



STEINHOFF AFRICA RETAIL
ANNUAL FINANCIAL STATEMENTS 2017

**STEINHOFF AFRICA RETAIL LIMITED
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

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**STEINHOFF AFRICA RETAIL LIMITED
APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

The preparation and presentation of the annual financial statements and all information included in this report are the responsibility of the directors. The annual financial statements were prepared in accordance with the provisions of the Companies Act and comply with International Financial Reporting Standards (IFRS), as issued by the Accounting Practices Board and its successors, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. In discharging their responsibilities, both for the integrity and fairness of these statements, the directors rely on the internal controls and risk management procedures applied by management.

Based on the information and explanations provided by management and the internal auditors and on comment by the independent auditor on the results of their statutory audit, the directors are of the opinion that:

- the internal controls are adequate;
- the financial records may be relied upon in the preparation of the annual financial statements;
- appropriate accounting policies, supported by reasonable judgements and estimates, have been applied; and
- the annual financial statements fairly present the results and the financial position of the company and the group.

The annual financial statements are prepared on the going concern basis and nothing has come to the attention of the directors to indicate that the company and the group will not remain a going concern.

These annual financial statements as at 30 September 2017, which appear on pages 3 to 81, have been prepared under the supervision of the chief financial officer, Mr RG Hanekom CA (SA). The consolidated and separate financial statements have been audited by the companies auditors in compliance with the companies Act. The annual financial statements of the company and the group were approved by the board on 30 November 2017 and are signed on its behalf by:



J Naidoo
Independent non-executive chairman



AB la Grange
Chief executive officer

SECRETARY CERTIFICATION

We certify, in accordance with section 88(2)(e) of the South African Companies Act, 71 of 2008, as amended (the Act) that the company has lodged with the Companies and Intellectual Properties Commission all such returns as are required for a public company in terms of the Act and that all such returns are true, correct and up to date.



Steinhoff Secretarial Services Proprietary Limited
Company secretary
1 December 2017

**STEINHOFF AFRICA RETAIL LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

NATURE OF BUSINESS

Steinhoff Africa Retail Limited (STAR) was established and with effect from 1 July 2017, STAR owns the Steinhoff Africa Retail Assets. The STAR Group was listed on the main board of the Johannesburg Stock Exchange Limited (JSE) on 20 September 2017.

The STAR Group is a retailer focused on discount, value and specialised goods that retails general merchandise, clothing, household goods, furniture, appliances, consumer electronics, building materials, cellular products and services and financial services in Angola, Botswana, Lesotho, Mozambique, Malawi, Namibia, Nigeria, South Africa, Swaziland, Uganda, Zambia and Zimbabwe.

Brands operating through the discount and value channel, with discount mainly focussed on "best price" and value focussed on bigger assortment, quality and range include:

- Pep
- Poco
- Russells
- Flash
- Ackermans
- Bradlows
- Rochester

Brands in the Speciality channel are divided into four categories:

- Do-it-yourself "DIY" (Buco, Timbercity, The Tile House)
- Consumer Electronics "G2" (Incredible Connection and HiFi Corp)
- Clothing, footwear, homewear "CFH" (Dunns, John Craig, Refinery, Shoe City and Tekkie Town)
- Bedding (Sleepmasters)

The STAR Group sells its products across a retail footprint consisting of 4 953 stores at balance sheet date.

CORPORATE GOVERNANCE

The directors subscribe to the values of good corporate governance as set out in the King Report for Corporate Governance in South Africa 2016 (King IV). By supporting King IV the directors have recognised the need to conduct the business with integrity and to account to stakeholders in accordance with IFRS.

FINANCIAL RESULTS

The results for the year under review are fully set out in the attached annual financial statements. The comparative period represents a 15 month period as result of the change in year end during that period.

DIVIDENDS

As a result of the listing date being eleven days before the year-end, no dividends will be declared or paid between 30 September 2017 and the date of this report.

CORPORATE ACTIVITY

Call center and debt collector

On 1 October 2016, a call center and debt collector were acquired for R471 million. Refer to note 21.

Tekkie Town Proprietary Limited (Tekkie Town)

Tekkie Town was acquired for a purchase price of R3.4 billion. The purchase price was settled through the issue of STAR shares. All the required regulatory approvals were obtained and Tekkie Town was consolidated from 1 February 2017. Refer to note 21.

STEINHOFF AFRICA RETAIL LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

SHARE CAPITAL

The company was established on 22 May 2017 and subsequently renamed and converted to a public company on 2 August 2017. As a result there were no authorised or issued share capital in the comparative period.

The issued share capital of the company was increased from 2.7 billion to 3.45 billion ordinary shares through the allotment and issue of 750 million ordinary shares in terms of a private placement ("the Private Placement").

Increase in issued shares

The following ordinary shares were issued during the year:	Date	Number of shares	Rm
Incorporation shares issued	22-May-17	1	-
Shares issued in terms of internal restructure	01-Jul-17	2 699 999 999	70 177
Incorporation shares issued	20-Sep-17	750 000 000	15 375
Share expenses		-	(230)
Shares issued net of expenses		3 450 000 000	85 322
Capital distribution		-	(20 632)
		<u>3 450 000 000</u>	<u>64 690</u>

Increase in authorised ordinary shares

On 28 July 2017, a special resolution was adopted, increasing the company's authorised ordinary share capital from 15 billion to 20 billion shares of no par value.

Increase in authorised preference shares

On 28 July 2017, a special resolution was adopted, further creating:	Number of shares
Non-redeemable, non-cumulative, non-participating preference shares of no par value	5 000 000
Non-redeemable, cumulative, non-participating preference shares of no par value	2 500 000
Redeemable, non-cumulative, non-participating preference shares of no par value	2 500 000
Redeemable, cumulative, non-participating preference shares of no par value in the following classes:	
Class A1 redeemable, cumulative, non-participating preference shares of no par	10 000 000
Class A2 redeemable, cumulative, non-participating preference shares of no par	10 000 000
Class A3 redeemable, cumulative, non-participating preference shares of no par	10 000 000
Class A4 redeemable, cumulative, non-participating preference shares of no par	10 000 000
Class A5 redeemable, cumulative, non-participating preference shares of no par	10 000 000
Total authorised preference share capital	<u>60 000 000</u>

DIRECTORS

AB la Grange and DM van der Merwe were appointed as directors with effect from 1 July 2017, while the appointment of the remaining directors occurred on 18 August 2017. OA Kruger and DDW Hayward resigned as directors on 1 July 2017.

The directors of the company are as follows:

Executive directors

AB la Grange (chief executive officer)
 RG Hanekom (chief financial officer)

Non-executive directors

MJ Jooste (member: Human Resources and Remuneration Committee)
 DM van der Merwe (member: Nomination Committee)
 JD Wiese

**STEINHOFF AFRICA RETAIL LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

Independent non-executive directors

J Naidoo (chairperson: Board, chairperson: Nomination Committee; member: Human Resources and Remuneration Committee)

SH Müller (chairperson: Human Resources and Remuneration Committee; member: Audit and Risk Committee)

AE Swiegers (chairperson: Audit and Risk Committee)

JB Cilliers (member: Audit and Risk Committee)

VP Khanyile (member: Nomination Committee)

HJ Sonn (representative*: Social and Ethics Committee)

* The Company has, together with Steinhoff Investment Holdings Limited (a wholly-owned direct subsidiary of Steinhoff International and indirect holding company of the Company), appointed a social and ethics committee to perform all of the functions required in terms of the Companies Act on behalf of STAR. Furthermore, Heather Sonn has been appointed to the social and ethics committee.

CONTRACTS

Save for the BEE Placement as described in the Pre-listing Statement, no director has had any material beneficial interest, either direct or indirect, in the listing or the Private Placement and no director is or was a member of a partnership, syndicate or other association of persons that has or had such an interest.

Save for the indirect interest of JD Wiese through Titan Premier Investments Proprietary Limited and J Naidoo through Lancaster, in relation to the Shoprite transaction referred to below, no director has any material beneficial interest, directly or indirectly, in any transactions that were affected by the company during the period under review up to the date of this report.

In the prior year, Lancaster Electricity Solutions Proprietary Limited, ultimately owned by J Naidoo the chairman of the STAR board, entered into a joint venture with Flash Mobile Vending Proprietary Limited, a wholly owned subsidiary of the STAR group in terms of which, a commission is earned net of costs incurred and shared between the joint venture partners on an equal basis.

At the time of the conclusion of the BSG deal (refer below), JD Wiese had an interest in the contract, as a director of both the seller, Invicta Holdings Limited, and the purchaser, STAR.

EVENTS AFTER THE BALANCE SHEET DATE

Shoprite transaction

STAR has exercised call options whereby it will indirectly acquire 128.2 million Shoprite ordinary shares from various parties. The implementation of the call options remains subject to the required regulatory approvals and will result in STAR indirectly acquiring a 23.1% economic interest in Shoprite, and voting control of 50.6%.

The consideration payable for the implementation of the call options will be settled through the issue of 1.7 billion STAR shares, representing approximately 33.6% interest in the ordinary share capital of STAR.

**STEINHOFF AFRICA RETAIL LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

Steinhoff Shareholding

On 18 October 2017, Steinhoff Africa Holdings Proprietary Limited and Newshelf 1093 Proprietary Limited entered into an agreement with Ainsley Holdings Proprietary Limited in terms of which the Steinhoff group interest in the company was consolidated in Ainsley Holdings Proprietary Limited.

Building Supplies Group (BSG)

On 1 October 2017, Steinhoff Doors and Building Materials acquired 100% of Building Supply Group "BSG" (BSG is the parent company of the MacNeil, Tiletoria and Brands for Africa groups) for purchase price of R645.7 million, subject to a clawback or "agterskot" based on the results for the 12 month period ending September 2018. The acquisition has been approved by the relevant regulatory authorities. BSG will be consolidated from 1 October 2017. At the time of the conclusion of the BSG deal, JD Wiese had an interest in the contract, as a director of both the seller, Invicta Holdings Limited, and the purchaser, STAR.

The directors are not aware of any further significant events after the reporting date that will have a material effect on the group's results or financial position as presented in these financial statements.

DIRECTORS' SHAREHOLDING

As at 30 September 2017, the present directors of the company held no direct or indirect interests in the company's issued ordinary shares other than: Mr Jayendra Naidoo who declares his interests in Lancaster 101 Proprietary Limited, which company acquired a total of 302 439 024 ordinary shares under the private placement. In aggregate, the directors of the company and its subsidiaries held 302 439 024 of the company's ordinary shares at 30 September 2017, equating to 8.76% of the ordinary shares in issue.

Other than the above movements in shareholdings, there were no dealings in the company's ordinary shares by directors during the period under review. From 1 October 2017 to the date of approval of the company's consolidated financial statements, there were no dealings by directors in the company's ordinary shares.

Details of the individual holdings are disclosed in note 25.

CORPORATE GOVERNANCE

The group complies with the listings requirements of the JSE Limited (JSE) and in all material respects with the Code of Corporate Practice and Conduct published in the King Report on Corporate Governance.

SECRETARY

Steinhoff Secretarial Services Proprietary Limited acts as secretary to the company. The board of directors has assessed the shareholders, directors and employees of Steinhoff Africa Secretarial Services Proprietary Limited who perform the company secretary function and have concluded that an arms' length relationship has been maintained between themselves and Steinhoff.

BUSINESS ADDRESS

28 Sixth Street
Wynberg
2090

POSTAL ADDRESS

P O Box 1955
Bramley
2018

**STEINHOFF AFRICA RETAIL LIMITED
AUDIT COMMITTEE REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

BACKGROUND

The audit and risk committee's operation is guided by a formal detailed Terms of Reference that is in line with the Companies Act, No. 71 of 2008 of South Africa ("the Companies Act"), the JSE Listing Requirements the King Report on Corporate Governance South Africa 2016 ("King IV") and has been approved by the Company's board. The committee has discharged all its responsibilities as contained in the Terms of Reference.

The committee is pleased to present its report for the financial period ended 30 September 2017.

MEMBERSHIP

The three members of the audit and risk committee are all independent non-executive directors of the company and were as follows (appointment

- Allen Swiegers (Chairman) (18 August 2017)
- Johann Cilliers (18 August 2017)
- Steve Müller (18 August 2017)

The nomination committee and the board are satisfied that these members have the required knowledge and experience as set out in Section 94(5) of the Companies Act and Regulation 42 of the Companies Regulation, 2011. The re-appointment of committee members will be a matter for consideration by shareholders at the forthcoming annual general meeting. The company secretary is the secretary of this committee.

It is noted that prior to the appointment of the members as indicated above, the businesses that form part of the STAR group were the responsibility of the Audit and Risk Committee for Steinhoff International Holdings Limited and the members of this committee continued with the work done by the Audit and Risk Committee for Steinhoff International Holdings Limited subsequent to their appointment.

OBJECTIVE AND SCOPE

The overall objectives of the committee are as follows:

- To review the principles, policies and practices adopted in the preparation of the financial statements of companies in the group and to ensure that the financial statements of the group and any other formal announcements relating to the financial performance comply with all statutory and regulatory requirements as may be required,
- To review the consolidated interim condensed financial statements of the group, in respect of the first six-month period (when applicable), comply with all statutory and regulatory requirements,
- To comment, in any way appropriate, on the financial information contained in any consolidated submissions to STAR in respect of any reporting period,
- To annually assess the appointment of the external auditors and confirm their independence, recommend their appointment to the annual general meeting and approve their fees,
- 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 is attributed to it by its mandate from the board, the Companies Act, the JSE Limited and regulatory requirements.

During the year under review, the committee:

- 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 to ensure that their concerns were 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 any additional services provided was not such that they could be seen to have impaired their independence,
- Reviewed and recommended for adoption by the board, such financial information that is publicly disclosed, which for the year included, the consolidated financial statements for the year ended 30 September 2017,
- Considered the effectiveness of internal audit, approved the one-year internal audit plan and monitored the 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,
- Considered the appropriateness of the experience and expertise of the group financial director and concluded that these were appropriate,
- Considered the expertise, resources and experience of the finance function and concluded that these were appropriate.

**STEINHOFF AFRICA RETAIL LIMITED
AUDIT COMMITTEE REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

The audit and risk committee is of the opinion that the objectives of the committee were met during the period under review. Where weaknesses in specific controls were identified, management undertook to implement appropriate corrective actions to address the weakness identified.

MEETINGS

The committee performs the duties required of it by Section 94(7) of the Companies Act by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditor.

INTERNAL AUDIT

The group's internal auditors operate in terms of the internal audit charter and under the direction of the committee, which approves the scope of the work to be performed.

Significant findings are reported to both executive management and the committee, and corrective action is taken to address identified internal control deficiencies.

The committee is satisfied with the effectiveness and performance of the internal auditors and compliance with their mandate.

The committee is also satisfied that the internal auditors have the necessary resources, budget, standing and authority to enable them to effectively discharge their functions.

EXTERNAL AUDIT

The committee has satisfied itself through enquiry that the auditors of STAR and its subsidiaries are independent as defined by the Companies Act. The committee, in consultation with executive management, has agreed to the audit fee for the 2017 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in the 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 engagement letter for such work is reviewed in accordance with this set policy and attendant procedures.

The external auditor was given the opportunity to engage at each meeting with the audit committee members without management being present. No matters of concern were raised.

The committee is in the process to review the performance of the external auditors and will nominate, for approval by shareholders at the forthcoming annual general meeting, an audit firm, as the external auditor for the 2018 financial year.

**STEINHOFF AFRICA RETAIL LIMITED
AUDIT COMMITTEE REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

KEY AUDIT MATTERS

The committee notes the key audit matters set out in the independent auditor's report, which are:

- Selection of accounting policy for common control transaction,
- Goodwill and intangibles – sensitivities in the impairment analysis,
- Taxes – provision for uncertain tax positions and valuation of deferred tax assets,
- Acquisitions – accounting for business combinations.

The committee has considered and evaluated these matters and is satisfied that they are represented correctly.

ACCOUNTING PRACTICES AND INTERNAL CONTROL

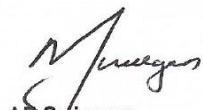
Internal controls and systems have been designed to provide reasonable assurance as to the integrity and reliability of the financial information represented in the financial statements, and to safeguard, verify and maintain the assets of the group. Nothing has come to the attention of the committee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

FINANCIAL STATEMENTS

The audit and risk committee has evaluated the consolidated financial statements for the year ended 30 September 2017 and considers that they comply, in all material aspects, with the requirements of the Companies Act and International Financial Reporting Standards. The committee has therefore recommended the financial statements for approval to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting

EVALUATION OF CHIEF FINANCIAL OFFICER

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



AE Swiegers
Audit committee chairman
30 November 2017

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Steinhoff Africa Retail Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Steinhoff Africa Retail Limited (the Group) set out on pages 14 to 81, which comprise the statements of financial position as at 30 September 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 September 2017, and its consolidated and separate financial performance and consolidated 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 Consolidated and separate 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 International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. 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 and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Selection of accounting policy for common control transaction (separate and consolidated)	
As disclosed in the Basis of preparation – Common control transactions, the Steinhoff Group listed its African retail operations on the Johannesburg Stock Exchange (“JSE”) on 20 September 2017, as Steinhoff Africa Retail Limited. Significant common control restructuring activities were undertaken in order to re-organise the Group prior to listing.	Our work included challenging management’s assessment of the appropriate accounting policy, with reference to the hierarchy provided in IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> , which permits the consideration of pronouncements of other standard-setting bodies, in circumstances where IFRS does not specifically apply.
As International Financial Reporting Standards (“IFRS”) does not deal with common control transaction, judgement was required by the directors to develop and apply an accounting policy that resulted in relevant and reliable information. Specific consideration was required to determine the appropriateness of this policy. Furthermore, the disclosure of the accounting policy for the treatment of these transactions required careful consideration to ensure it clearly sets out the basis of accounting. As such this was noted as a key audit matter.	We also evaluated the disclosures provided by the Group in relation to the accounting for common control transactions. We concluded that the accounting policy adopted by management took into account guidance provided in IFRS, and would result in relevant and reliable information, and that the accounting policy was appropriately applied in accounting for the transactions. The disclosures in relation to the accounting policy are considered appropriate.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Steinhoff Africa Retail Limited

Goodwill and intangibles - Sensitivities in the impairment analysis (consolidated)

As disclosed in note 7, goodwill at 30 September 2017 amounted to R42 458 million and intangible assets amounted to R18 368 million at 30 September 2017 with an impairment charge of R4 million recognised during the year.

Goodwill and indefinite life intangibles are assessed annually for impairment using a value-in-use basis whilst finite life intangible assets are assessed for impairment where possible impairment indicators are identified. The directors use assumptions in respect of future market conditions such as expected growth rates, inflation rates and expected market share that impact the forecast of future cash flows, future growth rates and the discount rates to assess the impairment of goodwill and intangibles.

Procedures over the directors' annual impairment test were significant to our audit in view of the material carrying values indicated and the assessment process is considered complex and relies on estimates and assumptions made by the directors. As such, this was identified as a key audit matter.

Our audit work included evaluating key controls around the impairment review process and challenging the directors' key assumptions used in the cash flow forecasts included within the impairment models with reference to historical trading performance and market expectations.

Key assumptions challenged include those related to the level at which impairment is assessed, forecast of future cash flows, future growth rates and the discount rates applied.

In performing our audit procedures, we used internal valuation specialists to assess the discount and growth rates applied by benchmarking against independent data. We also evaluated the directors' assessment of the sensitivity of the Group's impairment models for reasonably possible changes to the key assumptions and considered the disclosures provided by the Group in relation to its impairment reviews.

We concluded that the levels at which impairments were assessed and the assumptions used were appropriate. In the context of the inherent uncertainties disclosed, the valuations, determined with reference to the forecast of future cash flows, future growth rates and discount rates applied, are considered to be within a reasonable range of the possible outcomes. The disclosures in relation to the impairment reviews and the assumptions applied are considered appropriate.

Taxes – provisions for uncertain tax positions and valuation of deferred tax assets (consolidated)

The Group operates across a number of different tax jurisdictions and is subject to periodic challenges by local tax authorities during the normal course of business. Determining the amounts which should be recognised for tax is subject to director's judgement and is thus a key audit matter. The directors' judgement includes consideration of regulation by various tax authorities with respect to transfer pricing regulations, and other tax positions. Where there is uncertainty, the directors make provision for tax based on the most probable outcome. The directors' disclosures with regards to the uncertainties are contained in the significant judgements and estimates note, whilst the current tax disclosures are contained in note 5.

As disclosed in note 11, deferred tax assets for tax losses carried forward are recognised by the Group to the extent that it is probable that future taxable income will be available against which unused tax losses can be utilised. This requires the directors' judgement in estimating future taxable income and is accordingly noted as a key audit matter.

We used our own tax specialists to evaluate the recognition and measurement of the current and deferred tax assets and liabilities. This included:

- Obtaining a detailed understanding of the Group's tax strategy including current transfer pricing arrangements.
- Assessing tax risks, legislative developments and the status of ongoing local tax authority audits.
- Evaluating and challenging the directors' judgements in respect of estimates of tax exposures, recoverable amounts and contingencies.
- Considering correspondence with tax authorities and relevant historical and recent judgements, and also assessing tax opinions from third party tax advisors.
- Evaluating the directors' assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on budgets and business plans to support the recoverability of recognised deferred tax assets.
- Considering the adequacy of the Group's disclosures in notes 5 and 11 regarding uncertain tax positions and recognised deferred tax assets.

Overall, we concurred with the directors' recognition of the deferred tax assets and liabilities and observed that their overall tax provisioning was conservative. We found the disclosures relating to the current and deferred tax balances to be appropriate.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Steinhoff Africa Retail Limited

Acquisitions – Accounting for business combinations (consolidated)

During the year, the Group made a number of acquisitions as detailed in note 21, most notably the acquisition of the Tekkie Town Proprietary Limited for R3 350 million.

On acquisition, the Group is required to determine the fair value of identifiable assets acquired and liabilities assumed in the acquire. The determination of the fair value of these assets and liabilities requires the exercise of significant judgement by the directors, in particularly where their values differ significantly from acquisition date carrying value in the accounts of the acquire. One has to identify intangibles and contingent liabilities acquired as well as consider the fair value of currently recorded assets and liabilities. The methods to value identified intangibles have to be determined and the resulting goodwill (positive or negative) evaluated. As such, this was identified as a key audit matter.

Our audit work included evaluating key controls around purchase price allocations and we involved internal valuation specialists to assess whether the methodology utilised by the directors' in determining the fair valuation of assets and liabilities acquired was appropriate in terms of IFRS 3 *Business Combinations*, included assessing the completeness of fair value adjustments recognised and the appropriateness of valuation methodologies applied in order to determine the fair value of assets and liabilities.

We further assessed the completeness and appropriateness of the accounting by evaluating the key documents associated with the acquisition, including the sale and purchase agreements and Board of Director papers. We challenged the key assumptions utilised by reference to historical and forecast cash flows, third party evidence such as local market data and discount rates applied.

We concluded that the evidence examined supported the directors' conclusions with regard to the identification of assets and liabilities acquired and that the valuation methodologies applied to determine the fair value of these assets and liabilities were appropriate.

We have assessed the disclosure in terms of IFRS and consider it to be appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed 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 and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and 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 Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Steinhoff Africa Retail Limited

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- * Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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 Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- * Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate 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 audit committee 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 audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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 Deloitte & Touche has been the auditor of Steinhoff Africa Retail Limited for 1 year.



Deloitte & Touche

Registered Auditor

Per: X Botha

Partner

1 December 2017

STEINHOFF AFRICA RETAIL LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	Twelve months ended 30 September 2017 Rm	Fifteen months ended 30 September 2016 Rm
Revenue		57 850	61 154
Cost of sales		(37 412)	(41 154)
Gross profit		20 438	20 000
Operating income		701	1 107
Operating expenses		(15 324)	(17 057)
Capital items	2	(29)	(408)
Operating profit	3	5 786	3 642
Finance costs	4	(932)	(1 262)
Income from investments	4	312	524
Share of loss of associate companies		-	(5)
Profit before taxation		5 166	2 899
Taxation	5	(1 599)	(1 582)
Profit for the period		3 567	1 317
Profit attributable to:			
Owners of the parent		3 550	1 290
Non-controlling interests		17	27
Profit for the period		3 567	1 317
Earnings per share (cents)			
Basic	6	132.6	50.2
Headline	6	133.6	60.4
Diluted basic	6	132.6	50.2
Diluted headline	6	133.6	60.4

STEINHOFF AFRICA RETAIL LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Twelve months ended 30 September 2017 Rm	Fifteen months ended 30 September 2016 Rm
Profit for the year	3 567	1 317
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(84)	92
Net fair value gain/(loss) on cash flow hedges and other fair value reserves	768	(751)
Deferred taxation	(74)	165
Foreign currency translation reserve released to profit or loss on disposal of investment	-	(70)
Other comprehensive income of equity accounted companies, net of deferred taxation	-	3
Total other comprehensive income/(loss) for the year	610	(561)
Total comprehensive income for the year	4 177	756
Total comprehensive income attributable to:		
Owners of the parent	4 160	729
Non-controlling interests	17	27
Total comprehensive income for the year	4 177	756

STEINHOFF AFRICA RETAIL LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	30 September 2017 Rm	30 September 2016 Rm
ASSETS			
Non-current assets			
Goodwill	7	42 458	39 857
Intangible assets	8	18 368	17 484
Property, plant and equipment	9	4 613	3 714
Investments and loans	10	170	950
Deferred taxation assets	11	1 586	2 553
		67 195	64 558
Current assets			
Inventories	13	10 954	8 732
Trade and other receivables	12	4 931	5 021
Loans due by Steinhoff and its subsidiaries	24	236	7 763
Cash and cash equivalents		3 797	2 771
		19 918	24 287
Total assets		87 113	88 845
EQUITY AND LIABILITIES			
Total equity attributable to equity holders of the parent		52 892	52 666
Non-controlling interests		25	29
Total equity		52 917	52 695
Non-current liabilities			
Interest-bearing loans and borrowings	15	16	27
Loans due to Steinhoff and its subsidiaries	15	11 000	-
Employee benefits	16	112	134
Deferred taxation liabilities	11	4 050	3 724
Provisions	17	727	993
Trade and other payables	18	533	501
		16 438	5 379
Current liabilities			
Trade and other payables	18	11 722	11 364
Loans due to Steinhoff and its subsidiaries	15	4 868	18 196
Employee benefits	16	737	425
Provisions	17	331	609
Interest-bearing loans and borrowings	15	11	98
Bank overdrafts and short-term facilities		89	79
		17 758	30 771
Total equity and liabilities		87 113	88 845

STEINHOFF AFRICA RETAIL LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Stated capital	Distributable	Foreign	Share-based	Premiums or	Common	Other reserves	Total equity	Non-	Total
	Rm	reserves	currency	payment	discounts on	control reserve	Rm	attributable to	controlling	Rm
		Rm	translation	reserve	changes in			parent	interests	
			reserve	Rm	non-			Rm	Rm	
			Rm		controlling					
					interests					
					Rm					
Balance at 30 September 2016	10 471	(1 611)	301	21	8	45 071	(1 595)	52 666	29	52 695
Shares issued in terms of Internal Restructure	70 177	-	-	-	-	-	-	70 177	-	70 177
Common control adjustment	(10 471)	-	-	-	-	(56 826)	-	(67 297)	-	(67 297)
Shares issued upon listing, net of expenses	15 145	-	-	-	-	-	-	15 145	-	15 145
Capital distribution	(20 632)	-	-	-	-	-	-	(20 632)	-	(20 632)
Total comprehensive income/(loss) for the year	-	3 550	(84)	-	-	-	694	4 160	17	4 177
Profit for the year	-	3 550	-	-	-	-	-	3 550	17	3 567
Other comprehensive income/(loss) for the year	-	-	(84)	-	-	-	694	610	-	610
Dividends paid	-	(2 013)	-	-	-	-	-	(2 013)	-	(2 013)
Net shares bought from non-controlling interests	-	-	-	-	(5)	-	-	(5)	(21)	(26)
Share-based payments	-	-	-	(2)	-	-	-	(2)	-	(2)
Transfers and other reserve movements	-	(14)	-	14	-	-	693	693	-	693
Balance at 30 September 2017	64 690	(88)	217	33	3	(11 755)	(208)	52 892	25	52 917

In order to calculate the "common control" reserve - US GAAP principles were applied as IFRS does not provide clear guidance. The difference between the value of the shares issued by STAR to Steinhoff of R70.1 billion (on the date of establishing the STAR Group in terms of an initial restructuring) and the carrying amounts of the net assets R58.4 billion received at the date of the internal reorganisation was recognised as a common control reserve within equity.

STEINHOFF AFRICA RETAIL LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	Twelve months ended 30 September 2017 Rm	Fifteen months ended 30 September 2016 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	20	6 464	5 032
Net movement in instalment sale and loan receivables		(188)	(369)
Net dividends paid		(1 963)	(40)
Net finance charges		(670)	(744)
Taxation paid		(1 396)	(1 523)
Net cash inflow from operating activities		2 247	2 356
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(1 749)	(1 706)
Additions to intangible assets		(64)	(2)
Proceeds on disposal of property, plant and equipment and intangible assets		146	194
Acquisition of businesses, net of cash on hand at acquisition	21	(429)	(1 264)
Decrease/(increase) in long-term investments and loans		780	(480)
Net increase in investments in equity accounted companies and joint ventures		-	(16)
Net cash outflow from investing activities		(1 316)	(3 274)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of ordinary shares issued		15 375	-
Capital distribution		(15 132)	-
Share issue expenses		(123)	-
Transactions with non-controlling interests		(26)	(9)
(Decrease)/increase in bank overdrafts and short-term facilities		(69)	67
Decrease in long-term interest-bearing loans and borrowings		(15)	(1 864)
Decrease in short-term interest-bearing loans and borrowings		(88)	(1 215)
Increase in related party loans and receivables		293	4 384
Net cash inflow from financing activities		215	1 363
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Effects of exchange rate translations on cash and cash equivalents		(120)	-
Cash and cash equivalents at beginning of the period		2 771	2 326
CASH AND CASH EQUIVALENTS AT END OF PERIOD		3 797	2 771

STEINHOFF AFRICA RETAIL LIMITED
SUMMARY OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Adoption of new or revised standards

The following new standards that were applicable were adopted during the year and did not lead to any changes in the group's accounting policies. There were other amendments issued by the IASB which came into effect for the current financial period which were early adopted or were not applicable to the group.

Statement, or standard	Effective for annual periods beginning
IAS 1 Presentation of Financial Statements: Disclosure initiative	1 January 2016
IFRS 10 Consolidated Financial Statements: Investment entities: Applying the consolidation exception	1 January 2016
IFRS 11 Joint arrangements: Investment entities: Applying the consolidation exception	1 January 2016
IFRS 12 Disclosure of Interests in Other Entities: Investment entities: Applying the consolidation exception	1 January 2016
IAS 27 Separate Financial Statements: Equity method in separate financial statements	1 January 2016
IAS 28 Investments in Associates: Investment entities: Applying the consolidation exception	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
IFRS Practice Statement 2: Making Materiality Judgements	Immediate

Basis of preparation

The annual financial statements were prepared in accordance with the provisions of the Companies Act and comply with International Financial Reporting Standards (IFRS), as issued by the Accounting Practices Board and its successors, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed under judgements and estimates.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these annual financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2: *Share-based Payments*, leasing transactions that are within the scope of IAS 17: *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2: *Inventories* or value in use in IAS 36: *Impairment of Assets*.

STEINHOFF AFRICA RETAIL LIMITED
SUMMARY OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 SEPTEMBER 2017

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included in level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The material accounting policies applied by the group and the company, as well as accounting policies where IFRS allows choice, are set out below and have been applied consistently to the periods presented in these consolidated annual financial statements, except where stated otherwise.

The accounting policies have been applied consistently by all the group entities.

Basis of preparation - common control transactions

IFRS does not provide guidance on the accounting for common control transactions. In the absence of specific guidance relating to common control transactions, entities should select an appropriate accounting policy using the hierarchy described in IAS 8: *Accounting policies, changes in accounting estimates and errors*. The hierarchy permits the consideration of pronouncements of other standard-setting bodies.

The acquisition by Steinhoff Africa Retail Limited of the Steinhoff Africa Retail Assets meets the definition of a common control transaction as all the combining entities, being Steinhoff Africa Retail Limited and the Steinhoff Africa Retail Assets, are ultimately controlled by the same party, being Steinhoff International Holdings N.V., before and after the combination, and that control is not transitory.

The following principles of US GAAP have been applied to the transfer of assets between entities under common control:

When accounting for a transfer of assets or exchange of shares between entities under common control, the entity that receives the net assets or the equity interests shall initially measure the recognised assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer. If the carrying amounts of the assets and liabilities transferred differ from the historical cost of the parent of the entities under common control, for example, because fair value adjustments in business combinations have been recognised on consolidation, then the financial statements of the receiving entity shall reflect the transferred assets and liabilities at the historical cost of the group.

As a result, the receiving entity effectively applies pushdown accounting in its separate financial statements.

There is no change in basis for the net assets received because there is no change in control over the net asset or equity interests from the parent's perspective. A difference between any proceeds transferred and the carrying amounts of the net assets received is recognised in equity by common control transactions in the receiving entity's separate financial statements. No additional goodwill is created.

STEINHOFF AFRICA RETAIL LIMITED
SUMMARY OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Comparative financial information of the STAR assets group for the fifteen months ended 30 September 2016 have been prepared based on the net asset values relating to the statutory entities including all fair values of business combinations that were acquired by the STAR group and is not directly comparable to previously published information. The fifteen month prior year period is a result of a year end change in the prior period.

The comparative financial information comprises of:

- Pepkor Group, but excluding the Pepkor Australian and Pepkor European businesses
- JD Group, but excluding Unitrans Automotive, JD Financial Services, Insurance and JD Property Holdings businesses
- SA Poco
- The Iliad Africa Group acquisition is treated as an acquisition on the acquisition date for the Steinhoff group, being 1 January 2016.

This financial information has previously been reported as part of the annual financial statements of Steinhoff International Holdings N.V. in the comparative period, which were prepared in accordance with IFRS. The principles of *IFRS 3: Business combinations* are not applicable to the acquisition of the Steinhoff Africa Retail Assets group by STAR.

Share capital and retained income

The STAR group did not constitute a separate legal entity, and therefore, it is not meaningful to disclose a historical analysis of share capital, share premium and other equity reserves. The total equity attributable to owners of the Steinhoff Africa Retail Assets group as disclosed in the comparative financial information represents the cumulative investment (including retained earnings since acquisition) of Steinhoff International Holdings N.V. in STAR.

Earnings per share, diluted earnings per share and headline earnings per share

The calculation of the weighted average number of shares weighed the shares issued in terms of the private placement from the date of issue, being 20 September 2017 as well as the issue of the shares relating to the purchase of Tekkie Town from the date of acquisition, 1 February 2017. The remaining ordinary shares were assumed to be in issue since the beginning of the 2016 financial year. This treatment is in line with the principles applied in accounting for the transfer of assets between entities under common control detailed in the basis of preparation.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group (including structured entities). An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, substantive rights relating to an investee are taken into account. For a right to be substantive, the holder must have the practical ability to exercise that right.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any difference between the cost of acquisition and the group's share of the net identifiable assets, liabilities and contingent liabilities, fairly valued, is recognised and treated in terms of the group's accounting policy for goodwill. All intergroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between group entities are eliminated.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

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.

Consolidation of a subsidiary begins when a company obtains control over a subsidiary and ceases when the company loses control over the subsidiary.

Associate companies

An associate company is an entity over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the entity, but which it does not control or jointly control.

Dilution gains and losses arising on the investment in associate companies are recognised in other comprehensive income.

The profit or loss on transactions with associate companies is not eliminated.

Associate companies are equity accounted.

Joint arrangements

A joint arrangement is defined as an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. There are two types of joint arrangements, namely joint operation and joint venture.

Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise and measure the assets and liabilities (and recognise the related revenues and expenses) in relation to its interest in the arrangement in accordance with the relevant IFRSs applicable to the particular assets, liabilities, revenues and expenses.

A joint venture is a joint arrangement whereby the parties that have control of the arrangement have rights to the net assets of the arrangement. A joint venturer recognises an investment and accounts for that investment using the equity method.

Associate companies are equity accounted.

Contingent consideration

Where a structured business combination contains a puttable instrument on the interest of an apparent non-controlling shareholder, the acquirer will classify the obligation to pay contingent consideration that meets the definition of a financial instrument as a financial liability or as equity on the basis of the definitions of an equity instrument and financial liability in IAS 32: *Financial Instruments - Presentation*. Contingent consideration is measured at fair value at each reporting date, and changes in fair value are recognised in profit or loss.

Premiums and discounts arising on subsequent purchases from, or sales to non-controlling interests in subsidiaries

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.

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill arising on the acquisition of a subsidiary, associate company or joint-venture company represents the excess of the aggregate consideration transferred, non-controlling interest in the acquiree and in business combinations achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate company or joint-venture company recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. An impairment loss in respect of goodwill is not reversed.

Goodwill is allocated to cash-generating units (CGUs) and is tested annually for impairment, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary, associate company or joint-venture company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Gains on bargain purchases arising on acquisition are recognised directly as capital items in profit or loss.

Intangible assets

Intangible assets that are acquired by the group are stated at cost less accumulated amortisation and impairment losses. If an intangible asset is acquired in a business combination, the cost of that intangible asset is measured at its fair value at the acquisition date.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

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. An intangible asset is regarded as having an indefinite useful life when, based on analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but are tested for impairment annually, or more often when there is an indication that the asset may be impaired. Other intangible assets are amortised from the date they are available for use.

The amortisation methods, estimated useful lives and residual values are reassessed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

Property, plant and equipment

Owned assets

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

Leased assets

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. All other leases are classified as operating leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease.

The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective-interest method to determine the lease finance costs, which are charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Subsequent costs

The group recognises in the carrying amount of an item of property, plant and equipment 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 recognised in profit or loss on a straight-line basis at rates that will reduce the book values to estimated residual values over the estimated useful lives of the assets.

Land is not depreciated. Leasehold improvements on premises occupied under operating leases are written off over their expected useful lives or, where shorter, the term of the relevant lease.

The depreciation methods, estimated useful lives and residual values are reassessed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Taxation

Current taxation

Income taxation on the profit or loss for the year comprises current and deferred taxation. Income taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised directly in other comprehensive income or equity.

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

Deferred taxation

Deferred taxation is provided for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used in the computation of taxable income. The following temporary differences are not provided for: goodwill not deductible for taxation purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associate companies and interest in joint-venture companies, except where the group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current taxation assets and liabilities on a net basis.

Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the taxation rates (and taxation laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred taxation liabilities and assets reflects the taxation consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset will be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling and distribution expenses.

The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Where necessary, the carrying amounts of inventory are adjusted for obsolete, slow-moving and defective inventories.

Share-based payment transactions

Equity-settled

The fair value of the deferred delivery shares and the share rights granted to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and is expensed over the period during which the employees are required to provide services in order to become unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The amount recognised as an expense is adjusted to reflect the actual number of deferred delivery shares and the share rights that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

Group share-based payment transactions

Transactions in which a parent grants rights to its equity instruments directly to the employees of its subsidiaries are classified as equity-settled in the financial statements of the subsidiary, provided the share-based payment is classified as equity-settled in the consolidated financial statements of the parent.

The subsidiary recognises the services acquired with the share-based payment as an expense and recognises a corresponding increase in equity representing a capital contribution from the parent for those services acquired. The parent recognises in equity the equity-settled share-based payment and recognises a corresponding increase in the investment in subsidiary.

A recharge arrangement exists whereby the subsidiary is required to fund the difference between the exercise price on the share right and the market price of the share at the time of exercising the right. The recharge arrangement is accounted for separately from the underlying equity-settled share-based payment as follows upon initial recognition:

- The subsidiary recognises a share scheme settlement provision at fair value, using cash-settled share-based payment principles, and
- The parent recognises a corresponding share scheme settlement asset at fair value and a corresponding adjustment to the carrying amount of the investment in the subsidiary.

Subsequent to initial recognition, the recharge arrangement is remeasured at fair value at each subsequent reporting date until settlement date to the extent vested. Where the settlement provision recognised is greater than the initial capital contribution recognised by the subsidiary in respect of the share-based payment, the excess is recognised as a net capital distribution to the parent. The amount of the settlement asset in excess of the capital contribution recognised as an increase in the investment in subsidiary is deferred and recognised as dividend income by the parent when settled by the subsidiary.

Provisions

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.

If the effect is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Restructuring

A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Dilapidation and onerous contracts

A provision for dilapidation and onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligation under the contract.

Foreign currency

Foreign currency transactions

Transactions in currencies other than the functional currency of entities are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates ruling on the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of all foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at rates of exchange ruling at the reporting date. The revenues and expenses of foreign operations are translated at rates approximating the foreign exchange rates ruling at the date of the transactions.

Foreign exchange differences arising on translation are recognised in other comprehensive income and aggregated in the foreign currency translation reserve (FCTR). The FCTR applicable to a foreign operation is released to profit or loss as a capital item upon disposal of that foreign operation.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges, are recognised in other comprehensive income and accumulated in the FCTR. They are released to profit or loss as a capital item upon disposal of that foreign operation.

Financial instruments

Initial recognition

Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Initial measurement

All financial instruments are initially recognised at fair value, including transaction costs that are incremental to the group and directly attributable to the acquisition or issue of the financial asset or financial liability, except for those classified as fair value through profit or loss where the transaction costs are recognised immediately in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss consist of items classified as held for trading.

All financial liabilities, other than those at fair value through profit or loss, are classified as financial liabilities at amortised cost.

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

Available-for-sale financial assets are measured at fair value, with any gains and losses recognised directly in equity along with the associated deferred taxation. Any foreign currency gains or losses, dividend income or interest revenue, measured on an effective-yield basis, are recognised in profit or loss.

Embedded derivatives

Certain derivatives embedded in financial host contracts are treated as separate derivatives and recognised on a standalone basis, when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value, with gains and losses reported in profit or loss.

Derecognition

The group derecognises a financial asset when the rights to receive cash flows from the asset have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

STEINHOFF AFRICA RETAIL LIMITED
SUMMARY OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 SEPTEMBER 2017

A financial liability is derecognised when, and only when, the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or has expired.

Impairment of financial assets

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

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

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

Instalment sale and loan receivables, such as up-to-date and early-stage delinquent trade receivables, i.e. assets that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the level of arrears of a customer, part payment of instalments or missed instalments, as well as observable changes in national or economic conditions that correlate with defaults on receivables.

Effective-interest method

The effective-interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of a financial instrument, or, where appropriate, a shorter period.

Hedge accounting

The group designates certain hedging instruments, which include derivatives, embedded 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.

Fair value hedges

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in fair value of the hedged item that are attributable to the hedged risk.

Cash flow hedges

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

Amounts deferred in other comprehensive income are recycled to profit or 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.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income in the FCTR. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Gains and losses deferred in the FCTR are recognised in profit or loss on disposal of the foreign operation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Goods sold and services rendered

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at reporting date. The stage of completion is assessed by reference to surveys of the work performed.

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

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

Interest

Interest is recognised on the time proportion basis, taking account of the principal debt outstanding and the effective rate over the period to maturity.

Dividend income

Dividend income from investments is recognised when the right to receive payment has been established.

Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Operating leases

Payments and receipts under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Other income

Other income comprises mostly commissions received from third parties for ancillary services rendered including insurance, money transfers and bill payments. The income is recognised when the services have been provided.

Segmental reporting

A segment is a distinguishable component of the group that is engaged in providing products or services that are subject to risks and rewards that are different from those of other segments. The basis of segmental reporting is representative of the internal structure used for management reporting as well as the structure in which the chief operating decision-makers review the information.

The basis of segmental allocation is determined as follows:

- Revenue that can be directly attributed to a segment and the relevant portion of the profit that can be allocated on a reasonable basis to a segment.
- Segmental assets are those assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segmental assets exclude investments in equity accounted companies, investments and loans, cash and cash equivalents, assets of discontinued operations and assets held for sale.

STEINHOFF AFRICA RETAIL LIMITED
JUDGEMENTS AND ESTIMATES
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next financial year are discussed below.

Useful lives and residual values

The estimated useful lives for intangible assets with a finite life and property, plant and equipment are:

Intangible assets

Trade and brand names	10 - 20 years
Software	1 - 8 years

Patents, trademarks, trade names and brand names, which are considered to be well-established growing brands and product lines for which there is no foreseeable limit to the period in which these assets are expected to generate cash flows, are classified as indefinite useful life assets. The classification of such assets is reviewed annually.

Indefinite useful life intangible assets, excluding goodwill, recognised at fair value in business combinations, are expected to generate cash flows indefinitely and the carrying value would only be recovered in the event of disposal of such assets. Accordingly, deferred taxation is raised at the capital gains taxation rate on the fair value of such assets exceeding its taxation base.

Property, plant and equipment

Buildings	5 - 50 years
Computer equipment	2 - 4 years
Motor vehicles	4 - 10 years
Office equipment	3 - 16 years
Furniture and fittings	3 - 10 years

The estimated useful lives and residual values are reviewed annually, taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the specific industries where these assets are used.

Impairment of assets

Investments, goodwill, property, plant and equipment and intangible assets that have an indefinite useful life, and intangible assets that are not yet ready for use, are assessed annually for impairment.

Deferred taxation assets

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

Contingent liabilities

Management applies its judgement to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing whether an obligation is probable, more likely than not, or remote. This judgement application is used to determine whether the obligation is recognised as a liability or disclosed as a contingent liability.

Provision for bad debts

The provision for bad debts was based on a combination of specifically identified doubtful debtors and providing for older debtors.

A provision for bad debts held against instalment sales receivables is raised when there is objective evidence that the assets are impaired. Factors taken into account to determine impairment of an asset are the level of arrears, part payment of instalments or missed instalments. Estimated future cash flows, that are discounted at the effective interest rate, are determined utilising past payment history and probability of default.

Fair values in business combinations

Management uses valuation techniques to determine the fair value of assets, liabilities and contingent liabilities acquired in business combination. Fair value of property, plant and equipment is determined by using external valuations as well as rental return on property.

Although a comprehensive valuation exercise is performed for each business combination, the group applies initial accounting for its business combinations that will allow the group a period of one year after the acquisition date to adjust the provisional amounts recognised for a business combination.

STEINHOFF AFRICA RETAIL LIMITED
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER

	Twelve months ended 30 September 2017 Rm	Fifteen months ended 30 September 2016 Rm
1. SEGMENTAL ANALYSIS		
REVENUE		
Integrated retail: Discount and value	44 130	47 418
Integrated retail: Speciality	13 720	13 736
Integrated retail: consumer goods	57 850	61 154
OPERATING PROFIT BEFORE CAPITAL ITEMS		
Integrated retail: Discount and value	5 585	4 191
Integrated retail: Speciality	230	(141)
Integrated retail: consumer goods	5 815	4 050
SEGMENTAL ASSETS		
Integrated retail: consumer goods	82 910	77 361
RECONCILIATION BETWEEN OPERATING PROFIT PER INCOME STATEMENT AND OPERATING PROFIT BEFORE CAPITAL ITEMS PER SEGMENTAL ANALYSIS		
Operating profit per income statement	5 786	3 642
Capital items (note 2)	29	408
Operating profit before capital items per segmental analysis	5 815	4 050
RECONCILIATION BETWEEN TOTAL ASSETS PER STATEMENT OF FINANCIAL POSITION AND SEGMENTAL ASSETS		
Total assets per statement of financial position	87 113	88 845
Less: Cash and cash equivalents	(3 797)	(2 771)
Less: Long-term investments and loans	(170)	(950)
Less: Loans due by Steinhoff and its subsidiaries	(236)	(7 763)
Segmental assets	82 910	77 361

Basis of segmental presentation

The segmental information has been prepared in accordance with IFRS 8: *Operating Segments* (IFRS 8), which defines requirements for the disclosure of financial information of an entity's operating segments. The standard requires segmentation based on the group's internal organisation and reporting of revenue and operating income based upon internal accounting methods.

Identification of segments

The group will be Africa's largest formal non-Grocery retail business, with an extensive footprint of 4953 stores at the end of the reporting period. Sales and financial services are further generated through approximately 120,000 flash devices operative in the active informal retail sector of the South African retail landscape.

Sales channels are internally segregated as discount, value and speciality. While best price per product category is fiercely protected and prioritised in the discount sales channel, the more aspirational value sales channel focusses on value for money. The speciality channel focusses on leveraging the number of brands in order to stay competitive in the smaller speciality product and customer segments.

The group is a high growth discounter focused on providing everyday basic products to its value conscious customer base. Everyday products is defined as basic discretionary product that fulfills families' basic needs. The longer term strategy is focused on maximizing 'share of wallet' of the core customer.

The group discloses its operating segments according to the entity components regularly reviewed by the chief operating decision-makers. Segmental information is prepared in conformity with the measure that is reported to the chief operating decision-makers. These values have been reconciled to the consolidated financial statements. The measures reported by the group are in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Segment revenue excludes value added taxation. Segment operating profit before capital items represents segment revenue less segment expenses, excluding capital items included in note 2. Segment expenses include distribution expenses and other operating expenses.

The segment assets comprise assets employed by the segment and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Despite the fact that the brands have different sales channels the product sourcing, supply chain and treasury systems are largely integrated and as a result the presentation of segmental assets are limited to one single segment within the Group.

Geographical analysis

The revenue, operating profit and assets are all classified as African for segmental geographical analysis.

**STEINHOFF AFRICA RETAIL LIMITED
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER**

Major customers

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

STEINHOFF AFRICA RETAIL LIMITED
 NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Twelve months ended 30 September 2017		Fifteen months ended 30 September 2016	
	Gross of taxation and non- controlling interests Rm	Net of taxation and non- controlling interests Rm	Gross of taxation and non- controlling interests Rm	Net of taxation and non- controlling interests Rm
2. CAPITAL ITEMS				
Capital 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.				
(Income)/expenses of a capital nature are included in the 'capital items' line in the income statement. These (income)/expense items are:				
2.1 Impairment/(Reversals of impairment)	7	7	485	331
Intangible assets	4	4	383	276
Property, plant and equipment	3	3	184	132
Other	-	-	(82)	(77)
2.2 Foreign currency translation reserve released to profit or loss on disposal of investment	-	-	(70)	(70)
2.3 Loss/(profit) on disposal of property, plant and equipment and intangible assets	27	23	(7)	(1)
2.4 Profit on sale and dilution of investments	(5)	(4)	-	-
	29	26	408	260

STEINHOFF AFRICA RETAIL LIMITED
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Twelve months ended 30 September 2017 Rm	Fifteen months ended 30 September 2016 Rm
3. OPERATING PROFIT		
Operating profit is stated after taking account of the following items:		
3.1 Amortisation and depreciation		
Amortisation	84	59
Depreciation	876	1 072
	960	1 131
<i>Recognised in:</i>		
Operating expenses	960	1 131
3.2 Auditor's remuneration		
Audit fees	41	48
Expenses and fees for other services	4	2
Over provision in prior year	(4)	-
	41	50
3.3 Personnel expenses		
Post-retirement benefit contributions to defined benefit and contribution plans	149	155
Salaries and wages	6 385	7 239
Share-based payments - equity-settled	100	72
	6 634	7 466
Refer to note 25 for salaries of directors and key management included under salaries and wages		
3.4 Net foreign exchange (gains)/losses		
Net gain on forward exchange contracts	(328)	(120)
Other foreign exchange (gains)/ losses	(102)	91
	(430)	(29)
3.5 Operating lease charges - properties		
Rental of properties	3 027	3 781
	3 027	3 781
3.6 Operating lease charges - other		
Leases of plant, equipment, vehicles and other	27	7
3.7 Other income		
Commission received	475	556
Marketing and advertising income	74	108
Other income	152	443
	701	1 107

STEINHOFF AFRICA RETAIL LIMITED
 NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Expense Rm	Income Rm	Net (income) /expense Rm
4. FINANCE COSTS AND INCOME FROM INVESTMENTS			
Year ended 30 September 2017			
Dividends received	-	(50)	(50)
Interest			
Banks	35	(141)	(106)
Loans	117	-	117
Related party loan	685	(52)	633
Other	95	(69)	26
	932	(312)	620
Fifteen months ended 30 September 2016			
Dividends received	-	(5)	(5)
Interest			
Banks	23	(58)	(35)
Loans	137	(18)	119
Related party loan	1 038	(312)	726
Other	64	(131)	(67)
	1 262	(524)	738

Subsequent to the date of listing, additional loans from Steinhoff and its subsidiaries were introduced into the Group. The details relating to the interest rates on these loans are disclosed in note 15 and will be applied to the loans due to Steinhoff and its subsidiaries prospectively. History will therefore not be indicative of the future interest payable.

STEINHOFF AFRICA RETAIL LIMITED
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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	Twelve months ended 30 September 2017 Rm	Fifteen months ended 30 September 2016 Rm
5. TAXATION		
5.1 Taxation charge		
Normal taxation		
South African normal taxation - current year	420	1 251
South African normal taxation - prior year adjustment	23	57
South African normal taxation - capital gains taxation	2	-
Foreign normal taxation - current year	126	215
Foreign normal taxation - prior year adjustment	94	4
Withholding taxation - South African	77	91
Withholding taxation - Foreign	28	75
	770	1 693
Deferred taxation		
South African deferred taxation - current year	771	(739)
South African deferred taxation - prior year adjustment	8	45
South African deferred taxation - rate change adjustment	-	624
Foreign deferred taxation - current year	45	(23)
Foreign deferred taxation - prior year adjustment	5	(18)
	829	(111)
	1 599	1 582
For detail on deferred taxation assets/(liabilities) refer to note 11.	%	%
5.2 Reconciliation of rate of taxation		
South African standard rate of taxation	28.0	28.0
Effect of different statutory taxation rates of subsidiaries in other jurisdictions	(0.3)	(0.9)
Net utilisation of unrecognised taxation losses and deductible temporary differences	(0.6)	2.1
Prior year adjustments	2.5	3.0
Withholding taxes	2.0	5.7
Tax-exempt income, non-deductible expenses, and other variances	(0.7)	(4.8)
Change in rate adjustments	-	21.5
Effective rate of taxation	30.9	54.6

The change in rate adjustment, in the prior year relates to the South African capital gains taxation rate change from 18.6% to 22.4% and the resultant increase of the deferred taxation liability.

STEINHOFF AFRICA RETAIL LIMITED
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Twelve months ended 30 September 2017 Rm	Fifteen months ended 30 September 2016 Rm
6. EARNINGS AND HEADLINE EARNINGS PER SHARE		
6.1. Earnings and headline earnings attributable to owners of the parent		
Profit for the period	3 567	1 317
Attributable to non-controlling interests	(17)	(27)
Earnings attributable to ordinary shareholders	3 550	1 290
Capital items (note 2)	29	408
Taxation effect of capital items (note 2)	(3)	(148)
Headline earnings	3 576	1 550
6.2. Diluted earnings and diluted headline earnings attributable to owners of the parent		
There are no dilutive instruments, dilutive earnings and headline earnings per share is therefore equal to basic earnings and headline earnings per share.		
	30 September 2017 Million	30 September 2016 Million
6.3. Weighted average number of ordinary shares		
Issued ordinary shares at beginning of the year	2 568	2 568
Effect of shares issued during the year in terms of acquisitions	87	-
Effect of shares issued in terms of private placement	23	-
Weighted average number of ordinary shares at end of the period for the purpose of basic and diluted earnings per share and headline earnings per share	2 678	2 568
As result of the weighting, the current year's per share numbers should be adjusted before any future profit forecasts are based on them.		
	Cents	Cents
6.4. Earnings per share		
The calculation of per share numbers uses the exact unrounded numbers, which may result in differences when compared to calculating the numbers using the rounded number of shares and earnings as disclosed below.		
Basic earnings per share		
Basic earnings per share is calculated by dividing the net earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.		
Basic earnings per share	132.6	50.2

STEINHOFF AFRICA RETAIL LIMITED
 NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Twelve months ended 30 September 2017	Fifteen months ended 30 September 2016
	Cents	Cents
6.5. Headline earnings per share		
Headline earnings is an additional earnings number that is permitted by IAS 33: <i>Earnings per Share</i> (IAS 33). The starting point is earnings as determined in IAS 33, excluding separately identifiable remeasurements, net of related taxation (both current and deferred) and related non-controlling interests other than remeasurements specifically included in headline earnings. This number is required to be reported by the Johannesburg Stock Exchange and is defined by Circular 2/2015 Headline Earnings.		
Separately identifiable remeasurements are those where the applicable IFRS explicitly requires separate disclosure of the operating and/or the platform remeasurement in the consolidated financial statements. No adjustments would be permitted on the basis of voluntary disclosure of gains or losses (or components of these).		
Headline earnings per share is calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue during the period.		
Headline earnings per share	133.6	60.4
Net asset value per share		
Net asset value per ordinary share is calculated by dividing the ordinary shareholders' equity by the number of ordinary shares in issue at year-end.		
Net asset value per share	1 533.1	2 050.6

STEINHOFF AFRICA RETAIL LIMITED
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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	2017	2016
	Rm	Rm
7. GOODWILL		
Carrying amount at beginning of the year	39 857	39 309
Arising on business combinations (note 21)	2 533	498
Additional goodwill raised and transferred on completion of IFRS 3 valuation	60	-
Other	8	50
Carrying amount at end of the year	42 458	39 857
Cost	43 312	40 711
Accumulated impairment	(854)	(854)
Carrying amount at end of the year	42 458	39 857

When the group acquires a business that qualifies as a business combination in respect of IFRS 3: *Business Combinations*, the group allocates the purchase price paid to the 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 cash-generating unit (CGU) that is expected to benefit from that business. Goodwill is assessed for impairment annually, irrespective of whether there is any indication of impairment.

Review of impairment

The impairment test compares the carrying amount of the cash generating unit, including goodwill to the value-in-use, or fair value of the unit. The recoverable amount of the CGU is determined from the value-in-use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and the expected changes to the selling prices and the direct costs during the period. 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 CGU operates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market and are derived from the most recent financial budgets and forecasts that have been prepared by management for the next year and extrapolated cash flows for the following years based on an estimated growth rate as set out on the next page.

Where an intangible asset, such as a trademark, trade name and brand name and/or patent, has been assessed as having an indefinite useful life (see accounting policies), the cash flow of the CGU, supporting the goodwill and driven by the trademark, brand or patent is also assumed to be indefinite.

An impairment charge is required for both goodwill and other indefinite life intangible assets when the carrying amount exceeds the recoverable amount. No impairment charge was recorded during the year under review.

The group prepared cash flow forecasts derived from the most recent financials budgets approved by management for the next year and extrapolated cash flows for the following years based on an estimated growth rate as set out on the next page.

STEINHOFF AFRICA RETAIL LIMITED
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Impairment tests for CGUs containing goodwill

The following units have significant carrying amounts of goodwill:

	Pre-tax discount rate	Forecasted cash flows	2017 Rm	2016 Rm
Pepkor Group	13.10%	Budget years 1 to 3, thereafter decreasing growth rates to year 10, and a terminal growth rate of 5.0% thereafter.	39 300	39 300
Building material Group	14.71%	Budget years 1 to 3, thereafter decreasing growth rates to year 10, and a terminal growth rate of 5.0% thereafter.	584	524
Tekkie Town	13.10%	Budget years 1 to 3, thereafter 8% growth rates to year 10, and a terminal growth rate of 6.0% thereafter.	2 251	-
Call center and debt collector	13.10%	Budget years 1 to 3, thereafter decreasing growth rates to year 10, and a terminal growth rate of 5.0% thereafter.	282	-
Other		Immaterial amounts	41	33
Carrying amount at end of the year			42 458	39 857

The impairment models were prepared on the same basis as the comparative year. Discount rates were updated for changes in risk-free interest rates and country specific risks. The forecast cash flow periods and other inputs are all consistent with those of the comparative year.

Additional goodwill raised and transferred on completion of the IFRS 3 valuation of the Building material Group did not result in the restatement of the comparative due to the fact that the adjustment was deemed not to be material for purposes of the disclosure in the financial statements.

Sensitivity analysis

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

STEINHOFF AFRICA RETAIL LIMITED
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	Trade and brand names Rm	Software and ERP systems Rm	Other Rm	Total Rm
8. INTANGIBLE ASSETS				
Balance at 1 July 2015	17 211	216	-	17 427
Additions	-	2	-	2
Amortisation	(5)	(53)	(1)	(59)
Acquired on acquisition of businesses (note 21)	478	-	-	478
Impairment	(329)	(54)	-	(383)
Transfer from property, plant and equipment	-	17	-	17
Exchange differences on consolidation of foreign subsidiaries	1	-	1	2
Balance at 30 September 2016	17 356	128	-	17 484
Additions	-	64	-	64
Amortisation	(3)	(81)	-	(84)
Disposals	-	(1)	-	(1)
Acquired on acquisition of businesses (note 21)	774	31	-	805
Impairment	-	(4)	-	(4)
Transfer from property, plant and equipment	-	104	-	104
Balance at 30 September 2017	18 127	241	-	18 368
Cost	17 994	757	17	18 768
Amortisation and impairment	(638)	(629)	(17)	(1 284)
Net book value at 30 September 2016	17 356	128	-	17 484
Cost	18 768	1 163	17	19 948
Amortisation and impairment	(641)	(922)	(17)	(1 580)
Net book value at 30 September 2017	18 127	241	-	18 368

Patents and trademarks have been aggregated with trade and brand names

Review of impairment

In determining the appropriate methodology to be adopted in the valuation of the value in use of the majority of the group's intangible assets, the relief from royalty approach was considered to be the most applicable as a primary valuation methodology, because it is predominantly and widely used as a basis for the structuring of licensing agreements both locally in the countries where these intangible assets originate and internationally, and this approach is generally accepted internationally as a reliable means of valuing trademarks.

IAS 38: *Intangible Assets* (IAS 38) gives guidance on how the fair value of intangible assets can be determined. The guidance has been applied throughout the valuation of the trade names, brand names and trademarks. Impairment tests typically take into account the most recent management forecast whereafter a reasonable rate of growth is applied based on market and industry conditions. Discount rates used in the discounted cash flow models are based on a weighted average cost of capital, while royalty rates used are determined with reference to industry benchmarks.

Impairment

All intangible assets were tested for impairment during the periods presented and a R4 million impairment relating to software was recognised in the current year (30 September 2016: R383 million impairment of the furniture brand names). There is no indication based on a reasonable fluctuation in the key assumptions that the remaining balance of the intangible assets and ERP systems are impaired.

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

Useful lives

Under IAS 38, the useful life of an asset is either finite or indefinite. 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. Intangible assets with an indefinite useful life are not amortised; an impairment test is performed at least annually as well as an annual review of the assumptions used to determine the useful life.

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

- The industry is a mature, well-established industry.
- The trade names, brand names and/or trademarks are long established relative to the market and have been in existence for a long time.
- The intangible assets relate to trade names, brand names, trademarks and patents rather than products and 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.

Royalty rates

The royalty rate represents the assumed amount which would be paid to the owner of the intangible asset as a royalty fee, expressed as a percentage of revenue, for the use of the intangible asset. It is necessary to look to the industry in which the brand is operational as well as the cash generating unit's profitability to determine an appropriate notional royalty rate.

A database search of the RoyaltySource Intellectual Property Database for comparable worldwide licensing or franchising transactions of trademarks in the retail industry, revealed royalty rates varying from 2.5% to 5.0%, with an average rate of 4.0%. The royalty rates used in assessing the value in use of the group's trade names and brand names all fall within or below this recommended range and vary from 1% to 4.0%.

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	Land and buildings Rm	Furniture and fittings Rm	Leasehold improvements Rm	Other assets Rm	Total Rm
9. PROPERTY, PLANT AND EQUIPMENT					
Balance at 1 July 2015	543	1 837	487	401	3 268
Additions	186	1 121	161	238	1 706
Depreciation	(17)	(693)	(177)	(185)	(1 072)
Disposals	(10)	(52)	(25)	-	(87)
Impairment	-	-	(138)	(46)	(184)
Acquisition of businesses (note 21)	-	47	6	123	176
Reclassification	-	-	7	(7)	-
Transfer to intangible assets	-	-	-	(17)	(17)
Exchange differences on consolidation of foreign subsidiaries	(13)	(78)	45	(30)	(76)
Balance at 30 September 2016	689	2 182	366	477	3 714
Additions	217	149	215	1 168	1 749
Depreciation	(14)	(437)	(124)	(301)	(876)
Disposals	(37)	(32)	(20)	(43)	(132)
Impairment	-	-	(1)	(2)	(3)
Acquisition of businesses (note 21)	104	-	45	44	193
Transfer to intangible assets	-	(2)	-	(102)	(104)
Exchange differences on consolidation of foreign subsidiaries	(16)	212	(36)	(88)	72
Balance at 30 September 2017	943	2 072	445	1 153	4 613
Cost	760	5 041	739	1 356	7 896
Accumulated depreciation and impairment	(71)	(2 859)	(373)	(879)	(4 182)
Net book value at 30 September 2016	689	2 182	366	477	3 714
Cost	1 034	4 552	967	2 684	9 237
Accumulated depreciation and impairment	(91)	(2 480)	(522)	(1 531)	(4 624)
Net book value at 30 September 2017	943	2 072	445	1 153	4 613

Land and buildings

Details of land and buildings are available for inspection by shareholders on request at the various registered offices of the company and its subsidiaries.

Other assets

Other assets comprise: computer equipment, motor vehicles, office equipment and capital work-in-progress. Capital work in progress is not depreciated.

Encumbered assets

Assets with a book value of R21 million as at 30 September 2017 and R633 million as at 30 September 2016 are encumbered. The encumbered assets relate to the finance leases disclosed under note 15.

Insurance

Property, plant and equipment, with the exception of motor vehicles and land, are insured at approximate cost of replacement. Motor vehicles are insured at market value.

Impairment losses

Refer to 'Capital items' (note 2).

Useful lives

The estimated useful lives are reflected under 'Judgements and estimates' in accounting policies.

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	2017 Rm	2016 Rm
10. INVESTMENTS AND LOANS		
Long-term investments and loans		
Available for sale		
Unlisted investments		
Other	25	-
Loans and receivables at amortised cost		
Interest-bearing loans	145	471
Angola bonds	-	238
Non interest-bearing loans	-	241
	170	950

Details of investments are available at the registered office of the company for inspection by shareholders.

The interest bearing loans include loans to related parties as disclosed in note 24. The loans and receivables at amortised cost consist of various loans with no fixed repayment terms, bearing interest at market-related interest rates.

None of the loans and receivables at amortised cost are past due or impaired at reporting date and there are no indications that any of these counterparties will not meet their repayment obligations.

The fair value of loans are disclosed in note 23.

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	2017 Rm	2016 Rm
11. DEFERRED TAXATION ASSETS/(LIABILITIES)		
11.1 Deferred taxation movement		
<i>(Liabilities)/assets</i>		
Balance at beginning of the period	(1 171)	(1 462)
Deferred taxation of businesses acquired (Refer to note 21)	(127)	(25)
Amounts charged directly to other comprehensive income and equity		
Utilisation of tax losses division excluded from internal restructure	(270)	-
Cash flow hedging reserve and share based payment reserve	(77)	269
Current year charge	(829)	111
Exchange differences on consolidation of foreign subsidiaries	10	(64)
Balance at end of the period	(2 464)	(1 171)
<p>Prior to the internal restructure and to listing, the Unitrans Automotive division was part of a legal entity included within the Group. The utilisation of the tax loss during the period is therefore included as a deferred taxation movement through equity as it relates to statutory tax losses utilised whilst the entity formed part of the statutory group prior to restructure.</p>		
11.2 Deferred taxation balances		
<p>The corporate taxation rate in South Africa is 28% (2016: 28%) and the capital gains taxation rate 22.4% (2016: 18.6%). Deferred taxes for non-South African subsidiaries are calculated based on tax rates that have been enacted or substantively enacted by the reporting date.</p>		
Total deferred taxation liabilities	(4 050)	(3 724)
Total deferred taxation assets	1 586	2 553
<p>Realisation of the deferred taxation assets are expected out of future taxable income, which was assessed and deemed to be reasonable based on the budgets of the various statutory entities.</p>		
<p>Deferred taxation balance comprises:</p>		
Intangible assets	(4 045)	(3 870)
Property, plant and equipment	125	184
Prepayments and provisions	472	458
Share-based payments	27	10
Taxation losses	483	1 691
Doubtful debts	88	85
Other	386	271
	(2 464)	(1 171)
11.3 Unrecognised deferred taxation assets		
<p>Deferred taxation assets have not been recognised in respect of the following items:</p>		
Taxation losses	1 336	1 349
<p>The taxation losses and deductible temporary differences do not expire under current taxation legislation. Deferred taxation 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. Deferred taxation assets are assessed at each statutory entity individually.</p>		
11.4 Taxation losses		
Estimated taxation losses available for offset against future taxable income	3 106	7 490

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	2017	2016
	Rm	Rm
12. TRADE AND OTHER RECEIVABLES		
Current trade and other receivables		
Trade receivables	1 293	1 354
Related-party receivables (note 24)	58	63
Instalment sale and loan receivables	2 190	2 002
Other amounts due	1 060	1 311
Less: Provision for bad debts (note 23)	(504)	(470)
Derivative financial assets	202	83
Current trade and other receivables (financial assets)	4 299	4 343
Prepayments	243	226
Taxation receivable	167	149
Value added taxation receivable	222	303
	4 931	5 021

The group provides revolving credit to its customers.

The credit period on sales of goods is between 30 and 90 days. Where relevant, interest is charged at market-related rates on outstanding balances.

Before accepting any new customers, credit risk management uses various credit bureau and performs credit assessments to assess the potential customer's credit potential and credit limit. The credit limits are reviewed on a regular basis as and when increased limits are required. Customers with material balances are subject to additional security requirements or are insured as appropriate.

In determining the recoverability of a customer, the group considers any change in the credit quality of the customer from the date credit was initially granted up to the reporting date.

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. Accordingly, the directors believe that no further credit provision is required in excess of the provision for bad debts.

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

The group's exposure to currency and credit risk related to trade and other receivables is disclosed in note 23.

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	2017	2016
	Rm	Rm
13. INVENTORIES		
13.1 Inventories at cost less provisions		
Finished goods and merchandise	9 953	8 137
Goods in transit	945	492
Raw materials and other inventories	56	103
	10 954	8 732
13.2 Amount of write-down as an expense during the year	422	112

Inventories carried at net realisable value are immaterial.

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14. SHARE CAPITAL

The company was established on 22 May 2017 and subsequently renamed and converted to a public company on 2 August 2017. As a result there were no authorised or issued share capital in the

14.1 Authorised - ordinary

Ordinary shares of no par value 20 000 000 000

14.2 Issued - ordinary

Incorporation shares issued 1
 Shares issued in terms of internal restructure 2 699 999 999
 Shares issued in terms of private placement 750 000 000
Total issued ordinary stated share capital 3 450 000 000

Rm

14.3 Issued - ordinary

Shares issued in terms of internal restructure 70 177
 Shares issued in terms of private placement 15 375
 Capital distribution (20 632)
 Share issue expenses (230)
Total issued ordinary stated share capital 64 690

Number of
 shares

14.4 Unissued shares

Shares reserved for future participation in share schemes 500 000 000
 Shares reserved for Shoprite transaction 1 748 241 188
 Shares under the control of the directors 258 750 000
 Unissued shares 14 043 008 812
Total unissued shares 16 550 000 000

By way of general authority, shareholder approval was granted to the board to issue up to 258 750 000 shares for cash, subject to the provisions of the Memorandum of Incorporation and the JSE Listings Requirements, which authority shall endure until the first Annual General Meeting of the company held after the listing.

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.

14.5 Authorised - preference

Non-redeemable, non-cumulative, non-participating preference shares of no par value 5 000 000
 Non-redeemable, cumulative, non-participating preference shares of no par value 2 500 000
 Redeemable, non-cumulative, non-participating preference shares of no par value 2 500 000
 Redeemable, cumulative, non-participating preference shares of no par value in the following classes:
 Class A1 redeemable, cumulative, non-participating preference shares of no par value; 10 000 000
 Class A2 redeemable, cumulative, non-participating preference shares of no par value; 10 000 000
 Class A3 redeemable, cumulative, non-participating preference shares of no par value; 10 000 000
 Class A4 redeemable, cumulative, non-participating preference shares of no par value; 10 000 000
 Class A5 redeemable, cumulative, non-participating preference shares of no par value;. 10 000 000
Total authorised preference share capital 60 000 000

No preference shares were issued during the year.

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	2017 Rm	2016 Rm
15 INTEREST-BEARING LOANS AND BORROWINGS		
15.1 Analysis of closing balance - external interest-bearing loans and borrowings		
Secured financing		
Capitalised finance lease and instalment sale agreements	27	40
	<u>27</u>	<u>40</u>
Unsecured financing		
Other loans	-	85
	<u>-</u>	<u>85</u>
Total interest-bearing loans and borrowings	27	125
Portion payable within 12 months included in current liabilities	(11)	(98)
Total non-current interest-bearing loans and borrowings	<u>16</u>	<u>27</u>
15.2 Analysis of closing balance - Loans due to Steinhoff and its subsidiaries		
Total loans due to Steinhoff and its subsidiaries	15 868	18 196
Portion payable within 12 months included in current liabilities	(4 868)	(18 196)
Total non-current loans due to Steinhoff and its subsidiaries	<u>11 000</u>	<u>-</u>
15.3 Analysis of repayment - External loans		
Repayable within the next year and thereafter		
Next year	11	98
Within two years	9	16
Within three years	5	6
Within four years	1	3
Within five years	1	1
Thereafter	-	1
	<u>27</u>	<u>125</u>
15.4 Analysis of repayment - Loans due to Steinhoff and its subsidiaries		
Repayable within the next year and thereafter		
Next year	4 868	18 196
Within three years	7 500	-
Within five years	3 500	-
	<u>15 868</u>	<u>18 196</u>

The book value of assets encumbered in favour of the above finance lease and instalment sale agreements amounts to R21 million as at (30 September 2016: R633 million) (note 9). No financial assets have been pledged as collateral for either periods presented.

The undiscounted cash flows of the remaining contractual maturity as well as the fair values of interest-bearing loans and borrowings are disclosed in note 23.

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	Facility million	Maturity date	Interest rate	2017 Rm	2016 Rm
15.5 Loan details					
Secured					
Capitalised finance lease and instalment sale agreements	-	-	Various	27	40
Secured hire purchase and lease agreements repayable in monthly or annual instalments over periods of one to five years. These leases are with various counterparties.					
Unsecured					
Loans due to Steinhoff and its subsidiaries					
Term Loan A	3 500	15 October	Three month JIBAR 2022 plus 225 bps	3 500	-
Term Loan B	7 500	15 October	JIBAR plus 200 bps 2020	7 500	-
Term Loan C	5 000	On demand	Standard Bank prime	4 868	-
On demand loan	N/A	On demand	JIBAR plus 200 bps	-	18 196
Other loans				-	85
				15 895	18 321

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	2017 Rm	2016 Rm
16. EMPLOYEE BENEFITS		
Post-retirement medical benefits	83	74
Performance-based bonus accrual	467	237
Leave pay accrual	249	228
Other	50	20
Total liability	849	559
Transferred to short-term employee benefits	(737)	(425)
Long-term employee benefits	112	134

16.1 Defined contribution plans

The group has various defined contribution plans to which employees contribute. The assets of these schemes are held in administered trust funds separate from the group's assets.

16.2 Defined benefit plans

A defined benefit plan is in operation within the Pepkor group. The assets of this scheme is held in administered trust funds separate from the group's assets. If the funds have surpluses, these have not been recognised as the employer is not entitled to any of the surpluses or unutilised reserves.

	Performance- based bonus Rm	Leave pay Rm	Total Rm
16.3 Performance-based bonus and leave pay accruals			
Balance at 1 July 2015	21	371	392
Accrual raised	508	82	590
Amounts unused reversed	(42)	-	(42)
Amounts utilised	(556)	(69)	(625)
Net acquisition and disposal of subsidiaries and businesses	27	18	45
Reclassification from/(to) accruals	279	(174)	105
Balance at 30 September 2016	237	228	465
Accrual raised	285	30	315
Amounts unused reversed	(10)	-	(10)
Amounts utilised	(63)	(28)	(91)
Acquisition of subsidiaries and businesses	2	17	19
Reclassification from accruals	16	-	16
Exchange differences on consolidation of foreign subsidiaries	-	2	2
Balance at 30 September 2017	467	249	716

Performance-based bonus accrual

The bonus payable is calculated by applying a specific formula based on the employee's achievement of performance targets.

Leave pay accrual

The leave pay accrual relates to vesting leave pay to which employees may become entitled on leaving the employment of the group. The accrual arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on an employee's total cost of employment. The accrual is utilised when employees become entitled to and are paid for the accumulated leave or utilise compensated leave due to them.

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	Dilapidation, onerous lease and onerous contract provisions Rm	Contingent liabilities raised on business combinations Rm	Other Rm	Total Rm
17. PROVISIONS				
Balance at 1 July 2015	-	1 598	209	1 807
Provision raised	230	-	461	691
Amounts unused reversed	(3)	-	(60)	(63)
Amounts utilised	(58)	(676)	(199)	(933)
Net acquisition and disposal of subsidiaries and businesses	-	-	10	10
Reclassification from accruals	-	-	88	88
Exchange differences on consolidation of foreign subsidiaries	1	-	1	2
Balance at 30 September 2016	170	922	510	1 602
Provision raised	76	-	426	502
Amounts unused reversed	(10)	-	(3)	(13)
Amounts utilised	(115)	(209)	(695)	(1 019)
Acquisition of subsidiaries and businesses	15	-	-	15
Reclassification to accruals	-	-	(29)	(29)
Balance at 30 September 2017	136	713	209	1 058

	2017 Rm	2016 Rm
Long-term provisions	727	993
Short-term provisions	331	609
	1 058	1 602

Dilapidation, onerous lease and onerous contract provisions

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

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

Contingent liabilities raised on business combinations

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

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 or tax, legal and regulatory matters.

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	2017 Rm	2016 Rm
18. TRADE AND OTHER PAYABLES		
Non-current trade and other payables		
Equalisation of operating lease payments	533	501
	533	501
Current trade and other payables		
Trade payables	7 293	6 471
Related-party payables (note 24)	181	118
Accruals	875	887
Cash received in advance, other payables and amounts due	2 492	1 875
Derivative financial liabilities	27	825
Trade and other payables (financial liabilities)	10 868	10 176
Equalisation of operating lease payments	58	50
Taxation payable	557	1 092
Value added taxation payable	115	12
Share scheme settlement payable (note 19)	124	34
	11 722	11 364

The fair value of trade and other payables is disclosed in note 23.

19. SHARE SCHEME SETTLEMENT PAYABLE

Terms of the scheme

Following the internal restructure implemented by STAR and the resultant listing of the company, STAR will grant future share rights to share scheme participants under the STAR Share Rights Scheme. The obligations of Steinhoff N.V. and respective employer entities, under all open grants will remain.

Executive Steinhoff N.V. Share Right Scheme

The Executive Steinhoff N.V. Share Right Scheme is subject to the following conditions:

- Rights are granted to qualifying senior executives on an annual basis.
- Vesting of rights occurs on the third anniversary of grant date, provided performance criteria, as set by Steinhoff International Holdings N.V.'s remuneration committee at or about the time of the grant date, have been achieved.
- 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.

	30 September 2017 Number of rights
The number of Steinhoff N.V. share rights outstanding is:	
At the beginning of the year	2 671 636
Exercised during the year	(355 102)
Forfeited during the year ¹	(104 053)
Granted during the year	3 562 294
Outstanding at end of the year	5 774 774

¹ Certain individuals did not meet performance targets for the share vesting and forfeited their share rights relating to these

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 model. The volatility was estimated using the Steinhoff N.V. daily closing share price over a rolling three-year period.

	2017 grant	2016 grant	2014 grant
Fair value of Steinhoff N.V. share rights and assumptions:			
Fair value at grant date	€4.70	€4.55	R 53.76
Share price at grant date	€4.98	€4.92	R 58.00
Expected volatility	34.78%	26.05%	24.39%
Dividend yield	2.05%	2.57%	2.57%
Risk-free interest rate	7.36%	8.16%	6.45%
Option life	3 years	3 years	3 years 3 months

Share scheme settlement arrangement

Rights granted under the Steinhoff N.V. Executive Share Rights Scheme are subject to a share scheme settlement arrangement whereby the subsidiary companies are required to pay the subscription price of shares granted to employees, equivalent to the quoted market price of such shares on the vesting date when the shares are secured by the subsidiary companies for delivery to the employees.

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	30 September 2017	30 September 2016
	Rm	Rm
Fair value of share scheme settlement payable		
At the beginning of the period	34	-
Increase in fair value	115	34
Reduction due to vesting	(25)	-
Balance at the end of the year	124	34

The fair value of the share scheme settlement payable under the Steinhoff N.V. Executive Share Rights Scheme is determined based on the Monte Carlo model. The fair value of the receivable is remeasured at each reporting date and at the settlement date. The model inputs at 30 September 2017 were as follows:

	2017 grant	2016 grant	2014 grant
Share price at 30 September 2017	€3.77	€3.77	€3.77
Fair value at 30 September 2017	€3.52	€3.64	€3.76
Term	29 months	17 months	5 months
Volatility	31.0%	31.0%	31.0%
Dividend yield	2.8%	2.3%	-
Risk-free interest rate	6.8%	6.8%	6.9%

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	Twelve months ended 30 September 2017 Rm	Fifteen months ended 30 September 2016 Rm
20. CASH GENERATED FROM OPERATIONS		
Operating profit	5 786	3 642
Adjusted for:		
Debtors' costs	284	425
Amortisation and depreciation	960	1 131
Impairments	7	485
Inventories written down to net realisable value and movement in provision for inventories	422	288
Net loss/(profit) on disposal of property, plant and equipment and intangible assets	27	(7)
Profit on disposal and dilution of investments	(5)	(70)
Share-based payment expense	100	72
Provision releases and other non-cash adjustments	(312)	50
Cash generated before working capital changes	7 269	6 016
Working capital changes		
Increase in inventories	(1 910)	(967)
Decrease/(increase) in trade and other receivables	180	(2 027)
(Increase)/decrease in derivative financial liabilities/assets	(149)	128
Decrease in non-current and current provisions	(342)	(215)
Increase in non-current and current employee benefits	263	29
Increase in trade and other payables	1 153	2 068
Net changes in working capital	(805)	(984)
Cash generated from operations	6 464	5 032

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	Tekkie Town	Call center & Debt collector	Total 2017	Total 2016
	Rm	Rm	Rm	Rm

21. NET CASH FLOW ON ACQUISITION OF BUSINESSES

On 1 October 2016, a call centre and debt collector company was acquired for R471 million cash. On 1 February 2017, Tekkie Town was acquired for a purchase price of R 3.4 billion settled through the issue of Steinhoff Africa Retail shares. For Steinhoff N.V. group purposes the Tekkie Town purchase was settled through a combination of shares and cash. (2016: Iliad was purchased for a net cash consideration of R1.3 billion). 100% share holding in all entities were acquired.

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

Assets				
Intangible assets	766	39	805	478
Property, plant and equipment	69	124	193	176
Deferred taxation assets	23	2	25	73
Cash on hand	32	10	42	179
Liabilities				
Non-current interest-bearing loans and borrowings	(3)	-	(3)	(10)
Deferred taxation liabilities	(148)	(4)	(152)	(98)
Current interest-bearing loans and borrowings	-	(3)	(3)	-
Bank overdraft and short-term facilities	(79)	-	(79)	-
Working capital	439	21	460	147
Total assets and liabilities acquired	1 099	189	1 288	945
Goodwill attributable to acquisition	2 251	282	2 533	498
Total consideration	3 350	471	3 821	1 443
Cash on hand at date of acquisition	(32)	(10)	(42)	(179)
Paid through issue of shares	(3 350)	-	(3 350)	-
Net cash outflow on acquisition of subsidiaries	(32)	461	429	1 264

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.

21.2 The carrying value of identifiable assets and liabilities immediately prior to the acquisition

Assets				
Goodwill	20	-	20	203
Intangible assets	-	39	39	27
Property, plant and equipment	87	124	211	161
Deferred taxation assets	23	2	25	40
Cash on hand	32	10	42	159
Liabilities				
Non-current interest-bearing loans and borrowings	(3)	-	(3)	(10)
Deferred taxation liability	-	(4)	(4)	-
Current interest-bearing loans and borrowings	-	(3)	(3)	-
Bank overdraft and short-term facilities	(79)	-	(79)	-
Working capital	504	21	525	316
Total assets and liabilities acquired	584	189	773	896

21.3 The revenue and operating profit earned from the divisions for the period consolidated were:

- The call centre - Revenue of R 422 million and operating profit of R 69 million. The results were consolidated for the period.
- Tekkie Town - Revenue of R 897 million and operating profit of R 280 million. If the entity were consolidated from 1 October 2017 the effects on revenue would have been R 1629 million and operating profit of R 321 million.

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	2017 Rm	2016 Rm
22. COMMITMENTS AND CONTINGENCIES		
22.1 Capital expenditure		
Contracts for capital expenditure	372	589
Capital expenditure authorised but not contracted for	29	128

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

22.2 Borrowing facilities

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

22.3 Unutilised borrowing facilities at year-end

Banks	1 277	806
Loans due to Steinhoff and its subsidiaries	132	-
	1 409	806

	Property Rm	Plant, equipment, vehicles and other Rm	2017 Total Rm	2016 Total Rm
22.2 Operating leases				
Amounts outstanding under non-cancellable operating lease agreements for payable within the next year and thereafter:				
Next year	3 357	12	3 369	2 247
Within two to five years	6 421	46	6 467	4 572
Thereafter	409	10	419	394
Total	10 187	68	10 255	7 213

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

22.3 Contingent liabilities

Certain companies in the group are involved in disputes where the outcomes are uncertain. However, the directors are confident that they will be able to defend these actions and that the potential of outflow or settlement is remote and, if not, that the potential impact on the group will not be material.

There is no other litigation, current or pending, which is considered likely to have a material adverse effect on the group.

The group has a number of guarantees and sureties outstanding at year-end. However, the directors are confident that no material liability will arise as a result of these guarantees and sureties.

23. FINANCIAL INSTRUMENTS

The executive team is responsible for implementing the risk management strategy to ensure that an appropriate risk management framework is operating effectively across the group, embedding a risk management culture throughout the group. The board and the audit and risk committee are provided with a consolidated view of the risk profile of the group, and any major exposures and relevant mitigating actions are identified.

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

Regular management reporting and internal audit reports provide a balanced assessment of key risks and controls. The financial director provides quarterly confirmation to the board that financial and accounting control frameworks have operated satisfactorily and consistently.

The group does not speculate in the trading of derivative or other financial instruments. It is group policy to hedge exposure to cash and future contracted transactions.

	Available for sale Rm	At fair value through profit or loss ¹ Rm	Loans and receivables and other financial liabilities at amortised cost and fair value Rm	Total carrying values and fair values Rm
30 September 2017				
Investments and loans	25	-	145	170
Non-current financial assets	25	-	145	170
Trade and other receivables (financial assets)	-	202	4 097	4 299
Related party loan receivables	-	-	236	236
Cash and cash equivalents	-	-	3 797	3 797
Current financial assets	-	202	8 130	8 332
Long-term interest-bearing loans and borrowings	-	-	(16)	(16)
Loans due to Steinhoff and its subsidiaries	-	-	(11 000)	(11 000)
Non-current financial liabilities	-	-	(11 016)	(11 016)
Short-term interest-bearing loans and borrowings	-	-	(11)	(11)
Bank overdrafts and short-term facilities	-	-	(89)	(89)
Trade and other payables (financial liabilities)	-	(27)	(10 841)	(10 868)
Related party loan payables	-	-	(4 868)	(4 868)
Current financial liabilities	-	(27)	(15 809)	(15 836)
	25	175	(18 550)	(18 350)
Net (gains) and losses recognised in profit or loss	-	(430)	-	(430)
Net (gains) and losses recognised in other comprehensive income	-	(768)	-	(768)
	-	(1 198)	-	(1 198)
Total interest income	-	-	-	(262)
Total interest expense	-	-	-	932
				670

¹ This category includes derivative financial instruments.

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	At fair value through profit or loss ¹	Loans and receivables and other financial liabilities at amortised cost and fair value	Total carrying values and fair value
	Rm	Rm	Rm
30 September 2016			
Investments and loans	-	950	950
Non-current financial assets	-	950	950
Trade and other receivables (financial assets)	83	4 260	4 343
Related party loan receivables	-	7 763	7 763
Cash and cash equivalents	-	2 771	2 771
Current financial assets	83	14 794	14 877
Long-term interest-bearing loans and borrowings	-	(27)	(27)
Non-current financial liabilities	-	(27)	(27)
Short-term interest-bearing loans and borrowings	-	(98)	(98)
Bank overdrafts and short-term facilities	-	(79)	(79)
Trade and other payables (financial liabilities)	(825)	(9 351)	(10 176)
Related party loan payables	-	(18 196)	(18 196)
Current financial liabilities	(825)	(27 724)	(28 549)
	(742)	(12 007)	(12 749)
Net (gains) and losses recognised in other comprehensive income	751	-	751
	751	-	751
Total interest income			(519)
Total interest expense			1 262
			743

¹ This category includes derivative financial instruments.

No items were classified as 'designated as at fair value through profit of loss' or 'held to maturity' during either period presented.

	Fair value hierarchy	Valuation techniques and key inputs	Fair value 2017 Rm	2016 Rm
Trade and other receivables - derivative financial assets - foreign currency forward contracts	Level 2	The fair values of forward exchange contracts are based on their listed market price, if available. If a listed market price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).	202	83
Trade and other payables - derivative financial liabilities - foreign currency forward contracts	Level 2		(27)	(825)

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

There were no level 1 or level 3 financial assets or financial liabilities at 30 September 2017 and 30 September 2016. There were no transfers between levels during the year.

23.3 Foreign currency risk

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.

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.

Exposure to currency risk

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

Differences resulting from the translation of subsidiary financial statements into the group's presentation currency are not taken into consideration.

Foreign currency sensitivity analysis

The group is mainly exposed to fluctuations in Botswana pula, Angola kwanza, Zambian kwacha, United States dollar and Chinese yuan.

The spot rates used to translate assets and liabilities denominated in foreign currency at year end were as follows:

	Reporting date spot rate 2017	Reporting date spot rate 2016
<i>South African rand</i>		
Botswana pula	1.3105	1.3080
Zambian kwacha	1.3928	1.4000
Angola kwanza	0.0791	0.0832
US dollar	13.5775	13.8485
Chinese yuan	2.0411	2.0757
	Rm	Rm
Short-term derivatives		
Assets		
Fair value of foreign exchange contracts		
US dollar	66	75
Chinese yuan	135	-
Other	1	8
	202	83
Liabilities		
Fair value of foreign exchange contracts		
US dollar	(22)	(421)
Chinese yuan	(5)	(381)
Other	-	(23)
	(27)	(825)
Net short-term derivative assets/(liabilities)	175	(742)

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

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	2017 Rm	2016 Rm
Cash flow hedges		
The group classifies certain of its forward 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:		
Fair value (profit) loss for the period recognised in other comprehensive income	(768)	751

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.

23.4 Interest rate risk

The group follows a policy of maintaining a balance between fixed and variable rate loans to reflect, as accurately as possible, different interest rate environments, the stability of the relevant currencies, the effect which the relevant interest rates have on group operations and consumer spending within these environments. These variables are taken into account in structuring the group's borrowings to achieve a reasonable, competitive, market-related cost of funding.

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

The interest and related terms of the group's interest-bearing loans are disclosed in note 15.

At the reporting date the interest rate profile of the group's financial instruments were:

	Subject to interest rate movement				Total Rm
	Variable SA prime Rm	Variable JIBAR Rm	Fixed rate Rm	Non-interest-bearing Rm	
2017					
Non-current financial assets	145	-	-	25	170
Current financial assets	4 626	434	111	3 161	8 332
Non-current financial liabilities	(11 016)	-	-	-	(11 016)
Current financial liabilities	(125)	(34)	(4 868)	(10 809)	(15 836)
	(6 370)	400	(4 757)	(7 623)	(18 350)
2016					
Non-current financial assets	709	-	-	241	950
Current financial assets	5 247	1 031	88	8 511	14 877
Non-current financial liabilities	(26)	-	-	(1)	(27)
Current financial liabilities	(4 326)	(13 610)	(250)	(10 363)	(28 549)
	1 604	(12 579)	(162)	(1 612)	(12 749)

Sensitivity analysis

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

The sensitivities calculated below are based on an increase of 100 basis points for each interest category. These rates are also used when reporting sensitivities internally to key management personnel.

	2017 Rm	2016 Rm
Through (profit)/loss		
SA Prime - 100 basis point increase	64	(16)
JIBAR - 100 basis point increase	(4)	126

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

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23.5 Credit risk

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, and loans receivable. The group deposits short-term cash surpluses with major banks of quality credit standing. Trade receivables comprise a large and widespread customer base and group companies perform ongoing credit evaluations on the financial condition of their customers, and appropriate use is made of credit guarantee insurance. At 30 September 2017, the group did not consider there to be any significant concentration of credit risk which had not been adequately provided for. The amounts presented in the statement of financial position are net of provisions for bad debts, estimated by the group companies' management based on prior experience and the current economic environment.

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

	2017 Rm	2016 Rm
The maximum exposure to credit risk at the reporting date without taking account of the		
Non-current financial assets	170	950
Current financial assets	8 332	14 877
<i>Less: Instalment sale and loan receivables¹</i>	<i>(2 190)</i>	<i>(2 002)</i>
	6 312	13 825

¹ Included in the trade and other receivables balance is Tenacity's instalment sale and loan receivables.

	2017 Rm	2017 %	2016 Rm	2016 %
Ageing of financial assets, excluding instalment sales and loan				
Not past due or impaired	5 897	93.4	13 578	98.2
Past due 1 to 30 days but not impaired	219	3.5	120	0.9
Past due 31 to 60 days but not impaired	45	0.7	50	0.4
Past due more than 60 days but not impaired	49	0.8	77	0.6
Past due but not impaired in full	102	1.6	-	-
	6 312	100.0	13 825	100.0

	Secured Rm	Unsecured Rm	Total Rm
Credit exposure by class to instalment sale and loans receivables			
2017			
Up to date	27	1 609	1 636
Performing	81	280	361
Non-performing	32	161	193
	140	2 050	2 190
2016			
Up to date	26	1 512	1 538
Performing	17	282	299
Non-performing	21	144	165
	64	1 938	2 002

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

Secured Secured against retail product sold

Unsecured Unsecured in nature includes revolving credit customer loans

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

Up to date These accounts have no arrears, are therefore up to date and are neither past due nor impaired. An unidentified impairment is raised for these accounts.

Performing These accounts are in arrears by less than four contractual instalments and are considered to be past due. Arrears are defined as less than 95% of a contractual instalment. An unidentified impairment is raised for these accounts.

Non-performing These accounts are in arrears by four or more contractual instalments. Arrears are defined as less than 95% of a contractual instalment. An identified impairment provision is raised against accounts that are four or more instalments in arrears.

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	Secured Rm	Unsecured Rm	Total Rm
Risk analysis for up to date accounts			
2017			
Low risk	14	1 609	1 623
Medium risk	13	-	13
	27	1 609	1 636
2016			
Low risk	20	1 508	1 528
Medium risk	6	4	10
	26	1 512	1 538
		2017 Rm	2016 Rm
Movement in provision for bad debts			
Balance at beginning of the period		(470)	(395)
Provision raised		(432)	(475)
Amounts unused reversed		82	66
Amounts used during the year		333	426
Acquired on acquisition of subsidiaries and businesses		(16)	(91)
Exchange differences on consolidation of foreign subsidiaries		(1)	(1)
Balance at end of the period		(504)	(470)

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

23.6 Liquidity risk

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

The group manages liquidity risk by monitoring forecast cash flows and by ensuring that adequate borrowing facilities are available. Cash surpluses and short-term financing needs are mainly centralised. These central treasury offices invest net cash reserves on the financial markets, mainly in short-term instruments linked to variable interest rates.

The following table details the group's remaining contractual maturity for its financial liabilities. 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. The table includes both interest and principal cash flows:

	2017 Rm	2016 Rm
0 to 3 months	(10 754)	(16 905)
4 to 12 months	(4 896)	(11 882)
Year 2	(9)	(16)
Years 3 to 5	(11 007)	(10)
After 5 years	(216)	-
	(26 882)	(28 813)

23.7 Treasury risk

A finance forum, consisting of senior executives of the group, meets on a regular basis to analyse currency and interest rate exposure and to review and, if required, adjust the group's treasury management strategies in the context of prevailing and forecast economic conditions.

23.8 Capital risk

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

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 15, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

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

24. RELATED-PARTY TRANSACTIONS

Related-party relationships exist between shareholders, subsidiaries, joint-venture companies and associate companies within the group and its company directors and group key management personnel.

These 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.

24.1 Trading transactions

Key management personnel did not have any material transaction with the group. Refer to directors interest in contracts for directors interest in transactions with the Group.

At the date of this report the direct holding company of the group is Ainsley Holdings Proprietary Limited. The ultimate holding company of the group is Steinhoff International Holdings N.V.

The following is a summary of material transactions with fellow subsidiaries, associate companies and joint-venture companies during the period and receivables and payables balances at period-end:

Post internal restructure date but effective post listing date the following agreements between Steinhoff International Holdings N.V. and its subsidiaries and STAR was entered into:

- Management service agreement
- Steinhoff loan agreement as disclosed under Note 15
- STAR share scheme
- Steinhoff property rentals

The disclosure below will therefore not be representative of the future.

	Twelve months Rm	Fifteen months Rm
Related-party receivables		
Steinhoff at Work Proprietary Limited	5	4
Unitrans Automotive Proprietary Limited	41	59
Unitrans Insurance Limited	12	-
	58	63
Related-party payables		
Steinhoff Services Proprietary Limited	(31)	(47)
Steinhoff at Work Proprietary Limited	(10)	(4)
Steinhoff Africa Holdings Proprietary Limited	(17)	(65)
Steinhoff Africa Property Services Proprietary Limited	(1)	(2)
Steinhoff International Holdings N.V.	(25)	-
Retail Holdings S.à r.l.	(94)	-
KAP Industrial Holdings Limited	(1)	-
Unitrans Automotive Proprietary Limited	(2)	-
	(181)	(118)
Loans due by Steinhoff and its subsidiaries		
Retail Holdings S.à r.l.	233	1 813
Ainsley Holdings Proprietary Limited	-	4 056
Unitrans Automotive Proprietary Limited	-	1 894
Southern View Finance UK Limited	3	-
	236	7 763
Loans due to Steinhoff and its subsidiaries		
Steinhoff at Work Proprietary Limited	(183)	(101)
Steinhoff Africa Holdings Proprietary Limited	(11 915)	(4 688)
Steinhoff Services Proprietary Limited	(3 770)	(5 050)
Ainsley Holdings Proprietary Limited	-	(6 810)
Unitrans Automotive Proprietary Limited	-	(1 547)
	(15 868)	(18 196)

Refer to note 15 for the related party terms of the group's interest-bearing loans.

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	Twelve months ended 30 September 2017 Rm	Fifteen months ended 30 September 2016 Rm
Dividends paid to:		
Steinhoff Africa Holdings Proprietary Limited	(692)	(1 041)
Newshelf 1093 Proprietary Limited	(305)	(459)
Ainsley Holdings Proprietary Limited	(858)	(2 879)
Steinhoff International Holdings N.V.	(158)	-
	(2 013)	(4 379)
Sales to/(purchases from):		
Steinhoff Finance Holdings Gmbh and its subsidiaries	(4)	-
KAP Industrial Holdings Limited and its subsidiaries ¹	(2)	(1)
Steinhoff Africa Property Services Proprietary Limited and its subsidiaries	(1)	(2)
Unitrans Automotive Proprietary Limited	(1)	(38)
Southern View Finance UK Limited	4	-
	(4)	(41)
Net operating fees (including administration and management fees (paid to)/received from):		
Steinhoff at Work Proprietary Limited	62	(45)
Southern View Finance UK Limited	3	-
Steinhoff Africa Holdings Proprietary Limited	(16)	(9)
Unitrans Automotive Proprietary Limited	-	40
	49	(14)
Net rent paid to:		
Steinhoff Africa Property Services Proprietary Limited and its subsidiaries	(27)	(27)
JD Group Property Holding Proprietary Limited and its subsidiaries	(2)	(117)
	(29)	(144)
Finance costs paid to:		
Steinhoff Services Proprietary Limited	(394)	(464)
Steinhoff Africa Holdings Proprietary Limited	(193)	(474)
Unitrans Automotive Proprietary Limited	(92)	(100)
Steinhoff at Work Proprietary Limited	(4)	-
KAP Industrial Holdings Limited and its subsidiaries ¹	(1)	-
Steinhoff Finance Investments Proprietary Limited	(1)	-
	(685)	(1 038)
Interest received from:		
JD Financial Services Proprietary Limited	-	108
Unitrans Automotive Proprietary Limited	41	-
Steinhoff Africa Holdings Proprietary Limited	11	-
Steinhoff Africa Property Services Proprietary Limited and its subsidiaries	-	145
Unitrans Motors Enterprises Proprietary Limited and its subsidiaries	-	59
	52	312
Fees paid to:		
Lancaster Electricity Solutions Proprietary Limited	(6)	(2)
	(6)	(2)

¹ KAP Industrial Holdings Limited is an associate of Steinhoff International Holdings N.V.

24.2 Significant subsidiaries

		30 September 2017 Ownership %	30 September 2016 Ownership %
	Country of incorporation		
Pepkor Holdings Proprietary Limited	South Africa	100	100
Pepkor Trading Proprietary Limited	South Africa	100	100
Pepkor Fin Proprietary Limited	South Africa	100	100
Tekkie Town Proprietary Limited	South Africa	100	-
JD Group Proprietary Limited	South Africa	100	100
Iliad Africa Trading Proprietary Limited	South Africa	100	100

A full list of subsidiaries of the company is available for inspection by shareholders on request at the registered office of the company.

24.3 Directorate

AB la Grange and DM van der Merwe were appointed as directors with effect from 1 July 2017, while the appointment of the remaining directors occurred on 18 August 2017. OA Kruger and DDW Hayward resigned as directors on 1 July 2017.

Executive directors

AB la Grange – Chief Executive Officer
 RG Hanekom – Chief Financial Officer

Non-executive directors

J Naidoo – Chairperson
 MJ Jooste
 DM van der Merwe
 JD Wiese
 VP Khanyile (independent)
 S Müller (independent)
 AE Swiegers (independent)
 JB Cilliers (independent)
 HJ Sonn (independent)

24.4 Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company as a whole. The company considers all members of the executive committee, key management personnel as defined in IAS 24: *Related parties*.

Remuneration paid to the executive and non-executive directors were paid by Steinhoff and STAR during the year. Share-based payments are linked to the Steinhoff scheme as defined under note 19. Details relating to directors' emoluments are disclosed in note 25.

	Twelve months ended 30 September 2017	Fifteen months ended 30 September 2016
Compensation paid to key management	283 274	229 986
Share-based payments	36 790	23 276
	36 790	23 276

24.5. Loans to related parties

Included in the interest bearing loans in note 10 are loans to the key management as detailed below:

RG Hanekom	1	2
LM Lourens	1	5
JL Hamman	6	8
CA Cronje	1	3
	9	18

The loans and receivables at amortised cost consist of various loans with no fixed repayment terms, bearing interest at market-related interest rates.

24.6 DIRECTORS INTEREST IN CONTRACTS

Save for the BEE Placement as described in the Pre-listing Statement, no director has had any material beneficial interest, either direct or indirect, in the listing of the Private Placement and no director is or was a member of a partnership, syndicate or other association of persons that has or had such an interest.

Save for the interest of JD Wiese through Titan and J Naidoo through Lancaster, in relation to the Shoprite transaction referred to below, no director has any material beneficial interest, directly or indirectly, in any transactions that were affected by the company during the period under review up to the date of this report.

In the prior year, Lancaster Electricity Solutions Proprietary Limited, ultimately owned by J Naidoo the chairman of the STAR board, entered into a joint venture with Flash Mobile Vending Proprietary Limited, a wholly owned subsidiary of the STAR group in terms of which, a commission is earned net of costs incurred and shared between the joint venture partners on an equal basis.

JD Wiese had an interest in the contract relating to the acquisition as BSG as a director of both the seller, Invicta Holdings Limited, and the purchaser, STAR.

	Basic remuneration 'R000	Company and pensionfund contributions 'R000	Company directors' fees ⁴ 'R000	Annual bonus 'R000	Strategic bonus 'R000	Deferred bonus ³ 'R000	Total remuneration and fees 'R000
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25. REMUNERATION REPORT

25.1 Remuneration of the executive directors 2017

AB la Grange ²	14 440	351	-	13 701	8 333	13 333	50 158
RG Hanekom	2 154	390	-	2 035	2 627	-	7 206
Total executive directors	16 594	741	-	15 736	10 960	13 333	57 364
2016							
AB la Grange ²	17 188	424	-	7 762	6 672	6 672	38 718
RG Hanekom	2 273	502	-	1 963	1 982	-	6 720
Total executive directors	19 461	926	-	9 725	8 654	6 672	45 438

25.2 Remuneration of the other executive committee members 2017

Total other executive committee members	23 661	4 056	-	14 634	9 360	-	51 711
2016							
Total other executive committee members	18 878	3 481	-	20 675	5 417	-	48 451

25.3 Remuneration of the non-executive committee 2017

J Naidoo ¹	-	-	947	-	-	-	947
MJ Jooste ²	36 524	356	-	39 935	8 333	36 667	121 815
DM van der Merwe ²	18 132	356	-	16 270	8 333	5 000	48 091
JD Wiese ²	-	-	1 521	-	-	-	1 521
VP Khanyile ¹	-	-	51	-	-	-	51
SH Müller ¹	-	-	92	-	-	-	92
AE Swiegers ¹	-	-	88	-	-	-	88
JB Cilliers ¹	-	-	71	-	-	-	71
HJ Sonn ²	-	-	1 523	-	-	-	1 523
Total non-executive committee	54 656	712	4 293	56 205	16 666	41 667	174 199
2016							
MJ Jooste ²	43 093	992	-	31 754	7 634	6 672	90 145
DM van der Merwe ²	20 748	965	-	16 038	5 004	2 502	45 257
JD Wiese ²	-	-	147	-	-	-	147
HJ Sonn ²	-	-	548	-	-	-	548
Total non-executive committee	63 841	1 957	695	47 792	12 638	9 174	136 097

¹ Appointed as a non-executive director during 2017.

² Includes remuneration received for services provided to the Steinhoff N.V. Group.

³ Annual and strategic bonus payments may be deferred at the discretion of the Remuneration Committee. The terms of deferral are agreed upon on an annual basis.

⁴ The fees to directors include fees paid as directors of ultimate holding company Steinhoff International N.V. Holdings where directors serve on the board of the company and holding company.

25.4. Directors' fees and remuneration

Remuneration paid by:

- Steinhoff and its subsidiary companies	224 357	174 815
- STAR and its subsidiary companies	7 206	6 720
	231 563	181 535

STEINHOFF AFRICA RETAIL LIMITED
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Offer date	Conditional vesting date	Number of rights as at 30 September 2016 awarded during the year ¹	Number of rights (exercised)/ awarded during the year ¹	Number of rights as at 30 September 2017	Value of rights exercised during the year 2017	Value of rights awarded during the year
						R	R
25.5 Share rights							
AB la Grange³	December 2013	March 2017	487 490	(487 490)	-	(34 177 924)	-
	December 2014	March 2018	233 499	-	233 499	-	-
	March 2016	March 2019	259 257	-	259 257	-	-
	March 2017	March 2020	-	392 387	392 387	-	25 493 383
			980 246	(95 103)	885 143	(34 177 924)	25 493 383
RG Hanekom	March 2016	March 2019	89 550	-	89 550	-	-
	March 2017	March 2020	-	111 251	111 251	-	7 227 977
			89 550	111 251	200 801	-	7 227 977
Total executive directors			1 069 796	16 148	1 085 944	(34 177 924)	32 721 360
Directors paid for services at Steinhoff N.V. level only							
MJ Jooste³	December 2013	March 2017	1 669 183	(1 669 183)	-	(117 026 420)	-
	December 2014	March 2018	869 301	-	869 301	-	-
	March 2016	March 2019	671 017	-	671 017	-	-
	March 2017	March 2020	-	980 968	980 968	-	63 733 491
			3 209 501	(688 215)	2 521 286	(117 026 420)	63 733 491
DM van der Merwe³	December 2013	March 2017	858 437	(858 437)	-	(60 185 018)	-
	December 2014	March 2018	439 041	-	439 041	-	-
	March 2016	March 2019	335 509	-	335 509	-	-
	March 2017	March 2020	-	490 484	490 484	-	31 866 745
			1 632 987	(367 953)	1 265 034	(60 185 018)	31 866 745
Total non executive directors			4 842 488	(1 056 168)	3 786 320	(177 211 438)	95 600 236

No rights were forfeited during the year under review.

The rights relating to AB la Grange are for services rendered relating to the Steinhoff International Holdings N.V.

¹ The fair value at date of vesting was R70.11 per share.

² The fair value at date of grant was R64.97 per share.

³ Directors paid

26. EVENTS AFTER BALANCE SHEET DATE

Shoptite transaction

STAR has exercised call options whereby it will indirectly acquire 128.2 million Shoptite ordinary shares from various parties. The implementation of the call options remains subject to the required regulatory approvals and will result in STAR indirectly acquiring a 23.1% economic interest in Shoptite, and voting control of 50.6%.

The consideration payable for the implementation of the call options will be settled through the issue of 1.7 billion STAR shares, representing approximately 33.6% interest in the ordinary share capital of STAR.

Steinhoff Shareholding

On 18 October 2017, Steinhoff Africa Holdings Proprietary Limited and Newshelf 1093 Proprietary Limited entered into an agreement with Ainsley Holdings Proprietary Limited in terms of which the Steinhoff group interest in the company was consolidated in Ainsley Holdings Proprietary Limited.

Building Supplies Group (BSG)

On 1 October 2017, Steinhoff Doors and Building Materials acquired 100% of Building Supply Group "BSG" (BSG is the parent company of the MacNeil, Tiletoria and Brands for Africa groups) for purchase price of R645.7 million, subject to a clawback or "agterskot" based on the results for the 12 month period ending September 2018. The acquisition has been approved by the relevant regulatory authorities. BSG will be consolidated from 1 October 2017. At the time of the conclusion of the BSG deal, JD Wiese had an interest in the contract, as a director of both the seller, Invicta Holdings Limited, and the purchaser, STAR.

The directors are not aware of any further significant events after the reporting date that will have a material effect on the group's results or financial position as presented in these financial statements.

STEINHOFF AFRICA RETAIL LIMITED (FORMERLY K2017221869 [SOUTH AFRICA] PROPRIETARY LIMITED)
 SEPARATE INCOME STATEMENT
 FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	Notes	30 September 2017 Rm
Operating income		-
Operating expenses		(178)
Operating loss	1	(178)
Finance costs	2	(9)
Income from investments	3	1 561
Profit for the period		1 374

**SEPARATE STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

Total comprehensive profit for the period, net of taxation	1 374
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**SEPARATE STATEMENT OF CASH FLOWS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash utilised in operations	9	(7)
Interest paid		(1)
Net cash outflow from operating activities		(8)

CASH FLOWS FROM FINANCING ACTIVITIES

Share issue expenses		(123)
Proceeds of ordinary shares issued		15 375
Capital distribution		(15 132)
Increase in related party loans receivable		(111)
Decrease in related party loans payable		(1)
Net cash inflow from financing activities		8

NET INCREASE IN CASH AND CASH EQUIVALENTS

Cash and cash equivalents at beginning of the period		-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		-

No comparative amounts have been presented as the company was incorporated on 22 May 2017.

STEINHOFF AFRICA RETAIL LIMITED (FORMERLY K2017221869 [SOUTH AFRICA] PROPRIETARY LIMITED)
 SEPARATE STATEMENT OF FINANCIAL POSITION
 AS AT 30 SEPTEMBER 2017

	Notes	30 September 2017 Rm
ASSETS		
Non-current assets		
Investment in subsidiary companies	5	70 177
		70 177
Current assets		
Related party loans receivable	10	111
		111
Total assets		70 288
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary stated share capital	6	64 690
Reserves		(174)
		64 516
Non-current liabilities		
Related party loans payable	10	5 661
		5 661
Current liabilities		
Other payables and accruals	7	106
Related party loans payable	10	5
		111
Total equity and liabilities		70 288

STEINHOFF AFRICA RETAIL LIMITED (FORMERLY K2017221869 [SOUTH AFRICA] PROPRIETARY LIMITED)
 SEPARATE STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	Ordinary stated share capital Rm	Distributable reserves Rm	Total Rm
Balance at 22 May 2017	-	-	-
Shares issued in terms of internal restructure	70 177	-	70 177
Shares issued upon listing, net of expenses	15 145	-	15 145
Capital distribution	(20 632)	-	(20 632)
Total comprehensive profit for the period	-	1 374	1 374
Dividends paid	-	(1 548)	(1 548)
Balance at 30 September 2017	64 690	(174)	64 516

STEINHOFF AFRICA RETAIL LIMITED (FORMERLY K2017221869 [SOUTH AFRICA] PROPRIETARY LIMITED)
 NOTES TO THE SEPARATE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	30 September 2017 Rm
1. OPERATING LOSS	
Operating loss is stated after taking account of the following items:	
Impairment of loan	176
Auditor's remuneration	
Audit fees	2
All directors' fees and remuneration was paid by subsidiary companies and ultimate holding company. Refer to note 10.	
2. FINANCE COSTS	
Interest paid	
Steinhoff group companies	(8)
Banks	(1)
	(9)
3. INCOME FROM INVESTMENTS	
Dividends received	
Group companies (Note 10.2)	1 549
Interest received	
Group companies (Note 10.2)	12
	%
4. TAXATION	
Reconciliation of rate of taxation	
Standard rate of taxation	(28.0)
Creation of unrecognised tax losses	22.5
Tax exempt income and non-deductible expenditure	5.5
Effective rate of taxation	-

STEINHOFF AFRICA RETAIL LIMITED (FORMERLY K2017221869 [SOUTH AFRICA] PROPRIETARY LIMITED)
 NOTES TO THE SEPARATE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	30 September 2017 Rm
5. INVESTMENT IN SUBSIDIARY COMPANIES	
Shares at cost	70 177

	Country of incorporation	Issued share capital Rm	Shareholding %	Total Rm
30 September 2017				
Pepkor Holdings Proprietary Limited ¹	South Africa	41 157	100	64 433
JD Group Proprietary Limited ¹	South Africa	3 046	100	2 321
Tekkie Town Proprietary Limited ¹	South Africa	636	100	3 423
SA Poco Retail Proprietary Limited ^{1,2}	South Africa	3 582	100	-
				70 177

¹ Acquired entire issued share capital via Internal Restructure on 1 July 2017

² Investment in subsidiary is less than R500 000

STEINHOFF AFRICA RETAIL LIMITED (FORMERLY K2017221869 [SOUTH AFRICA] PROPRIETARY LIMITED)
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

		30 September 2017
		Number of shares
6. SHARE CAPITAL		
6.1 Authorised - ordinary		
Ordinary shares of no par value		20 000 000 000
6.2 Issued - ordinary		
Incorporation shares issued		1
Shares issued in terms of internal restructure		2 699 999 999
Shares issued in terms of private placement		750 000 000
Total issued ordinary stated share capital		3 450 000 000
		Rm
6.3 Issued - ordinary		
Incorporation shares issued		-
Shares issued in terms of internal restructure		70 177
Shares issued in terms of private placement		15 375
Capital distribution		(20 632)
Share issue expenses		(230)
Total issued ordinary stated share capital		64 690
		Number of shares
6.4 Unissued shares		
Shares reserved for future participation in share schemes		500 000 000
Shares under the control of the directors		258 750 000
Shares reserved for Shoprite transaction		1 748 241 188
Unissued shares		14 043 008 812
Total unissued shares		16 550 000 000
<p>By way of general authority, shareholder approval was granted to the board to issue up to 258 750 000 shares for cash, subject to the provisions of the Memorandum of Incorporation and the JSE Listings Requirements, which authority shall endure until the first Annual General Meeting of the company held after the listing.</p> <p>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.</p>		
6.5 Authorised - preference		
Non-redeemable, non-cumulative, non-participating preference shares of no par value		5 000 000
Non-redeemable, cumulative, non-participating preference shares of no par value		2 500 000
Redeemable, non-cumulative, non-participating preference shares of no par value		2 500 000
Redeemable, cumulative, non-participating preference shares of no par value in the following classes:		
Class A1 redeemable, cumulative, non-participating preference shares of no par value;		10 000 000
Class A2 redeemable, cumulative, non-participating preference shares of no par value;		10 000 000
Class A3 redeemable, cumulative, non-participating preference shares of no par value;		10 000 000
Class A4 redeemable, cumulative, non-participating preference shares of no par value;		10 000 000
Class A5 redeemable, cumulative, non-participating preference shares of no par value;.		10 000 000
Total authorised preference share capital		60 000 000

No preference shares were issued during the period.

STEINHOFF AFRICA RETAIL LIMITED (FORMERLY K2017221869 [SOUTH AFRICA] PROPRIETARY LIMITED)
 NOTES TO THE SEPARATE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	30 September 2017 Rm
7. OTHER PAYABLES AND ACCRUALS	
Other payables and amounts due (financial liabilities)	106
The fair values of accounts payable are disclosed in note 11.	
8. CONTINGENCIES	
There is no litigation, current or pending, which is considered likely to have a material adverse effect on the company.	
9. CASH UTILISED IN OPERATIONS	
Operating loss	(178)
Adjusted for:	
Non-cash adjustments: Impairment of loans due from subsidiary company	176
Cash utilised in operations before working capital changes	(2)
Working capital changes	
Increase in other payables and accruals	(1)
Increase in related party payables	(4)
Net changes in working capital	(5)
Cash utilised in operations	(7)

STEINHOFF AFRICA RETAIL LIMITED (FORMERLY K2017221869 [SOUTH AFRICA] PROPRIETARY LIMITED)
 NOTES TO THE SEPARATE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2017

30 September 2017
 Rm

10. RELATED PARTY TRANSACTIONS

Related-party relationships exist between shareholders and its subsidiaries within the group and its company directors and key management personnel.

These 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.

10.1 Subsidiaries

Details of investments in direct subsidiaries are disclosed in note 5.

10.2 Trading transactions

The following is a summary of transactions with related parties during the period and balances at period-end:

Loans receivable from:

Tekkie Town Proprietary Limited	111
	111

The loan to Tekkie Town bears interest at 1 month JIBAR and has no fixed terms of repayment.

Loan payable to:

Steinhoff Africa Holdings Proprietary Limited	(5 483)
Steinhoff at Work Proprietary Limited	(183)
	(5 666)

The loans bear interest from time to time. An undertaking has been given to STAR by Steinhoff Africa Holdings Proprietary Limited and Steinhoff at Work Proprietary Limited not to recall R5.483 million and R178 million, respectively of the loans owing to them before December 2018. The loans form part of the longer term facility as disclosed in note 15.4

Dividends received:

Pepkor Holdings Proprietary Limited	(997)
JD Group Proprietary Limited	(552)
	(1 549)

Dividends paid:

Steinhoff Africa Holdings Proprietary Limited	1 062
Newshelf 1093 Proprietary Limited	435
Ainsley Holdings Proprietary Limited	51
	1 548

Finance costs:

Steinhoff Africa Holdings Proprietary Limited	4
Steinhoff at Work Proprietary Limited	4
	8

Interest received:

Steinhoff Africa Holdings Proprietary Limited	(8)
Tekkie Town Proprietary Limited	(4)
	(12)

10.3 Compensation of key management personnel

Refer to note 25 of the consolidated financial statements.

11. FINANCIAL INSTRUMENTS

The management board and executive team is responsible for implementing the risk management strategy to ensure that an appropriate risk management framework is operating effectively within the company, embedding a risk management culture. The board and the audit and risk committee are provided with a view of the risk profile of the company and any major exposures and relevant mitigating actions are identified.

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

Regular management reporting and internal audit reports provide a balanced assessment of key risks and controls. The financial director provides quarterly confirmation to the board that financial and accounting control frameworks have operated satisfactorily and consistently.

The company does not speculate in the trading of derivative or other financial instruments. It is company policy to hedge exposure to cash and future contracted transactions.

	Loans and receivables and other financial liabilities at carrying and fair value
	30 September 2017
	Rm
11.1 Total financial assets and liabilities	
Related party loans receivable	111
Current financial assets	111
Related party long-term loans payable	(5 661)
Non-current financial liabilities	(5 661)
Other payables and accruals	(106)
Related party short-term loans payable	(5)
Current financial liabilities	(111)
	(5 661)

No items were classified as 'available-for-sale', 'held to maturity', 'at fair value through profit or loss' or 'designated as at fair value through profit or loss' during the period.

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

Fair value which is determined for disclosure purposes only, is calculated based on present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

No fair value adjustments were made to any of the financial assets and liabilities.

11.2 Foreign currency risk

All the financial assets and liabilities of the company are denominated in the company's functional currency of South African rand.

STEINHOFF AFRICA RETAIL LIMITED (FORMERLY K2017221869 [SOUTH AFRICA] PROPRIETARY LIMITED)
 NOTES TO THE SEPARATE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2017

11.3 Interest rate risk

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

At the reporting date the interest rate profile of the company's financial instruments were:

	Subject to interest rate movement			Total Rm
	Variable South African prime Rm	Variable JIBAR Rm	Non-interest- bearing Rm	
30 September 2017				
Current financial assets	-	110	1	111
Non-current financial liabilities	(175)	-	(5 486)	(5 661)
Current financial liabilities	-	(110)	(1)	(111)
	(175)	-	(5 486)	(5 661)

Sensitivity analysis

The company is sensitive to movements in the South African prime rate and JIBAR.

The sensitivities calculated below are based on an increase of 100 basis points for each interest category. These rates are also used when reporting sensitivities internally to key management personnel. The sensitivity calculated would result in a R1.75 million loss. A 100 basis point decrease in the above rates would have had an equal, but opposite, effect on profit or loss.

	30 September 2017 Rm
11.4 Credit risk	
Potential concentration of credit risk consists principally of related party loans receivable. At 30 September 2017, the company did not consider there to be any significant concentration of credit risk which had not been adequately provided.	
The carrying amounts of financial assets represent the maximum credit exposure.	
The maximum exposure to credit risk at the reporting date, without taking account of the value of any collateral obtained:	
Current financial assets	111
The maximum exposure to credit risk at the reporting date by geographical region was (carrying amounts):	
Southern Africa	111

The Poco loan was impaired during the period.

11.5 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 company manages liquidity risk by monitoring forecast cash flows and by ensuring that adequate borrowing facilities are available.

All financial liabilities are repayable within 12 months.

11.6 Treasury risk

A finance forum, consisting of senior executives of the company, meets on a regular basis to analyse currency and interest rate exposure and to review and if required, to adjust the company's treasury management strategies in the context of prevailing and forecast economic conditions.

11.7 Capital risk

The company manages its capital to ensure that the company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the company consists of equity, comprising issued capital, distributable reserves and retained earnings as disclosed in the statement of changes in equity.

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

12. EVENTS AFTER THE BALANCE SHEET DATE

The directors are not aware of any further significant events after the reporting date that will have a material effect on the group's results or financial position as presented in these financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

At the date of authorisation of these annual financial statements, there are standards and interpretations in issue but not yet effective.

IFRS 2	Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
IFRS 4	Insurance Contracts: Interaction of IFRS 4 and IFRS 9	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 9	Financial Instruments: Prepayment Features with Negative Compensation	1 January 2019
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IAS 7	Statement of Cash Flows: Disclosure initiative	1 January 2017
IAS 12	Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
IAS 40	Investment Property: Transfers to, or from, investment properties	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
	Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017

The directors anticipate that the adoption of the above-mentioned standards in future periods will have no material financial impact on the financial statements of the company, with the exception of IFRS 9, 15 and 16, as discussed below. These statements, interpretations and standards are expected to be adopted at the respective effective dates.

IFRS 2

In June 2016, the IASB issued amendments to IFRS 2: *Share-based Payments* (IFRS 2). The amendment clarifies how to account for certain types of share-based payment transactions.

IFRS 4

In September 2016, the IASB issued amendments to IFRS 4: *Insurance Contracts* (IFRS 4). The amendments require entities to adopt IFRS 9 and IFRS 4 simultaneously. A company choosing to retrospectively apply the overlay approach to qualifying financial assets, does so when it first applies IFRS 9. A company choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

IFRS 9

In July 2014, the IASB issued the completed version of IFRS 9: *Financial Instruments* (IFRS 9). The statement addresses the classification and measurement of financial assets and financial liabilities. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and financial liabilities and aims to reduce complexity. In October 2017, the IASB issued Prepayment Features with Negative Compensation (Amendments to IFRS 9).

This will impact the classification and measurement of the financial instruments and will require certain additional disclosures. The trade receivable impairment model under IFRS 9 will reflect expected credit losses, as opposed to incurred credit losses under IAS 39 and will mainly impact the financial services entities. The group is engaged in a project to ensure the timeous implementation of IFRS 9. Based on initial assessments, no material impact is expected on the company's annual financial statements.

IFRS 15

In June 2014, the IASB issued IFRS 15: *Revenue from Contracts with Customers* (IFRS 15). The standard is aimed at improving the financial reporting of revenue and improving the comparability of the top line in financial statements globally. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services.

This is expected to have an impact the timing and the amount of revenue recognised. The new standard requires revenue from a contract to be allocated to separate components of the contract based on a standalone selling price basis. The company does not generate revenue and no material impact is expected on the financial statements.

IFRS 16

In January 2016, the IASB issued IFRS 16: *Leases* (IFRS 16). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity.

The main features of IFRS 16 are:

- A lessee is required to recognise a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments).
 - A lessee recognises depreciation on the right-of-use asset and interest on the lease liability. Cash repayments of the lease liability are split into a principal portion and an interest portion, which are separately presented in the statement of cash flows.
- Assets and liabilities arising from a lease are initially measured on a present value basis. Measurement includes non-cancellable lease payments (including inflation-linked payments), and payments to be made in option periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

This standard is expected to have the most impact on the statement of financial position, reflecting an increase in assets and liabilities and a decrease in equity for the group as a lessee. There is also expected to be a decrease in operating lease expenses in the statement of comprehensive income, but an increase in depreciation and interest. A provisional model has been developed to understand the impact on the group's annual financial statements. At the end of the current year there are 4953 stores of which the majority are leased with lease terms between one and 7 years and option to renew periods. The effect relating to the non property leases are expected to be minimal.

IFRS 17

In May 2017, the IASB issued IFRS 17: *Insurance Contracts* (IFRS 17). The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The entity has no insurance operations and the impact of the new standard is not expected to have a material impact on the company's annual financial statements.

IAS 7

In January 2016, the IASB issued amendments to IAS 7: *Statement of Cash Flows* (IAS 7). The amendments require entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes.

IAS 12

In January 2016, the IASB issued amendments to IAS 12: *Income Taxes* (IAS 12). The amendments clarify how to account for deferred taxation assets related to debt instruments measured at fair value.

IAS 28

In October 2017, the IASB issued amendments to IAS 8: *Long-term Interests in Associates and Joint Ventures* (IAS 8). The amendments clarify additional standards that must be applied to other financial instruments in an associate or joint venture to which the equity method is not applied.

IAS 40

In December 2016, the IASB issued amendments to IAS 40: *Investment Properties* (IAS 40). The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 to specify that such a transfer should only be made when there has been a change in use of the property.

IFRIC 22

In December 2016, the IASB issued IFRIC 22: *Foreign Currency Transactions and Advance Consideration* (IFRIC 22). The interpretation clarifies how to account for transactions that include the receipt or payment of advance consideration in a foreign currency.

IFRIC 23

In June 2017, the IASB issued IFRIC 23: *Uncertainty over Income Tax Treatments* (IFRIC 23). The interpretation clarifies how to reflect uncertainty in accounting for income taxes.

Annual Improvements to IFRSs 2014-2016

In December 2016, the IASB issued Annual Improvements to IFRSs 2014-2016. The improvements cover the following topics; IFRS 1: *First-time Adoption of International Financial Reporting Standards* - Deletions of exemptions for first-time adopters; IFRS 12: *Disclosure of Interests in Other Entities* - Clarifying the scope of the standard; IAS 28: *Investments in Associates and Joint Ventures* - Measuring an associate or joint venture at fair value.