial statements.*

Sensitivity analysis

Management has adjusted the cash flows of CGUs for entity-specific risk factors to arrive at the future cash flows expected to be generated from the group of CGUs. There is no indication based on a reasonable fluctuation in those risk factors that the goodwill or indefinite useful life intangible assets are further impaired or that the impairment model is sensitive to a reasonable change in the assumptions.

8. INTANGIBLE ASSETS (continued)

8.1 Impairment tests (continued)

Refer below the recoverable amount of the prior Reporting Period:

	30 September 2020 Rm
Pepkor Holdings	56 266

9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Significant accounting estimates

Residual value and useful life of buildings

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

Impairment testing

Property, plant and equipment are only tested if an impairment indicator is identified. The Group evaluates, among other things, losses incurred, duration and the extent of losses and near-term business outlook.

ACCOUNTING POLICY

Owned assets

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

Subsequent costs

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

Depreciation

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

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

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

	Notes	Land and buildings Restated [1] Rm	Plant and machinery Restated [1] Rm	Leasehold improvements Restated [1] Rm	Furniture and fittings Restated [1] Rm	Other assets Restated [1] Rm	Total Restated [1] Rm
Balance at 30 September 2019		941	2 774	563	221	985	5 484
Tenant installation contribution opening balance capitalised reclassified to right-of-use assets under IFRS 16		-	-	85	-	-	85
Balance at 1 October 2019		941	2 774	648	221	985	5 569
Additions		385	594	182	66	246	1 473
Depreciation	**4.3.1**	(32)	(664)	(193)	(79)	(292)	(1 260)
Disposals		-	(19)	(9)	(4)	(19)	(51)
Impairment	**4.2.1**	(9)	(49)	(22)	(6)	(1)	(87)
Acquired on acquisition of businesses		-	-	5	-	3	8
Reclassifications		-	26	12	13	(51)	-
Transfer to intangible assets		-	-	-	-	(2)	(2)
Transferred to discontinued operations and assets held-for-sale	**35**	6	(33)	-	(1)	(1)	(29)
Exchange differences on consolidation of foreign operations		(15)	(52)	(6)	1	(2)	(74)
Balance at 30 September 2020		1 276	2 577	617	211	866	5 547

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

	Notes	Land and buildings Rm	Plant and machinery Rm	Leasehold improvements Rm	Furniture and fittings Rm	Other assets Rm	Total Rm
Balance at 1 October 2020		1 276	2 577	617	211	866	5 547
Additions		301	612	138	79	491	1 621
Depreciation	4.3.1	(37)	(644)	(187)	(78)	(257)	(1 203)
Disposals		-	(31)	(7)	(12)	(11)	(61)
Impairment	4.2.1	-	(50)	(3)	(2)	(3)	(58)
Disposal of businesses		(3)	16	-	-	(9)	4
Reclassifications		-	14	46	38	(98)	-
Transfer from intangible assets	8	-	-	-	-	10	10
Reclassified from assets held-for-sale[2]	35	1 050	-	-	-	-	1 050
Exchange differences on consolidation of foreign operations		(6)	(29)	(2)	-	4	(33)
Balance at 30 September 2021		2 581	2 465	602	236	993	6 877
Cost		2 767	5 664	1 518	656	2 478	13 083
Accumulated depreciation and impairment		(186)	(3 201)	(916)	(420)	(1 483)	(6 206)
Net book value at 30 September 2021		2 581	2 463	602	236	995	6 877
Cost		1 404	5 772	1 532	571	2 642	11 921
Accumulated depreciation and impairment		(128)	(3 201)	(915)	(360)	(1 770)	(6 374)
Net book value at 30 September 2020		1 276	2 571	617	211	872	5 547

[1] *Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.*

[2] *The properties disposed of by Properties - Africa to Pepkor Holdings were reclassified from held-for-sale to property, plant and equipment during the Reporting Period as these properties will remain within the Group.*

Carrying values of the main components of the other assets per category are; Capital-work-in-progress (2021: R277 million; 2020: R144 million), vehicles (2021: R273 million; 2020: R268 million) and computer equipment (2021: R441 million; 2020: R457 million).

Plant and machinery includes retail shop fittings included under Pepkor Holdings disclosure of furniture and fittings.

Looting

During the year a total of 549 stores across the Pepkor Holdings group were impacted by the unrest and subsequent looting in July 2021. Stores were burnt, looted or damaged to varying degrees. In addition one of the JD Group's distribution centres was looted. This lead to an impairment and scrapping of various categories of property, plant and equipment to the value of R76 million. The Pepkor Holdings group submitted a claim from its insurers on the replacement value of the covered property, plant and equipment, for which the outcome of the claim and subsequent payment is only expected to be received subsequent to the Reporting Date. Refer to note 24 regarding the contingent asset relating to the insured event.

10. RIGHT-OF-USE ASSETS

	Notes	Land and buildings Restated [1] Rm	Other assets Restated [1] Rm	Total Restated [1] Rm
Opening Balance on adoption of IFRS 16 (1 October 2019)		**11 803**	**6**	**11 809**
Additions		**2 138**	**-**	**2 138**
Remeasurement due to lease modifications and remeasurements		**(733)**	**-**	**(733)**
Depreciation	**4.3.1**	**(2 473)**	**(3)**	**(2 476)**
Impairment	**4.2.1**	**(203)**	**-**	**(203)**
Acquisition of businesses	**26.3**	**24**	**-**	**24**
Exchange differences on consolidation of foreign subsidiaries		**(62)**	**-**	**(62)**
Balance at 30 September 2020		**10 494**	**3**	**10 497**
Additions		**3 579**	**-**	**3 579**
Remeasurement due to lease modifications and remeasurements		**(1 202)**	**-**	**(1 202)**
Depreciation	**4.3.1**	**(2 409)**	**(2)**	**(2 411)**
Impairment	**4.2.1**	**(156)**	**-**	**(156)**
Exchange differences on consolidation of foreign subsidiaries		**(68)**	**-**	**(68)**
Balance at 30 September 2021		**10 238**	**1**	**10 239**
Cost		13 328	9	13 337
Accumulated depreciation and impairment		(3 091)	(7)	(3 098)
Net book value at 30 September 2021		10 237	2	10 239
Cost		**13 432**	**12**	**13 444**
Accumulated depreciation and impairment		**(2 938)**	**(9)**	**(2 947)**
Net book value at 30 September 2020		**10 494**	**3**	**10 497**

[1] *Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.*

Remeasurement due to lease modifications

The remeasurement of the right-of-use assets and relating lease liability remeasurement (note 18) mainly relates to the following:

- Favourable lease renewals
- Retail footprint consolidation in specific retail brands

Impairment

The right-of-use assets relating to retail store's, office space and distribution centres are each seen as an individual CGU. The Group assesses each of these CGU's when indicators of impairment are identified, these mainly include loss-making stores and stores marked for closure. The impairment test compares the carrying amount of the CGU to the higher of the value-in-use, or fair value of the unit. For retail stores the recoverable amount of the CGU is determined from the value-in-use calculation, whereas office space and distribution centres CGU's are determined from its fair value. The key assumptions for the value-in-use calculation are those regarding the discount rates and growth rates. The discount rates are based on the pre-taxation weighted average cost of capital of 10.5% (2020: 12.7%) relating to South Africa (other African countries use different weighted average cost of capital rates, but the effect thereof is immaterial), while growth rates are based on management's experience and expectations which are in line with the growth rates used for the goodwill impairment assessment as per note 8. Growth rates used do not exceed the long-term average growth rate for the area in which the CGU operates.

Lease term

Right-of-use assets are written off over the shorter of the useful life or the lease term of the specific right-of-use asset. The lease term of the Group is generally between 3 to 5 years and if a lease contains an option to renew the option period also ranges between 3 - 5 years.

10. RIGHT-OF-USE ASSETS (continued)

Significant accounting estimates

Leases

Lease terms applicable to lease agreements, relating to the Group's lease liabilities, are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Judgement is exercised in determining the likelihood of exercising termination or extension options in determining the lease term including considerations of the initial term/age of the lease, economic uncertainty of countries the Group trades in and uncertainty over the feasibility of certain business units.

Subsequent to the commencement date of lease agreements, lease terms are reassessed when there is a significant event or change in circumstances that is within the Group's control and affects its ability to exercise or not to exercise the option to renew or to terminate. Significant events could include a change in the Group's assessment of whether it is reasonably certain to exercise a renewal or termination option, which includes if a store is flagged for relocation or closure or if it is more favourable not to exercise the option.

Incremental borrowing rates applied in the measurement of certain lease liabilities are specific to the country, term, currency and start date of the applicable lease agreement. Incremental borrowing rates are based on a series of inputs including the prime lending rate, the JIBAR rate, a credit risk adjustment and a country specific adjustment.

ACCOUNTING POLICY

Leases

The Group's main leasing activities relates to that of retail stores, office space and distribution centres. On entering a contract the Group assesses whether a contract is, or contains, a lease based on the definition of a lease as per IFRS 16 Leases. The criteria to assess a contract includes whether a contract involves the use of an identified asset, the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use and the Group has the right to direct the use of the asset. The Group then allocates the consideration in the contract to each lease component on the basis of their stand-alone prices. The Group has applied the practical expedient to not reassess any contract entered into before the initial recognition date.

If a contract is assessed to be, or contain, a lease the Group recognises a right-of-use asset and corresponding lease liability at the lease commencement date over the lease term. The Group determines the lease term as the non-cancellable period of a lease, including any beneficial occupation periods, together with assessing if the lessee is reasonably certain to exercise an option available on a lease to extend or terminate the lease.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, management exercises judgement to assess the likelihood thereof. The lease term will not include any renewal options where there is no reasonable certainty that the lease will be renewed until the option is exercised.

Right-of-use asset

Initial and subsequent measurement

Right-of-use assets are initially measured at cost, which is made up of the initial measurement of the lease liabilities, any initial direct costs incurred by the Group, and any lease payments made in advance of the lease commencement date, less any lease incentives received. Right-of-use assets are subsequently measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the relating lease liabilities as well as modifications of the lease. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life or lease term as noted above. Right-of-use assets are tested for impairment as part of the CGU it relates to (i.e. retail store) when indicators of impairment are identified and periodically reduced by the impairment losses, if required.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Refer to note 18 for initial and subsequent measurement of lease liabilities.

11. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES

ACCOUNTING POLICY

Principles of equity accounting

Associates

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

Joint ventures

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

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

Equity method

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

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

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

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

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

Where the financial year-end of the equity accounted entity differs by no more than three months from the Group year-end, the Group will adjust the equity accounted carrying value by any known material transactions that took place between the Group year-end and that of the financial year-end of the equity accounted company.

Impairment of investments in equity accounted companies

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

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

11. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

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

11.1 Detail of the equity accounted investments of the Group

Name of business	Place of business / country of incorporation	Nature of business	% holding 30 September 2021	% holding 30 September 2020	Carrying value Rm 30 September 2021	Carrying value Rm 30 September 2020
Unlisted*						
IEP Group Proprietary Limited ("**IEP**")*	South Africa	Investment company	**25.99**	25.99	**2 604**	2 474
S'Ya Phanda Proprietary Limited	South Africa	BEE consulting services	**46.0**	46.0	**55**	52
					2 659	2 526

** Associates are owned by private equity - no quoted prices are available.*

11.2 Reconciliation of the aggregate carrying values of equity accounted companies

	Notes	30 September 2021 Rm	30 September 2020 Rm
Balance at the beginning of the period		**2 526**	3 226
Loans provided to equity accounted investments	**11.3**	**1**	-
Impairments:			
From continuing operations	**11.4**	**-**	(333)
Disposals		**-**	(3)
Share of:			
Profit or loss:			
From continuing operations		**111**	(93)
Other comprehensive income		**(1)**	-
Sundry reserves		**87**	(271)
Dividends received:			
IEP		**(65)**	-
Carrying values of equity accounted companies at the end of the period		**2 659**	2 526

11. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

11.3 Loans provided to equity accounted investments during the period

The Pepkor Holdings Group holds 46 shares at R1 each in S'Ya Phanda Proprietary Limited and advanced loan funding to the entity for black supplier development initiatives. The entity provides BEE consulting services and is intended to make strategic investments.

R50 million of the interest in associate relate to a loan that is secured, interest free and is repayable on 396-day notice. The loan was assessed for impairment using the ECL model, management concluded that the impact is not deemed to be material for both the 2020 and 2021 Reporting Periods.

Through the shareholder agreement, Pepkor Holdings is guaranteed one of three or two of five seats on the board of S'Ya Phanda Proprietary Limited and participates in all significant financial and operating decisions. The Group has therefore determined that it has significant influence over this entity.

11.4 Significant accounting judgements relating to impairment of equity accounted investments

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

In the 2020 Reporting Period, the outbreak of COVID-19 pandemic and the impact on the wider economy is placing unprecedented pressure on businesses and has resulted in significant decline across global economies. The COVID-19 pandemic was an impairment indicator and management has done a review on the expected recoverable amount for the Group's investment in equity accounted companies. Based on the revaluation an impairment has been recognised for the investment in IEP during the 2020 Reporting Period.

No further impairment indicators were identified during the Reporting Period.

11.5 Commitments

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

11.6 Summarised information in respect of material equity accounted companies

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

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

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

11. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

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

	IEP	
	9 Months ended 30 September 2021[1] Rm	9 Months ended 30 September 2020[1] Rm
Revenue	**11 642**	9 205
Profit for the period from continuing operations	**781**	148
Profit for the period from discontinued operations	**-**	2
Profit for the period	**781**	150
Other comprehensive loss for the period	**(4)**	(16)
Total comprehensive income for the period	**777**	134

[1] Unaudited management accounts was presented since IEP's year-end is December and this is the latest available accounting records.

	As at 30 September 2021[1] Rm	As at 30 September 2020[1] Rm
Non-current assets	**19 728**	19 968
Current assets	**6 170**	5 482
Non-current liabilities	**(8 729)**	(9 306)
Current liabilities	**(3 044)**	(2 544)
Non-controlling interests	**(2 825)**	(2 800)
Net assets	**11 300**	10 800
% ownership by Group	**25.99%**	25.99%
Group's share of net assets	**2 937**	2 808
Adjustment for material transactions and foreign currency differences	**-**	-
Cumulative Impairment	**(333)**	(333)
Carrying amount of the Group's interest	**2 604**	2 475

** IEP is owned by private equity.*

[1] Unaudited management accounts was presented since IEP's year-end is December and this is the latest available accounting records.

12. OTHER FINANCIAL ASSETS

	Notes	30 September 2021 Rm	30 September 2020 Rm
Non-current other financial assets			
At amortised cost	**12.1**	**5 361**	5 127
At fair value through other comprehensive income	**12.2**	**121**	73
		5 482	5 200
Current other financial assets			
At amortised cost	**12.1**	**31**	5
Total other financial assets		**5 513**	5 205

12.1 At amortised cost

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

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

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

	Notes	30 September 2021 Rm	30 September 2020 Rm
Financial assets at amortised cost including the following debt instruments:			
Unlisted preference shares – Lancaster 102	**12.1.1**	**5 286**	4 999
Unlisted bonds	**12.1.2**	**52**	58
Interest-bearing loans	**12.1.3**	**54**	55
Non-interest bearing loans		**-**	20
		5 392	5 132

12.1.1 Unlisted preference shares

The increase in unlisted preference shares is as a result of additional accrued dividends on the investment in preference shares issued by Lancaster 102 ("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.

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

Subsequent to the adoption of IFRS 9 and at the Reporting Date, expected credit losses were assessed. The assessment included consideration of the net asset value of Lancaster 102, the fact that the investment will, to the extent that Lancaster 102 is entitled to claim against Thibault Square Financial Services Proprietary Limited ("**Thibault**") (as set out below), be supported by such liability owed to Lancaster 102 (refer note 17.8) and no default on payment has occurred. Based on the assessment it was determined that any provision for expected credit losses on the investment is immaterial.

Interconnected to the aforesaid transaction between Steinhoff Africa and Lancaster 102, Lancaster 102 subscribed for ordinary shares in Thibault for a total subscription amount of R4 billion, and Thibault purported to subscribe for preference shares in Steinhoff Africa for a total subscription amount of R4 billion. In doing so, the Thibault shares held by Lancaster 102 were ceded to Steinhoff Africa by Lancaster 102, as security for Lancaster 102's obligations to Steinhoff Africa under and in terms of the preference shares subscription agreement between Steinhoff Africa and Lancaster 102. Thereafter, Lancaster 102 purported to transfer to Lancaster 102 the Steinhoff Africa preference shares, and Lancaster 102 transferred to Thibault the aforesaid ordinary shares in Thibault, which Thibault subsequently cancelled, notwithstanding the aforesaid security cession.

As set out in note 17.8, Steinhoff Africa contends that the preference shares issued by it were and are void and invalid, and on that basis, has instituted proceedings in the Western Cape Division of the High Court, seeking a declaration that all of the aforesaid agreements between the company, Lancaster 102 and Thibault, are invalid.

12. OTHER FINANCIAL ASSETS (continued)

12.1 At amortised cost (continued)

12.1.1 Unlisted preference shares (continued)

Thibault disputes that the Steinhoff Africa preference shares were and are void and invalid and has opposed Steinhoff Africa's application (as has Lancaster 102), whilst Lancaster 102 relies upon such invalidity in advancing a claim against Thibault, which it has done so in arbitration proceedings between Lancaster 102 and Thibault, which Thibault is opposing. Steinhoff Africa has indemnified Thibault from liability that it might be found to owe to Lancaster 102. Thibault has instituted proceedings in the Western Cape Division of the High Court, seeking an order that all of the disputes between Steinhoff Africa, Lancaster 102 and Thibault be determined by the Court, and not in terms of arbitration proceedings.

If it transpires that Lancaster 102 has no such claim against Thibault, it will follow that Steinhoff Africa will not owe any corresponding liability to Thibault. This would constitute a benefit to Steinhoff Africa that can be offset against any credit losses that may result.

Arbitration proceedings were commenced by Lancaster 102 against Thibault, to which Steinhoff Africa is not a party (the "**Arbitration Proceedings**"). In response, on 28 April 2021, Thibault applied to the High Court for a declaratory order that (i) the Arbitration be referred to and determined by the High Court; and (ii) that Steinhoff Africa be joined as a party (the "**Override Application**"). Steinhoff Africa initiated separate proceedings seeking to declare all of the agreements in the loop transaction invalid, alternatively void (the "**Invalidity Application**"). The Override Application was heard on 8 September 2021 and the Invalidity Application was enrolled for hearing on 11 November 2021.

Shortly after the hearing of the Invalidity Application, all of the parties in all of the Lancaster-related matters (including the Override Application, the Invalidity Application and the Arbitration Proceedings) agreed to suspend the process in all of the Lancaster-related litigation, save for the handing down of pending Judgments by the Court (the "**Suspension Agreement**"). The Invalidity Application was accordingly removed from the roll of 11 November 2021. On 1 December 2021, the Court handed down its ruling in the Override Application, dismissing the application with costs. Thibault intends to appeal the Court's Judgment in respect of the Override Application. However, in light of the Suspension Agreement, it is not necessary to file an application for leave to appeal at this stage.

In management's view, that Lancaster 102's contentions do not give rise to a liability owed by Steinhoff Africa to Lancaster 102, but potentially give rise to a liability owed by Steinhoff Africa to Thibault. If Lancaster 102 is able to establish a claim against Thibault, Steinhoff Africa will assert a claim against Lancaster 102 that will fall within the scope of the indemnity that Steinhoff Africa has provided in that respect.

12.1.2 Unlisted bonds

	30 September 2021 Rm	30 September 2020 Rm
Unlisted bonds held by Pepkor Holdings consist of:		
Standard Bank bond: issued by Standard Bank Angola	**52**	58
	52	58

Angola government bonds held by Pepkor Holdings

	Denomination	Issue date	Coupon interest rate	Maturity date
2021				
Standard Bank bond	**Angola Kwanza**	**11/12/2018**	**17.00%**	**11/12/2021**
2020				
Standard Bank bond	Angola Kwanza	11/12/2018	17.00%	11/12/2021

The maximum exposure to credit risk at reporting date is limited to the carrying value. None of the government bonds are past due or impaired. Pepkor Holdings does not hold any collateral as security.

The Moody's credit rating classifies the credit risk relating to Angola bonds as B3 (2020:BB-).

Refer to note 21.3 for credit risk assessment of the above other financial assets.

12. OTHER FINANCIAL ASSETS (continued)

12.1 At amortised cost (continued)

12.1.3 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. The loans to current members of key management are repayable once the Steinhoff settlement with prior Steinhoff shareholders have been reached, bearing interest at market-related interest rates. The loans with previous members of key management are repayable in accordance with agreed payment plans, bearing interest at market-related interest rates. The gross balance of the loans at 30 September 2021 was R119 million (2020: 135 million), but are disclosed net of a provision for expected credit losses of R100 million (provision for expected credit losses 2020: R100 million).

12.2 At fair value through other comprehensive income

Investment in Steinhoff N.V.

The investment in Steinhoff N.V. comprises 40 186 472 (2020: 86 059 568) ordinary shares held by various entities in the Group. The investment has been designated to be classified as at fair value through other comprehensive income with the fair value being determined by using the 30-day VWAP of the Steinhoff N.V. share price.

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

Amounts recognised in other comprehensive income and profit or loss

	2021 Rm	2020 Rm
Profits/(losses) recognised in other comprehensive income	**96**	(28)

12.3 Other financial assets classified as held-for-sale

During the 2021 and 2020 Reporting Periods, disposal groups were identified where the carrying value of these assets and liabilities will be recovered principally through a sale transaction rather than through continuing use.

Total other financial assets that form part of disposal groups classified as held-for-sale as at 30 September 2021 amount to R0 million (2020: R4 million). Refer to note 35.

13. TRADE AND OTHER RECEIVABLES

	Notes	30 September 2021 Rm	Restated[1] 30 September 2020 Rm
Financial assets			
Non-current trade and other receivables			
Loans to customers		-	81
		-	81
Current trade and other receivables			
Trade receivables		1 636	1 749
Instalment sale receivables		1 523	1 630
Credit sales through store cards		3 092	2 999
Loans to customers		1 886	1 824
Gross trade, instalment sale and loan receivables		8 137	8 202
Less: Provision for expected credit losses - Trade receivables	21.3	(153)	(234)
Less: Provision for expected credit losses - Instalment sale receivables	21.3	(547)	(707)
Less: Provision for expected credit losses - Credit sales through store cards	21.3	(633)	(651)
Less: Provision for expected credit losses - Loans to customers	21.3	(350)	(489)
Net trade, instalment sale and loan receivables		6 454	6 121
Other amounts due		1 745	1 595
Less: Provision for impairments - Other amounts due	21.3	(113)	(57)
Derivative financial assets	21.1	145	636
		8 231	8 295
Non-financial assets			
Current trade and other receivables			
Prepayments		197	153
Value Added Tax receivable		126	221
		323	374
Total			
Non-current trade and other receivables		-	81
Current trade and other receivables		8 409	8 033
Current derivative financial instrument		145	636
		8 554	8 750

[1] *Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.*

Classification of trade and other receivables

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

Other amounts due

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

13. TRADE AND OTHER RECEIVABLES (continued)

Trade and other receivables classified as held-for-sale

During the 2021 and 2020 Reporting Periods, disposal groups were identified where the carrying value of these assets and liabilities will be recovered principally through a sale transaction rather than through continuing use.

Total trade and other receivables that form part of disposal groups classified as held-for-sale as at 30 September 2021 amount to R103 million (2020: R46 million).

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

For normal trade receivables the credit period on the sale of goods is between 30 and 90 days, whereas the credit period for credit granted through store cards is between 30 and 360 days, and instalment sales can be up to three to five years. Where relevant, interest is charged at rates as determined by the National Credit Act on the gross outstanding balances, unless the outstanding balance is credit-impaired, in which case interest is calculated on the net outstanding balance.

Before accepting any new customers, credit risk management uses various credit bureaux and performs credit assessments. These customers' credit ratings are reviewed on a regular basis. To assess the new customer's credit potential and credit limit, the credit rating together with the customer affordability, as detailed below, is taken into consideration.

For credit sales through instalment sale receivables customer affordability is also taken into consideration before accepting any new customers. This process involves collecting information regarding the customer's income, current debt obligations and additional expenses. The Group has its own expense model, in addition to the National Credit Regulator's expense table. The following factors are then taken into consideration, in consultation with the customer, to conclude the affordability of each: assessing existing financial means and prospects, existing financial obligations and debt repayment history.

For credit sales through store cards, customer affordability is also taken into consideration before accepting any new customers. This process involves collecting information regarding the customer's income and expenses as well as independently obtained data regarding the prescribed minimum expenses and listed credit commitments. The customer's disposable income is then derived and the calculation with the most conservative value is used in determining the potential customer's credit limit.

Given the diverse nature of the Group's operations, it does not have significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers.

No customer represents more than 5% of the total trade receivables at year-end.

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

Loans to customers have repayment terms of between 3 and 12 months (2020: 3 and 24 months). These loans consist of unsecured lending and attract interest based on rates determined by the National Credit Act.

Fair values of trade and other receivables

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

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

Derivatives

Refer to note 20 and 21 for details regarding the determination of their fair values and the types of derivatives, respectively.

Impairment and risk exposure

Information about the impairment of trade and other receivables, the calculation of the loss allowance, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 21.

14. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial assets and financial liabilities:

	Notes	At fair value through profit or loss (mandatory) Rm	At fair value through other comprehensive income[1] Rm	At amortised cost Rm	Total carrying values Rm
30 September 2021					
Other financial assets[3]	12	-	121	5 361	5 482
Trade and other receivables	13	-	-	-	-
Intragroup loans and receivables		-	-	14 008	14 008
Non-current financial assets		-	121	19 369	19 490
Trade and other receivables	13	6	139	8 086	8 231
Other financial assets	12	-	-	31	31
Cash and cash equivalents	16	-	-	28 870	28 870
Intragroup loans and receivables	32	-	-	11	11
Current financial assets		6	139	36 998	37 143
Borrowings	17	-	-	(38 511)	(38 511)
Lease liabilities[2]	18	-	-	(11 960)	(11 960)
Non-current financial liabilities		-	-	(50 471)	(50 471)
Borrowings	17	-	-	(5 717)	(5 717)
Lease liabilities[2]	18	-	-	(2 380)	(2 380)
Trade and other payables	19	(441)	(155)	(11 625)	(12 221)
Intragroup loans and payables	32	-	-	(3 197)	(3 197)
Current financial liabilities		(441)	(155)	(22 919)	(23 515)
		(435)	105	(17 023)	(17 353)

[1] Includes derivative financial instruments.

[2] Measured in terms of IFRS 16.

[3] Other financial assets measured at fair value through other comprehensive income consists of equity instruments which is initially measured at fair value through other comprehensive income.

14. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The Group holds the following financial assets and financial liabilities:

	Notes	At fair value through profit or loss (mandatory) Rm	At fair value through other comprehensive income[1] Rm	At amortised cost Rm	Total carrying values Rm
30 September 2020					
Other financial assets[2]	**12**	-	73	5 127	5 200
Trade and other receivables	**13**	-	-	81	81
Intragroup loans and receivables	**32**	-	-	3 429	3 429
Non-current financial assets		-	73	8 637	8 710
Trade and other receivables	**13**	44	592	7 659	8 295
Other financial assets	**12**	-	-	5	5
Cash and cash equivalents	**16**	-	-	18 869	18 869
Intragroup loans and receivables	**32**	-	-	706	706
Current financial assets		44	592	27 239	27 875
Borrowings	**17**	-	-	(38 949)	(38 949)
Lease liabilities[2]	**18**	-	-	(12 772)	(12 772)
Non-current financial liabilities		-	-	(51 721)	(51 721)
Borrowings	**17**	-	-	(10 155)	(10 155)
Lease liabilities[2]	**18**	-	-	(2 240)	(2 240)
Trade and other payables	**19**	(12)	(82)	(11 563)	(11 657)
Intragroup loans and payables	**32**	-	-	(3 217)	(3 217)
Current financial liabilities		(12)	(82)	(27 175)	(27 269)
		32	583	(43 020)	(42 405)

[1] *Includes derivative financial instruments.*

[2] *Measured in terms of IFRS 16.*

[3] *Other financial assets measured at fair value through other comprehensive income consists of equity instruments which is initially measured at fair value through other comprehensive income.*

The Group's exposure to various risks associated with the financial instruments is discussed in note 21. The maximum exposure to credit risk at the end of each Reporting Period is the carrying amount of each class of financial assets mentioned above.

15. INVENTORIES

15.1 Reconciliation of inventory

	30 September 2021 Rm	Restated[1] 30 September 2020 Rm
Merchandise and finished goods	**12 463**	11 347
Goods in transit	**1 524**	1 347
Raw materials and other inventories	**85**	83
Inventory before provision	**14 072**	12 777
Less: provision for inventory write downs*	**(725)**	(785)
Net Inventories	**13 347**	11 992

** Comprises mainly provision against merchandise and finished goods*

15.2 Amount of write-down of inventories to net realisable value recognised in cost of sales as an expense during the period

	30 September 2021 Rm	Restated[1] 30 September 2020 Rm
Amount of write-down of inventories to net realisable value recognised in cost of sales as an expense during the period	**(810)**	(598)

15.3 Movement in the provision for inventory shrinkage, obsolescence and markdowns

	Note	30 September 2021 Rm	Restated[1] 30 September 2020 Rm
Balance at the beginning of the year		**(785)**	(536)
Acquired on acquisition of businesses	**26.1**	**(4)**	(5)
Charge for the year		**(245)**	(460)
Amounts used during the year		**97**	153
Unused amounts reversed		**201**	54
Amounts written off		**5**	-
Foreign currency translation		**6**	9
Balance at the end of the year		**(725)**	(785)

[1] Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.

15.4 Inventory classified as held-for-sale

During the 2021 and 2020 Reporting Periods, disposal groups were identified where the carrying value of these assets and liabilities will be recovered principally through a sale transaction rather than through continuing use.

Total inventory that formed part of disposal groups classified as held-for-sale as at 30 September 2021 amount to R12 million (2020: R109 million). Refer to note 35.

ACCOUNTING POLICY

Merchandise and finished goods

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

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

Amounts recognised in profit or loss

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

16. CASH AND CASH EQUIVALENTS

	30 September 2021 Rm	Restated[1] 30 September 2020 Rm
Current assets		
Cash at bank and on hand	**6 620**	5 902
Funds and deposits on call	**22 250**	12 967
	28 870	18 869

[1] *Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.*

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

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

Restricted cash

The Group has restricted cash balances of R652 million (2020: R75 million) held by various subsidiaries within the Group. The majority of the restricted cash balance relates to loan repayments from Ibex Retail Investments (a European fellow subsidiary) which has not been cleared by FinSurv as at the Reporting Date.

Cash under cession

In anticipation of the implementation of the Litigation Settlement Proposal on SED, the Group has provided a cash security cession in favour of the SRF, amounting to R6.2 billion.

17. BORROWINGS

ACCOUNTING POLICY

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Derecognition of financial liabilities

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

17.1 Analysis of closing balance

		30 September 2021			Restated [1] 30 September 2020		
	Notes	**Current Rm**	**Non-current Rm**	**Total Rm**	Current Rm	Non-current Rm	Total Rm
Secured financing							
Pepkor Holdings							
Term loans and facilities	**17.7**	**-**	**7 500**	**7 500**	-	9 500	9 500
Floating rate notes	**17.7**	**-**	**3 206**	**3 206**	-	1 006	1 006
Bank overdraft		**431**	**-**	**431**	419	-	419
Preference shares	**17.7 & 29.2**	**-**	**-**	**-**	-	2 000	2 000
Other	**17.7**	**-**	**14**	**14**	-	14	14
		431	**10 720**	**11 151**	419	12 520	12 939
Unsecured financing							
Corporate and treasury services							
Claim by Financial Creditors	**17.6**	**-**	**27 791**	**27 791**	4 737	26 429	31 166
Lancaster liability	**17.8**	**5 286**	**-**	**5 286**	4 999	-	4 999
Other		**-**	**-**	**-**	-	-	-
		5 286	**27 791**	**33 077**	9 736	26 429	36 165
Total borrowings		**5 717**	**38 511**	**44 228**	10 155	38 949	49 104

[1] *Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.*

17. BORROWINGS (continued)

17.2 Reconciliation of borrowings balances

	Note	Corporate and treasury services Rm	Pepkor Holdings Restated [1] Rm	Total Restated [1] Rm
Opening balance - 1 October 2019		31 415	17 365	48 780
Repayable within one year		9 212	1 857	11 069
Repayable after one year		22 203	15 508	37 711
Repayment of term loans and facilities		(520)	(6 518)	(7 038)
Repayment of interest		-	(1 429)	(1 429)
Partial settlement of Pepkor Holdings preference shares		-	(4 000)	(4 000)
Additional financing		-	6 035	6 035
Interest accrued		354	1 486	1 840
Bank overdrafts	5	-	207	207
Loans and liabilities	5	354	1 279	1 633
Foreign exchange movement		4 984	-	4 984
Other		(68)	-	(68)
Closing balance - 30 September 2020		**36 165**	**12 939**	**49 104**
Repayable within one year		**9 736**	**419**	**10 155**
Repayable after one year		**26 429**	**12 520**	**38 949**
Repayment of term loans and facilities		**-**	**(4 500)**	**(4 500)**
Repayment of interest		**-**	**(812)**	**(812)**
Settlement of Pepkor Holdings preference shares		**-**	**(2 000)**	**(2 000)**
Additional financing		**-**	**4 712**	**4 712**
Interest accrued		**287**	**812**	**1 099**
Bank overdrafts	5	**-**	**162**	**162**
Loans and liabilities	5	**287**	**650**	**937**
Foreign exchange movement		**(3 375)**	**-**	**(3 375)**
Closing balance - 30 September 2021		**33 077**	**11 151**	**44 228**
Repayable within one year		**5 286**	**431**	**5 717**
Repayable after one year		**27 791**	**10 720**	**38 511**

[1] *Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.*

17. BORROWINGS (continued)

17.3 Contractual maturities of borrowings

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

	Contractual cash flows					
	1 - 12 months Rm	Between 1 and 2 years Rm	Between 2 and 5 years Rm	Over 5 years Rm	Total Rm	Carrying amount Rm
At 30 September 2021						
Pepkor Holdings						
All external borrowings	**1 034**	**6 379**	**5 358**	**1**	**12 772**	**11 151**
	1 034	**6 379**	**5 358**	**1**	**12 772**	**11 151**
Corporate and treasury services						
Claim by Financial Creditors (SIHPL CPU)	**-**	**27 791**	-	-	**27 791**	**27 791**
Lancaster liability	**5 286**	**-**	-	-	**5 286**	**5 286**
	5 286	**27 791**	**-**	**-**	**33 077**	**33 077**
Total interest-bearing loans and borrowings	**6 320**	**34 170**	**5 358**	**1**	**45 849**	**44 228**
At 30 September 2020						
Pepkor Holdings						
All external borrowings	1 126	4 629	8 953	-	14 708	12 939
	1 126	4 629	8 953	-	14 708	12 939
Corporate and treasury services						
Claim by Financial Creditors (SIHPL CPU)	4 737	26 429	-	-	31 166	31 166
Lancaster liability	4 999	-	-	-	4 999	4 999
	9 736	26 429	-	-	36 165	36 165
Total interest-bearing loans and borrowings	10 862	31 058	8 953	-	50 873	49 104

Classification of debt

Lender consent was obtained during February 2021 as part of a consent request that was launched to obtain formal support of the financial creditors to the terms and proposed implementation of the Litigation Settlement Proposal. Included in the request was the removal of the requirement for a cash pay out or part payment in the short term. Therefore no part payment or cash pay out is required and the full Claim by Financial Creditors (SIHPL CPU) is classified as non-current liability.

As part of the implementation steps of the Litigation Settlement Proposal, the Steinhoff N.V. Group delivered the interim extension option request to its lenders on 6 August 2021 requesting consent to extend the maturity date of the Steinhoff N.V. Group's outstanding debt from 31 December 2021 to 31 December 2022.

On 11 August 2021, consent for the Interim Extension was granted by its creditors (including the SIHPL CPU financial creditors). A further term extension could be granted, initially to 30 June 2023, with a further 6 months extension to 31 December 2023, subject to the successful implementation of the Litigation Settlement Proposal. Consequently, the maturity date of the SIHPL CPU, now labelled as Claim by Financial Creditors, was also extended from 31 December 2021 to 31 December 2022. As a result, the Claim by Financial Creditors, in accordance with IAS 1, is classified as non-current as at 30 September 2021.

17. BORROWINGS (continued)

17.4. Secured liabilities and assets pledged as security

No financial assets have been pledged as collateral for either year presented.

17.5. Compliance with loan covenants

Steinhoff Investments as well as the greater Steinhoff N.V. Group complied with all loan covenants during the Reporting Periods presented. For more detail on covenants in place, refer to note 21.5.

17.6. Claim by Financial Creditors (SIHPL CPU)

SIHPL served as a co-guarantor with Steinhoff N.V. for the 2021 and 2022 convertible bonds issued by Steinhoff Finance Holdings GmbH ("**SFHG**"), a subsidiary of the Steinhoff N.V. Group. Prior to the approval of SFHG's Company Voluntary Arrangement ("**CVA**") in December 2018, the 2021 and 2022 convertible bonds were accelerated against SFHG (as issuer) and SIHPL and Steinhoff N.V. (as guarantors). As part of the CVA implementation in August 2019 the 2021 and 2022 convertible bonds were restructured into the 21/22 Term Loan Facility and SIHPL's due payment obligation arising from its 2014 and 2015 guarantee was deferred to 31 December 2021 on terms set out in the SIHPL CPU. The amounts payable by SIHPL continue to be euro denominated. SIHPL's obligation under the SIHPL CPU is limited to the principal amount of the facility, €1,581,300,000.

The value of the SIHPL CPU, as at 30 September 2021, recognised at the year-end closing ZAR:EUR exchange rate of R17.56:€1.00, is R27.8 billion. The closing ZAR:EUR exchange rate strengthened from R19.7092 at 30 September 2020 to R17.5629 at 30 September 2021, resulting in a foreign exchange gain being recognised (refer to note 4.2.7).

Certain parties applied to the South African High Court to challenge both the 2014 guarantee and the SIHPL CPU entered into by SIHPL in 2019 in order to restructure its crystallised liability as the guarantor (under both the guarantees). The basis of the challenge was that the South African statutory financial assistance provisions were contravened. In its decision handed down on 2 July 2021 (**"the Section 45 Judgement**"), the Court of first instance confirmed the validity of the 2014 guarantee, but in relation to the SIHPL CPU, found that financial assistance provisions in section 45 of the Companies Act had been breached, and held that the resolution of the SIHPL board authorising entry into the SIHPL CPU and thus the SIHPL CPU itself is void. This judgement has been appealed by both SIHPL and the relevant financial creditors.

The appealing financial creditors notified SIHPL that, if their appeal of the Section 45 Judgement proved to be unsuccessful, in their opinion they would be entitled to the benefit of the continuing debt claims or restitutionary claims against SIHPL which fall outside the scope of the Section 45 Judgement. The financial creditors contend that SIHPL will owe an English law debt to them either under the original guarantees or on similar terms by way of restitution for unjust enrichment suffered as a result of the loss of the benefit of those guarantees in circumstances where both parties had intended that SIHPL would remain liable to the financial creditors under the SIHPL CPU following the 2019 financial restructuring.

Conditional upon the settlement effective date of the Litigation Settlement Proposal, any and all claims and actions of the financial creditors against SIHPL (whether asserted or unasserted, and whether the subject of pending proceedings and appeals or otherwise) arising under, out of or in connection with the SIHPL CPU, the convertible bonds guaranteed by SIHPL, the guarantees or any other related matter will be fully and finally compromised by way of their waiver and released on specified terms.

While the SIHPL CPU may have been declared null and void, the financial creditors have an equitable legal claim under the terms of the 2019 financial restructuring for a similar amount to what is due under the SIHPL CPU. This obligation arises under the provisions of the existing contracts and SIHPL has little to no ability to avoid settlement of such obligation.

As part of the implementation steps of the Litigation Settlement Proposal, the Steinhoff N.V. Group delivered the interim extension option request to its lenders on 6 August 2021 requesting consent to extend the maturity date of the Steinhoff N.V. Group's outstanding debt from December 2021 to December 2022.

On 11 August 2021, consent for the Interim Extension was granted by its creditors (including the SIHPL CPU financial creditors). A further term extension could be granted, initially to 30 June 2023, with a further 6 months extension to 31 December 2023, subject to the successful implementation of the Litigation Settlement Proposal. Consequently, the maturity date of the SIHPL CPU was also extended from 31 December 2021 to 31 December 2022 and is therefore classified as non-current as at 30 September 2021.

17. BORROWINGS (continued)

17.7. Pepkor Holdings debt details

	Facility	Contractual maturity date	Interest rate %	30 September 2021 Carrying value Rm	30 September 2020 Carrying value Rm
Term loan B	-	18 May 2022	Three-month JIBAR plus 215bps	**-**	2 000
Term loan C[1]	-	18 May 2023	Three-month JIBAR plus 225bps	**-**	2 500
Term loan D	2 500	30 September 2023	Three-month JIBAR plus 205bps	**2 500**	2 500
Term loan E[1]	500	30 June 2024	Three-month JIBAR plus 159bps	**500**	-
Term loan F[1]	1 000	30 June 2025	Three-month JIBAR plus 168bps	**1 000**	-
Term loan G[1]	1 000	30 June 2026	Three-month JIBAR plus 174bps	**1 000**	-
Revolving credit facility	2 500	30 September 2023	Three-month JIBAR plus 210bps	**2 500**	2 500
Bridge facility	1 000	30 September 2023	Three-month JIBAR plus 205 bps	**-**	-
Floating rate notes - PEP01	800	10 March 2023	Three-month JIBAR plus 159 bps	**800**	800
Floating rate notes - PEP02	206	10 March 2025	Three-month JIBAR plus 174 bps	**206**	206
Floating rate notes - PEP03	1 435	5 May 2024	Three-month JIBAR plus 152 bps	**1 435**	-
Floating rate notes - PEP04	765	5 May 2026	Three-month JIBAR plus 170 bps	**765**	-
Class A cumulative redeemable preference shares	-	23 May 2022	74% of Prime	**-**	2 000
Other loans	-	21 September 2025	Prime	**14**	14
				10 720	12 520

[1] *Pepkor Holdings settled Term loan C which was due in the 2023 financial year during June 2021, which was replaced by Term loan E, F and G.*

Covenant	Achieved 30 September 2021	Required 30 September 2021
Net debt : EBITDA cover	0.58	<3.00
EBITDA : Net interest cover	13.47	>3.50

On 5 May 2021, notes to the value of R2.2 billion (10 March 2020: R1.006 billion) were issued under the Domestic Medium-Term Note (DMTN) programme, which is a further source of funding to Pepkor Holdings. The DMTN is guaranteed by Pepkor Trading Proprietary Limited.

Interest on external borrowings are payable quarterly in arrears.

During the 2020 Reporting Period the Share Empowerment Academy granted a loan of R14 million to Pepkor Holdings as part of BEE initiatives, which is disclosed as other in the table above.

17. BORROWINGS (continued)

17.8. Lancaster liability

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

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

Although the cancellation of the Steinhoff Africa preference shares occurred during the 2020 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 affecting the opening balances in the 2020 Reporting Period.

Notwithstanding management's view that the preference shares are void, Steinhoff Africa received R4 billion at the time, for which an accounting liability has been raised equal to the preference share investments disclosed in note 12.1.1 reflecting management's view that they are directly related.

The increase in the liability is as a result of additional accrued finance costs on the preference share liability.

Arbitration proceedings were commenced by Lancaster 102 against Thibault, to which Steinhoff Africa is not a party (the "**Arbitration Proceedings**"). In response, on 28 April 2021, Thibault applied to the High Court for a declaratory order that (i) the Arbitration be referred to and determined by the High Court; and (ii) that Steinhoff Africa be joined as a party (the "**Override Application**"). Steinhoff Africa initiated separate proceedings seeking to declare all of the agreements in the loop transaction invalid, alternatively void (the "**Invalidity Application**"). The Override Application was heard on 8 September 2021 and the Invalidity Application was enrolled for hearing on 11 November 2021.

Shortly after the hearing of the Invalidity Application, all of the parties in all of the Lancaster-related matters (including the Override Application, the Invalidity Application and the Arbitration Proceedings) agreed to suspend the process in all of the Lancaster-related litigation, save for the handing down of pending Judgments by the Court (the "**Suspension Agreement**"). The Invalidity Application was accordingly removed from the roll of 11 November 2021. On 1 December 2021, the Court handed down its ruling in the Override Application, dismissing the application with costs. Thibault intends to appeal the Court's Judgment in respect of the Override Application. However, in light of the Suspension Agreement, it is not necessary to file an application for leave to appeal at this stage.

17.9. Fair value

The majority of the debt classified as non-current was renegotiated during the 2020 and 2021 Reporting Periods, taking into account current market conditions. The carrying amount of the debt is considered to approximate fair value as they bear market related interest rates.

17.10 Risk exposures

Details of the Group's exposure to risks arising from borrowings are set out in note 21.

18. LEASE LIABILITIES

18.1. Reconciliation of lease liability

	Notes	30 September 2021 Rm	Restated [1] 30 September 2020 Rm
Balance at the beginning of the period		**15 012**	15 915
Recognition of lease liability		**3 579**	2 161
Interest cost	**5**	**1 318**	1 521
Lease liability repayments		**(3 700)**	(3 542)
Foreign exchange losses		**-**	181
Remeasurement on modification of leases		**(1 771)**	(1 117)
Acquisition of businesses	**26.1**	**-**	23
Other movements		**41**	-
Exchange differences on consolidation of foreign subsidiaries		**(139)**	(130)
Closing balance		**14 340**	15 012
Less: repayable in the next 12 months included in short-term liabilities		**(2 380)**	(2 240)
Non-current lease liabilities		**11 960**	12 772

[1] *Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.*

18.2. Analysis of repayments

	30 September 2021 Rm	30 September 2020 Rm
Repayable within the next year and thereafter - current and non-current split		
Next year	**3 043**	3 191
Within two years	**2 731**	3 027
Within three to five years	**6 465**	7 016
Thereafter	**4 627**	4 070
	16 866	17 304

18.3. The Group is exposed to the following potential future undiscounted cash outflows which are not included in the measurement of lease liabilities:

	30 September 2021 Rm	30 September 2020 Rm
Extension and termination options not reasonably certain to be exercised	**320**	254

18. LEASE LIABILITIES (continued)

ACCOUNTING POLICY

Refer to note 10 for the accounting policy on determination of whether a lease should be recognised in terms of IFRS 16.

Lease liabilities

Initial and subsequent measurement

Lease liabilities are initially measured at the present value of future lease payments discounted using the discount rate implicit in the lease or, where this has not been stipulated, the Group's incremental borrowing rate. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that are based on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the Group exercises the option to terminate. Variable lease payments, that do not depend on an index or a rate, are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease liabilities are subsequently measured at amortised cost using the effective interest method and reduced by future lease payments net of interest charged. It is remeasured, with a corresponding adjustment to right-of-use assets, when there is a change in future lease payments resulting from a rent review, change in relevant index or rate, such as inflation, or change in the Group's assessment of whether it is reasonably certain to exercise a renewal or termination option and thus a change in lease term. The lease liability is remeasured by discounting the revised lease payments using a revised discount rate when there is a change in the lease terms. The remeasurement results in a corresponding adjustment to the carrying amount of right-of-use assets, with the difference recorded in profit or loss if the carrying amount of right-of-use assets has been reduced to zero.

19. TRADE AND OTHER PAYABLES

	Note	30 September 2021 Rm	Restated [1] 30 September 2020 Rm
Financial liabilities			
Current trade and other payables			
Trade payables		**7 450**	7 813
Accruals		**1 302**	1 260
Shareholders for dividends		**43**	-
Other payables and amounts due		**1 824**	1 575
Deferred revenue		**1 006**	915
Contract liabilities (Lay-byes)		**575**	548
Deposits received from customers		**354**	285
Refund liability		**28**	34
Other deferred revenue		**49**	48
Derivative financial liabilities	**21.1**	**596**	94
		12 221	11 657
Non-financial liabilities			
Current trade and other payables			
Income received in advance		**351**	251
Value added tax payable		**164**	178
		515	429
Total			
Non-current trade and other payables		**-**	**-**
Current trade and other payables		**12 736**	**12 086**
		12 736	**12 086**

[1] Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.

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 20 and 21 for details regarding the determination of their fair values and the types of derivatives, respectively.

Deferred revenue
Deferred revenue recognised will realise in the 2022 financial year, except for loan origination fees that are recognised over the lifetime of the loans granted to customers which vary from 6 to 24 months.

Trade and other payables classified as held-for-sale
During the 2021 and 2020 Reporting Period disposals groups were identified where the carrying value of these assets and liabilities will be recovered principally through a sale transaction rather than through continuing use.

Total trade and other payables that form part of disposal groups classified as held-for-sale as at 30 September 2021 amount to R33 million (2020: R37 million).

20. RECOGNISED FAIR VALUE MEASUREMENTS

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated annual 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.

20.1 Fair value hierarchy

	Notes	Level 1 Rm	Level 2 Rm	Total Rm
30 September 2021				
Financial assets				
Other financial assets				
Investment in Steinhoff N.V. shares	**12.2**	**121**	**-**	**121**
Trade and other receivables				
Derivative - foreign currency forward contracts	**21.1**	**-**	**145**	**145**
Total financial assets		**121**	**145**	**266**
Financial liabilities				
Trade and other payables				
Derivative - foreign currency forward contracts	**21.1**	**-**	**(596)**	**(596)**
Total financial liabilities		**-**	**(596)**	**(596)**
30 September 2020				
Financial assets				
Other financial assets				
Investment in Steinhoff N.V. shares	**12.2**	73	**-**	73
Trade and other receivables				
Derivative - foreign currency forward contracts	**21.1**	-	636	636
Total financial assets		73	636	709
Financial liabilities				
Trade and other payables				
Derivative - foreign currency forward contracts	**21.1**	-	(94)	(94)
Total financial liabilities		-	(94)	(94)

Valuation techniques and key inputs for level 2 financial instruments

The fair values of forward exchange contracts for inventory purchases 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 values of forward exchange contracts for purchase of forex are determined using quoted forward exchange rates at the Reporting Date and present value calculations based on high credit quality yield curves of the euro.

21. 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.

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

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	• Future commercial transactions • Recognised financial assets and liabilities not denominated in the Group's functional currency	Cash flow forecasting Sensitivity analysis	Forward foreign exchange and foreign currency option contracts
Market risk – interest rate	• Borrowings at variable rates	Sensitivity analysis	Maintaining combination of fixed and variable rate loans
Market risk – security prices	• Investments in equity securities	Sensitivity analysis	Portfolio diversification
Credit risk	Cash and cash equivalents, trade receivables and instalment sales, derivative financial instruments, loans receivable at amortised cost	• Aging analysis • 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 was operating effectively across the Group. The Board and the Audit and Risk Committee were provided with a consolidated view of the risk profile of the Group, and any major exposures and relevant mitigating actions identified.

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

ACCOUNTING POLICY

Hedge accounting

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

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

21. FINANCIAL RISK MANAGEMENT (continued)

ACCOUNTING POLICY (continued)

Hedge accounting

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. In accordance with the provisions of IFRS 9, the application of hedge accounting requires management to adjust the cost of inventory to incorporate the impact of forward exchange hedging contracts. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item (forward points) is recognised within operating expenses.

Amounts accumulated in equity are reclassified to profit and loss in the periods when the hedged item is recognised in profit or loss, and it is included in the same line of the income statement as the recognised hedged item.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

21.1. Derivatives

	30 September 2021 Rm	30 September 2020 Rm
The Group used forward exchange contracts to hedge its foreign currency risk against the functional currency of its various global operations. All of the forward exchange contracts have maturities of less than one year after Reporting Date. The Group did not enter into derivative contracts for speculative purposes. The fair values of such contracts at period-end were:		
Current assets		
Trade and other receivables		
Foreign exchange forward contracts	**145**	636
Total current derivative financial instrument assets	**145**	636
Current liabilities		
Trade and other payables		
Foreign exchange forward contracts	**596**	94
Total current derivative financial instrument liabilities	**596**	94

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 20.

The fair value calculation of the financial assets and liabilities was performed at the Reporting Date. The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment-grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates and forward rate curves of the underlying index. At year-end, the marked-to-market value of derivative asset positions is net of a debit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value. 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. These contracts are to hedge the foreign currency exposure of the anticipated purchase of goods. Derivatives are expected to mature within 12 months.

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

21. FINANCIAL RISK MANAGEMENT (continued)

21.1. Derivatives (continued)

It is the policy of the Group to enter into forward exchange contracts to cover specific foreign currency payments based on a predefined profile that takes into account the future expected date of payment. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. The risk is measured through a forecast of highly probable US dollar and Chinese yuan expenditures. The risk is hedged with the objective of minimising the volatility of the South African rand cost of highly probable forecast inventory purchases.

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. The Group's risk management policy is to hedge between 60% and 80% of forecast US dollar and Chinese yuan cash flows for inventory purchases up to 12 months in advance, subject to a review of the cost of implementing each hedge. As a matter of policy, the Group does not enter into derivative contracts for speculative purposes

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the entity or the derivative counterparty. There was no significant ineffectiveness during 2021 or 2020 in relation to the forward exchange contracts.

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts.

The fair value of the forward exchange contracts has been classified as Level 2.

The Group has established a hedge ratio of 1:1 (current and prior year) since the notional amount and currency of the hedged item is the same as the notional amount of the foreign currency leg of the hedging instrument.

At year-end the Group holds the following forward exchange contracts that form part of a hedging relationship:

Foreign currency forward contracts - assets	Notional amount Rm	Fair value adjustment Rm	Average forward rate	Year-end revaluation rate
2021				
US dollar	**110**	**45**	**USD14.99**	**USD14.92**
Chinese yuan	**1 818**	**100**	**CNY2.25**	**CNY2.28**
	1 928	**145**		
2020				
US dollar	203	231	USD16.56	USD17.43
Chinese yuan	1 815	405	CNY2.31	CNY2.53
	2 018	636		

Foreign currency forward contracts - liabilities	Notional amount Rm	Fair value adjustment Rm	Average forward rate	Year-end revaluation rate
2021				
US dollar	**154**	**(138)**	**USD15.52**	**USD14.9**
Chinese yuan	**942**	**(117)**	**CNY2.38**	**CNY2.28**
	1 096	**(255)**		
2020				
US dollar	14	(74)	USD16.56	USD17.43
Chinese yuan	91	(20)	CNY2.31	CNY2.53
	105	(94)		

21. FINANCIAL RISK MANAGEMENT (continued)

21.1. Derivatives (continued)

Cash flow hedges

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

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

	30 September 2021 Rm	30 September 2020 Rm
Forward exchange contracts	**740**	(1 231)
Transferred to inventory	**(263)**	928
Fair value adjustment on cash flow hedges	**477**	(303)

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

Foreign currency forward contract - Synthetic Forward

At year-end the Group holds the following forward exchange contracts that do not form part of a hedging relationship:

Foreign currency forward contracts - liabilities	Notional amount Rm	Fair value adjustment Rm	Average forward rate	Year-end revaluation rate
2021				
Euro	**4 176**	**(341)**	**EUR19.08**	**EUR17.52**
	4 176	**(341)**		

Steinhoff Africa agreed to pay a portion of the Litigation Settlement Proposal provision on behalf of Steinhoff N.V.. As a result, Steinhoff Africa entered into forward exchange agreements with multiple banks in December 2020 in order to hedge against the foreign currency risk. At date of this report an amount of €518 million has been hedged at average rate of €1:R18.57.

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.

The loss on the Synthetic Forward recognised within profit or loss comprises:

	Note	30 September 2021 Rm	30 September 2020 Rm
Fair value adjustment	**4.2.8**	**(341)**	-

21.2. Market Risk

21.2.1 Foreign currency risk

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

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

ACCOUNTING POLICY

Exposure to currency risk

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

21. FINANCIAL RISK MANAGEMENT (continued)

21.2. Market Risk (continued)

21.2.1 Foreign currency risk

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

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

	Euro Rm	Pound Sterling Rm	Chinese yuan Rm	US dollars Rm
30 September 2021				
Trade and other receivables (financial assets excluding financial derivatives)	**16**	**23**	**17**	**16**
Cash and cash equivalents	**-**	**15**	**233**	**287**
Intergroup loans and receivables	**2 617**	**-**	**-**	**-**
Trade and other payables (financial liabilities excluding financial derivatives)	**-**	**(6)**	**(457)**	**(142)**
Non-current borrowings	**(27 791)**	**-**	**-**	**-**
Pre-derivative position	**(25 158)**	**32**	**(207)**	**161**
Derivative effect	**(341)**	**-**	**(17)**	**(93)**
Open position	**(25 499)**	**32**	**(224)**	**68**
30 September 2020				
Trade and other receivables (financial assets excluding financial derivatives)	-	6	-	4
Cash and cash equivalents	-	23	3	241
Intergroup loans and receivables	4 131	-	-	-
Current borrowings	(4 741)	-	-	-
Trade and other payables (financial liabilities excluding financial derivatives)	-	(60)	(383)	(115)
Non-current borrowings	(26 429)	-	-	-
Pre-derivative position	(27 039)	(31)	(380)	130
Derivative effect	-	-	384	157
Open position	(27 039)	(31)	4	287

21. FINANCIAL RISK MANAGEMENT (continued)

21.2. Market Risk (continued)

21.2.1 Foreign currency risk (continued)

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

	Forecast rate [1]		Reporting date spot rate	
	30 September 2021	30 September 2020	**30 September 2021**	30 September 2020
South African rand				
Euro	**17.8400**	21.5000	**17.5629**	19.7092
Chinese yuan	**2.3019**	2.5904	**2.3465**	2.4723
Pound Sterling	**20.9882**	23.8889	**20.4094**	21.6015
US dollar	**14.5041**	17.4797	**15.1679**	16.8340

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

Sensitivity analysis

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

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

	30 September 2021 Rm	30 September 2020 Rm
Through profit/(loss)		
Euro strengthening by 1.6% (2020: strengthening by 9.1%) to the rand	**(408)**	(2 461)
Chinese yuan weakening by -1.9% (2020: strengthening by 4.8%) to the rand	**-**	-
Pound Sterling strengthening by 2.8% (2020: strengthening by 10.6%) to the rand	**1**	(3)
US Dollar weakening by -4.4% (2020: strengthening by 3.8%) to the rand	**(3)**	11

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.

21. FINANCIAL RISK MANAGEMENT (continued)

21.2. Market Risk (continued)

21.2.2 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 relevant boards.

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

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

The interest and related terms of the Group's borrowings are disclosed in note 17.

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

	Subject to interest rate movement					
	Variable JIBAR and SA prime Rm	Variable LIBOR Rm	Variable other Rm	Fixed rate Rm	Non-interest-bearing Rm	Total Rm
30 September 2021						
Non-current financial assets	**5 289**	**-**	**-**	**4 833**	**9 368**	**19 490**
Current financial assets	**29 971**	**97**	**831**	**1 009**	**5 235**	**37 143**
Non-current financial liabilities	**(10 721)**	**-**	**-**	**-**	**(27 790)**	**(38 511)**
Current financial liabilities	**(8 903)**	**-**	**(349)**	**(2 960)**	**(8 923)**	**(21 135)**
	15 636	**97**	**482**	**2 882**	**(22 110)**	**(3 013)**
30 September 2020						
Non-current financial assets	5 034	-	-	3 487	189	8 710
Current financial assets	19 857	72	899	2 325	4 722	27 875
Non-current financial liabilities	(12 520)	-	-	-	(26 429)	(38 949)
Current financial liabilities	(8 795)	(20)	(162)	(2)	(16 050)	(25 029)
	3 576	52	737	5 810	(37 568)	(27 393)

Refer to note 14 for assets and liabilities that make up the balances included in the table above.

21. FINANCIAL RISK MANAGEMENT (continued)
21.2. Market Risk (continued)
21.2.2 Cash flow and fair value interest rate risk (continued)

	From continuing operations	
	Interest income Rm	Interest expense Rm
30 September 2021		
Financial assets at amortised cost	**1 176**	**-**
Financial liabilities at amortised cost	**-**	**2 543**
	1 176	**2 543**
30 September 2020		
Financial assets at amortised cost	1 120	-
Financial liabilities at amortised cost	-	3 526
	1 120	3 526

Sensitivity analysis

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

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

	30 September 2021 Rm	30 September 2020 Rm
Through profit/(loss)		
JIBAR and SA prime - 100 basis point increase	**156**	36
LIBOR - 100 basis point increase	**1**	1

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

21.2.3 Other price risks

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

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

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

21. FINANCIAL RISK MANAGEMENT (continued)

21.3 Credit risk

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, instalment sale receivables, credit sales through store cards, loans to customers as well as related-party receivables and financial guarantees. The Group deposits short-term cash surpluses with major banks of quality credit standing. Instalment sale receivables, credit sales through store cards and loans to customers comprise a large and widespread customer base and Group companies perform ongoing credit evaluations on the financial condition of their customers. As at the Reporting Date, R330 million (2020: R551 million) of receivables were insured. At 30 September 2021, the Group did not consider there to be any significant concentration of credit risk that had not been adequately provided for. The amounts presented in the statement of financial position are net of provisions for expected credit losses, estimated by the Group companies' management based on past events, current conditions and supportable forecasts and economic conditions.

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

The maximum exposure to credit risk at the 2021 Reporting Date without taking account of the value of any collateral obtained was:

	30 September 2021 Rm	30 September 2020 Rm
Non-current financial assets	**19 369**	8 637
Current financial assets	**36 998**	27 239
	56 367	35 876

21.3.1 Credit risk modelling applied to financial assets at amortised cost

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

Measurement of ECL in terms of the general model for impairment

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

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

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

The Group considers the probability of default on initial recognition of its financial asset measured at amortised cost and whether there has been a significant increase in credit risk ("**SICR**") on an ongoing basis throughout each Reporting Period. To assess whether there is an SICR, the Group compares the risk of a default occurring on these asset as at the reporting date with the risk of default as at the date of initial recognition. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the credit risk team. Receivables with a significant financing component are grouped into stage 1, 2 and 3 as described below:

Stage 1: On recognition of financial assets, the Group recognises a loss allowance based on 12-month ECLs. For disclosure purposes the stage 1 ECL's are split between performing and in arrears, where performing represents up to date debt outstanding and its corresponding ECL provision and in arrears represents debt outstanding where debt is outstanding for more than 30 days and its corresponding ECL provision.

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

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

21. FINANCIAL RISK MANAGEMENT (continued)

21.3 Credit risk (continued)

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

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

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

Impairment of financial assets judgements

Significant increases in credit risk

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

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

Shifting of the SICR threshold by 5% (reflects the full stage 2 ECL if the deterioration or improvement in the factor used, as a behavioural or granting scores threshold is stressed by 5%) at 30 September 2021:

Impact on SICR on ECL	Loans to customers	Instalment sale agreements	Credit sales through store cards
Positive	347	546	627
% change in ECL	-0.79%	-0.24%	-0.88%
Base	350	547	633
% change in ECL	0.00%	0.00%	0.00%
Negative	353	551	639
% change in ECL	0.79%	0.67%	0.88%

21. FINANCIAL RISK MANAGEMENT (continued)
21.3 Credit risk (continued)
21.3.1 Credit risk modelling applied to financial assets at amortised cost (continued)
Impairment of financial assets judgements (continued)

Significant increases in credit risk (continued)

Shifting of the SICR threshold by 5% (reflects the full stage 2 ECL if the deterioration or improvement in the factor used, as a behavioural or granting scores threshold is stressed by 5%) at 30 September 2020:

Impact on SICR on ECL	Loans to customers	Instalment sale agreements	Credit sales through store cards
Positive	486	705	643
% change in ECL	-0.64%	-0.35%	-1.30%
Base	489	707	651
% change in ECL	0.00%	0.00%	0.00%
Negative	492	711	659
% change in ECL	0.64%	0.62%	1.30%

Loan write off point

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

Impairment of financial assets estimates

Forward-looking information

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

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

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

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

	Loans to customers	Instalment sale agreements	Credit sales through store
Macroeconomic variables	No significant variables identified	Electricity price index SARB repo rate Real disposable wages Household debt vs disposable income Gross domestic expenditure Unemployment rate House price index	No significant variables identified

21. FINANCIAL RISK MANAGEMENT (continued)
21.3 Credit risk (continued)
21.3.1 Credit risk modelling applied to financial assets at amortised cost (continued)
Impairment of financial assets estimates (continued)

Forward-looking information of the scenarios considered in determining the Group's forward-looking assumptions for the purposes of its ECL calculation has been applied to each type of credit granted by the Group. Noting the wide range of possible scenarios and macroeconomic outcomes and the relative uncertainty of the social and economic consequences of COVID-19, the forward-looking scenarios analysed and applied represent reasonable and supportable forward-looking views as at the reporting date. The Group further raised additional provisions via post-model adjustments (COVID-19 overlays).

Covid-19 overlays

During the 2021 and 2020 Reporting Periods, the Group applied additional COVID-19 overlays in order to derive the ECLs. The COVID-19 overlays assumptions for each major type of credit granted by the Group were as follows:

	Loans to customers	Instalment sale agreements	Credit sales through store
Macroeconomic variables	Bad debts written off show improvement from the beginning of the current financial year against historic levels due to restricted credit granting between November 2019 and October 2020. Since May 2021, the Company has been on boarding in line with pre-COVID-19 risk appetite. The credit risk of these populations recently on boarded (in the last six months) will not be accurately reflected in the base model coverage ratios. An additional amount of R18.6 million was therefore included in the ECL.	Economic data, as obtained from the BER, was used as forward-looking factors in calculating the ECL provision. These factors includes various data points (i.e. real disposable wages, house hold debt versus disposable income, unemployment rate, etc.) which inherently includes the impact of COVID-19 on the economy.	The current model predicts an improvement in ECL's relative to the prior year due to a tightening in credit granting criteria and increasing yields from collections. Given the significant instability in the economy (COVID-19, unrest, continued impact of load shedding, rising cost of living, etc.), Management has applied prudent overlays using a weighted approach of four scenarios to calculate the final ECL allowance. The overlays indicates the level of uncertainty that exists in the economic environment.

Management has assigned a probability of 55% (2020: 59%) to the baseline scenario, 23% (2020: 21%) to the negative scenario and 22% (2020: 20%) to the positive scenario for the 12-month forecast. The impact of incorporating forward-looking information to ECL for instalment sale agreements granted by the Group is as follows:

Probability-weighted impact of all three scenarios	Instalment sale agreements
100% negative scenario	520
% change in ECL	0.11%
100% baseline scenario	519
% change in ECL	0.00%
100% positive scenario	515
% change in ECL	-0.82%

21. FINANCIAL RISK MANAGEMENT (continued)
21.3 Credit risk (continued)
21.3.1 Credit risk modelling applied to financial assets at amortised cost (continued)
Impairment of financial assets estimates (continued)
Event-driven management credit estimates

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

These events, for which an amount was included in ECL, include the introduction of DebiCheck (debit order mandate authentication by client to confirm a debit order with the bank when entering into a contract with a service or credit provider) from October 2019 and the draft new legislation relating to the National Credit Amendment Bill.

DebiCheck impacted the collection of cash flows on loans and other receivables with customers due to the changing of debit order dates or due to changes in the rescheduled contractual cash flows greater than 1.5 times the original debit order. If the client fails to confirm electronically the updated debit order, the Group could fail to collect the agreed upon instalment from the client on the agreed upon loan date.

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

	Impact of the implementation of DebiCheck
Loans to customers	From 1 November 2021, 100% of the loans to customers will be collected using the Debicheck platform, as non authenticated early debit orders (Naedo) collections are no longer allowed from this date. For DebiCheck, early tracking is limited to 10 days as at year-end. The Group is concerned on the impact this will have on collections, since the majority of customers get paid early over the festive season. Taking the above into account, the Group is of the view that a percentage of customers will roll from Stage 1 to Stage 2 during this period, increasing the ECL on these accounts. An amount of R18.6 million was therefore included in the ECL to account for the above.
Instalment sale agreements	An additional provision was raised for the potential adverse effects of the final migration from Naedo to DebiCheck. The South African Reserve Bank's second Amended Directive 1 of 2017 will be put into effect where all authenticated early debit orders (AEDO) and Naedo, will be sunset on 31 October 2021. There is a relatively high risk of adverse effects which could cause a deterioration in the quality of the loan book performance due to technical challenges in the current collection systems.
Credit sales through store cards	No significant impact

21. FINANCIAL RISK MANAGEMENT (continued)

21.3 Credit risk (continued)

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

Default and credit-impaired assets

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

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

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

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

Measurement of ECL in terms of the provision matrix

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

Write-off policy

Financial assets are written off when there is no reasonable expectation of recovery of the receivable or part thereof. The write-off periods differ for each type of financing the Group offers to their respective clients and are detailed in the significant judgements and estimates sections above. Where these financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Subsequent recoveries made are recognised in profit or loss. Write-offs are included in the "Expected credit loss on debtors" line item in the statement of profit or loss.

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

a) Other financial assets

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

21. FINANCIAL RISK MANAGEMENT (continued)

21.3 Credit risk (continued)

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

ECLs for the different financial assets at amortised cost within the Group (continued)

a) Other financial assets (continued)

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

Refer to note 12 for further considerations on the investment in unlisted preference shares.

b) Insurance and reinsurance receivables

Insurance and reinsurance receivables relate to insurance granted under the newly acquired business, Abacus. The ECL on the loan is measured using the general model based on 12-month ECLs as there was no significant increase in credit risk from initial recognition of this loan. There has been no default in payments based on historical information and no significant decrease in credit ratings since initial recognition.

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

c) Loan to associate

Loan to associate consist of a loan granted to S'Ya Phanda Proprietary Limited for funding the entity for black supplier development initiatives as detailed in note 11. The ECL on the loan is measured using the general model based on 12-month ECLs as there was no significant increase in credit risk from initial recognition of this loan. There has been no default in payments based on historical information and no significant decrease in credit ratings since initial recognition.

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

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

Loans were advanced in the prior years to current and previous employees and members of key management to enable them to purchase shares in BVI. The loans were granted after reviewing each employee or member of key management's ability to repay the loan when it falls due, as well as with the underlying pledged shares in BVI. These loans were measured using the general model based on lifetime ECLs.

The 2019 management was of the view that an additional impairment provision should be raised as the underlying security to the loans' value had decreased since the inception of these loans. In addition to the shares pledged as security, management assesses each employee or member of key management's abilities to repay the loan when it falls due annually based on the employees' future remuneration, financial health and payment plan. Management used historical and current information to estimate the ECL.

Macroeconomic and forward-looking factors have been incorporated into the ECL valuation of these employee loans. The macroeconomic factors include changes in the interest rate which may impact the employees' abilities to service the loans. Forward-looking information includes evaluating the employees' abilities to repay the loans and the future returns from the investment in BVI. Each employee loan is assessed individually based on formal agreements with these employees which stipulates that either future remuneration will be used to settle part of the loan or through formalised payment plans based on the employees' financial health.

The majority of loans to current and previous employees and members of key management were classified as stage 2, as there was a SICR due to the loans being outstanding for more than 90-days as well as the underlying investment which acted as security to the loans being devalued to Rnil. Previous employees' loans were classified as stage 3 as these are deemed to be credit-impaired, due to the uncertainty of whether these loans will be repaid due to these individuals no longer being employed by the company, this is however an insignificant portion to the total amount outstanding.

	2021 Rm	2020 Rm
Balance at the beginning of the period	**(100)**	(100)
Provision raised	**-**	-
Balance at the end of the period	**(100)**	(100)

21. FINANCIAL RISK MANAGEMENT (continued)

21.3 Credit risk (continued)

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

e) Instalment sale agreements

Instalment sale agreements relate to the credit purchases of goods by customers in South Africa within the furniture, appliances and electronics businesses (the majority of these borrowings are deemed to be secured by the product purchased by the customer) (refer to note 13 for more detail on the process of granting instalments to customers). The Group applies the general approach to calculating the ECL allowance for these balances as they are deemed to have a significant financing component.

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

	Performing (stage 1)	Under-performing (stage 2)	Non-performing (stage 3)	Total
2021				
Expected credit loss rate	**14.4%**	**40.8%**	**73.6%**	**35.9%**
Estimated gross carrying amount of default (Rm)	**804**	**299**	**420**	**1 523**
12-month ECL (Rm)	**(116)**	**-**	**-**	**(116)**
Lifetime ECL (Rm)	**-**	**(122)**	**(309)**	**(431)**
Total ECL (Rm)	**(116)**	**(122)**	**(309)**	**(547)**
Net carrying amount (Rm)	**688**	**177**	**111**	**976**
2020				
Expected credit loss rate	10.5%	36.8%	83.8%	43.4%
Estimated gross carrying amount of default (Rm)	674	351	605	1 630
12-month ECL (Rm)	(71)	-	-	(71)
Lifetime ECL (Rm)	-	(129)	(507)	(636)
Total ECL (Rm)	(71)	(129)	(507)	(707)
Net carrying amount (Rm)	603	222	98	923

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

	Performing (stage 1) Rm	Under-performing (stage 2) Rm	Non-performing (stage 3) Rm	Total Rm
Balance at 1 October 2019	(147)	(153)	(190)	(490)
Acquisition of businesses	-	-	(30)	(30)
Allowance on credit granted during the year	(59)	(87)	(187)	(333)
Derecognition of allowance due to settlement of outstanding debt	16	12	6	34
Amounts written off	11	46	135	192
Amounts recovered	33	24	14	71
Net remeasurement of loss allowances	75	29	(255)	(151)
Balance at 30 September 2020	**(71)**	**(129)**	**(507)**	**(707)**
Allowance on credit granted during the year	**(103)**	**(92)**	**(47)**	**(242)**
Derecognition of allowance due to settlement of outstanding debt	**20**	**18**	**20**	**58**
Amounts written off	**3**	**12**	**244**	**259**
Amounts recovered	**48**	**42**	**47**	**137**
Net remeasurement of loss allowances	**(13)**	**27**	**(66)**	**(52)**
Balance at 30 September 2021	**(116)**	**(122)**	**(309)**	**(547)**

21. FINANCIAL RISK MANAGEMENT (continued)

21.3 Credit risk (continued)

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

f) Credit sales through store cards

Credit sales through store cards relates to the credit purchases of goods by customers in South Africa within the clothing and general merchandise businesses (these borrowing are deemed to be unsecured) (refer to note 13 for more detail on the process of granting credit to customers). The Group elected to apply the general approach to calculating the ECL allowance for these balances.

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

	Performing (stage 1)	Under-performing (stage 2)	Non-performing (stage 3)	Total
2021				
Expected credit loss rate	**6.2%**	**22.4%**	**78.2%**	**20.5%**
Estimated gross carrying amount of default (Rm)	**2 075**	**522**	**495**	**3 092**
12-month ECL (Rm)	**(129)**	**-**	**-**	**(129)**
Lifetime ECL (Rm)	**-**	**(117)**	**(387)**	**(504)**
Total ECL (Rm)	**(129)**	**(117)**	**(387)**	**(633)**
Net carrying amount (Rm)	**1 946**	**405**	**108**	**2 459**
2020				
Expected credit loss rate	7.4%	36.3%	78.6%	21.7%
Estimated gross carrying amount of default (Rm)	2 171	380	448	2 999
12-month ECL (Rm)	(161)	-	-	(161)
Lifetime ECL (Rm)	-	(138)	(352)	(490)
Total ECL (Rm)	(161)	(138)	(352)	(651)
Net carrying amount (Rm)	2 010	242	96	2 348

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

	Performing (stage 1) Rm	Under-performing (stage 2) Rm	Non-performing (stage 3) Rm	Total Rm
Balance at 1 October 2019	(106)	(134)	(239)	(479)
Allowance on credit granted during the year	(310)	(57)	(86)	(453)
Derecognition of allowance due to settlement of outstanding debt	214	263	123	600
Amounts written off	-	-	355	355
Net remeasurement of loss allowances	41	(210)	(505)	(674)
Balance at 30 September 2020	**(161)**	**(138)**	**(352)**	**(651)**
Allowance on credit granted during the year	**(286)**	**(31)**	**(90)**	**(407)**
Derecognition of allowance due to settlement of outstanding debt	**198**	**169**	**147**	**514**
Amounts written off	**-**	**-**	**446**	**446**
Net remeasurement of loss allowances	**120**	**(117)**	**(538)**	**(535)**
Balance at 30 September 2021	**(129)**	**(117)**	**(387)**	**(633)**

21. FINANCIAL RISK MANAGEMENT (continued)

21.3 Credit risk (continued)

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

g) Loans to customers

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

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

	Performing (stage 1)	Under-performing (stage 2)	Non-performing (stage 3)	Total
2021				
Expected credit loss rate	**7.2%**	**29.5%**	**78.7%**	**18.6%**
Estimated gross carrying amount of default (Rm)	**1 423**	**237**	**225**	**1 885**
12-month ECL (Rm)	**(103)**	**-**	**-**	**(103)**
Lifetime ECL (Rm)	**-**	**(70)**	**(177)**	**(247)**
Total ECL (Rm)	**(103)**	**(70)**	**(177)**	**(350)**
Net carrying amount (Rm)	**1 320**	**167**	**48**	**1 535**
2020				
Expected credit loss rate	7.8%	27.7%	79.6%	25.7%
Estimated gross carrying amount of default (Rm)	1 207	310	388	1 905
12-month ECL (Rm)	(94)	-	-	(94)
Lifetime ECL (Rm)	-	(86)	(309)	(395)
Total ECL (Rm)	(94)	(86)	(309)	(489)
Net carrying amount (Rm)	1 113	224	79	1 416

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

	Performing (stage 1) Rm	Under-performing (stage 2) Rm	Non-performing (stage 3) Rm	Total Rm
Balance at 1 October 2019	(99)	(99)	(133)	(331)
Allowance on credit granted during the year	(350)	(113)	(181)	(644)
Derecognition of allowance due to settlement of outstanding debt	157	136	63	356
Amounts written off	-	-	531	531
Net remeasurement of loss allowances	198	(10)	(589)	(401)
Balance at 30 September 2020	**(94)**	**(86)**	**(309)**	**(489)**
Allowance on credit granted during the year	**(270)**	**(72)**	**(182)**	**(524)**
Derecognition of allowance due to settlement of outstanding debt	**106**	**70**	**100**	**276**
Amounts written off	**-**	**-**	**386**	**386**
Net remeasurement of loss allowances	**155**	**18**	**(172)**	**1**
Balance at 30 September 2021	**(103)**	**(70)**	**(177)**	**(350)**

21. FINANCIAL RISK MANAGEMENT (continued)

21.3 Credit risk (continued)

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

h) Trade receivables and other amounts due

The Group applies the simplified approach to calculating the ECL allowance for trade receivables that do not have a significant financing component. The balance of trade receivables with a significant financing component is immaterial. This approach permits the use of the lifetime ECL regardless of stage classification and is based on a provision matrix that incorporates historical credit losses as well as forward-looking information as detailed above.

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

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

	30 September 2021 Rm	30 September 2020 Rm
Balance at beginning of the year	**(291)**	(253)
Movement in loss allowance during the year	**25**	(38)
Balance at end of the year	**(266)**	(291)

Provision matrix used in the calculation of ECL allowances:

	Expected loss rate %	Gross carrying amount Rm	Loss allowance provision Rm
2021			
Current	**5.2**	**3 102**	**(161)**
More than 30 days past due	**27.9**	**59**	**(17)**
More than 60 days past due	**22.8**	**19**	**(4)**
More than 90 days past due	**41.5**	**201**	**(84)**
	7.9	**3 381**	**(266)**
2020			
Current	5.6	3 053	(172)
More than 30 days past due	21.2	54	(11)
More than 60 days past due	12.1	24	(3)
More than 90 days past due	49.7	212	(105)
	8.7	3 343	(291)

ACCOUNTING POLICY

Impairment of assets carried at amortised cost

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

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

21. FINANCIAL RISK MANAGEMENT (continued)

21.4 Liquidity risk

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

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

The following table details the Group's remaining contractual maturity for its financial liabilities (excluding borrowings presented in note 17 and lease liabilities presented in note 18). The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Year 1	Total
30 September 2021		
Trade and other payables (financial liabilities)	**(12 221)**	**(12 221)**
Intergroup loans and payables	**(3 197)**	**(3 197)**
	(15 418)	**(15 418)**
30 September 2020		
Trade and other payables (financial liabilities)	(11 657)	(11 657)
Intergroup loans and payables	(3 217)	(3 217)
	(14 874)	(14 874)

21.5 Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued ordinary share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

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

The capital risk faced by the broader Steinhoff N.V. Group and its operating entities during the 2021 Reporting Period remained substantial. The implementation of the CVA has enabled the Steinhoff N.V. Group to start improving the management of capital risk.

The carrying amount of the borrowings as well as the terms are disclosed in note 17.

Refer to note 17.7 for disclosure regarding financial covenants of Pepkor Holdings. The remaining borrowings of the Group are not subject to any covenants.

21. FINANCIAL RISK MANAGEMENT (continued)

21.6 Distribution to shareholders

Distribution to ordinary shareholder of Steinhoff Investments

No ordinary dividends have been declared or paid during either of the Reporting Periods presented.

Distribution to Steinhoff Investments preference shareholders

	30 September 2021 Cents	30 September 2020 Cents
A preference dividend of 292.43 South African rand cents per share (2020: 416.91 South African rand cents per share) in respect of the period 1 July 2020 to 31 December 2020 (2020: 1 July 2019 to 31 December 2019) was paid on 26 April 2021 (2020: 30 March 2020) to those preference shareholders recorded in the books of the company at the close of business on 23 April 2021 (2020: 27 March 2020).	**292.4**	416.9
A preference dividend of 286.38 South African rand cents per share (2020: 356.78 South African rand cents per share) in respect of the period 1 January 2021 to 30 June 2021 (2020: 1 January 2020 to 30 June 2020) was paid on 25 October 2021 (2020: 21 September 2020) to those preference shareholders recorded in the books of the company at the close of business on 22 October 2021 (2020: 18 September 2020).	**286.4**	356.8

A solvency and liquidity test was performed by the board of directors prior to the declaration of all distributions based on information known and available at that time. The liquidity impact of the Litigation Settlement Proposal has been considered in the Steinhoff Investments Group liquidity calculations. Refer to note 23.3 for details of the Litigation Settlement Proposal.

22. EMPLOYEE BENEFITS

		30 September 2021			Restated[1] 30 September 2020		
	Notes	Current Rm	Non-current Rm	Total Rm	Current Rm	Non-current Rm	Total Rm
Leave obligations	22.1	350	-	350	336	-	336
Post-retirement medical benefits		34	50	84	37	53	90
Performance-based bonus accrual	22.2	757	96	853	443	33	476
Other [2]		173	-	173	128	-	128
Total liability		**1 314**	**146**	**1 460**	944	86	1 030

[1] *Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.*

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

22.1 Leave obligations

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

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

22.2 Performance-based bonus accrual

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

	30 September 2021 Rm	Restated[1] 30 September 2020 Rm
Balance at the beginning of the period	**476**	549
Eliminated on disposal of a subsidiary	-	34
Accrual raised	825	407
Amounts unused reversed	(11)	(67)
Amounts utilised	(437)	(440)
Reclassification to assets held-for-sale	-	(7)
Balance at the end of the period	**853**	476

[1] *Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.*

23. PROVISIONS

ACCOUNTING POLICY

Provisions

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

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

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

Movement in provisions

	Restated [1]				Restated [1]	Restated [1]
	Dilapidation provision Rm	**Provision for SIHPL loan commitment Rm**	**Provision for ACG lawyer fees and SRF cost contribution Rm**	**Provision - Litigation Settlement Proposal Rm**	**Other Rm**	**Total Rm**
Balance at 1 October 2019	58	-	-	-	579	637
Onerous provision released to retained earnings on adoption of IFRS 16	(26)	-	-	-	-	(26)
Reclassification between classes of provisions	91	-	-	-	(91)	-
Provision raised	58	-	-	9 379	38	9 475
Amounts unused reversed	(21)	-	-	-	(409)	(430)
Amounts utilised	(4)	-	-	-	-	(4)
Balance at 30 September 2020	**156**	**-**	**-**	**9 379**	**117**	**9 652**
Provision raised	**17**	**2 209**	**878**	**7 173**	**14**	**10 291**
Amounts unused reversed	**(40)**	**-**		**-**	**(31)**	**(71)**
Amounts utilised	**(26)**	**-**	**(33)**	**-**	**(42)**	**(101)**
Balance at 30 September 2021	**107**	**2 209**	**845**	**16 552**	**58**	**19 771**
	Note 23.1	**Note 23.4**	**Note 23.2**	**Note 23.3**		

	30 September 2021 Rm	30 September 2020 Rm
Long-term provisions	**91**	91
Short-term provisions	**3 128**	183
Provision - Litigation Settlement Proposal (short-term)	**16 552**	9 379
	19 771	9 653

[1] *Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.*

23. PROVISIONS (continued)

23.1 Dilapidation provision

This includes provision for dilapidation of buildings occupied by the Pepkor Holdings group. Both the timing and the amount of the provision is uncertain. Key uncertainties include estimated dilapidation costs to cover repairs and restorations at the end of the lease term. The amount of the provision raised is estimated based on the most likely amount/the expected value for each item and is expected to be settled within one to three years.

23.2 Provision for ACG lawyer fees and SRF cost contribution

ACG lawyer fees

In order to improve recoveries to market purchase claimants, the Group will be making available an amount of up to R527 million (€30 million), subject to the implementation of the Litigation Settlement Proposal, to pay in respect of certain fees, costs and work undertaken by the ACG's.

SRF cost contribution

The Group established a new Stichting on 24 August 2021, together with supporting arrangements in South Africa (for South African claimants) to act as the SRF. The purpose of the SRF is to administer and distribute the settlement consideration paid by, or on behalf of, the Group and other contributing parties. It will be governed by a board of newly appointed directors with majority independence from the 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. The Group will contribute up to R351 million (€20 million) to cover the costs of the SRF. This value excludes any additional cost contributions to be made by other parties (i.e. Deloitte firms and Settling D&O insurers) as stipulated in the Steinhoff N.V. Composition Plan. Any costs incurred by the SRF in excess of the cost contributions, will be deducted from the settlement payment, and any surplus cost contribution amount will revert to the parties that have paid such amounts to SRF, pro rata to the cost contribution of each such party. During the 2021 Reporting Period the Group contributed R33 million towards costs incurred by the SRF, which amount will be deducted from the anticipated cost contribution, as provided.

23.3 Provision - Litigation Settlement Proposal

On 15 February 2021 the Company's ultimate holding company, Steinhoff N.V., applied for the opening of SoP proceedings and offered the Steinhoff N.V. Composition Plan to its SoP creditors. The Dutch Court confirmed the Steinhoff N.V. Composition Plan on 23 September 2021. No appeal was lodged to the Dutch Court's decision and accordingly, the order became final and binding and by consequence the Steinhoff N.V. Composition Plan became binding on all SoP creditors in accordance with its terms. The Steinhoff N.V. Composition Plan was proposed in parallel with the SIHPL Section 155 Proposal. Both proposals, which are inter-conditional, form part of the Litigation Settlement Proposal to resolve the legacy claims arising from the announcement of accounting irregularities.

On 15 February 2021, Steinhoff N.V., together with SIHPL, subsequently reached a bilateral conditional agreement with Deloitte Accountants B.V. and Deloitte & Touche South Africa (together "**Deloitte**") pursuant to which Deloitte agreed to support the proposed Steinhoff N.V. global settlement as announced on 27 July 2020 (and as subsequently revised).

Steinhoff N.V. further announced on 23 March 2021 that, together with SIHPL, it had also reached a conditional agreement with certain insurance companies underwriting Steinhoff N.V.'s (primary and excess) Directors and Officers insurance policy (the "**D&O Insurers**") and certain former directors and officers who have worked for or been associated with a Steinhoff N.V. Group company (the "**Settling D&Os**"). In addition to the compensation made available to certain claimants by Steinhoff N.V., Deloitte (up to €78 million) and the D&O Insurers (up to €78 million), on behalf of the Settling D&Os, are making additional compensation available to certain Steinhoff N.V. claimants, including the market purchase claimants, in exchange for certain waivers and releases, provided that Steinhoff N.V. successfully completes the Dutch SoP process commenced on 15 February 2021 and SIHPL successfully implements the SIHPL Section 155 Proposal.

23. PROVISIONS (continued)

23.3 Provision - Litigation Settlement Proposal (continued)

Below is a summary of the main substantive approvals obtained and still required for the Litigation Settlement Proposal to be implemented on the Settlement Effective Date ("**SED**"). The SED is the date on which the Steinhoff N.V. Composition Plan and the SIHPL Section 155 Proposal become effective.

- **Financial Creditor consent**

  Various creditor consent requests were launched since October 2020 to obtain the formal support of the financial creditors to the terms and proposed implementation of the Litigation Settlement Proposal. The High Court of England sanctioned the terms of the SEAG CPU Scheme on 5 February 2021. As reported in its announcements on 16 July 2021 and 11 August 2021, Steinhoff N.V. required the consent under the existing finance documents for the revised terms to the Litigation Settlement Proposal set out in those announcements. On 20 August 2021, Steinhoff distributed "Consent Request No.3" to the facility agents under the relevant Steinhoff finance documents. In summary, Consent Request No.3 sought consent from lenders for the following:

  a) Approval of amendments to the terms of the Litigation Settlement proposal to include the terms as announced by Steinhoff N.V. on 16 July 2021 and 11 August 2021;
  b) Approval of the SIHPL finance documents required to be entered into as part of the SIHPL settlement terms to have effect following SED, including the new Section 155 Settlement Note to be issued by SIHPL and the SIHPL Intercreditor Agreement both as described in the SIHPL Section 155 Proposal;
  c) Approval of an outline of the steps to be taken in connection with the SED;
  d) Approval of the amendments required to the Steinhoff N.V. "Contingent Payment Undertakings" to support the establishment of the Committee of Representatives appointed under the SoP proceedings (as to which, see the 28 May 2021 Steinhoff press release).

  Steinhoff has now obtained the necessary approvals and confirms that Consent Request No.3 has been approved by the requisite majorities of financial creditors in respect of each of the consents requested.

- **Regulatory consent of the South African Reserve Bank**

  On 11 August 2021 Steinhoff N.V. announced an increased offer, following this announcement the Steinhoff Group had to seek further approval from Finsurv. Steinhoff N.V. announced on 18 October 2021 that it has received approval from Finsurv for the cross-border transfers contemplated by the revised Litigation Settlement Proposal. The approval is valid until 31 May 2022.

- **Eligible claimants' consent of Steinhoff N.V.**

  The SoP administrators, in consultation with Steinhoff N.V., and in accordance with the relevant provisions in the Dutch Bankruptcy Act, requested the Amsterdam District court to appoint a committee of representation ("**CoR**") consisting of representatives of the most important creditors and categories of creditors at Steinhoff N.V. level. On 28 May 2021, the Amsterdam District Court granted the request. The CoR members had to cast votes on the Steinhoff N.V. Composition Plan instead of individual creditors at the voting hearing. On 8 September 2021, the supervisory judges in the Dutch SoP proceedings opened the creditors' meeting to discuss the claims as submitted in the procedures and to consider the Composition Plan. Following these discussions, the members of the CoR were asked to cast their votes on the Composition Plan. On 16 September 2021 the Dutch court held the confirmation hearing. Pursuant thereto, on 23 September 2021, the supervisory judges confirmed that there was a positive decision supporting the Composition Plan with all fifteen members voting in favour. No party had lodged an appeal against the confirmation order.

  On 2 October 2021, following an eight-day appeal period where no appeals were received, the SoP proceedings terminated. The Dutch Court order became final, with the SoP procedures terminating and the Steinhoff N.V. Composition Plan became binding on all SoP creditors in accordance with its terms.

- **Eligible claimants' consent of SIHPL**

  Creditors' meetings in terms of the SIHPL Section 155 Proposal, were held on 6th and 10th September 2021 in which over 8,500 claimants representing approximately R91.7 billion of claims voted in favour of the SIHPL Section 155 Proposal, with no votes against.

  The SIHPL Section 155 Proposal was therefore approved and adopted by all three classes of the SIHPL scheme creditors. During September 2021, and pursuant to the SIHPL Section 155 Proposal having been adopted overwhelmingly by the SIHPL scheme creditors, SIHPL made an application in the Western Cape High Court for the approval and sanction of the Section 155 Proposal.

23. PROVISIONS (continued)

23.3 Provision – Litigation Settlement Proposal (continued)

Subsequently the Court received intervention applications and opposing affidavits from the following:

a) a party who under the SIHPL Section 155 Proposal is a Non-Qualifying Claimant and that will continue to be disputed following the implementation of the settlement effective date, being: Trevo Capital Limited ("**Trevo**"), a Mauritian entity associated with the former CEO of Pepkor Holdings, Mr Erasmus; with the support of six individuals (who are also all Non-Qualifying Claimants); and

b) parties purporting to be Market Purchase Claimants under the Proposal, being: (i) the trustees of Sport City Trust, (ii) AJVH Holdings Proprietary Limited, both of which are associated with the former owners of Tekkie Town, and (iii) an individual, Mr Lamprecht.

SIHPL filed papers in opposition to the intervention of Trevo and all of the opposing parties, as it continues to work towards implementing the SIHPL Section 155 Proposal that has achieved the overwhelming support of so many claimants and so that those claimants can receive the settlement consideration as soon as possible under the terms of the SIHPL Section 155 Proposal.
In addition, an intervention application in support of SIHPL's sanction application has been received from Deloitte SA.

- **Conditional settlement with Trevo**

Steinhoff N.V.'s announcement on 11 August 2021 confirmed the treatment of Trevo as a Non-Qualifying Claimant (being a class of claimants to whom an offer of compromise is not made under the terms of the Section 155 Proposal). Trevo and others have opposed the sanction application for the Section 155 Proposal notwithstanding that they are not a Section 155 Proposal scheme creditor.

On 15 December 2021, Steinhoff N.V. announced that Trevo had agreed to a settlement in which Trevo confirmed its conditional support for the Section 155 Proposal subject to the satisfaction of suspensive conditions on or before 11 January 2021 unless waived or extended by the parties. Until those suspensive conditions are achieved Trevo will maintain its opposition to the sanction application and its other litigation proceedings against Steinhoff remain on foot and Steinhoff will continue to resist such opposition. It is viewed as an adjusting event for the 2021 Reporting Period and R270 million was raised as part of the Litigation Settlement Proposal provision, representing the best estimate for settlement of the claim.

The key commercial terms of the settlement if the suspensive conditions are satisfied will have effect from the implementation of the Settlement Effective Date, and are as follows:

a) Ainsley Holdings will grant to Trevo call options to purchase 120 million Pepkor Holdings shares exercisable in three years' time at an exercise price of R24.9215 per share; and

b) following satisfaction of the suspensive conditions but prior to the Settlement Effective Date, Trevo will support the Litigation Settlement Proposal. On and from Settlement Effective Date, Trevo will withdraw all litigation between them and Steinhoff N.V. Group in full and final settlement of claims against the Steinhoff N.V. Group, directors and officers and auditors.

The settlement of Trevo's alleged claims will not impact the recoveries of other scheme creditors under the Section 155 Proposal other than the financial creditors. Financial creditor approval of the proposed terms is a suspensive condition to the Trevo settlement and will be sought as soon as possible.

- **Settlement with the former Tekkie Town owners**

As set out in the Steinhoff N.V. Composition Plan, certain former owners of the Tekkie Town business instituted claims against the Steinhoff N.V. Group (together the "**Former Tekkie Town Owner Claimants**"). One of those claimants, AJVH Holdings Proprietary Limited, and a related party, Sport City Trust, also attempted to oppose the application for the sanction of the Section 155 Proposal by arguing that they have SIHPL Market Purchase Claims (as defined in the Section 155 Proposal). In addition, the Former Tekkie Town Owner Claimants instituted liquidation proceedings (the "**Liquidation Application**") against Steinhoff N.V. on 12 May 2021.

On 15 December 2021, the Steinhoff N.V. Group and the Former Tekkie Town Owner Claimants (including associated parties who have joined or supported their Liquidation Application and Section 155 Proposal opposition) have agreed that the Former Tekkie Town Owner Claimants will (i) support, and withdraw their opposition to, the Section 155 Proposal with immediate effect and (ii) withdraw the Liquidation Application (and their opposition to the appeal pending before the South African Supreme Court of Appeal), subject to implementation of the Litigation Settlement Proposal. It is viewed as an adjusting event for the 2021 Reporting Period and R741 million was raised as part of the Litigation Settlement Proposal provision, representing the best estimate for settlement of the claim.

23. PROVISIONS (continued)

23.3 Provision - Litigation Settlement Proposal (continued)

- **Settlement with the former Tekkie Town owners (continued)**

The key commercial terms of the settlement will take effect from and subject to the Settlement Effective Date, and are as follows:

a) Steinhoff Africa will pay the Former Tekkie Town Owner Claimants R500 million in aggregate, and Ainsley will transfer 29.5 million Pepkor Holdings shares subject to a lock-up of 180 calendar days following transfer, in order to acquire control of all Steinhoff-related claims alleged by the Former Tekkie Town Owner Claimants and their related parties; and

b) the Former Tekkie Town Owner Claimants will accordingly transfer control of all their Steinhoff-related claims to Steinhoff Africa, so that the claims between them, Steinhoff, Pepkor Holdings, directors and officers and auditors (including the Liquidation Application) can be settled and withdrawn on terms that enable Steinhoff Africa and Steinhoff to benefit from the compensation allocated to the Former Tekkie Town Owner Claimants under the Steinhoff N.V. Composition Plan.

Financial creditor approval of the proposed terms is a suspensive condition to the Tekkie Town settlement and will be sought as soon as possible.

Once sanctioned, the SIHPL Section 155 Proposal will result in a compromise of claims against SIHPL in accordance with the terms of the SIHPL Section 155 Proposal. The SIHPL Section 155 Proposal commenced in February 2021 and has been adopted by all three classes of the scheme creditors during September 2021. Approval and sanction, in the form of a Court Order, is required for the order sanctioning the compromise to be final and binding on all of SIHPL's scheme creditors. Pursuant to the SIHPL Section 155 Proposal having been adopted overwhelmingly by the SIHPL scheme creditors, SIHPL brought the sanction application, which will be heard by the Court in the week of 24 January 2022.

It is essential to note, that the Steinhoff N.V. Composition Plan is inter-conditional with, and dependent on the success of, a proposal by SIHPL for the settlement and compromise of its litigation and financial liabilities in accordance with the terms of the SIHPL Section 155 Proposal.

<u>Considerations by management for the measurement of the Litigation Settlement Proposal provision for the 2021 Reporting Period:</u>

Steinhoff N.V. and SIHPL announced on 16 July 2021 an increase in the settlement offer under the Steinhoff Litigation Settlement Proposal. As a result, the amount of the provision has been increased from c. R9.4 billion to c. R16.6 billion during the 2021 Reporting Period.

During the 2020 Reporting Period the SIHPL obligation was classified as a provision to the value of the settlement amount (as expected outflow), in addition the full claim amounts were disclosed as contingent liability.

For the 2021 Reporting Period the SIHPL Section 155 Proposal was adopted by the eligible claimants but has not yet been sanctioned by the Court. Therefore, a contractual obligation exists between SIHPL and its eligible claimants for SIHPL to deliver a specified amount cash or Pepkor Holdings shares. Since the SIHPL Section 155 Proposal is still dependent on the Court sanctioning before it is implemented and effective, it is management's view that the SIHPL obligation will only become a financial liability on occurrence of SED.

During the 2021 Reporting Period there has been tremendous progress on the Litigation Settlement Proposal. Most noticeable has been that both Steinhoff N.V.'s Composition Plan as well as SIHPL's Section 155 Proposal has been adopted by the eligible claimants. It is therefore management's view, taking into account that the Steinhoff N.V. Composition Plan received final court confirmation and is thus binding on its constituents subject only to the SIHPL Section 155 Proposal being sanctioned by the South African courts, that it will no longer be in line with IFRS objectives to recognise the provision in combination with the disclosure as contingent liability for the Steinhoff N.V. and SIHPL obligation, as all eligible claimants have adopted the SIHPL Section 155 Proposal and on SED will be bound to the value as per the SIHPL Section 155 Proposal with all their claims against the Group being compromised.

23. PROVISIONS (continued)

23.3 Provision - Litigation Settlement Proposal (continued)

The legal provision was reviewed at the end of the Reporting Period and adjusted to reflect the current best estimate to settle the obligation. Based on the current status of the Litigation Settlement Proposal the expected outflow of economic benefit will be the value as included under the Composition Plan and the SIHPL Section 155 Proposal which will be settled in cash and Pepkor Holdings shares.

Only the SIHPL portion (c. R16.6 billion) of the total proposed legal settlement provision (c. R28 billion) has been included in the consolidated annual financial statements for the year ended 30 September 2021. These amounts are subject to change based on the ZAR:EUR exchange rate and the prevailing Pepkor Holdings share price at date of settlement. The exchange rate used in the determination of these amounts was R17.57 and a Pepkor Holdings share price of R21.57. As at 30 September 2021, the SIHPL obligation is classified as a provision and measured as per the latest term sheet as the best estimate to be incurred to settle the present obligation, as set out below:

	30 September 2021 Rm	30 September 2020 Rm
SIHPL Market Purchase Claimants	**3 222**	-
SIHPL Contractual Claimants	**12 318**	9 379
Other (Including Non-qualifying claimants i.e. Trevo and Tekkie Town)	**1 012**	-
SIHPL - Total Litigation Settlement Proposal provision	**16 552**	9 379

The increased settlement offer and several other amendments to the Steinhoff Litigation Settlement Proposal are set out in a summary term sheet dated July 2021 available at www.steinhoffsettlement.com.

23.4 Provision for SIHPL loan commitment

As set out in the Section 155 Proposal, as part of the implementation of the Litigation Settlement Proposal, SIHPL will issue a loan note to Newco 2A on SED (**"Newco 2A Loan Note**"), to the amount of €211 million in consideration for SIHPL's acquisition of the amount owing by Titan ("**Titan Receivable**") to Newco 2A on the following terms:

- Zero coupon;
- Repayment date being the final maturity date of 6 months after the Titan Receivable final maturity date;
- Quarterly cash sweep at SIHPL and across the South African Sub-Group of the Steinhoff Group;
- First ranking security over SIHPL's assets; and
- Limited recourse to the available assets of SIHPL and a solvent winding up of SIHPL

The Titan Receivable to be acquired by SIHPL on SED, which will have the following terms:

- R3.4 billion principal outstanding;
- Zero coupon;
- Repayment date of 10 years lus one day from SED and voluntarily repayable without penalty at any time; and
- Secured in favour of SIHPL over 14 813 823 ordinary shares in Shoprite Holdings Limited.

SIHPL has entered into a loan commitment to obtain a financial asset, the Titan Receivable, at more than its fair value. The loan commitment provision will be set-off against the Titan Receivable on the issue of the Newco 2A Loan Note on SED. SIHPL accounted for a loan commitment at its fair value of R2.2 billion in the 2021 Reporting Period.

23.5 Other provisions

Other provisions are recognised when the Group has a present constructive or legal obligation as a result of a past event, and when it is probable that it will result in an outflow of economic benefits that can be reasonably estimated. Included in other provisions are estimated costs related to product warranties and other transaction-related, legal and regulatory matters at a Pepkor Holdings level. Both the timing and the amount of the provision is uncertain. Key uncertainties in the other provisions includes the estimation of the outcome and probable settlement amounts of various legal disputes, and the estimation of warranty costs based on the number of goods within the warranty period and the likelihood of the products being defective. The amount of the provision raised is estimated based on the most likely amount/the expected value for each item and is expected to be settled within one to three years.

24. COMMITMENTS AND CONTINGENCIES

	30 September 2021 Rm	30 September 2020 Rm
24.1 Capital expenditure		
Significant capital expenditure contracted for at the end of the 2020 Reporting Period but not recognised as liabilities is as follows:		
Contracts for capital expenditure authorised	**82**	41
Capital expenditure authorised but not contracted for	**300**	115

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

24.2 Contingent assets

Loss adjustors were appointed by SASRIA to assess the Material Damage loss due to the political and social unrest, and by Emerald for the quantification of the Business Interruption loss. Initial estimates have been submitted to the insurers. Indicative values show that material damage estimates are within policy limits for both SASRIA and business interruption losses.

As at year-end, the Pepkor Holdings Group submitted gross claims for material damage loss to the value R1.2 billion of which R500 million was recognised at the Reporting Date and R717 million for business interruption loss of which R171 million was recognised at the Reporting Date.

24.3 Contingent liabilities

- **Competition Commission vs SIHPL and Other**

  This matter involves two referrals issued by the Competition Commission during the 2019 Reporting Period:
  Under the first referral, the 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 Commission has charged SIHPL itself with having committed the same offence during that period. The 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 Commission seeks a conviction 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.

  Werksmans attorneys has been appointed to represent SIHPL in these proceedings. SIHPL has initiated a review application with the aim of setting aside the Commission's decision to refer the complaint against SIHPL to the Tribunal. The matter was heard on an opposed basis on 10 August 2021. Judgement was reserved and is expected to be rendered in due course. No indication as to the value of the claim at present.

- **Geros Financial Services Proprietary Ltd v Steinhoff At Work Proprietary Limited**

  On 2 November 2021, Geros Financial Services Proprietary Limited ("**Geros**") served a simple summons against Steinhoff at Work Proprietary Limited ("**SAWPL**") claiming an aggregate of c. R46 million which was allegedly loaned by Geros to SAWPL and which is now due for repayment (plus interest at a rate of the prime lending rate less 3.5% per annum from the date that the amount was advanced to the date of final payment). SAWPL's legal representatives are in the process of preparing replying papers that will be served in accordance with the rules of Court. Management's view is that the claim holds no merit.

24. COMMITMENTS AND CONTINGENCIES (continued)

24.3 Contingent liabilities (continued)

- **Trevo Capital Limited v SIHPL, GLAS and the Financial Creditors of SIHPL**

  Trevo instituted motion proceedings in the Western Cape High Court on 15 February 2021, seeking a declaratory order that the Guarantee issued by Steinhoff Investments in 2014 be declared void in terms of Section 45 of the Companies Act. On 1 July 2021, Judge Bozelak handed down his decision in which he confirmed the validity of the 2014 guarantee, but in relation to the SIHPL CPU, found, inter alia, that the financial assistance provisions of section 45 of the Companies Act had been breached, and held that the resolution of the SIHPL board authorising entry into the SIHPL CPU and the SIHPL CPU was void.

  On 12 July 2021, the financial creditors of SIHPL filed their Notice of Application for leave to appeal to the Supreme Court of Appeal against the orders and those parts of the judgment of Judge Bozelak in support thereof, followed by SIHPL on 19 July 2021. On 16 August 2021 Judge Bozelak handed down his judgment in which he granted leave to appeal to SIHPL and the financial creditors. The financial creditor's notice of appeal was served on 9 September 2021. SIHPL's notice of appeal was served on 14 September 2021.

  Steinhoff N.V.'s announcement on 11 August 2021 confirmed the treatment of Trevo as a Non-Qualifying Claimant (being a class of claimants to whom an offer of compromise is not made under the terms of the Section 155 Proposal). Trevo and others have opposed the sanction application for the Section 155 Proposal notwithstanding that they are not a Section 155 Proposal scheme creditor.

  On 15 December 2021, Steinhoff N.V. announced that Trevo had agreed to a settlement in which Trevo confirmed its conditional support for the Section 155 Proposal subject to the satisfaction of suspensive conditions on or before 11 January 2021 unless waived or extended by the parties. Until those suspensive conditions are achieved Trevo will maintain its opposition to the sanction application and its other litigation proceedings against Steinhoff remain on foot and Steinhoff will continue to resist such opposition. It is viewed as an adjusting event for the 2021 Reporting Period and R270 million was raised as part of the Litigation Settlement Proposal provision, representing the best estimate for settlement of the claim. Refer to Note 23.3.

25. CASH FLOW INFORMATION

25.1. Cash generated from operations

	Notes	2021 Rm	Restated[1] 2020 Rm
Operating profit/(loss) from:			
Continuing operations		**11 910**	(9 333)
Discontinued operations		**14**	(183)
Adjusted for non-cash adjustments included in continuing and discontinued operations:			
Debtors' write-offs and movement in provision		**1 159**	1 671
Depreciation and amortisation			
Property, plant and equipment, Intangible assets	**8 & 9**	**1 343**	1 361
Right-of-use asset	**10**	**2 411**	2 476
Net reversal of impairment of loans receivable and other related provisions	**4.2.2**	**(11 349)**	(3 884)
Provision – Litigation Settlement Proposal	**4.2.7**	**7 173**	9 379
Unrealised foreign exchange (gains)/losses	**4.2.5 & 4.3.4**	**(2 607)**	4 738
Fair value adjustment - Synthetic Forward	**4.2.8**	**341**	-
Loss allowance on loan commitment	**4.2.8**	**2 209**	-
Impairments - continuing operations:			
Goodwill	**8**	**13**	4 699
Intangible assets	**8**	**-**	103
Property, plant and equipment	**9**	**58**	87
Right-of-use asset	**10**	**156**	203
Other	**4.2.1**	**-**	1
Impairments - discontinued operations:			
Investment property	**1.2.1**	**-**	155
Property, plant and equipment	**1.2.1**	**-**	271
Other	**1.2.1**	**(3)**	(2)
Inventories written down to net realisable value and movement in provision for inventories	**15.2**	**810**	598
Net profit on disposal and scrapping of property, plant and equipment, vehicle rental fleet and intangible assets	**1.2.2 & 4.2.3**	**(9)**	(229)
Loss/(gain) on disposal or part disposal of investments	**1.2.3 & 4.2.4**	**21**	60
FCTR release on the sale/liquidation of subsidiaries	**1.2 & 4.2.4**	**(89)**	165
Profit on lease modification		**(749)**	(383)
Share-based payment expense	**4.3.3**	**229**	126
Other non-cash adjustments		**(36)**	(8)
Cash generated before working capital changes		**13 005**	12 071
Working capital changes			
(Increase)/decrease in inventories		**(1 849)**	498
Increase in trade and other receivables		**(1 453)**	(1 247)
Movement in net derivative financial liabilities/assets		**(480)**	637
Increase/(decrease) in non-current and current provisions		**731**	(15)
Increase/(decrease) in non-current and current employee benefits		**484**	(196)
Increase in trade and other payables		**186**	1 871
Net changes in working capital		**(2 381)**	1 548
Cash generated from operations		**10 624**	13 619

[1] Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.

25. CASH FLOW INFORMATION (continued)

25.2. Liabilities included in financing activities reconciliation

	Note	30 September 2021 Rm	Restated[1] 30 September 2020 Rm
This section sets out an analysis of the movements in borrowings.			
Gross debt			
Borrowings – repayable within one year (including bank overdraft)	**17**	**(5 717)**	(10 155)
Borrowings – repayable after one year	**17**	**(38 511)**	(38 949)
Total Gross debt		**(44 228)**	(49 104)

Reconciliation of gross debt	30 September 2021 Rm	Restated[1] 30 September 2020 Rm
Balance at the beginning of the period	**(49 104)**	(48 780)
Repayment of debt	**6 500**	11 038
Repayment of interest	**812**	1 429
Additional financing	**(4 712)**	(6 092)
Interest accrued	**(1 099)**	(1 783)
Prescription of debt	**-**	68
Foreign exchange adjustments	**3 375**	(4 984)
Balance at the end of the period	**(44 228)**	(49 104)

[1] Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.

26. BUSINESS COMBINATIONS

ACCOUNTING POLICY

Business combinations

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

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

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

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

The excess of the:

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

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

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.

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.

26. BUSINESS COMBINATIONS (continued)

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

	Note	Eezi Poland Note 26.2 Rm	Total 30 September 2021 Rm
30 September 2021			
Assets			
Trade and other receivables		19	19
Inventories		1	1
Liabilities			
Trade and other payables		(20)	(20)
Group's share of total assets and liabilities acquired		-	-
Goodwill attributable to acquisition	8	13	13
Total consideration		13	13
Cash on hand at date of acquisition		-	-
Settlement via loan account		(13)	(13)
Net cashflow on acquisition of subsidiaries		-	-

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.

Contingent liabilities currently recognised on business combination amount to Rnil (2020: Rnil).

26.2 Acquisition of Eezi Poland

Effective 22 December 2020, Pepkor Holdings purchased 100% of the issued share capital of Eezi Poland for a purchase price of €667 thousand. Eezi offers similar products and services to FLASH in the Polish market and is included in the FinTech segment as part of the FLASH business.

26. BUSINESS COMBINATIONS (continued)

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

	Notes	Abacus Note 26.4 Rm	Eezi Note 26.5 Rm	S.P.C.C. and CODE Note 26.6 Rm	Total 30 September 2020 Rm
30 September 2020					
Assets					
Property, plant and equipment	**9**	6	-	2	8
Intangible assets	**8**	-	-	17	17
Right-of-use assets	**10**	24	-	-	24
Deferred taxation assets	**6.3**	5	-	1	6
Cash on hand		141	12	2	155
Liabilities					
Borrowings		-	(9)	-	(9)
Lease liability		(23)	-	-	(23)
Taxation payable		(5)	-	(1)	(6)
Employee benefits		-	-	(1)	(1)
Working capital		(20)	(38)	2	(56)
Group's share of total assets and liabilities acquired		128	(35)	22	115
Goodwill attributable to acquisition		55	35	24	114
Total consideration		183	-	46	229
Cash on hand at date of acquisition		(141)	(12)	(2)	(155)
Intercompany loans acquired		(3)	-	15	12
Net cashflow on acquisition of subsidiaries		39	(12)	59	86

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.

26.4 Acquisition of Abacus

Effective 1 December 2019, Pepkor Holdings acquired 100% of the issued share capital of Abacus Holdco Proprietary Limited and its subsidiaries ("**Abacus**") for a purchase price of R183 million. The acquisition has been approved by the relevant regulatory authorities. The Abacus product offering includes life- and short-term insurance. Abacus provides insurance products via its subsidiaries to customers of JD Group and other Group businesses.

26.5 Acquisition of Eezi

Effective 1 March 2019, Pepkor Holdings acquired 100% of the issued share capital of Eezi Global Limited ("**Eezi**") for a purchase price of £1. Eezi offers similar products and services to FLASH in the European market. Goodwill attributable to the acquisition of Eezi of R35 million was impaired on recognition date. Refer to note 8.

26.6 Acquisition of S.P.C.C. and CODE

Effective 1 June 2020 and 1 September 2020 respectively, Pepkor Holdings acquired S.P.C.C. and CODE for a combined purchase price of R46 million. Both entities are retailers of clothing and general merchandise.

27. NATURE AND PURPOSE OF RESERVES

Ordinary share capital and share premium

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

Accumulated losses

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

Accumulated profit/loss due to preference shareholders

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

Foreign currency translation reserve

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

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

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

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

Sundry reserves

Sundry reserves comprise fair valuations of financial assets at fair value through other comprehensive income and cash flow hedge reserves. These reserves are not considered material by the Group.

Included in sundry reserves are share-based payment reserve relating to equity-settled share based payment scheme. The fair value of the deferred delivery shares and the share rights granted to employees is recognised as an employee expense with a corresponding increase in equity. Refer to note 34. Once a share scheme vests or becomes highly unlikely to vest, the relevant portion of the share-based payment reserve is transferred to accumulated losses.

28. ORDINARY SHARE CAPITAL

		30 September 2021 Number of shares	30 September 2020 Number of shares
28.1	**Authorised**		
	Ordinary shares of R0.005 each	**101 000 000**	101 000 000
28.2	**Issued**		
	Balance at beginning of the period	**55 000 106**	55 000 106
	Balance at the end of the period	**55 000 106**	55 000 106

		30 September 2021 Share capital Rm	30 September 2020 Share capital Rm	30 September 2021 Share premium Rm	30 September 2020 Share premium Rm
28.3	**Issued**				
	Balance at beginning and end of the period	*	*	**119 020**	119 020
	Total issued ordinary share capital and share premium	*	*	**119 020**	119 020

* Less than R500 000

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

		30 September 2021 Number of shares	30 September 2020 Number of shares
28.4	**Unissued shares**		
	Total unissued shares	**45 999 894**	45 999 894

29. PREFERENCE SHARE CAPITAL

29.1 Authorised

	Classification of preference shares			30 September 2021	30 September 2020	30 September 2021	30 September 2020
	Redemption	Payment of dividends	Classification of instrument	Number of shares	Number of shares	Rm	Rm
Steinhoff Investments							
Variable rate, cumulative, non-participating preference shares of R0.001 each	Non-redeemable	Discretionary	Equity	**495 000 000**	495 000 000	*	*
SIHPL							
Cumulative, non-participating preference shares of no par value	Non-redeemable	Discretionary	Equity	**1 000 000 000**	1 000 000 000	*	*
Steinhoff Africa							
Class A perpetual preference shares (par value R0.01)	Non-redeemable	Discretionary	Equity	**2 000**	2 000	*	*
Class B perpetual preference shares of no par value	Non-redeemable	Discretionary	Equity	**2 000**	2 000	*	*
Cumulative redeemable preference shares (par value R0.01)	Redeemable	Determined upon issue	Financial liability/compound instrument	**2 000**	2 000	*	*

**Amount less than R500 000.*

29. PREFERENCE STATED SHARE CAPITAL

29.1 Authorised (continued)

	Classification of preference shares			30 September 2021	30 September 2020	30 September 2021	30 September 2020
	Redemption	Payment of dividends	Classification of instrument	Number of shares	Number of shares	Rm	Rm
Pepkor Holdings							
Non-redeemable, non-cumulative, non-participating preference shares of no par value	Non-redeemable	Discretionary	Equity	**5 000 000**	5 000 000	*	*
Non-redeemable, cumulative, non-participating preference shares of no par value	Non-redeemable	Discretionary	Equity	**2 500 000**	2 500 000	*	*
Redeemable, non-cumulative, non-participating preference shares of no par value	Redeemable	Determined upon issue	Financial liability/compound instrument	**2 500 000**	2 500 000	*	*
Class A1 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Determined upon issue	Financial liability/compound instrument	**10 000 000**	10 000 000	*	*
Class A2 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Determined upon issue	Financial liability/compound instrument	**10 000 000**	10 000 000	*	*
Class A3 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Determined upon issue	Financial liability/compound instrument	**10 000 000**	10 000 000	*	*
Class A4 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Determined upon issue	Financial liability/compound instrument	**10 000 000**	10 000 000	*	*
Class A5 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Determined upon issue	Financial liability/compound instrument	**10 000 000**	10 000 000	*	*
Business Venture Investments 1499 Proprietary Limited (RF)							
Cumulative, redeemable, no par value preference shares	Redeemable	Non-discretionary	Financial liability	**7 850**	7 850	*	*

**Amount less than R500 000.*

29. PREFERENCE SHARE CAPITAL (continued)

29.2 Issued

	30 September 2021 Number of shares	30 September 2020 Number of shares	30 September 2021 Rm	30 September 2020 Rm
Classified as equity				
Steinhoff Investments[1]				
In issue at the beginning and end of the year	**15 000 000**	15 000 000	**1 405**	1 404
Total issued preference stated share capital classified as equity	**15 000 000**	15 000 000	**1 405**	1 404
Pepkor Holdings (class A cumulative redeemable preference shares)[2]				
In issue at the beginning of the year	**2 000**	6 000	**2 000**	6 000
Partial settlement	**(2 000)**	(4 000)	**(2 000)**	(4 000)
In issue at the end of the year	**-**	2 000	**-**	2 000
Business Venture Investments 1499 Proprietary Limited (RF)[3,4]				
In issue at the beginning of the year	**-**	3 550	**-**	491
Shares redeemed during the year	**-**	(3 550)	**-**	(491)
	-	-	**-**	-

	Note	30 September 2021 Rm	30 September 2020 Rm
Summary of preference shares in issue			
Owned by preference shareholders of Steinhoff Investments		**1 405**	1 404
Liability	17	**-**	2 000
		1 405	3 404

[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] Term of issued Pepkor Holdings Limited preference shares

During the 2018 Reporting Period, Pepkor Holdings issued 6 000 cumulative redeemable preference shares. The preference shares earn dividends on the issue price at the rate of 74% of the SA prime lending rate. The preference shares are redeemable in May 2022. R4 billion of the total R6 billion preference shares were settled early during the 2020 Reporting Period and the remaining R2 billion was settled during the first half of the Reporting Period.

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

The preference shares were issued during the 2012 financial year and earned 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 were redeemed in June 2020.

[4] Guaranteed by Pepkor Holdings.

Accrued dividends relating to preference shares classified as owned by preference shareholders of Steinhoff Investments are presented as part of the profit or loss attributable to preference shareholders in the period to which the accrual relates, regardless if these dividends have been declared. Any preference dividends actually paid have been presented as a reduction of accumulated profits attributable to preference shareholders.

30. NON-CONTROLLING INTERESTS

30.1 Details of material non-controlling interests:

	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	30 September 2021 %	30 September 2020 %	**30 September 2021 Rm**	30 September 2020 Rm	**30 September 2021 Rm**	Restated[1] 30 September 2020 Rm
Pepkor Holdings[2]	**41.07**	32.25	**1 588**	(1 031)	**23 899**	17 221
Individually immaterial subsidiaries with non-controlling interests			**-**	(46)	**(234)**	(233)
Total non-controlling interests			**1 588**	(1 077)	**23 665**	16 988

[1] Prior year comparatives have been restated for the effect of the reclassification of The Building Company from discontinued operation to continuing operation.

[2] On 15 September 2021, Ainsley ceded 283 million Pepkor Holdings shares to the SRF in order to prove to the District Court of Amsterdam that Steinhoff will be able to perform under the Composition Plan when SED occurs. This will reduce the Group's interest in Pepkor Holdings to 51.4%, the Group will still retain control of Pepkor Holdings after SED.

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

ACCOUNTING POLICY

Non controlling interest

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Subsequently, any losses applicable to the non-controlling interests are allocated to the non-controlling interests even if this results in the non-controlling interests having deficit balances.

Initial measurement of non-controlling interests

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

30. NON-CONTROLLING INTERESTS (continued)

30.1 Details of material non-controlling interests (continued)

ACCOUNTING POLICY

Non-controlling interest (continued)

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.

30.2 Material transactions with non-controlling interests

Pepkor Holdings

2020 Reporting Period

On 23 June 2020, Pepkor Holdings announced a non-pre-emptive placement of up to 172.5 million ordinary shares in the authorised but unissued share capital of Pepkor Holdings to certain institutional investors, representing up to 4.95% of Pepkor Holdings' existing issued ordinary shares.

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 Holdings from c.71% to c.68%.

2021 Reporting Period

In March 2021 Pepkor Holdings issued 6 234 974 of its shares to qualifying employees under the Pepkor Holdings Executive Share Rights Scheme. This diluted the Group's shareholding in Pepkor Holdings from 67.75% to 67.64%.

As announced on 14 April 2021 the transaction for Pepkor Holdings to acquire twelve properties included in the Africa Properties portfolio currently leased from the Group, received the necessary approvals and all conditions precedent were fulfilled. The total consideration for the properties consist of a total of 70 million new Pepkor Holdings shares. These shares were issued at a price of R15 per share with the transfer of each property which occurred between July and September 2021. As at the Reporting Date, 68 720 747 shares have been issued resulting in an increase in the Group's shareholding in Pepkor Holdings to 68.23%.

On 13 September 2021, the Group announced the successful completion of a bookbuild, having placed 370 million Pepkor Holdings shares at R19.75 per share, representing a discount of 9% and raising R7.3 billion. This diluted the Group's shareholding in Pepkor Holdings to 58.33%

During September 2021 Pepkor Holdings repurchased 38 million shares from the open market on the JSE. This increased the Group's shareholding to 58.93%. The share were acquired at an average price of R19.99 per share, ranging from R19.85 to R20.50.

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 ("**Mons Bella**"), 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.

30. NON-CONTROLLING INTERESTS (continued)

30.3 Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests:

	30 September 2021 Rm Pepkor Holdings	30 September 2020 Rm Pepkor Holdings
The summarised financial information below represents amounts before intragroup eliminations and consolidation entries.		
Non-current assets	**75 363**	75 311
Current assets	**28 319**	26 638
Non-current liabilities	**(27 061)**	(30 714)
Current liabilities	**(18 433)**	(17 847)
Revenue	**77 329**	70 827
Profit/(loss) for the period	**4 876**	(2 862)
Profit/(loss) attributable to owners of the parent	**4 875**	(2 858)
Profit/(loss) attributable to the non-controlling int	**1**	(4)
Profit/(loss) for the period	**4 876**	(2 862)
Total comprehensive income attributable to owners of the parent	**4 021**	(1 759)
Total comprehensive income attributable to the non-controlling interests	**-**	-
Total comprehensive income/(loss) for the period	**4 021**	(1 759)
Net inflow from operating activities	**7 111**	8 667
Net outflow from investing activities	**(1 760)**	(2 187)
Net outflow from financing activities	**(4 985)**	(4 621)
Net cash inflow	**366**	1 859
Dividends paid to the non-controlling interests	**9**	4

31. RELATED-PARTY TRANSACTIONS

In prior years certain transactions were identified which were not entered into on an arms' length basis. The Group expanded its identification of related parties and any non-arms' length transactions identified were scrutinised to assess recoverability of related assets or disclosure deficiencies. In instances where there is no security on the loans in the entity with the liability, or where the Group does not have sufficient information to perform a recoverability test, management has deemed it appropriate to impair these assets.

Critical judgements

Key Management Personnel: Entities related and affiliated

The Group considered the various entities related and affiliated with certain key management personnel during the periods presented, to determine whether any material transactions were concluded between the Group and these entities.

The Group's considerations are explained in this note.

Jayendra Naidoo related entities

Jayendra Naidoo was a Supervisory Board member of Steinhoff N.V. from March 2017 until January 2018. Jayendra Naidoo was also the chairman of the Pepkor Holdings group, a material subsidiary, until 30 November 2020. As a result of his involvement in both the Group's ultimate holding company and one of the Group's major subsidiaries, he was considered a related party to the Group in the prior Reporting Period. On 18 November 2020, Pepkor Holdings announced that Jayendra Naidoo, who has been in office since August 2017, would not make himself available for re-election as chairman of the Pepkor Holdings board of directors when his term ends on 30 November 2020.

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 prior periods presented:

- Lancaster 101 (RF) Proprietary Limited and Lancaster 102 Proprietary Limited (refer to note 12 and note 17)
- Lancaster Electricity Solutions Proprietary Limited

Other

Related-party relationships also exist between shareholders, subsidiaries, joint-venture companies and associate companies within the Group and its company directors and Group key management personnel.

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

31.1 Directorate

The below reflects the Board of Directors as at the date this report was approved.

Active directors at the date of this report	
Theodore de Klerk	Appointed: 30 August 2019
Louis du Preez	Appointed: 2 February 2018
Moira Moses	Appointed: 29 October 2018
Hugo Nelson	Appointed: 30 August 2019
Alex Watson	Appointed: 29 October 2018

The current directors of the Company held no direct or indirect interest in the Company's issued ordinary or preference shares in either Reporting Periods.

Compensation of key management personnel

	2021 Rm	2020 Rm
Short-term employee benefits	**64**	70
Total compensation for the period	**64**	70

Details relating to directors' emoluments are disclosed in note 33.

31.2 Interest of key management personnel in contracts

No contracts related to key management personnel of the Group were concluded during either of the Reporting Periods.

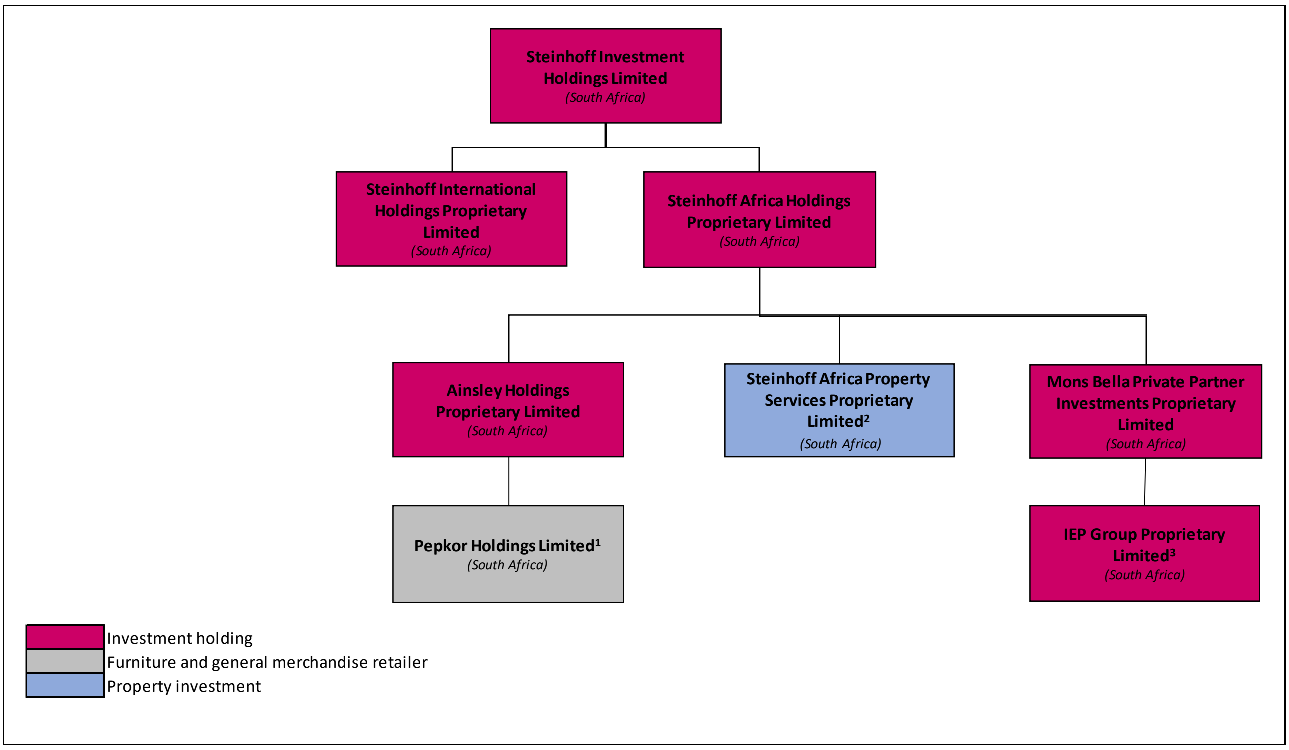
31. RELATED-PARTY TRANSACTIONS (continued)

31.3 Material subsidiaries

The Group's principal subsidiaries at 30 September 2021 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 2021, 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. The structure does not indicate direct interest in subsidiaries and unless otherwise indicated, subsidiaries are wholly owned.

Principal subsidiaries are those identified by management as contributing materially to the consolidated results or financial position of the Steinhoff Investments Group.

The statutory list of all subsidiaries and affiliated companies, prepared in accordance with the relevant legal requirements is available at the Company's registered address.



[1] Non-controlling interest of 41.07% (2020: 32.25%).

[2] Classified as held-for-sale on 30 September 2020 and 30 September 2021.

[3] Associate investment with shareholding of 26% (2020: 26%).

31. RELATED-PARTY TRANSACTIONS (continued)

31.4 Trading transactions

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

	Sales by Group Rm	Purchases from Group Rm	Rent received by Group Rm	Rebates received by Group Rm	Settlement discounts received by Group Rm	Dividends received by Group Rm	Interest received by Group Rm	Loan and receivables due to Group Rm
2021								
Equity Accounted Companies								
S'Ya Phanda Proprietary Limited	-	-	-	-	-	-	-	51
IEP	-	-	-	-	-	65	-	-
Equity accounted companies of Africa property group	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	51
2020								
Equity Accounted Companies								
S'Ya Phanda Proprietary Limited	-	-	-	-	-	-	-	50
Equity accounted companies of Africa property group	-	-	-	-	-	-	-	159
	-	-	-	-	-	-	-	209

Other transactions have occurred which are individually and globally immaterial.

31.5 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.

32. TRANSACTIONS AND BALANCES WITH THE STEINHOFF N.V. GROUP

ACCOUNTING POLICY

Impairment of related party receivables

For loans receivable with no fixed terms of repayment, ECL's are based on the assumption that repayment of the loan is demanded at the Reporting Date. If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the Reporting Date, the probability of default is usually small and the expected credit loss is immaterial as a result.

If the borrower could not repay the loan if demanded at the Reporting Date, the Group considers the expected manner of recovery to measure ECL's. This includes a 'repay over time' strategy. If the recovery strategies indicate that the lender would fully recover the outstanding balance of the loan, the ECL is limited to the effect of discounting the amount due on the loan (at the loan's effective interest rate, which is regarded as 0% if the loan is interest free) over the period until cash is realised. If the effective interest rate is 0%, and all strategies indicate that the lender would fully recover the outstanding balance of the loan, no impairment loss is recognised.

The Group considers that an event of default has occurred if the borrower does not repay the loan when demanded. The Group writes off a loan when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings.

At initial recognition, an impairment allowance is required for ECL resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument.

Financial assets where a 12-month ECL is recognised are considered to be 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'. The assessment of credit risk and the estimation of ECL is unbiased and probability-weighted, and incorporates all available information that is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.

Internal credit grade	Description	Basis for recognising expected credit losses
Performing	Low risk of default due to the borrower's net assets being higher than the loan balance, and no amounts are past due.	12 month ECL
Underperforming	When the loan is past due or there has been a significant increase in credit risk since initial recognition and the borrower's net assets are higher than the loan balance, but the assets have a low level of liquidity, the loan is deemed underperforming. A significant increase in credit risk is indicated by a significant decrease in the value of the borrower's investments or changes in the scope of the business or organisational structure that result in a significant change in the borrower's ability to meet its debt obligations.	Lifetime ECL (not credit impaired)
Non-performing	When the loan is past due or there is evidence that the asset is credit impaired, and the borrower's net assets are lower than the loan balance, the loan is deemed non-performing. A loan will also be deemed non-performing when the financial position of the company has deteriorated severely since initial recognition or the loan is close to being in default.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.	Amount is written off
Curing	Curing occurs when contractual payments are up to date with contractual obligations or the estimated underlying net asset value of the counterparty has improved to such an extent that recoverability of the loan is likely.	Amount is cured

32. TRANSACTIONS AND BALANCES WITH THE STEINHOFF N.V. GROUP

Significant estimates and judgements

The estimated disposal values of the underlying assets in the Steinhoff Europe Group are significant estimates in determining the recoverable amounts of the intragroup loans. Apart from the fact that the valuation techniques used are inherently subject to estimation uncertainty, the following items may affect the recoverable amount of the loans:

- future performance of the underlying businesses and the markets in which they operate;
- potential discounts on the sale of the underlying assets in the Steinhoff Europe Group that may be required in order to dispose of these assets with the required time frame;
- withholding-and-dividend taxes that may be payable upon disposal of the underlying assets.
- the potential impact of legal claims, should the Litigation Settlement Proposal not be implemented due to the S155 Scheme not being sanctioned

32.1. Trading transactions

Net operating fees (including admin and management fees)

	Relationship	30 September 2021 Rm	30 September 2020 Rm
Ibex Retail Investments Limited (previously: Steenbok Newco 6A Limited)	Fellow subsidiary	**16**	-
Pepco Group	Fellow subsidiary	**-**	(36)

32.2. Loans and receivables from the Steinhoff N.V. Group

	Relationship	Notes	30 September 2021 Rm	30 September 2020 Rm
Loans				
Steinhoff N.V.	Holding company	a.	**4 320**	4 321
Ibex (Europe)	Fellow subsidiary	b.	**2 617**	3 429
Steenbok Newco 3 Limited	Fellow subsidiary	c.	**-**	702
Steenbok Newco 2A Limited	Fellow subsidiary	e.	**23 241**	-
Steenbok Lux Finco 2 SARL	Fellow subsidiary	d.	**4 337**	-
Less: Provision for expected credit losses			**(20 507)**	(4 321)
Total loans receivable			**14 008**	4 131
Receivables				
Steinhoff UK Group Services	Fellow subsidiary		**-**	-
Pepco Group	Fellow subsidiary		**3**	4
Steinhoff N.V.	Holding company		**-**	-
Ibex Retail Investments Limited	Fellow subsidiary		**8**	-
Total receivables			**11**	4
Total loans and receivables			**14 019**	4 135
Current loans and receivables			**11**	706
Non-current loans and receivables			**14 008**	3 429
			14 019	4 135

a. The loan to Steinhoff N.V. is unsecured, interest-free and is repayable on 31 December 2022.

b. In terms of an intergroup restructure in the 2020 Reporting Period Ibex Retail Investments was introduced into the European Group structure and acquired the shares in Newco 7, which holds the underlying Pepco Group shares. Upon the acquisition of the shares in Newco 7, Steinhoff Africa and Newshelf released Steinhoff Retail GmbH from its liability and it was deemed that Steinhoff Africa and Newshelf have provided Ibex (Europe) with loans of €67 million and €106 million respectively. The Ibex (Europe) loans are euro denominated, carry interest at 8% and is repayable on 31 December 2022. Management deem these loans to be fully recoverable subsequent to the restructure. An impairment reversal of R3.4 billion was recognised in the 2020 Reporting Period on derecognition of the Steinhoff Retail GmbH loans. In May 2021, Ibex (Europe)'s underlying investment, the Pepco Group, listed on the Warsaw stock exchange at PLN40 per Pepco Group share. Ibex (Europe) sold off c. 21% of its holdings and 4% of the proceeds was utilised to repay a portion of the loan with Steinhoff Africa and Newshelf. Further placements of the investment in Pepco Group by Ibex (Europe) is deemed to be sufficient in order to for Ibex (Europe) to raise cash in on order to repay the loan.

32. TRANSACTIONS AND BALANCES WITH THE STEINHOFF N.V. GROUP (continued)

32.2. Loans and receivables from the Steinhoff N.V. Group (continued)

c. The loan to Steenbok Newco 3A was repaid during the Reporting Period.

d. Steinhoff Africa's loan with Steenbok Lux Finco 2 SARL ("**Lux Finco 2**") is unsecured, bears interest at 10.75% and is repayable on 31 December 2022. The loan was previously credit-impaired, however based on a significant increase in the expected recovery and a resulting decrease in the credit risk, the loan is now classified as performing. The loan forms part of the Lux Finco 2 Second Lien Term Loan Facility, which ranks behind the Lux Finco 2 First Lien Term Loan Facility. Lux Finco 2's ability to repay these loans are based on the fair value of the underlying assets in the Steinhoff Europe group. During the course of the 2021 Reporting Period, as COVID-19 restrictions eased, trading began to normalise and the underlying businesses showed resilient financial and operational performance, the values increased. This contributed to an improvement of Lux Finco 2's ability to repay the Second Lien Term Loan Facility, with 100% repayment expected based on the fair value assessment as performed at 30 September 2021. Therefore, an impairment reversal of R4.3 billion was recognised by Steinhoff Africa in the 2021 Reporting Period.

e. SIHPL's loan with Steenbok Newco 2A Limited ("**Newco 2A**") is unsecured, bears interest at 10% and is repayable on 31 December 2022. The loan was previously credit-impaired, however based on a significant increase in the expected recovery of a portion of the loan and a resulting decrease in the credit risk, the loan is now classified as underperforming. SIHPL's loan with Newco 2A is a first lien intercompany loan and ranks pari passu with the A1 tranche of the Steenbok Lux Finco 1 SARL ("**Lux Finco 1**") 21/22 Term Loan Facility and A2 tranche of the Lux Finco 1 23 Term Loan Facility. Newco 2A has an intragroup loan with Lux Finco 2, which on repayment (refer to point c above), together with the upstreaming of any funds available following the repayment of the Lux Finco 2 Term Loan Facilities, will be utilised to repay a portion of the SIHPL and Lux Finco 1 Term Loan Facilities according to its ranking. The improvement of the fair value of the underlying assets in the Steinhoff Europe group (as described above), resulted in the the Lux Finco 2 First Lien Term Loan Facility and Second Lien Term Loan Facility being fully recoverable. Expected funds from Lux Finco 2 will be received by Newco 2A, which will be applied to repay the SIHPL loan. Therefore, an impairment reversal of R7 billion was recognised by SIHPL in the 2021 Reporting Period.

The ECL on these loans were determined using a multiple-scenario approach which includes a scenario under which the fair value of the underlying assets are realised in the normal course of business, a scenario under which no recovery is assumed which could be the case if the legal settlement is unsuccesful and a third scenario that incorporates macro-economic forward looking information such as the potential effect of further Covid-19 restrictions and down turn in mergers and acquisitions activity stemming from this which may impact the ability to realise the underlying investments in an orderly fashion.

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for Group loans receivable by credit rating grade:

	Internal credit rating	Basis of loss allowance	Gross Carrying amount Rm	Credit impaired Rm	Loss allowance Rm	Amortised cost Rm
2021						
Steinhoff N.V.	Underperforming	Lifetime ECL	**4 320**	**-**	**(4 320)**	**-**
Ibex (Europe)	Performing	12-month ECL	**2 617**	**-**	**-**	**2 617**
Lux Finco 2	Performing	12-month ECL	**4 337**	**-**	**-**	**4 337**
Ibex Retail Investments Limited	Non-performing	Lifetime ECL	**473**	**(473)**	**-**	**-**
Newco 2A	Underperforming	Lifetime ECL	**23 241**	**-**	**(16 187)**	**7 054**
Newco 2A*	Non-performing	Lifetime ECL	**14 358**	**(14 358)**	**-**	**-**
			49 346	**(14 831)**	**(20 507)**	**14 008**

** Steinhoff Investments' loan with Newco 2A is a second lien intercompany loan and therefore ranks below SIHPL's loan with Newco 2A and the Lux Finco 1 Term Loan Facilities. Therefore this loan remains credit impaired.*

32. TRANSACTIONS AND BALANCES WITH THE STEINHOFF N.V. GROUP (continued)

32.2. Loans and receivables from the Steinhoff N.V. Group (continued)

Credit loss allowances (continued)

	Internal credit rating	Basis of loss allowance	Gross Carrying amount Rm	Credit impaired Rm	Loss allowance Rm	Amortised cost Rm
2020						
Steinhoff N.V.	Underperforming	Lifetime ECL	4 321	-	(4 321)	-
Ibex (Europe)	Performing	12-month ECL	3 429	-	-	3 429
Steenbok Newco 3	Performing	12-month ECL	702	-	-	702
Lux Finco 2	Non-performing	Lifetime ECL	3 445	(3 445)	-	-
Ibex Retail Investments Limited	Non-performing	Lifetime ECL	473	(473)	-	-
Newco 2A	Non-performing	Lifetime ECL	21 092	(21 092)	-	-
Newco 2A	Non-performing	Lifetime ECL	16 102	(16 102)	-	-
			49 564	(41 112)	(4 321)	4 131

Reconciliation of credit loss allowance

	Note	Performing Rm	Underperforming Rm	Non-performing Rm
Balance at 1 October 2019		-	(8 228)	(35 165)
Loans credit impaired		-	-	(5 948)
Reversal of ECL	**4.2.2**	-	3 907	-
Balance at 30 September 2020		**-**	**(4 321)**	**(41 112)**
Foreign exchange movement[1]		**-**	**2 283**	**1 744**
Reclassification between Underperforming and Non-performing		**-**	**(21 092)**	**21 092**
Reclassification between Non-performing and Performing		**(3 445)**	**-**	**3 445**
Additional ECL raised (interest not previously recognised)[2]		**(892)**	**(4 432)**	**-**
Reversal of ECL	**4.2.2**	**4 337**	**7 055**	**-**
Balance at 30 September 2021		**-**	**(20 507)**	**(14 831)**

[1] The Newco 2A loans are denominated in euro, resulting in forex being recognised on the credit loss allowance. An equal amount of forex was recognised on the loans resulting in a net forex movement of zero.

[2] The interest was previously not recognised as the loans were credit impaired. On reclassifiction of these loans from non-performing the interest not previously recognised was reinstated. This had no profit or loss impact.

Sensitivity analysis

The recoverability of SIHPL's loan to Newco 2A is dependent on the estimated fair values of the underlying assets in the Steinhoff Europe Group. These assets' fair values were based on quoted and unquoted market prices. A 1% change in the fair values of the two major contributing assets, being Mattress Firm and the Pepco Group, would have the following effect on the recoverable amount and statement of profit or loss:

30 September 2021	Recoverable amount Rm	Effect on profit or loss Rm
1% increase	**7 299**	**245**
1% decrease	**6 809**	**(245)**

32. TRANSACTIONS AND BALANCES WITH THE STEINHOFF N.V. GROUP (continued)

32.3. Loans and payables owed to the Steinhoff N.V. Group

	Relationship	30 September 2021 Rm	30 September 2020 Rm
Current			
Loans			
Steinhoff UK Holdings Limited	Fellow subsidiary	**(42)**	(42)
Steinhoff N.V.	Holding company	**(3 140)**	(3 140)
Total loans payable		**(3 182)**	(3 182)
Payables			
Steinhoff N.V.	Holding company	**-**	(22)
Steinhoff UK Group Services	Fellow subsidiary	**-**	-
Pepkor Group Sourcing	Fellow subsidiary	**(15)**	(13)
Total payables		**(15)**	(35)
Total loans and payables		**(3 197)**	(3 217)

The loans payable to Steinhoff N.V. are non-interest-bearing and majority of the loans are repayable on demand.

33. REMUNERATION REPORT

33.1 Remuneration of the board of directors

	Basic remuneration[2]	Pension and other contributions[1]	Annual leave paid out	Annual bonus		Total remuneration and fees
				Short-term incentive	Long-term incentive[4]	
	R'000	R'000	R'000	R'000	R'000	R'000
2021						
Executive directors						
Theodore de Klerk	21 113	1 202	1 286	15 729	19 390	58 720
Louis du Preez	24 618	1 115	1 354	18 138	23 482	68 707
Total remuneration of executive directors	45 731	2 317	2 640	33 867	42 872	127 427
Non-executive directors						
Moira Moses[3]	6 151	-	-	-	-	6 151
- Paid by Steinhoff N.V.	5 673	-	-	-	-	5 673
- Paid by Steinhoff Investments	478	-	-	-	-	478
Hugo Nelson[3]	3 803	-	-	-	-	3 803
- Paid by Steinhoff N.V.	3 369	-	-	-	-	3 369
- Paid by Steinhoff Investments	434	-	-	-	-	434
Alex Watson[3]	3 822	-	-	-	-	3 822
- Paid by Steinhoff N.V.	3 369	-	-	-	-	3 369
- Paid by Steinhoff Investments	453	-	-	-	-	453
Total remuneration of non-executive directors	13 776	-	-	-	-	13 776
Total remuneration	59 507	2 317	2 640	33 867	42 872	141 203

1 Other contributions mainly includes company contributions to the medical aid, expense allowances and social taxes.

2 Directors' fees were paid with basic remuneration by Steinhoff Africa in terms of the individuals' employment contract.

3 These board members serve on the Supervisory Board of Steinhoff N.V. as well as the Steinhoff Investments Board and therefore receive both their Supervisory Board fees as well as director's fees for Steinhoff Investments.

4 The Steinhoff N.V. Supervisory Board replaced the share-based LTI scheme with a cash-based LTI scheme with shorter vesting periods in order to remain relevant to the Company's extraordinary circumstances. An LTI allocation is awarded annually and paid out in three equal tranches over three years on the anniversary of the award, subject to specified conditions.

33. REMUNERATION REPORT

33.1 Remuneration of the board of directors (continued)

	Basic remuneration[2]	Pension and other contributions[1]	Annual leave paid out	Annual bonus		Total remuneration and fees
				Short-term incentive	Long-term incentive	
	R'000	R'000	R'000	R'000	R'000	R'000
2020						
Executive directors						
Theodore de Klerk	20 479	1 077	784	17 999	14 453	54 792
Louis du Preez	23 644	974	2 109	20 755	17 959	65 441
Johan Geldenhuys[5]	3 423	614	-	881	-	4 918
Total remuneration of executive directors	47 546	2 665	2 893	39 635	32 412	125 151
Non-executive directors						
Moira Moses[3]	4 846	-	-	-	-	4 846
- Paid by Steinhoff N.V.	4 412	-	-	-	-	4 412
- Paid by Steinhoff Investments	434	-	-	-	-	434
Hugo Nelson[3]	3 679	-	-	-	-	3 679
- Paid by Steinhoff N.V.	3 254					3 254
- Paid by Steinhoff Investments	425					425
Heather Sonn[4]	3 934	-	-	-	-	3 934
- Paid by Steinhoff N.V.	3 676	-	-	-	-	3 676
- Paid by Steinhoff Investments	258	-	-	-	-	258
Alex Watson[3]	4 042	-	-	-	-	4 042
- Paid by Steinhoff N.V.	3 589	-	-	-	-	3 589
- Paid by Steinhoff Investments	453	-	-	-	-	453
Total remuneration of non-executive directors	16 501	-	-	-	-	16 501
Total remuneration	64 047	2 665	2 893	39 635	32 412	141 652

[1] *Other contributions mainly includes company contributions to the medical aid, expense allowances and social taxes.*

[2] *Directors' fees were paid with basic remuneration by Steinhoff Africa in terms of the individuals' employment contract.*

[3] *These board members serve on the Supervisory Board of Steinhoff N.V. as well as the Steinhoff Investments Board and therefore receive both their Supervisory Board fees as well as director's fees for Steinhoff Investments.*

[4] *Resigned on 18 May 2020.*

[5] *Resigned on 31 August 2020.*

34. SHARE-BASED PAYMENTS

34.1. Employee share scheme

34.1.1 Pepkor Holdings Executive Share Rights Scheme

Pepkor Holdings grants share rights to share scheme participants under the Pepkor Executive Share Rights Scheme. The grants remain subject to meeting certain performance conditions (vesting conditions) over the vesting period.

The Pepkor Executive Share Rights Scheme is subject to the following conditions:

a) Rights are granted to qualifying senior executives on an annual basis.
b) Vesting of rights occur on the third anniversary of grant date, provided performance criteria, as set by the Pepkor Holdings 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.

	2021 Number of rights	2020 Number of rights
The number of Pepkor share rights outstanding is:		
Outstanding at the beginning of the period	**37 237 358**	22 473 038
Granted during the year	**26 408 733**	15 904 961
Forfeited during the period [1]	**(3 590 162)**	(1 140 641)
Vested during the period	**(6 234 794)**	-
Outstanding at the end of the period	**53 821 135**	37 237 358

[1] *Forfeited share rights consist of certain individuals who left the Group and therefore forfeited their share rights relating to the initial grants made as well as share rights that did not vest in the current year relating to the 2018 grant.*

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 equity volatility was determined using an exponentially weighted average of Pepkor Holdings' historical daily share price.

	2021 grant	2020 grant	2019 grant
Fair value of share rights and assumptions:			
Fair value at grant date	R13.56	R13.03	R19.51
Share price at grant date	R14.64	R13.96	R20.50
Strike price	nil	nil	nil
Expected volatility	41.20%	28.20%	35.90%
Dividend yield	2.50%	2.30%	1.70%
Risk-free interest rate	4.80%	6.50%	7.20%
Option life	3 years	3 years	3 years

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

ACCOUNTING POLICY
Non-current assets held-for-sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. These assets may be a component of an entity, a disposal group or an individual non-current asset. On initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of its carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operation, or a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale.

If the above conditions are no longer met to classify non-current assets and disposal groups as held for sale, the Group cease to classify and present the non-current assets and disposal groups as such. The Group shall measure the non-current assets and disposal group on the date it ceases to be held for sale at the lower of the carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the non-current assets or disposal group not been classified as held for sale, and its recoverable amount. The financial statements are amended accordingly from the period of initial classification as held for sale. Any adjustment arising from the change is also included in profit or loss from continuing operations, in the same line item where any other gain or loss from remeasurement is included.

The following table presents detail of the assets and liabilities that have been classified as held-for-sale as at 30 September 2021. The balances disclosed include impairments recognised on the date of classification as held-for-sale:

	Notes	Africa Properties Rm	Total Rm
2021			
Assets			
Property, plant and equipment	9	30	30
Investment properties	9	219	219
Inventories		12	12
Trade receivables	13	103	103
Taxation receivable		2	2
Cash and cash equivalents		1	1
Total gross assets		367	367
Liabilities			
Provisions	23	(6)	(6)
Employee benefits		(10)	(10)
Deferred taxation liabilities	6.3	(21)	(21)
Trade payables	19	(30)	(30)
Other payables		(3)	(3)
Total liabilities		(70)	(70)
Net assets		297	297
Reversal of impairments recognised through profit or loss	1.2.1	(3)	(3)

35. 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 2020. The balances disclosed include impairments recognised on the date of classification as held-for-sale.

During the 2020 Reporting Period, Pepkor Holdings entered into a sale and purchase agreement for the disposal of the entire issued share capital of The Building Company. The approval of the transaction by the Competition Authorities was not fulfilled by the transaction long stop date of 16 August 2021 (Long Stop Date). As a result, the parties have accordingly agreed to terminate the transaction.

The Building Company has performed well and has made substantial progress to restructure and consolidate the business while improving its strategic alignment, performance and profitability. Prior year comparatives have been restated, to account for The Building Company as a continued operation, where it was previous classified as a discontinued operation.

	Notes	Africa Properties Rm	Pepkor Holdings - The Building Company & John Craig Rm	Total - as previously reported Rm	Restatement Rm	Total Rm
2020						
Assets						
Intangible assets	**8**	-	4	4	(4)	-
Property, plant and equipment	**9**	1 295	387	1 682	(353)	1 329
Right-of-use asset	**10**	-	548	548	(548)	-
Investment properties	**9**	567	-	567	-	567
Investment in equity accounted companies		159	-	159	-	159
Other financial assets	**12**	4	-	4	-	4
Deferred tax assets	**6**	-	409	409	(409)	-
Inventories		16	1 357	1 373	(1 264)	109
Trade receivables	**13**	46	823	869	(823)	46
Taxation receivable		14	40	54	(40)	14
Cash and cash equivalents		7	629	636	(629)	7
Total assets		2 108	4 197	6 305	(4 070)	2 235
Loss recognised due to remeasurement of disposal group to fair value less cost to sell		-	(172)	(172)	172	-
Total assets post impairment		2 108	4 025	6 133	(3 898)	2 235
Liabilities						
Borrowings	**17**	-	(178)	(178)	178	-
Lease liabilities	**18**	-	(1 042)	(1 042)	1 042	-
Provisions	**23**	-	(8)	(8)	8	-
Employee benefits		(8)	(60)	(68)	60	(8)
Deferred taxation liabilities	**6**	(1)	(207)	(208)	207	(1)
Trade payables	**19**	(35)	(1 267)	(1 302)	1 267	(35)
Other payables		(2)	-	(2)	-	(2)
Total liabilities		(46)	(2 762)	(2 808)	2 762	(46)
Net assets		2 062	1 263	3 325	(1 136)	2 189
Impairments recognised through profit or loss	**1.2**	(479)	32	(447)	(32)	(479)

36. REPRESENTATION OF CASH FLOW HEDGE MOVEMENTS FROM STATEMENT OF OTHER COMPREHENSIVE INCOME TO STATEMENT OF CHANGES IN EQUITY

The prior year comparatives have further been restated in order to directly account for the net fair value loss on cash flow hedges transferred to inventory directly in reserves, and not OCI as previously disclosed in error, in terms of IFRS 9 Financial Instruments.

	2020		
	Previously reported Rm	Restatement Rm	Restated Rm
Consolidated statement of other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of foreign operations	(89)	-	(89)
Foreign currency translation reserve reclassified to profit or loss	165	-	165
Net fair value profit/(loss) on cash flow hedges	1 231	-	1 231
Net fair value loss on cash flow hedges transferred to inventory	(928)	928	-
Deferred taxation on cash flow hedges	(39)	-	(39)
	340	928	1 268
Consolidated statement of changes in equity			
Sundry reserves	(75)	-	(75)
Fair value loss on cash flow hedges transferred to inventory previously recognised in other comprehensive income	-	928	928
Fair value loss on cash flow hedges transferred to inventory directly accounted for in reserves	-	(928)	(928)

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Management carefully considered each subsequent event to assess if any of these events classify as adjusting events. The material events after the 2021 Reporting Period are listed below.

Non-adjusting subsequent events

- **Dividend to Preference Shareholders**
  The board of directors of the Company declared a gross dividend on 1 October 2021 of 286.37671 cents per share in respect of the period 1 January 2021 to 30 June 2021, payable to the shareholders of the 15 000 000 cumulative, non-redeemable, non-participating, variable rate preference shares issued by the Company. The dividend was paid on 25 October 2021.

- **Termination of the Dutch SoP proceedings for Steinhoff N.V.**
  On 2 October 2021, the appeal period in respect of the order by the District Court of Amsterdam confirming Steinhoff N.V.'s composition plan has lapsed. No party has lodged an appeal against this confirmation order. Thus the confirmation of Steinhoff N.V.'s composition plan has become final and unappealable (in kracht van gewijsde), resulting in the termination of the SoP proceedings of Steinhoff N.V. pursuant to Section 276 of the Dutch Bankruptcy Act.

- **Litigation Settlement Proposal - SARB Approval**
  Steinhoff N.V. and SIHPL received the necessary approvals from the South Africa Reserve Bank ("**Finsurv**") on 18 October 2021, for the implementation of the cross-border transfers contemplated by the revised Litigation Settlement Proposal. The approval is valid until 31 May 2022.

- **Pepkor Holdings - Dividend declaration**
  The board of directors of Pepkor Holdings, declared a dividend of 44.2 cents per ordinary share, which is payable to shareholders on 24 January 2022 in respect of the twelve months ended 30 September 2021.

Adjusting subsequent events

- **Conditional settlement with Trevo**
  Steinhoff N.V.'s announcement on 11 August 2021 confirmed the treatment of Trevo as a Non-Qualifying Claimant (being a class of claimants to whom an offer of compromise is not made under the terms of the Section 155 Proposal). Trevo and others have opposed the sanction application for the Section 155 Proposal notwithstanding that they are not a Section 155 Proposal scheme creditor.

  On 15 December 2021, Steinhoff N.V. announced that Trevo had agreed to a settlement in which Trevo confirmed its conditional support for the Section 155 Proposal subject to the satisfaction of suspensive conditions on or before 11 January 2021 unless waived or extended by the parties. Until those suspensive conditions are achieved Trevo will maintain its opposition to the sanction application and its other litigation proceedings against Steinhoff remain on foot and Steinhoff will continue to resist such opposition. It is viewed as an adjusting event for the 2021 Reporting Period and R270 million was raised as part of the Litigation Settlement Proposal provision, representing the best estimate for settlement of the claim. Refer to Note 23.3.

- **Tekkie Town Settlement and Liquidation Application Proceedings**
  On 6 September 2021, the Court granted an Order ("**the 6 September Order**") in terms of which it dismissed the preliminary argument raised by *inter alia* Steinhoff N.V. that a South African Court does not have jurisdiction to wind up Steinhoff N.V. by virtue of the fact that Steinhoff N.V. is an external foreign company ("**the jurisdictional issue**"). On 10 September 2021, the Court gave a further Order, amongst other things, refusing a postponement of the liquidation application ("**the 10 September Order**"). On 28 October 2021, the Court granted Steinhoff N.V., and its financial creditors, leave to appeal to the Supreme Court of Appeal with respect to the jurisdictional issue, the financial creditors' intervention application and also granted the appeals against the 10 September Order. The Court also granted Steinhoff N.V. applications for postponement of the liquidation application. The liquidation application is pending the outcome of those appeals.

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)

Adjusting subsequent events (continued)

As set out in the Steinhoff N.V. Composition Plan, certain former owners of the Tekkie Town business instituted claims against the Steinhoff N.V. Group (together the "**Former Tekkie Town Owner Claimants**"). One of those claimants, AJVH Holdings Proprietary Limited, and a related party, Sport City Trust, also attempted to oppose the application for the sanction of the Section 155 Proposal by arguing that they have SIHPL Market Purchase Claims (as defined in the Section 155 Proposal). In addition, the Former Tekkie Town Owner Claimants instituted liquidation proceedings (the "**Liquidation Application**") against Steinhoff N.V. on 12 May 2021.

On 15 December 2021, the Steinhoff N.V. Group and the Former Tekkie Town Owner Claimants (including associated parties who have joined or supported their Liquidation Application and Section 155 Proposal opposition) have agreed that the Former Tekkie Town Owner Claimants will (i) support, and withdraw their opposition to, the Section 155 Proposal with immediate effect and (ii) withdraw the Liquidation Application (and their opposition to the appeal pending before the South African Supreme Court of Appeal), subject to implementation of the Litigation Settlement Proposal. It is viewed as an adjusting event for the 2021 Reporting Period and R741 million was raised as part of the Litigation Settlement Proposal provision, representing the best estimate for settlement of the claim. Refer to Note 23.3.

38. 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 2020.

- COVID-19 - Related Rent Concessions - Amendment to IFRS 16
- Amendment to IFRS 3: Business Combinations (definition of a business)
- Presentation of Financial Statements: Disclosure Initiative
- Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure Initiative

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

New standards and interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 2021 Reporting Periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

	Date required to be adopted by the Group
▪ Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	1 January 2023*
▪ Property, Plant and Equipment: Proceeds before Intended Use - Amendment to IAS 16	1 January 2023*
▪ Business Combinations (Reference to the Conceptual Framework) Amendment to IFRS 3	1 January 2023*
▪ Onerous Contracts: Cost of Fulfilling a Contract - Amendment to IAS 37	1 January 2023*
▪ Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2023
▪ IFRS 17 - Insurance Contracts	1 January 2024
▪ Annual Improvement to IFRS Standards 2018 - 2020: Amendment to IFRS 9	1 January 2023*

**These amendments are not expected to have a significant impact on the Group upon adoption.*

The application of the above in future financial periods is not expected to have a significant impact on the Group's reported results, financial position or cash flows, expect for the standards noted below:

IFRS 9, IAS 39, IFRS 7 and IFRS 16 will be impacted by the Interest Rate Benchmark Reform as the Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The South African Revenue Bank (SARB) has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. This reform is at various stages globally, a suitable alternative for South Africa is only expected to be announced in a few years' time. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the Group.

During the Reporting Period, Pepkor Holdings' management performed a gap analysis for the implementation of IFRS 7, impacting the insurance business within the Group, this will enable them to commence with the implementation at the beginning of the 2022 financial year. Management is still in the process of quantifying the impact on the financial statements due to the adoption of this standard only being effective from the 2024 financial year, due to the size of the insurance business in relation to the rest of the Group, the effect is not expected to be material. Further, the amendments to IFRS 3 will be applied prospectively to transactions or events that occur on or after the date of first application, therefore this will not affect the Group on the date of transition.

AUDITED SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

SEPARATE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 Rm	2020 Rm
Interest income	2	227	13
Other income	3	14	-
Other operating gains	4	20 047	-
Administrative expenses		(21)	(16)
Operating profit/(loss)		20 267	(3)
Finance cost	5	(721)	-
Profit/(loss) before taxation		19 546	(3)
Taxation	6	(12)	(3)
Net profit/(loss) for the year		19 534	(6)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		19 534	(6)

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Ordinary share capital and share premium Rm	Preference share capital and share premium Rm	Total share capital Rm	Accumulated loss Rm	Total equity Rm
Balance at 1 October 2019	119 013	1 550	120 563	(89 888)	30 675
Loss for the year	-	-	-	(6)	(6)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(6)	(6)
Preference dividends paid	-	-	-	(116)	(116)
Balance at 30 September 2020	**119 013**	**1 550**	**120 563**	**(90 010)**	**30 553**
Profit for the year	**-**	**-**	**-**	**19 534**	**19 534**
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**19 534**	**19 534**
Preference dividends paid	**-**	**-**	**-**	**(87)**	**(87)**
Balance at 30 September 2021	**119 013**	**1 550**	**120 563**	**(70 563)**	**50 000**
Notes	**11**	**11**	**11**		

A preference dividend of 292.42 South African rand cents per share (2020: 416.71 South African rand cents per share) in respect of the period 1 July 2020 to 31 December 2020 (2020: 1 July 2019 to 31 December 2019) was paid on 26 April 2021 (2020: 30 March 2020) to those preference shareholders recorded in the books of the Company at the close of business on 23 April 2021 (2020: 27 March 2020).

A preference dividend of 286.38 South African rand cents per share (2020: 356.78 South African rand cents per share) in respect of the period 1 January 2021 to 30 June 2021 (2020: 1 January 2020 to 30 June 2020) was paid on 25 October 2021 (2020: 21 September 2020) to those preference shareholders recorded in the books of the Company at the close of business on 22 October 2021 (2020: 18 September 2020).

SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

	Notes	30 September 2021 Rm	30 September 2020 Rm
Assets			
Non-Current Assets			
Investments in subsidiaries	**7**	**66 151**	46 113
Current Assets			
Loans to related parties	**8**	**5 326**	4 944
Trade and other receivables	**9**	**9**	-
Current tax receivable		**102**	323
Cash and cash equivalents	**10**	*****	*
		5 437	5 267
Total Assets		**71 588**	51 380
Equity and Liabilities			
Equity			
Ordinary share capital and premium	**11**	**119 013**	119 013
Preference share capital and premium	**11**	**1 550**	1 550
Accumulated loss		**(70 563)**	(90 010)
		50 000	30 553
Current Liabilities			
Trade and other payables		*****	2
Loans from related parties	**12**	**21 545**	20 825
Dividend payable		**43**	-
		21 588	20 827
Total Liabilities		**21 588**	20 827
Total Equity and Liabilities		**71 588**	51 380

** Less than R500 000*

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 Rm	2020 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations	**13**	**(9)**	(14)
Interest received		**25**	-
Dividends paid	**15**	**(44)**	(179)
Tax refunded/(paid)	**14**	**209**	(3)
Net cash inflow/(outflow) from operating activities		**181**	(196)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans to related parties repaid		**68**	197
Loans advanced to related parties		**(249)**	-
Net cash (outflow)/inflow from investing activities		**(181)**	197
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans from related parties		**-**	(1)
Net cash outflow from financing activities		**-**	(1)
NET INCREASE IN CASH AND CASH EQUIVALENTS		*****	*
Cash at the beginning of the period		*****	*
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**10**	*****	*

** Less than R500 000*

BASIS OF PREPARATION

FOR THE YEAR ENDED 30 SEPTEMBER 2021

REPORTING ENTITY

The separate annual financial statements of the Company is included as part of the consolidated annual financial statements of Steinhoff Investments.

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

1. BASIS OF PREPARATION

Statement of compliance

The separate annual financial statements have been prepared in accordance with IFRS, the interpretations adopted by IASB, IFRIC the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listing Requirements, the requirements of the Companies 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

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

We draw attention to the separate statement of financial position, which indicates, that while the Company’s current liabilities exceed the current assets by R16.3 billion, the Company's investment in subsidiaries, which predominately consists of an investment in the listed shares of Pepkor Holdings, is currently classified as a non-current asset. The underlying shares in Pepkor Holdings are highly liquid and are traded on the JSE on a daily basis. It is therefore management's view that the Company will be able to meet its liabilities, as they become due, in the 12-month period following the date of issue of these separate annual financial statements and therefore the Company is considered to be a going concern.

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

Refer to the Basis of Preparation section of the consolidated annual financial statements for a detailed going concern assessment of the Steinhoff Investments Group.

1.1 SIGNIFICANT ACCOUNTING POLICIES

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

Investments in subsidiary companies

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

The Company recognises impairment losses to the extent that the carrying value of the investment exceeds the recoverable amount of the subsidiary company. The recoverable amount of the subsidiary company is based, as far as possible, on the fair value of the underlying assets less the cost to sell those assets.

Impairment of related party receivables

For loans receivable with no fixed terms of repayment, ECL's are based on the assumption that repayment of the loan is demanded at the Reporting Date. If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the Reporting Date, the probability of default is usually small and the expected credit loss is immaterial as a result.

If the borrower could not repay the loan if demanded at the Reporting Date, the Group considers the expected manner of recovery to measure ECL's. This includes a ‘repay over time’ strategy. If the recovery strategies indicate that the lender would fully recover the outstanding balance of the loan, the ECL is limited to the effect of discounting the amount due on the loan (at the loan’s effective interest rate, which is regarded as 0% if the loan is interest free) over the period until cash is realised. If the effective interest rate is 0%, and all strategies indicate that the lender would fully recover the outstanding balance of the loan, no impairment loss is recognised.

1. BASIS OF PREPARATION (continued)

1.1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of related party receivables (continued)

The Group considers that an event of default has occurred if the borrower does not repay the loan when demanded. The Group writes off a loan when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings.

At initial recognition, an impairment allowance is required for ECL resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument.

Financial assets where a 12-month ECL is recognised are considered to be 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'. The assessment of credit risk and the estimation of ECL is unbiased and probability-weighted, and incorporates all available information that is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.

For related party receivables, the ECL of related party receivables was determined through a sum-of-the-parts valuation. It is a look through of the assets and liabilities at fair value on a Group level and indicates a realistic and accurate recoverability percentage. The sum-of-the-parts valuation are mainly driven by listed Pepkor Holdings shares, and also includes liquid cash and fixed liabilities related to the Legal Settlement Proposal.

Falling share prices lower the value of assets and may cause the loss given default risk parameter to increase, therefore increasing the ECL. Economic conditions that would effect the listed Pepkor Holdings shares indicates no material forecasted events which may lead to the drastic decrease in share price. There is however significant uncertainty relating to how COVID-19 may impact share prices in the future. Due to the unpredictable nature of the COVID-19 pandemic, management's best estimate is that the share price of Pepkor Holdings will stay constant and therefore resulting in all related party receivables being fully recoverable.

Since 30 September 2021, the share price of Pepkor Holdings has increased from R20.14 per share to R23.36 per share on 30 November 2021 supporting management's estimation.

Derecognition of financial liabilities

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

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Assets and liabilities acquired are included in investing activities (net of cash acquired). Dividends paid to shareholders are included in operating activities. Dividends received are classified as operating activities, as well as interest received and paid.

1.2 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:

1. BASIS OF PREPARATION (continued)

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

COVID-19

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. Refer to the Directors' Report for a detailed COVID-19 assessment of the Group.

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 less cost to sell.

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.

Key sources of estimation uncertainty

The financial statements do not include assets or liabilities whose carrying amounts were determined based on estimations for which there is a significant risk of material adjustments in the following financial year as a result of the key estimation assumptions.

2. INVESTMENT INCOME

	2021 Rm	2020 Rm
Interest income		
Bank and other cash	*	*
South African Revenue Service	24	-
Steinhoff Africa	203	13
	227	13

** Less than R500 000*

3. OTHER INCOME

	2021 Rm	2020 Rm
Property tax refunds	14	-

4. OTHER EXPENSES

	2021 Rm	2020 Rm
4.1 Gain on disposal of investment	9	-
The Company disposed of its preference share investment in Micawber on 30 September 2021 to Motseng Investments Holdings Proprietary Limited for R9.4 million. Refer to note 9.		
4.2 Reversal of impairment losses	20 038	-
Investments in subsidiaries		
TOTAL OTHER OPERATING GAINS	20 047	-

5. FINANCE COST

	2021 Rm	2020 Rm
Finance cost on related party loans		
SIHPL	721	-

6. TAXATION

	2021 Rm	2020 Rm
Major components of the tax expense		
Current		
Local income tax - current period	**-**	3
Local income tax - recognised in current period for prior periods	**12**	-
	12	3
Reconciliation of the tax expense		
Reconciliation between accounting profit/(loss) and tax expense:		
Accounting profit/(loss)	**19 546**	(3)
Tax at the applicable tax rate of 28%	**5 473**	(1)
Tax effect of adjustments on taxable income		
Non-taxable income	**(5 618)**	-
Non-deductible expenses[1]	**145**	5
Tax loss utilised	**-**	(1)
Prior year tax recognised in current year for prior periods	**12**	
	12	3

[1] *All expenses were non-deductible for the 2020 and 2021 Reporting Periods.*

7. INVESTMENT IN SUBSIDIARIES

	% holding		Carrying amount	
	2021	2020	2021 Rm	2020 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 provision of investment in subsidiaries			**(38 915)**	(58 953)
			66 151	46 113

** Less than R500 000*

The investment in SIHPL was impaired in full in prior years, the remaining impairment relates to a partial impairment of the investment in Steinhoff Africa. The recoverability of the investment in Steinhoff Africa was determined in terms of a sum-of-the parts calculation performed on a Steinhoff Africa Group level. The sum-of-the-parts valuation is a look-through to the underlying investments in the Steinhoff Africa Group. Any reversal of prior impairments is limited to the initial cost of the investment. The biggest driver of the reversal was the increase in the Pepkor Holdings share price from a closing price on 30 September 2020 of R11.14 per share to a closing share price at 30 September 2021 of R21.57 per share.

The principle place of business of the subsidiaries is the same as that of the Company.

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

	Taycol Rm	SIHPL Rm	Steinhoff Africa Rm	Total Rm
Carrying value at 1 October 2019	*	-	46 113	46 113
Impairment through profit or loss	-	-	-	-
Carrying value at 30 September 2020	*	-	**46 113**	**46 113**
Impairment reversal through profit or loss	-	-	**20 038**	**20 038**
Carrying value at 30 September 2021	*	-	**66 151**	**66 151**

8. LOANS TO RELATED PARTIES

	30 September 2021 Rm	30 September 2020 Rm
Subsidiaries		
Steinhoff Africa	**5 326**	4 944
In the 2020 Reporting Period a portion of the loan carried interest at prime less 2%, with the remaining loan balance being interest-free. In October 2021, the loan terms were amended to the full loan balance carrying interest at 4%, compounded quarterly being effective from 1 October 2020. The adjusted interest was recognised in the 2021 Reporting Period, as it is viewed as an adjusting subsequent event. The loan is unsecured and repayable on demand. The loan will be settled as part of the Group's Litigation Settlement Proposal implementation steps on SED and is therefore expected to be settled within the next 12 months.		
Fellow subsidiaries		
Newco 2A	-	-
The loan receivable from Newco 2A is deemed to be 100% credit impaired at initial recognition and as a result, the loan was recognised at its fair value of nil. The loan carries interest at 10% per annum and is repayable on 31 December 2021. On 12 August 2021, the Company obtained confirmation that the necessary approvals have been granted by the Simple Majority Guarantee Creditors, allowing for extension by 12 months until 31 December 2022. The loan is euro denominated, resulting in the loan amount and impairment provision being adjusted with forex movements each year.		
Split between non-current and current portions		
Current assets	**5 326**	4 944

8. LOANS TO RELATED PARTIES (continued)

Exposure to credit risk

Loans receivable inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if counterparties fail to make payments as they fall due.

For related party receivables, the ECL of related party receivables was determined through a sum-of-the-parts valuation. It is a look through of the assets and liabilities at fair value on a Group level and indicates a realistic and accurate recoverability percentage. The sum-of-the-parts valuation are mainly driven by listed Pepkor Holdings shares, and also includes liquid cash and fixed liabilities related to the Legal Settlement Proposal.

Falling share prices lower the value of assets and may cause the loss given default risk parameter to increase, therefore increasing the ECL. Economic conditions that would effect the listed Pepkor Holdings shares indicates no material forecasted events which may lead to the drastic decrease in share price. There is however significant uncertainty relating to how COVID-19 may impact share prices in the future. Due to the unpredictable nature of the COVID-19 pandemic, management's best estimate is that the share price of Pepkor Holdings will stay constant and therefore resulting in all related party receivables being fully recoverable.

Since 30 September 2021, the share price of Pepkor Holdings has increased from R20.14 per share to R23.36 per share on 30 November 2021 supporting management's estimation.

Credit rating framework

For purposes of determining the credit loss allowances, management determine the credit rating grades of each loan at the end of the Reporting Period. These ratings are determined either externally through ratings agencies or internally where external ratings are not available.

Refer to note 32 of the consolidated financial statements, which sets out the internal credit rating framework which is applied by management for loans for which external ratings are not available.

8. LOANS TO RELATED PARTIES (continued)

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for Group loans receivable by credit rating grade:

Instrument	Internal credit rating	Basis of loss allowance	Gross Carrying amount Rm	Loss allowance Rm	Credit impaired Rm	Amortised cost\ Rm
2021						
Loans to subsidiaries						
Steinhoff Africa	Performing	12m ECL	**5 326**	**-**	**-**	**5 326**
Loans to fellow subsidiaries						
Newco 2A	Non-performing	Lifetime ECL (credit impaired)	**17 742**	**-**	**(17 742)**	**-**
			23 068	**-**	**(17 742)**	**5 326**
2020						
Loans to subsidiaries						
Steinhoff Africa	Performing	12m ECL	4 944		-	4 944
Loans to fellow subsidiaries						
Newco 2A	Non-performing	Lifetime ECL (credit impaired)	18 023	-	(18 023)	-
			22 967	-	(18 023)	4 944

Fair value of related party loans receivable

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

9. TRADE AND OTHER RECEIVABLES

	30 September 2021 Rm	30 September 2020 Rm
Financial instruments		
Micawber - A preference shares	-	28
Micawber - B preference shares	-	208
Micawber - A & B preference shares impairment provision	-	(236)
Receivables at amortised cost	-	-
Other receivables	9	
Total trade and other receivables	9	-
Split between non-current and current portions		
Current assets	9	-

The Company sold its preference share investment in Micawber on 30 September 2021 to Motseng Investments Holdings Proprietary Limited for R9.4 million. The amount was received on 22 October 2021.

The preference dividends receivable from Micawber was impaired during the previous Reporting Period due to Micawber's only assets being Steinhoff N.V. shares, of which the value has decreased significantly since the preference shares were issued.

Exposure to credit risk

Trade receivables inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if the counterparty fails to make payments as they fall due. The expected credit loss on these financial instruments is immaterial since the receivable from Motseng Investments Holdings Proprietary Limited is fully recoverable.

Fair value of trade and other receivables

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

10. CASH AND CASH EQUIVALENTS

	30 September 2021 Rm	30 September 2020 Rm
Cash and cash equivalents consist of:		
Bank balances	*	*

** Less than R500 000*

11. SHARE CAPITAL

	30 September 2021 Rm	30 September 2020 Rm
Authorised		
101 000 000 (2020: 101 000 000) Ordinary shares of R0.005 each	**1**	1
495 000 000 (2020: 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.

	30 September 2021 Rm	30 September 2020 Rm
Issued		
Ordinary shares		
55 000 106 (2020: 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 (2020: 15 000 000) Preference shares of R0.001 each and preference share premium	**1 561**	1 561
Preference share issue costs written off against share premium	**(11)**	(11)
	1 550	1 550
	120 563	120 563

The preference shares earn dividends on the issue price at the rate of 82.5% of the SA prime lending rate quoted by Absa Bank Limited or its successor in title in South Africa. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the board of directors.

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

12. LOANS FROM RELATED PARTIES

	30 September 2021 Rm	30 September 2020 Rm
Subsidiaries		
SIHPL	**18 468**	17 748
The loan from SIHPL carries interest at 4% per annum that is capitalised quarterly and is repayable on demand.		
Holding company		
Steinhoff N.V.	**3 077**	3 077
The loan payable to Steinhoff N.V. is non-interest-bearing and is repayable on demand.		
Split between non-current and current portions		
Current liabilities	**21 545**	20 825

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

13. CASH USED IN OPERATIONS

	30 September 2021 Rm	30 September 2020 Rm
Profit/(loss) before taxation	**19 546**	(3)
Adjustments for:		
Profit on sale of investment	**(9)**	-
Interest received	**(227)**	(13)
Finance costs accrued	**721**	-
Movements in impairment loss allowances	**(20 038)**	-
Changes in working capital:		
Trade and other payables	**(2)**	2
Cash used in operations	**(9)**	(14)
Reconciliation of related party loans		
Cash and cash equivalents	*	*
Related party loans payable - within one year	**(21 545)**	(20 825)
Related party loans payable - after one year	**-**	-
	(21 545)	(20 825)

** Less than R500 000*

	30 September 2021 Rm	30 September 2020 Rm
Reconciliation of net debt		
Opening balance - 1 October	**(20 825)**	(20 826)
Repayment of related party loans	**-**	1
Interest accrued on loan payable	**(720)**	-
	(21 545)	(20 825)

14. TAX REFUNDED/(PAID)

	30 September 2021 Rm	30 September 2020 Rm
Balance at beginning of the year	**323**	323
Current tax for the year recognised in profit or loss	**(12)**	(3)
Balance at end of the year	**(102)**	(323)
	209	(3)

15. DIVIDENDS PAID

	30 September 2021 Rm	30 September 2020 Rm
Balance at beginning of the year	**-**	(63)
Preference dividends	**(87)**	(116)
Balance at end of the year	**43**	-
	(44)	(179)

16. CONTINGENCIES

Contingent liabilities

The Company and its subsidiaries are engaged in a number of legal proceedings. Refer to note 23.3 and note 24 in the consolidated annual financial statements for detailed overview of these proceedings and the Litigation Settlement Proposal provision that has been raised.

17. RELATED PARTIES

Relationships

Holding company and ultimate parent	Steinhoff N.V.
Subsidiaries	Refer to note 7

Related party balances

Refer to note 8 for related party loans receivable and note 12 for related party loans payable.

	30 September 2021 Rm	30 September 2020 Rm
Related party transactions		
Interest income from related parties		
Steinhoff Africa	203	13
Interest expense to related parties		
SIHPL	721	-
Compensation to directors and other key management		
Short-term employee benefits	2	2

Directors' remuneration and interest of directors and officers in contracts

For details of the directors' remuneration and interest in contracts, please refer to note 31 and 33 of the consolidated annual financial statements.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

	Notes	Amortised cost Rm	Total Rm
Categories of financial assets			
2021			
Loans to related parties	8	5 326	5 326
Trade and other receivables	9	9	9
Cash and cash equivalents	10	*	*
		5 335	5 335
2020			
Loans to related parties	8	4 944	4 944
Cash and cash equivalents	10	*	*
		4 944	4 944
Categories of financial liabilities			
2021			
Trade and other payables		*	*
Loans from related parties	12	21 545	21 545
Dividend payable		43	43
		21 588	21 588
2020			
Trade and other payables		2	2
Loans from related parties	12	20 825	20 825
		20 827	20 827

** Less than R500 000*

Pre-tax gains and losses on financial instruments

	Notes	Amortised cost Rm	Total Rm
Gains and losses on financial assets and liabilities			
2021			
Recognised in profit or loss:			
Interest income	2	203	203
Finance costs	5	(721)	(721)
2020			
Recognised in profit or loss:			
Interest income	2	13	13

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

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk on loans receivable, trade and other receivables and cash and cash equivalents.

Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings.

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

The maximum exposure to credit risk is presented in the table below:

		30 September 2021			30 September 2020		
	Notes	Gross carrying amount Rm	Credit loss allowance Rm	Amortised cost / fair value Rm	Gross carrying amount Rm	Credit loss allowance Rm	Amortised cost / fair value Rm
Loans to related parties	8	5 326	-	5 326	4 944	-	4 944
Trade and other receivables	9	9	-	9	236	(236)	-
Cash and cash equivalents	10	*	-	*	*	-	*
		5 335	-	5 335	5 180	(236)	4 944

** Less than R500 000*

The ECL on the receivables loans to related parties is measured using the general model based on 12-month ECLs as there was no significant increase in credit risk from initial recognition of these loans. Credit losses on the outstanding capital and interest are not expected as the value of the entity's underlying assets are liquid and can easily be disposed of in order to raise cash. The underlying assets of the Group consists of Pepkor Holdings shares, an investment in IEP and invested cash from the sale of the Africa Group Property Portfolio which in total are also significantly more than the loan balance including other liabilities within the entity. There has been no default in payments based on historical information and no significant decrease in credit ratings since initial recognition.

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

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 effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the 2020 Reporting Period.

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

	Note	Less than 1 year Rm	Total Rm	Carrying amount Rm
30 September 2021				
Current liabilities				
Trade and other payables		*	*	*
Loans from related parties	**12**	**21 545**	**21 545**	**21 545**
Dividend payable		**43**	**43**	**43**
		21 588	**21 588**	**21 588**
30 September 2020				
Current liabilities				
Trade and other payables		2	2	2
Loans from related parties	**12**	20 825	20 825	20 825
		20 827	20 827	20 827

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

Foreign currency risk

The Company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. The foreign currency in which the Company deals primarily is euros.

The loan to Newco 2A is denominated in euro, resulting in the loan amount and impairment provision being adjusted with forex movements each year. The net forex movement is zero.

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 2020 Reporting Period.

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the Reporting Period was as follows:

	Notes	Variable interest Rm	Fixed interest Rm	Non-interest bearing Rm	Total Rm
30 September 2021					
Loans to related parties	8	-	5 326	-	5 326
Trade and other receivables	9	-	-	9	9
Cash and cash equivalents	10	*	-	-	*
Trade and other payables		-	-	*	*
Loans from related parties	12	-	(18 468)	(3 077)	(21 545)
Dividend payable		-	-	(43)	(43)
		-	(13 142)	(3 111)	(16 253)
30 September 2020					
Loans to related parties	8	199	-	4 745	4 944
Cash and cash equivalents	10	*	-	-	*
Trade and other payables		-	-	(2)	(2)
Loans from related parties	12	-	-	(20 825)	(20 825)
		199	-	(16 082)	(15 883)

** Less than R500 000*

Interest rate sensitivity analysis

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

Increase or decrease in rate	2021 Increase Rm	2021 Decrease Rm	2020 Increase Rm	2020 Decrease Rm
Impact on profit or loss:				
100 basis points	-	-	2	(2)

19. EVENTS AFTER THE REPORTING PERIOD

Refer to note 37 of the consolidated annual financial statements for events occurring after the 2021 Reporting Period.

CORPORATE INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2021

REGISTRATION NUMBER:
1954/001893

REGISTERED OFFICE:
Building B2
Vineyard Office Park
Corner of Adam Tas and Devon Valley Road
Stellenbosch
Western Cape
7600

GROUP WEBSITE:
www.steinhoffinternational.com

AUDITORS:
Mazars Accountants

COMPANY SECRETARY:
Steinhoff Secretarial Services Proprietary Limited

SOUTH AFRICAN SPONSOR:
PSG Capital Proprietary Limited

SOUTH AFRICAN TRANSFER SECRETARIES:
Computershare Investor Services Proprietary Limited