STEINHOFF
INTERNATIONAL HOLDINGS N.V.

Annual report 2016

FOR LIFE

- CLOTHING
- FOOTWEAR
- HOUSEHOLD GOODS
- PERSONAL ACCESSORIES
- CELLULAR PRODUCTS
- SELECTED FINANCIAL SERVICES

FOR THE HOME

- FURNITURE
- HOUSEHOLD GOODS
- APPLIANCES
- HOME ACCESSORIES
- CONSUMER ELECTRONICS AND TECHNOLOGY PRODUCTS
- BUILDING MATERIALS AND DIY PRODUCTS

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€179.99
CONFORAMA

€6.99
BEST&LESS

€3.99
ACKERMANS

€10.50
BEST&LESS

€980.00
LEINER

WHO ?

Steinhoff aims to be the number one retailer of choice by households for quality and value.

With 11 000+ stores and 105 000+ employees we provide everyday product at discount prices.

Over more than 50 years, Steinhoff has developed into a global retailer offering a wide range of household goods and general merchandise.

From big-box destination stores, store-in-store concepts to focused speciality stores, our goal is to make shopping as easy and convenient as possible. Our customers can view, experience and buy in ways that are most convenient to them. With many of our brands having a digital presence. Shopping can be done in store or online, with purchases delivered to their homes, or collected in store via click-and-collect.

At the extraordinary general meeting held on 30 May 2016, shareholders approved the change in the financial year-end of Steinhoff International Holdings N.V. to 30 September. Accordingly, the extension of the 2016 financial year to 30 September 2016 will result in a reporting period of 15 months. In order to facilitate analysis and comparability, commentary in this report focuses on the 12 months ended 30 September 2016.

Further reading is available at www.**steinhoffinternational**.com

WHAT ?

providing EVERYDAY PRODUCTS
at AFFORDABLE PRICES
serving customers at their CONVENIENCE

GLOBAL RETAILER: Over the years Steinhoff developed from a sourcing and manufacturing business to a global retail group.

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LOCAL RELEVANCE: Steinhoff may be a global retail group, but we specifically keep our brands local. We recognise and celebrate the cultures of the countries in which our brands have made their mark. Brand loyalty is one of the most important factors to protect when providing a product or a service, and in our world we do both. We continuously aim to provide our customers with products that are relevant to them.

HOW ?

This is how we add value to our customers' lifestyles.

STEINHOFF'S AIM IS TO give customers the opportunity to buy products that will add value to them at prices they can afford.

While we strategically focus on strengthening our position as a global leader to become the number one or two in the markets we serve, and to increase the relevance of our product ranges, we provide everyday products at affordable prices, and serve customers at their convenience.

denim jacket
€12
HARRIS SCARFE

striped weekend top
€12
ACKERMANS

ladies stretch denim
€12
PEP&CO

white wooden bar stool
€12
CONFORAMA

gold fashion sneakers
€12
PEPCO

occational chair
€130
CONFORAMA

toddler teddie
€1
POUNDLAND

wet wipes
€1
POUNDLAND

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1 provide EVERYDAY PRODUCTS

Our wide range of products adds value to customer's lives, providing products for the home and the family – from bedroom to bathroom, in the kitchen and the living room.

Products are sourced and made available through well-known and trusted local brands in each of the countries where the group has a retail presence.

2 at AFFORDABLE PRICES

We are able to keep prices low because

- We have significant influence over the supply chain. We are directly involved in shipping, warehousing and distribution of products to our stores and to our customers, optimising logistics costs as far as possible.
- We prioritise sourcing as a group, enabling us to negotiate on input costs with suppliers.
- We own a many on of the properties in which our shops are located.

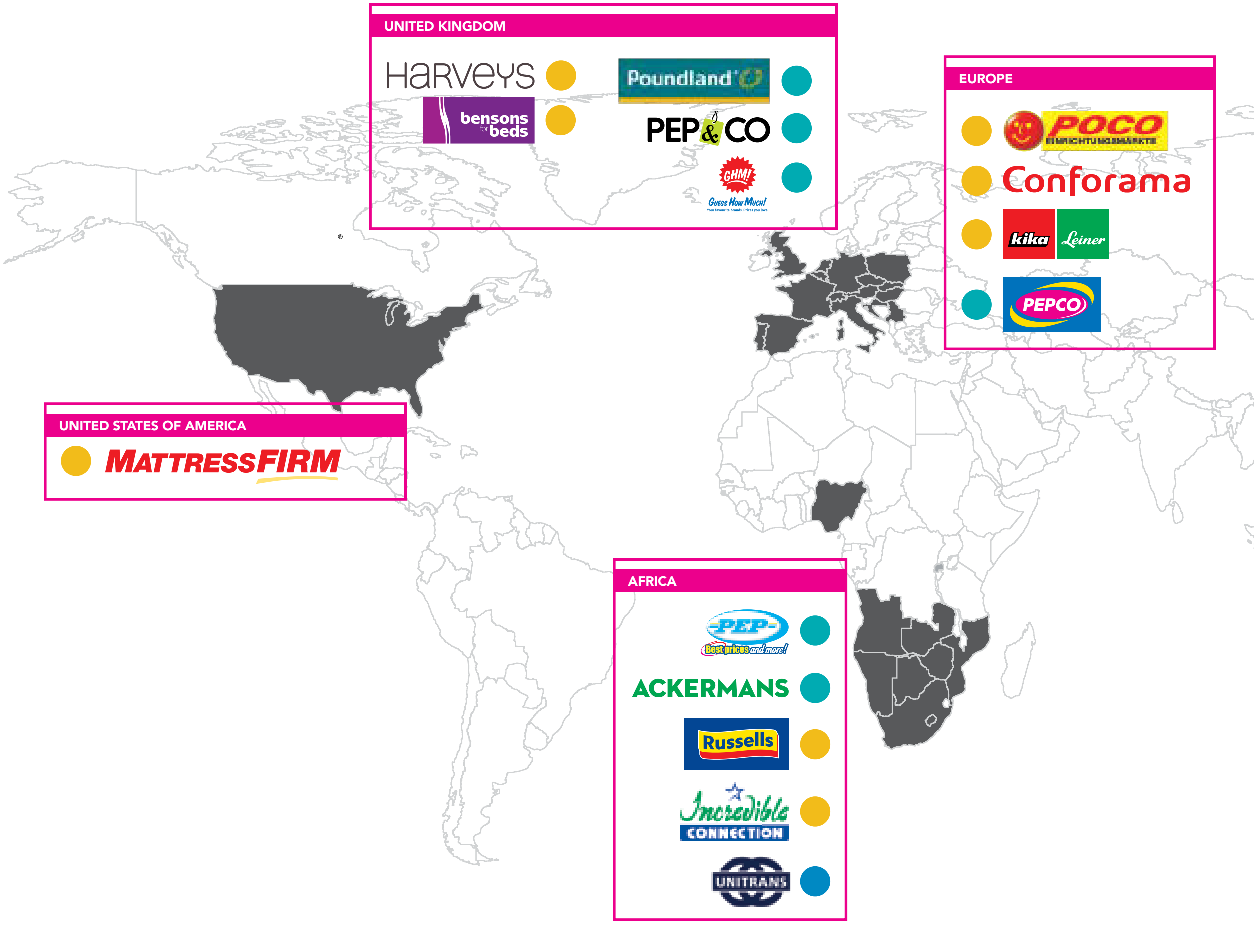
3 and serve customers at their CONVENIENCE

The satisfaction levels of customers are enhanced by providing a convenient shopping experience.

- Big box format stores provide a one-stop shop solution to household and homeware goods shopping where customers can buy anything for their home, from flooring solutions, full kitchen installations, furniture to final decoration and accessories.
- With a store footprint of more than 11 000 stores across 32 countries, we make it easy for customers to visit stores either during their daily commute to and from work, for daily essentials or on weekends as a family outing to one of our big box family and household stores.
- Many of our brands offer a digital experience where customers can visit a store or shop online. They can either take their purchases home with them, click and collect or have their purchases delivered to their homes – making their experience even more convenient for them.

WHERE ?

More than 40 local brands in 32 countries make shopping in a Steinhoff store part of everyday life.



The group's full brand complement includes: Abra, Ackermans, Bensons for Beds, Best&Less, Bradlows, Buco, Conforama, Confo Dépôt, Dunns, Emmezeta, Flash, Freedom, GHM!, Hardware Warehouse, Harris Scarfe, Harveys, Hertz, HiFi Corp, Incredible Connection, John Craig, Russels, kika, Leiner, Lipo, MacDan, Mozi, Poco, Pennypinchers, Pep, Pep Cell, PEPCO, PEP&CO, Postie, Powersales, Refinery, Rochester, Shoe City, Sleepmasters, Snooze, Store & Order, The Tile House, Timbercity and Unitrans Automotive.

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HOUSEHOLD GOODS

Furniture and homeware retail businesses

Product categories include:
furniture, household goods, appliances, home accessories, consumer electronics and technology goods, building materials and DIY products and accessories.

GENERAL MERCHANDISE

Clothing and footwear, accessories and homeware

Product categories include:
clothing, footwear, household goods, personal accessories, cellular products and selected financial services.

AUTOMOTIVE

Dealerships and rental outlets in southern Africa provide vehicles, parts, insurance, accessories, servicing and car rental

This category includes a wide range of motor and heavy road vehicle brands at price points ranging from entry level to luxury, as well as the Hertz vehicle rental brand.

HIGHLIGHTS

December 2015: The group listed in **Germany** as Steinhoff International Holdings N.V on the Frankfurt Stock Exchange. This was the largest off-shore listing in Germany for the year. The group retained its secondary listing on the JSE limited where it was first listed in 1998.

The kika-Leiner group of retail stores focused its efforts on expanding into **eastern Europe**. QuattroMobilli, which was a group brand was consolidated into the kika brand as a specialised store-in-store concept.

A SIGNIFICANT EVENT: READ MORE ON PAGE 12

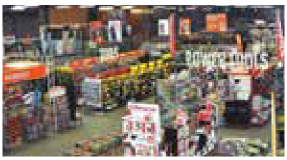
July 2016: Steinhoff entered into a 50/50 joint venture with the Cofel group at five of their manufacturing facilities in **France**. This gives Steinhoff the capacity to meet the growing demand for mattresses in Europe.

October 2015: Steinhoff's new 40 000m2 distribution centre opened in Derendingen. The distribution centre will service Steinhoff's central European retail brands in Switzerland.

July 2016: GHM! (Guess How Much!) started trading in Sheffield, **United Kingdom**. GHM! is the second strategic retail investment made by Pepkor in the United Kingdom, following the opening of PEP&CO in 2015.

STEINBUILD

January 2016: Iliad became a 100% subsidiary of Steinbuild which expanded the group's DIY offering in **South Africa.** Iliad added approximately 50 stores, and the strong BUCO brand.



Poco opened seven new stores in Germany, increasing their network in Europe to a total of 114 stores.

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A SIGNIFICANT EVENT: READ MORE ON PAGE 11

August 2016: Steinhoff and Mattress Firm made an announcement of a possible merger,

This investment created the world's largest multi-brand mattress retail distribution network and facilitated Steinhoff's entry into the United States. It is also strategic to the group's expansion strategy into the core product category of manufacturing and selling beds and mattresses.

Pep is South Africa's largest single brand retailer. During 2016 the first store in **Uganda** was opened and the 2000th store also in **South Africa.**

ACKERMANS

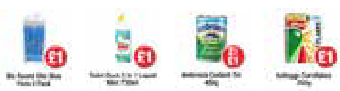
Ackermans, the family clothing store in **South Africa** not only opened its 500th store in 2016, but also celebrated its centenary.

During the period PEPCO's store expansion in **Poland** continued as they opened 280 new stores. They reached a milestone 1 000 stores on 27 October at the Focus Mall in Bydgoszcz. They also opened more than 120 stores in the Czech Republic, Hungary, Romania and Slovakia.

August 2016: the group concluded an agreement to acquire Tekkie Town in **South Africa** – a very successful South African based retailer of quality branded school, lifestyle, leisure and sports footwear and accessories. Tekkie Town operates more than 320 stores in southern Africa and will complement and provide further scale to Steinhoff's general merchandise segment.

A SIGNIFICANT EVENT: READ MORE ON PAGE 13

July 2016: An offer was made to acquire Poundland Group Plc in the **United Kingdom**. This transaction should expand Steinhoff's position as a value discount retailer across multiple product categories, creating enhanced product diversification.



September 2016: Under a licence agreement with Debenhams, Harris Scarfe in **Australia** launched 'Designers by Debenhams' clothing ranges, as well as accessories and underwear, in selected top tier Harris Scarfe stores.

A SIGNIFICANT EVENT: READ MORE ON PAGE 14

OCTOBER 2016: Steinhoff announced the acquisition of Fantastic Holdings Group in Australia. The combined groups' brand portfolios will be focused on mattresses and furniture, covering the value spectrum from entry level to premium, differentiating on specialist store formats (mattresses and bedding) and complete solution brands in furniture.

LETTER FROM THE CEO

Dear shareholder,

As this calendar year is drawing to a close and I reflect on the past year, I recognise that this has been one of the most transformative years in the 53-year history of Steinhoff. The 2016 financial year started off with the group's listing in Frankfurt exactly one year ago on the 7th of December 2015.

Following this, the executive committee met to discuss a full agenda that included opportunities in many geographic regions, industries and sales channels, as identified by our operational teams. It is important to note that, given our decentralised management structure, and through complete empowerment of our operational teams worldwide, most opportunities are identified and presented to the executive committee for consideration by the regional management teams. These teams ultimately become responsible for these investments.

The number of transactions brought to us during this year highlighted two important trends. Firstly, the fact that the operational management teams are confident that we have built a comprehensive and efficient supply chain that enables us to differentiate ourselves as retailers. Secondly, it became quite evident that the prevailing market volatility and uncertainty are exposing businesses to an increasing number of risks. A unique skillset, and in many cases a central support base or service centre, is required to manage these risks and this is not always available in the domain of many, very successful, small to medium size businesses. In addition, the rise of the digital era and an ever-changing consumer re-enforces the need for a wider, more diverse skillset.

Therefore, from that first executive committee meeting held in this year, my team and I realised that this year will present a unique opportunity for the group to partner with and invest in many successful companies to which the procurement, scale, logistics and services suite that Steinhoff has accumulated and developed over the years, could add value.

Given the many regulations surrounding these transactions, we were very restricted in what we were allowed to share with the market until these transactions became unconditional. It gives me great pleasure to be able to share with you the opportunities these new acquisitions will bring to Steinhoff.

Bedding strategy

Mattresses and bedding has been a key strategic product category for Steinhoff since inception. In fact, it is this product category that categorically proved the success of the backward integration strategy that we have followed since the 1990s. In this regard, and in most markets where we operate, we are already one of the leading mattress distributors, with vast operations including foam production, mattress and bed manufacturing and assembly plants, retail and a comprehensive suite of services including company-operated home-delivery logistics. A bespoke sleep analyser, the Comfort Station, has also been designed to be used globally by the group.

The acquisition of **Mattress Firm** will form the world's leading multi-brand mattress retail distribution network and facilitate Steinhoff's first entry into the United States of America (USA). The North American mattress industry is a healthy industry and has demonstrated long-term stability and consistent growth over nearly three decades.

Mattress Firm represented an attractive investment proposition to Steinhoff through its national footprint and leadership in the USA mattress retail market. In addition, the acquisition gives us access to a great management team in this territory that demonstrates exceptional ambition and energy to further grow market share and increase margins.

In the shorter term, the priorities at Mattress Firm will be to:

- complete the integration of the Sleepy's business
- complete the brand conversion of all Sleepy's and Sleep Train stores (expected April 2017).

Once this is complete, the business will concentrate on improving margins by:

- driving increased efficiencies through the supply chain; and
- increasing market share by capitalising on national advertising and improving product range dynamics.

The combined business was consolidated within Steinhoff's results from 30 September 2016 and will therefore contribute to the group's results for the full 12 months in the 2017 financial year. Sales for this period is expected to be approximately $3.8 billion. Excluding approximately $30 million of restructuring charges still to be expensed, the restructured business is targeting EBITDA and EBIT margins of approximately 9.0% and 6.5% respectively.

In order to further drive our bedding strategy in Europe, Steinhoff announced in July 2016 that it will be investing in 50% of the equity of **Groupe Cofel (Cofel)** – the leading mattress manufacturer in France.

This transaction will further strengthen the group's vertical integration strategy in the mattress category in western European markets. Steinhoff currently operates two mattress factories in the United Kingdom, four in Australia, and through its investment in KAP Industrial Holdings, six factories in South Africa.

The strategic partnership with Cofel will enhance the group's access to the five factories operated in France and market-leading Bultex, Epeda and Merinos brands, thereby supporting sustainability of supply and improving the ability to manage efficiencies throughout the supply chain. Although the investment will be equity-accounted from 1 January 2017, the contribution to Steinhoff will be immaterial during the 2017 financial year.

Increased relevance and product range to existing customer base

Following the success of the PEP&CO and the GHM! launch in the United Kingdom, the decision was made to expand operations and bring more scale to the business. The group has been relatively successful, but lacked the necessary scale to complete its general merchandise offering to the existing customer base.

In line with the company's strategy to increase its relevance and product range to its core customer base in value and discount markets, and in support of the decision to substantially scale the successful PEP&CO model in the United Kingdom, the **Poundland** acquisition presented a unique opportunity to the group to satisfy both these strategic initiatives.

With approximately 900 stores in the United Kingdom and Ireland and 10 pilot stores in Spain, Poundland is one of Europe's largest single-price value general merchandisers generating annual turnover of approximately GBP1.3 billion. During the due diligence process, the group finalised its value creation plan that will focus on:

- optimising the product range through an alliance with PEP&CO, which will benefit both brands;
- optimising a combined United Kingdom store portfolio for the Steinhoff group;
- leveraging the group's management capability and regional infrastructure to accelerate expansion into continental Europe;
- optimising the group's sourcing infrastructure and group-wide freight relationships to create economies of sale;
- streamlining into the group's logistics, distribution and warehouse infrastructure; and
- maximising synergies from central overhead structures across all Steinhoff businesses in the United Kingdom.

Poundland was consolidated in the group from 30 September 2016. The value-creation plan will be implemented in the next three years and is expected to grow the current EBITDA and EBIT margins of approximately 3.0% and 2.0% respectively.

Similarly, **Tekkie Town** presents a good opportunity to the group to maximise supply chain benefits and add further scale to the buying power of the group in footwear. Trading from approximately 325 stores, mainly located in South Africa, Tekkie Town targets the value andbrand-conscious customer. The product range focuses on branded product, which attracts a more mainstream customer and represents higher volumes with a greater value focus. In 2016, Tekkie Town sold approximately 2.8 million pairs of shoes, generating turnover of R1.3 billion, with the business earning approximately 16.0% EBIT margins. The transaction was approved by the South African Competition Authorities and approval from the Namibian authority is expected in December 2016.

Lastly, the acquisition of **Fantastic Holdings** Limited in Australia is expected to become unconditional in December 2016, and will start contributing to the group in January 2017. Fantastic Furniture generates annual turnover of approximately AUD544 million through its 129 stores, supported by four manufacturing operations. This acquisition in Australia will be highly complementary to Steinhoff's existing Asia Pacific household goods brands. The combined group will position Steinhoff as the second largest furniture retailer in Australia by market share. The brand portfolio will be focused on mattresses and furniture, covering the value spectrum from entry-level to premium, with differentiation on specialist (mattress) store formats and complete solution brands in furniture.

The combined group's value creation plan focuses on:

- Individual retail brands representing significant growth opportunity with limited cannibalisation of Steinhoff Asia Pacific's (SAP) existing brands;
- SAP's proven supply chain model that can incorporate Fantastic Furniture brands to reduce operating costs and improve margins;
- SAP and Fantastic Furniture both have manufacturing operations that can be leveraged to provide further operational and margin benefits across each of the combined group's retail brands; and
- The scale offered by the six retail brands in household goods enables SAP to create complete homemaker centres, thereby leveraging better terms and efficiencies in the market.

Results for the quarter ended 30 September 2016

In September 2016, the group reported a full set of financial results with comprehensive analysis of trading for the 12 months ended 30 June 2016. In the operational review section of this report we will focus on the results for the quarter ended 30 September 2016. In Annexure 2 we include an income statement for the 12 months ended 30 September 2016, being the new financial year for the company as resolved at the general meeting held in May 2016.

Outlook

Revenue

In countries such as France, Switzerland and Austria where the group enjoys material market share, trading closely approximates the market. In regions such as Germany, Spain, Portugal and eastern Europe where the group is actively expanding its footprint, market share growth is expected to continue. In the United Kingdom and Australasia focus remains on increasing market share in all segments of the resilient bedding market. Sales momentum, as measured in constant currency, is continuing in the African region.

Operating margin

The group remains confident in its ability to keep prices to consumers low, and to continue to improve operating margins due to:

- increased efficiencies in its integrated supply chain;
- relative scale within the business and specifically in strategic product categories; and
- increased operating leverage given the growing store footprint and market share growth.

Taxation

The regulatory investigation of the group's German subsidiary is continuing. As reported in September the group is confident that the matter will be resolved amicably.

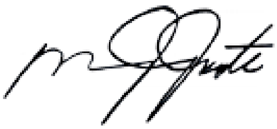
The group remains confident that the annual tax rate can be sustained at 15% for the short to medium term.

Employees

As of 30 September 2016, Steinhoff N.V. and its subsidiaries employed approximately 105 800 employees across the world, as confirmed in note 2 of the financial statements. This employee base adequately reflects the level of resource necessary to manage and trade the business worldwide, and management expects this level of capacity and organisation to continue in the coming year.

Research and development

Research and development forms part of the daily operations of the group' subsidiaries worldwide. The group will continue to manage and prioritise these in the foreseeable future.



Markus Jooste
Chief executive officer

Forward-looking statements

This report contains management's view on future developments based on information currently available and is subject to risks and uncertainties, as described in the section 'Risk Factors – Risks relating to the Group's Business' on pages 47 to 57 of the Frankfurt Stock Exchange prospectus, which can be accessed on the group's website at www.steinhoffinternational.com. These risks are outside the control of management, and in the event that underlying assumptions turn out to be inaccurate or risks contained in the prospectus materialise, actual results may differ materially from those included in these statements.

Management and the group do not assume any obligation to update any forward-looking statements made beyond statutory disclosure obligations.

OPERATIONAL REVIEW

Quarter ended 30 September 2016

Total group revenue for the quarter increased by 12.1% to €3 369 million. Revenue generated by the retail operations increased by 15.6% to €3 164 million. As expected, external supply chain revenue decreased by 23.2% to €205 million compared to the previous quarter. This decrease in revenue is as a result of capacity being re-directed to owned retailers as part of the group's procurement strategy, and has a positive effect on margin.

TOTAL RETAIL REVENUE DEVELOPMENT: QUARTER TO SEPTEMBER 2016

	Total Retail[1]	Household goods[1]	General merchandise	Automotive
Growth compared to previous period	15.6%	19.6%	18.0%	(9.4%)
Adjusted for foreign currency impact	4.7%	2.1%	8.3%	9.7%
Growth in constant currency revenue	**20.3%**	**21.7%**	**26.3%**	**0.3%**

[1] Excludes global supply chain revenue

The sales momentum in the retail operations remains satisfactory. Adjusted for the impact of currency fluctuations, retail sales in constant currency increased by 20.3%. The newly acquired kika-Leiner and Iliad group businesses contributed €278 million to constant currency revenue during the quarter, and needs to be eliminated when measuring the growth of the core business against the comparative period.

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Margin evolution

€m	QUARTER TO SEPTEMBER 2016			12 MONTHS TO SEPTEMBER 2016		
	3MSEP16	3MSEP15	Growth	12MSEP16	12MSEP15[1]	Growth
Revenue						
Household goods	**2 167**	1 907	13.6%	**8 645**	7 734	11.8%
General merchandise	**895**	758	18.0%	**3 600**	3 418	5.3%
Automotive	**307**	339	(9.4%)	**1 182**	1 321	(10.5%)
	3 369	3 004	**12.1%**	**13 427**	12 473	**7.7%**
Operating profit						
Household goods	**241**	219	10.1%	**1 110**	1 013	9.6%
General merchandise	**75**	63	19.6%	**361**	334	8.1%
Automotive	**11**	9	19.8%	**39**	39	–
	327	291	**12.5%**	**1 510**	1 386	**8.9%**
Operating profit margin						
Household goods	**11.1%**	11.5%		**12.8%**	13.1%	
General merchandise	**8.4%**	8.3%		**10.0%**	9.8%	
Automotive	**3.5%**	2.7%		**3.3%**	3.0%	
Group operating margin	**9.7%**	9.7%		**11.2%**	11.1%	
Adjusting for effect of one-off restructuring costs	**0.8%**			**0.2%**		
Adjusted operating profit margin	**10.5%**	9.7%		**11.4%**	11.1%	

[1] Pro forma including general merchandise for 12 months

Central to group strategy is the entrenched focus of our decentralised management teams on driving efficiencies in the supply chain and minimising cost. This increases the group's competitive advantage to supply its value-conscious customer base with a wide range of low-priced products.

As is highlighted in the table above, the margin development for the core business remains on track.

Adjusting for the one-off and non-comparable effects on the core business, the group earned an operating profit margin of 10.5% on sales during the quarter, ahead of the 9.7% earned in the comparative quarter of the previous year. This margin development is encouraging, especially taking into account that the core margin is not adjusted for the costs inherent in the group's comprehensive store opening and refurbishment programmes, expensed in the period in which they occurred.

The group remains confident that its global integrated supply chain and investment in central shared services are increasing the scalability of the business, and will continue to drive efficiencies and increased margin for the core and newly acquired businesses.

Household goods

KEY FINANCIALS (€m)	3MSEP16	3MSEP15	Growth	12MSEP16	12MSEP15	Growth
Revenue	2 167	1 907	13.6%	8 645	7 734	11.8%
Proportion of group revenue	64%	64%		64%	62%	
Operating profit (EBIT)	241	219	10.1%	1 110	1 013	9.6%
Adjusted operating profit (EBIT)[1]	266	219	21.6%	1 135	1 013	12.0%
Operating profit margin	11.1%	11.5%	(40 bps)	12.8%	13.1%	(30 bps)
Adjusted operating profit margin	12.3%	11.5%	80 bps	13.1%	13.1%	–

[1] Adjusted for one-off charges and restructuring costs

For the three months ended 30 September 2016, the household goods retail segment improved revenue by 13.6% to €2 167 million (3MSep15: €1 907 million).

In analysing the retail sales momentum (thereby excluding global supply chain revenue), total retail sales for the three months increased to €1 962 million (3MSep15: €1 640 million), representing growth of 19.6%. In the table below, revenue growth is further adjusted to demonstrate the impact of the currency fluctuation and acquisitions.

RETAIL REVENUE DEVELOPMENT (EXCLUDING EXTERNAL SUPPLY CHAIN)	3MSEP16	12MSEP16
Retail revenue growth compared to previous year	19.6%	16.3%
Adjusted for foreign currency impact	2.1%	3.1%
Growth in constant currency	**21.7%**	**19.4%**
Adjustment for new business (kika-Leiner and Iliad)	(16.9%)	(15.9%)
Organic sales increase	**4.8%**	**3.5%**

Note: To analyse organic growth, the revenue contribution from the newly acquired kika-Leiner and Iliad groups need to be considered and eliminated in the three months ended September 2016 (€278 million) and 12 months ended September 2016 (€1 044 million).

The decline in the JD Group revenue in South Africa over the 12-month period was planned as part of the group restructure and distorts the growth figure for the segment as a whole. All European business units reported single-digit sales growth in line with that reported for the 12 months ended June 2016.

Despite a tough quarter as a result of the reversal of a buoyant market in France, Conforama increased sales by 2% for the quarter. Profitability and cash flow at Conforama were particularly encouraging due to good product mix dynamics, with strong growth in furniture and home decoration products supporting gross margins.

€24.99
CONFORAMA

€19.99
CONFORAMA

€1250
SNOOZE

€299
KIKA-LEINER

€41.50
FREEDOM

In Switzerland, the group is holding its own, despite a particularly challenging market. The decision was taken to close Confo Déco (dedicated home decoration concept stores) in this territory. The remainder of the international division is performing well with continued strong like-for-like sales growth experienced in Iberia and the Balkans.

The European Retail Management (ERM) business continues to perform well in all territories where it operates. The sales growth in the European business units is particularly encouraging, given the fact that the European summer months are historically a slow period for the household goods business. The German business continues to show solid growth numbers in its existing store base, supplemented by growth in new stores at lower sales densities (given that these stores typically take 24 to 36 months to reach optimal trading densities).

Following a period of rapid restructuring within the Austrian business, pro forma sales in Austria continued to decline in the quarter under review, but is showing good momentum for the remainder of the year. The good growth experienced throughout the eastern European region is continuing, and all efforts are focused on further developing this region.

Despite the prevailing uncertainty brought about by the Brexit vote and the decline of the pound, the bedding and furniture retail business in the United Kingdom performed exceptionally well. Revenue growth, on both like-for-like basis and in real terms, continued its growth trajectory in line with that reported in June 2016. Similarly, the Australian business is performing well, led by solid consumer confidence and a strengthening housing market in that region. The renewed focus on dedicated mattress and bedding studios within the furniture brands continues to drive increased revenue, while supporting improved gross margins.

In South Africa, most of the closures of the unprofitable stores in the JD Group are now complete, with €25 million of the planned €30 million being expensed for the restructuring in the current period. Overheads and operating costs have been substantially reduced and are now at a level that enables the group to better compete in the market. Therefore, the focus of the group will be on market share gains and profitable growth during the next 12 months.

General merchandise

KEY FINANCIALS (€m)	3MSEP16	3MSEP15	Growth	12MSEP16	12MSEP15[1]	Growth
Revenue	895	758	18.0%	3 600	3 418	5.3%
Proportion of group revenue	27%	25%		27%	27%	
Operating profit (EBIT)	75	63	19.6%	361	334	8.1%
Operating profit margin	8.4%	8.3%	10 bps	10.0%	9.8%	20 bps

[1] Pro forma including general merchandise for 12 months

For the three months ended 30 September 2016, the general merchandise retail segment improved revenue by 18.0% to €895 million (3MSep15: €758 million).

REVENUE DEVELOPMENT	3MSEP16	12MSEP16
Growth compared to previous period	18.0%	5.3%
Adjusted for foreign currency impact	8.3%	14.2%
Growth in constant currency	**26.3%**	**19.5%**

Adjusted for currency fluctuations relating to mostly the South African rand, the general merchandise segment increased sales by 26.3% during the quarter.

African region: South Africa

This year marks the 17th consecutive year of double-digit revenue and operating profit growth in this region. A particularly strong like-for-like performance in the clothing, footwear and homeware product range of 7.9% reaffirms the group's relevance in this market segment. Price increases were kept to a minimum and an exceptional performance by the division on cost savings, aided by increased supplier support and minimal markdowns (<4%) during the period, resulted in the large inflationary effect on prices (relating to dollar strength) being partly absorbed. This supported market share growth.

The business continued to drive market share in entry-level mobile handsets with growth in excess of 20% experienced in this product category. The strategy of capitalising on its expansive and conveniently located footprint, supported by the approximately 98 000 Flash devices operative in the informal sector of the economy is gaining momentum. Good growth is being realised on ancillary services such as electricity, cable-TV payments and money transfers, thereby improving group profitability.

€1.99
PEP

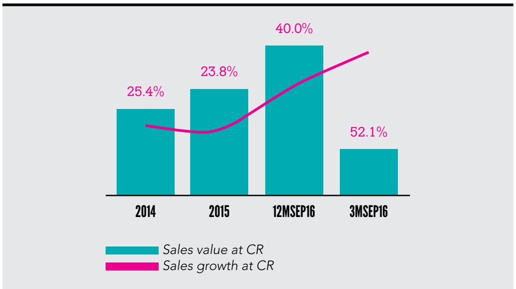
€3.15
BEST&LESS

€47
FLASH

African region: Rest of Africa

Excluding South Africa, the remainder of the African region represents approximately 5% of the general merchandise division's sales. The strong constant currency sales growth momentum in this region (demonstrated by the table below) is expected to slow down for the remainder of the year.

SALES TREND – CONSTANT CURRENCY RATE (CR)



Currency volatility impacts gross margins and product inflation, thereby leading to lower demand due to affordability constraints. Notwithstanding this, the business will continue to protect its market share, and maintain and build its brand in its already well-established formal retail footprint on the African continent.

European division

The eastern European division continued its growth trajectory, with like-for-like sales growth during the quarter exceeding 20% in all countries, with a particularly strong performance in Hungary and Romania, which now represents approximately 16% of total eastern European sales. Poland remains the biggest contributor for the European division.

The eastern European region recorded excellent growth in its key product categories, namely home decoration and textile (+40%) and babywear and kidswear (+35%), entrenching its market share positioning and sustainability of low-price leadership in this region.

Following the launch in July 2015, the PEP&CO concept in the United Kingdom is trading in line with expectation, with better than expected revenue per square metre performance metrics in strategic areas.

Having reached the critical performance metrics, the concept is now ready to expand, and investigations for cross-pollination of product, store and property network and supply chain initiatives with the newly-acquired Poundland business are in progress.

Australasian division

During the quarter the business in Australasia performed well, with increased like-for-like sales and much improved profitability. This resulted from lower costs and the introduction of more discount ranges to stimulate footfall.

Automotive

KEY FINANCIALS (€m)	3MSEP16	3MSEP15	Growth	12MSEP16	12MSEP15	Growth
Revenue	307	339	(9.4%)	1 182	1 321	(10.5%)
Proportion of retail revenue	9%	11%		9%	11%	
Operating profit (EBIT)	11	9	19.8%	39	39	–
Operating profit margin	3.5%	2.7%	80 bps	3.3%	3.0%	30 bps

The automotive retail segment reported a decrease in revenue of 9.4% to €307 million (3MSep2015: €339 million) for the three months ended 30 September 2016.

REVENUE DEVELOPMENT	3MSEP16	12MSEP16
Growth compared to previous period	(9.4%)	(10.5%)
Adjusted for foreign currency impact	9.7%	17.1%
Growth in constant currency	0.3%	6.6%

When adjusting for currency fluctuations in South African rand, revenue was stable compared to the previous quarter, increasing slightly by 0.3%. This performance should be evaluated against the performance of the South African motor industry, in particular new vehicle sales, which has declined compared to the previous year.

Revenue and margin were supported by the extensive brand portfolio and the release of new models in the entry-level and volume segments of the market, which the company specifically targets. Given the decline in new vehicle sales, revenue growth in the used vehicles and parts and service units increased, thereby supporting the increased margin earned by the division.

Operating profit improved by 19.8% to €11 million (3MSep2015: €9 million) as a result of the advantageous mix of new and used, as well as good cost control in the business.

€29 157 (excl. extras)
UNITRANS MOTORS


MATTRESSFIRM
America's Largest Bedding Store
SuperCenter
SALE


£1

Financial review October 2015 to September 2016

Change in financial year-end of Steinhoff International Holdings N.V.

At the extraordinary general meeting held on 30 May 2016, shareholders approved the change in the financial year-end to 30 September. Accordingly, the extension of the 2016 financial year to 30 September 2016 has resulted in a one-off reporting period of 15 months ending 30 September 2016.

Scheme of arrangement and reverse acquisition

A scheme of arrangement was approved by the Steinhoff International Holdings Limited (Steinhoff) shareholders, whereby Steinhoff International Holdings N.V. (Steinhoff N.V.) acquired the entire issued share capital of Steinhoff. As consideration, the Steinhoff shareholders received one ordinary share in Steinhoff N.V. for each Steinhoff share transferred. The scheme became operative on 7 December 2015 and Steinhoff became a wholly owned subsidiary of Steinhoff N.V.

Steinhoff was delisted from the main board of the Johannesburg Stock Exchange (JSE) and Steinhoff N.V. ordinary shares were listed on the Prime Standard of the Frankfurt Stock Exchange (FSE) as a primary listing, and the main board of the JSE by way of a secondary listing.

The acquisition has been accounted for in terms of IFRS 3: Business Combinations (IFRS 3), using the principles of a reverse acquisition. The existing Steinhoff group was identified as the acquirer in the transaction, and Steinhoff N.V. (including the kika-Leiner group) was the acquiree. Steinhoff N.V. (including the kika-Leiner group) is therefore subject to an IFRS 3 fair valuation. At the reporting date, the group has applied initial accounting for the business combination, and therefore the IFRS 3 fair valuation is still provisional. As part of this transaction, a reverse acquisition reserve originated and was calculated as the group's market capitalisation on 7 December 2015 (€5 per ordinary share), less the stated capital balance on that date. The share capital of the group increased by the same amount.

Restatement due to change in functional and presentation currency

As part of the Frankfurt listing and the reverse acquisition, the parent company, Steinhoff N.V. changed its functional and presentation currency from South African rand to euro. The currency restatement is explained in more detail in note 32 of the financial statements.

Corporate activity

Convertible bond conversions

During the period, conversion notices were received from holders of the convertible bonds due 2017 and 2018. In total, 201.3 million ordinary shares of Steinhoff were issued to bondholders and €2.7 million was paid in cash to redeem the remainder of the bonds. As at 30 September 2016, only the convertible bonds due 2021, 2022 and 2023 remain in issue.

Convertible bond due 2022

On 30 July 2015, Steinhoff Finance Holding GmbH issued a seven-year, euro-denominated convertible bond to raise €1 116 million (before expenses). The bond pays interest semi-annually in arrears at a fixed rate of 1.25% per annum and is convertible into 150 million Steinhoff N.V. ordinary shares at an initial conversion price of €7.44 per share (representing an initial conversion premium of 35% to the prevailing underlying volume-weighted average (VWAP) share price at the date of pricing). The issue and redemption price of the bond is 100%. The bond is convertible into Steinhoff N.V. ordinary shares at the election of the bondholders. The company holds, subject to conditions, rights on early redemption. The bond is listed on the Open Market (Freiverkehr) of the FSE.

Convertible bond due 2023

On 21 April 2016, Steinhoff Finance Holding GmbH issued a seven-and-a-half-year, euro-denominated convertible bond to raise €1 100 million (before expenses). The bond pays interest semi-annually in arrears at a fixed rate of 1.25% per annum and is convertible into 141.8 million Steinhoff N.V. ordinary shares at an initial conversion price of €7.76 per share (representing an initial conversion premium of 40% to the prevailing underlying VWAP share price at the date of pricing). The issue and redemption price of the bond is 100%. The bond is convertible into Steinhoff N.V. ordinary shares at the election of the bondholders. The company holds, subject to conditions, rights on early redemption. The bond is listed on the Open Market (Freiverkehr) of the FSE.

Iliad Africa Limited (Iliad)

Steinhoff N.V. purchased Iliad for a total cash consideration of €79.6 million. All conditions precedent were fulfilled and Iliad became an indirect subsidiary of Steinhoff N.V. on 1 January 2016. Iliad delisted from the JSE on 12 January 2016.

JD Group's Financial Services

During the period, the group disposed of JD Group's Financial Services division (including insurance operations) to a European private equity consortium.

Mattress Firm Holdings Corporation (Mattress Firm)

Steinhoff N.V. and Mattress Firm entered into a definitive merger agreement under which Steinhoff N.V. acquired Mattress Firm for an equity value of US$2.4 billion. The acquisition date was 19 September 2016 and only the statement of financial position was consolidated from 30 September 2016.

Poundland Group PLC (Poundland)

Steinhoff N.V. purchased Poundland on 16 September 2016 for a total cash purchase consideration of GBP587 million. The 23.6% stake held at acquisition date was revalued to fair value at this date. Only the statement of financial position of Poundland was consolidated from 30 September 2016.

Capital increase

Following the acquisitions of Mattress Firm and Poundland, Steinhoff N.V.´s management board resolved to increase its issued and outstanding share capital on 27 September 2016, whereby:

- 162 million new ordinary shares were subscribed for by Upington Investment Holdings B.V. (Upington), a company ultimately controlled by a family trust of Dr Christo Wiese, Steinhoff N.V.´s largest shareholder and chairman of Steinhoff N.V.´s supervisory board (the Upington Subscription).
- 152 million existing ordinary shares (which were classified as treasury shares for the purposes of IFRS) were acquired by Upington (the Upington Purchase).
- 60 million new ordinary shares were subscribed for by Lancaster 101 Proprietary Limited (Lancaster) pursuant to a fully funded South African Black Economic Empowerment transaction. The Public Investment Corporation, Steinhoff N.V.´s second largest shareholder facilitated the Lancaster Subscription (the Lancaster Subscripton).
- an additional 110 million new ordinary shares were offered to institutional investors via an accelerated bookbuild.

Total gross proceeds to Steinhoff N.V. from the above transactions were €2 447 million. In consideration for the commitments in terms of the Lancaster Subscription, the Upington Subscription and the Upington Purchase, Upington and Lancaster received an underwriting commission of 2.5% of the respective subscription price and purchase price, as applicable. The underwriting commission has been accounted for as a charge against share premium.

NET DEBT

The gearing of the group remains at acceptable levels with net debt of €5.2 billion at 30 September 2016. The net debt:equity ratio ended at 33%, which is well within self-imposed group covenant levels of 50% net debt:equity.

The net debt balance increased from the 30 June 2016 reported balance, mostly as a result of acquisition debt of €4 billion relating to Mattress Firm and Poundland. This increase was offset by the cash from the capital increase on 27 September 2016. The cash was largely used to settle the bridge to equity loan of the Mattress Firm acquisition. These transactions are discussed in more detail elsewhere in this report.

NET DEBT	€m
Non-current interest bearing liabilities	7 142
Current interest bearing liabilities	274
Bank overdrafts	646
Gross debt	8 062
Cash and cash equivalents	(2 861)
Net debt	5 201
Equity	15 967
Net debt : equity	33%

When assessing the net debt:EBITDA ratio, it is important to note that the net debt balance at 30 September 2016 includes the debt raised for both the Mattress Firm and Poundland acquisitions, but the EBITDA number excludes the results from these businesses. As such, we present a pro forma net debt:EBITDA calculation for the 12-month period ended 30 September 2016 below.

EBITDA	€m
12 months to September 2016	1 768
Mattress Firm pro forma*	308
Poundland pro forma^	45
Pro forma EBITDA	2 121
Net debt : EBITDA (times)	2.5

* Calculated on $3.8bn sales at 9% EBITDA margin
^ Calculated on £1.3bn sales at 3% EBITDA margin

The EBITDA interest cover was maintained at healthy levels, even after considering the impact of the above transactions.

NET FINANCE CHARGES	€m
12 months to September 2016	161
Mattress Firm pro forma	44
Poundland pro forma	10
Pro forma net finance charges	215
EBITDA interest cover (times)	9.9

The group had access to unutilised borrowing facilities of €3 billion as at 30 September 2016.

DISTRIBUTION

In terms of Steinhoff's dividend policy, Steinhoff declares dividends annually. Due to the change in financial year-end to 30 September and the fact that dividends were historically paid annually in November/December, Steinhoff's management board, with the approval of Steinhoff's supervisory board, declared an interim distribution of 12 euro cents per ordinary share, which was paid to Steinhoff's shareholders on 6 December 2016. Under Dutch law, the final dividend declared will require the approval from shareholders at Steinhoff's annual general meeting. To this end, Steinhoff's management board, with the approval of Steinhoff's supervisory board, will propose a final dividend of 15 euro cents per ordinary share for the 15-month period ended 30 September 2016. Taking into account the interim distribution of 12 euro cents per ordinary share paid on 6 December 2016, the remaining dividend will amount to 3 euro cents per ordinary share and will be payable in the form of cash, Steinhoff ordinary shares, or a combination of both. The final Steinhoff dividend will be approved at the annual general meeting, which will be held on 14 March 2017, and the remaining dividend of 3 euro cents per ordinary share will only become payable if approved at the general meeting.

Annual report

The group's annual report will be available on the company's website.

Ben la Grange
Chief financial officer

STEINHOFF'S corporate governance report

"Corporate governance involves a set of relationships between a company's management, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set and the means of attaining those objectives and of monitoring performance are determined."

Organisation for Economic Cooperation and Development

ABOUT THIS REPORT/BACKGROUND

The aim of this annual report is to provide stakeholders with an overview of the approach of the Steinhoff international Holdings N.V. group (the group) to corporate governance, at both group and divisional level, and to demonstrate that the group's businesses and assets across the globe are managed responsibly and in a sustainable manner.

On 7 September 2015, shareholders approved a scheme of arrangement and specific share repurchase by Genesis International Holdings NV ("Genesis"), a company registered in the Netherlands and in South Africa, in terms of which Genesis acquired the entire issued share capital of Steinhoff International Holdings Limited ("Steinhoff Ltd") on the terms and conditions detailed in the circular to shareholders issued by Steinhoff Ltd dated 7 August 2015. Pursuant to the adoption of the scheme of arrangement and specific share repurchase, Genesis changed its name to Steinhoff International Holdings N.V. (Steinhoff N.V. or the company) and, on 7 December 2015, was granted a primary listing on the Frankfurt Stock Exchange in Germany, with a secondary listing on the JSE Limited in South Africa. In addition, Steinhoff N.V. adopted new articles of association that are compliant with the Dutch Corporate Governance Code. At the extraordinary general meeting of the company held on 30 May 2016, *inter alia*, shareholders approved the amendment of the company's articles of association to change the financial year end of the company to 30 September and to extend the financial reporting period under review to 30 September 2016. The company's articles of association can be viewed on the company's website at www.steinhoffinternational.com.

This report covers corporate governance issues relevant to Steinhoff N.V. Group for the period ended 30 September 2016 and has been compiled in accordance with the Dutch Corporate Governance Code, Dutch legislation and regulations and, to the extent applicable and practicable, in terms of South African legislation and regulations.

The company fully endorses the underlying principles of the Dutch Corporate Governance Code and is committed, as far as possible, to adhering to the best practices contained within the code. The company is compliant with the Dutch Corporate Governance Code, with the exception of the following best practice provisions:

III.1.9. This provides that the company shall provide the necessary means for the supervisory board to obtain information from the management board, officers and external advisors of the company. Under the supervisory board regulations, the supervisory board may, should circumstances so require, be assisted by experts. The reasonable costs of such assistance shall be for the account of the company, provided that these have been approved by the management board.

III.2.1. This provides that all supervisory directors, with the exception of not more than one person, shall be independent within the meaning of the Dutch Corporate Governance Code. In deviation from the code's requirements, the supervisory board regulations provide that the majority of the supervisory directors shall qualify as independent within the meaning of the Code. Five out of the eleven supervisory directors do not qualify as independent within the meaning of the code. These non-independent non-executive Supervisory directors, through their wider association with the group and its operations over the years, bring an informed dimension to supervisory board deliberations. This is of particular importance given the diversity and geographical spread of the group's operations.

III.3.5. This provides that a person may be appointed to the supervisory board for a maximum of three four-year terms. The supervisory directors were appointed for an initial interim period, and at the extraordinary general meeting held on 30 May 2016 the supervisory board was reconstituted. (For full details of the current supervisory board refer to the supervisory board report). A rotation schedule has been adopted by the supervisory board pursuant to clause 3.9 of the regulations of the supervisory board and is available on the company's website at www.steinhoffinternational.com.

III.5.4 This provides that the nomination committee shall focus on supervising the policy of the management board on the selection criteria and appointment procedures for senior management. This responsibility falls within the authority of the human resources and remuneration committee, which possesses the resources and capabilities to address this issue.

IV.3.1 This provides that meetings with analysts, presentations to analysts, investors and institutional investors and press conferences shall be announced in advance on the company's website and by means of press releases, and that provisions shall be made to follow these meetings in real time. Pursuant to the management board regulations, the company shall announce such planned meetings, presentations and conferences in advance on the company's website. To the extent practically possible, the company shall make provisions to follow these meetings, presentations and conferences in real time. Presentations shall be placed on the company's website after these meetings.

V.2 This provides that the external auditor is appointed by the general meeting. The general meeting on 1 December 2015, authorised the supervisory board to determine which auditor it wished to engage in respect of the audit of the financial reporting period ended 30 September 2016, with the authority to appoint such auditor for the current financial year as well as the authority to determine the terms of engagement of such auditor. The supervisory board have confirmed the appointment of Deloitte Accountants B.V. as the company's external auditors for the 2016 financial year.

INTRODUCTION

In line with the group's decentralised management approach, day-to-day responsibility for ensuring that the group's businesses are appropriately managed rests with divisional management and their boards. In accordance with the Dutch Corporate Governance Code, separate management and supervisory boards have been constituted at holding company level. There are defined reporting lines from divisional level to the management board of Steinhoff N.V. to ensure that the divisional operations' approach to corporate governance remains in line with group policies. Notwithstanding this decentralised approach, the ultimate responsibility for retaining full and effective control of the group's businesses rests with the management board and the supervisory board, in accordance with their respective mandated roles and applicable rules.

CORPORATE RESPONSIBILITY

Decisions on material matters are reserved by the management board, which is the executive body entrusted with the management of the company's operations and strategy, as well as the operations of the group, subject to supervision by the supervisory board. These decisions on material matters include, but are not limited to, decisions on the allocation of capital resources to optimise the return on shareholders' funds and the authorisation of procurement capital expenditure, property transactions, borrowings and investments, other than where pre-approved materiality levels, which have been defined by the management board, apply. In order to create value in the short, medium and long term for its stakeholders in a balanced, ethical and sustainable manner and to ensure compliance with the applicable laws and regulations governing its operations, Steinhoff N.V. remains committed to ensuring the maintenance of effective and sustainable corporate governance and ethical practices across all group operations.

TWO-TIER BOARD STRUCTURE

As mentioned above, the company has adopted a two-tier board structure, consisting of the management board and the supervisory board. The management board and the supervisory board are accountable to Steinhoff N.V.'s shareholders.

Management board

Responsibilities of the management board

The detailed responsibilities of the management board are contained in formal regulations that were adopted on 1 December 2015. These regulations can be viewed on the company's website at www.steinhoffinternational.com. The management board is entrusted with the management of the company's and the group's objectives, subject to the supervision of the supervisory board. Certain important resolutions of the management board are subject to the approval of the supervisory board and the general meeting. These resolutions are detailed in schedule 2 to the management board regulations' which are available on the company's website at www.steinhoffinternational.com. The management board's responsibilities include, *inter alia*, subject to submission to the supervisory board for approval, setting and achieving the company's objectives, determining the company's strategy and risk profile, for example in respect of the financial ratios, ensuring the ensuing delivery of results and addressing corporate social responsibility issues that are relevant to the group. The management board, which has powers of delegation to individual managing directors within the group and/or committees, may perform all acts necessary or useful for achieving the company's objectives, save for such acts as may be prohibited by law or by the company's articles of association.

Activities of the management board during the period under review

Details of the activities of the management board during the period under review are included within this annual report, including details of the company's operational and financial objectives, the strategies formulated to achieve these objectives, the parameters to be applied to the strategies and any relevant corporate social investment issues.

During the period under review, the management board assessed the design and effectiveness of the Group's internal risk management and control systems, details of which are included in the risk report contained within this annual report. No significant changes to these systems were made or recommended and there were no material breakdowns in internal controls across the Group. The management board has confirmed that Group's internal risk management, internal control systems provide reasonable, albeit not absolute, assurance that company's business objectives will be achieved within the risk tolerance levels defined by the management board and approved by the supervisory board.

The management board has a reporting line to the supervisory board and furnishes the supervisory board with the information required by that board for the performance of its duties. The management board is required to inform the supervisory board in writing, at least once a year, of the main aspects of the company's strategic policy, the general and financial risks and the company's management and auditing systems.

Composition, appointment, removal and suspension of the management board/ managing directors

The management board consists of at least two managing directors, with the number of managing directors to be determined by the supervisory board. Details of the current management board, including a brief curriculum vitae of each managing director, are given below. The management board currently consists of three executive managing directors as follows:

MJ Jooste: Chief executive officer
AB la Grange: Chief financial officer
DM van der Merwe: Chief operating officer

These managing directors possess a wide range of business-related expertise and significant experience in financial, commercial, manufacturing, retail, logistics, furniture industry, timber and related raw material activities and have detailed knowledge of the group's activities across the globe. None of the management board members are members of supervisory boards (as defined under Dutch law) of other listed companies. However, Messrs Jooste, la Grange and van der Merwe serve as non-executive directors on the board of KAP Industrial Holdings Limited and in addition, Mr Jooste serves as a non-executive director on the boards of Phumelela Gaming and Leisure Limited and PSG Group Limited and Mr La Grange serves as an alternate director to Mr Jooste on the board of PSG Group Limited; all of which are companies that are listed on the JSE Limited in South Africa.

Following a non-binding nomination by the supervisory board, with due observation to the provisions under the articles of association of the company, the management board members are appointed by shareholders at the annual general meetings of the company (the "general meeting") for four-year terms and may be reappointed for terms not exceeding four years at a time. There is no maximum aggregate term for managing directors. The general meeting may, at any time, suspend or remove a management board member upon a proposal by the supervisory board.

Curricula Vitae

Markus Johannes Jooste (55)
BAcc, CA(SA)
Member of the management board

Markus is group chief executive officer for Steinhoff N.V. He completed a B Accounting at University of Stellenbosch in 1982 and a certificate in the Theory of Accounting from the University of Cape Town in 1983 before qualifying as a Chartered Accountant in 1986. In 1988, Markus joined Gommagomma Holdings Proprietary Limited (now Steinhoff Africa Holdings Proprietary Limited) as financial director. In 1998, he was appointed as executive director and took responsibility for the European operations of the Steinhoff group. In 2000, Markus was appointed chief executive officer of Steinhoff Limited and chairman of Steinhoff Africa and in 2013, he was appointed chief executive officer for the Steinhoff Group's operations. Markus serves on the boards of various unlisted Steinhoff group companies, including Conforama Holdings S.A. and the following listed companies: PSG Group Limited (member of the remuneration committee), Phumelela Gaming and Leisure Limited (member of the remuneration committee) and KAP Industrial Holdings Limited.

Daniël Maree (Danie) van der Merwe (58)
BComm, LLB
Member of the management board

Danie is the group chief operating officer for Steinhoff N.V. He was admitted as an attorney of the High Court of South Africa in 1986 and practiced as an attorney specializing in the commercial and labor law fields. In 1990, Danie joined the Roadway Transport Group and was instrumental in developing the strategic direction and growth of this group. In early 1998, following the merger of Roadway Transport Group with Steinhoff Africa, he joined the Steinhoff group and in 1999, was appointed as a director of Steinhoff Limited. He previously acted as chief executive officer for Steinhoff's southern hemisphere operations and was appointed as group chief operating officer in 2013. Danie holds several other appointments within the Steinhoff group of companies and currently serves on the boards of Steinhoff Asia Pacific Limited and Steinhoff UK Holdings Limited. He also serves as a non-executive director of KAP Industrial Holdings Limited (member of the human resources and remuneration and nomination committees).

Andries Benjamin (Ben) la Grange (42)
BCom (Law), CA(SA)
Member of the management board

Ben is the group chief financial officer for Steinhoff N.V. He completed his articles with PricewaterhouseCoopers Inc. and spent two and a half years in their international and corporate tax division. Ben joined Steinhoff in 2003 as manager of the corporate tax division, whereafter he moved to the Steinhoff corporate finance division before his appointment as chief financial officer for the group's southern hemisphere operations. In 2009, he was appointed as an alternate director to the Steinhoff Limited board and was appointed as group chief financial officer in March, 2013. Ben also serves as an alternate director of PSG Group Limited and as a non-executive director of KAP Industrial Holdings Limited.

Authority to represent the company

The company is represented by the management board and each managing director has the individual authority to represent the company.

Conflict of interest

Pursuant to the company's articles of association and the management board rules, managing directors are required to immediately report any existing or potential personal conflict of interest to the company and to the chairman and/or deputy chairman and the lead independent Supervisory Director and to the other managing directors, providing all relevant information.

Should a personal conflict of interest preclude a resolution from being adopted by the management board, the resolution will be referred to the supervisory board. All transactions in which there are conflicts of interest with managing directors will be agreed on terms that are customary in the sector concerned and will be disclosed in the company's annual management report. Resolutions to enter into transactions in which there are conflicts of interest with managing director(s) that are of material significance to the company and/or the relevant managing director(s) require the approval of the supervisory board.

Save as reported below, during the period under review, no conflicts of interest were brought to the attention of the management board or the supervisory board and no such transactions or transactions between the company and any legal or natural persons holding at least 10% of the company's shares took place. During the period under review, an entity owned and/or controlled by the chairman of the supervisory board, Mr CH Wiese, through a private placement at a market related price, subscribed for 314 000 000 shares in the company, full details of which were announced by the company. The best practice provisions II.3.2 to 11.3.4 and of the Dutch Corporate Governance Code have been complied with and best practice provision III.6.4 has been observed.

Executive committee

To assist the management board with the fulfilment of its duties, an executive committee has been established.

The executive committee members are:

MJ Jooste
AB la Grange
DM van der Merwe
JNS du Plessis
P Erasmus
HJK Ferreira
SJ Grobler
KJ Grové
FJ Nel
M Nel
H Odendaal
P Pohlmann
D Schreiber
S Summers

The following supervisory board members, including the chairman and deputy chairman of the supervisory board, as well as the following executives regularly attend the executive committee meetings as invitees:

D Konar
BE Steinhoff
CH Wiese
JD Wiese
P Griffiths
A Nodale
N Pohlmann

Various members of the executive team, designated staff members and divisional directors regularly attend these meetings as invitees. The committee meets regularly, approximately every three weeks and formally each month, with senior executive management, designated staff members and divisional directors. The chairman and deputy chairman of the supervisory board and Mr Bruno Ewald Steinhoff are regular invitees at executive committee meetings. The management board may suspend and dismiss a member of the executive committee who is not also a managing director. The management board retains the authority to adopt resolutions within the scope of authority of the executive committee without the participation of committee members who are not also members of the management board.

Purpose

Responsible for assisting and advising the chief executive officer in implementing the strategies and policies determined by the management board in managing the business and affairs of the company, prioritising the allocation of capital, technical and human resources and establishing best management practices.
Monitors the performance of the company and assists the chief executive and chief financial officer in preparing the annual budget for review and approval by the management board.
Responsible for reviewing and monitoring the company's system of internal control and ensuring an effective risk management process.
Reviews merger and acquisition opportunities.

Attendance

All committee members attended all meetings of the executive committee held over the reporting period.

Chief financial officer

The chief financial officer is Andries Benjamin (Ben) la Grange. Mr la Grange previously served as chief financial officer of Steinhoff International Holdings Limited, a position which he held from 2013. A review of his appointment as chief financial officer of Steinhoff N.V. was undertaken at the Audit and Risk committee meeting held on 2 December 2016 and the committee is satisfied that Mr la Grange possesses the appropriate experience and qualifications for this position.

Remuneration of managing directors

Subject to compliance with sections 2.383c up to and including 2.383e of the Dutch Civil Code, insofar as these relate to the management board, the authority to establish remuneration and other conditions of service for managing directors is vested in the supervisory board, assisted by the human resources and remuneration committee.

The remuneration paid to managing directors and the share rights granted to managing directors for the period under review are detailed in the annual accounts in note 31.1.

Remuneration for managing directors consists of a base salary, a performance-related incentive bonus, retirement contributions, medical scheme membership and participation in long-term incentive schemes.

The governance of the managing directors' remuneration is undertaken by the human resources and remuneration committee, which makes recommendations to the supervisory board. The responsibility for ensuring that the managing directors are fairly and responsibly remunerated has been formally delegated to the supervisory board. Details of the approach of the human resources and remuneration committee in fulfilling its responsibilities are given in the remuneration report, which has been published on or about the date of this report and is available on the company's website at www.steinhoff.co.za.

Management board meetings and attendance

The members of the management board attended all management board meetings held on 8 September 2015, 1 December 2015, 29 February 2016, 31 May 2016, 5 September 2016 and 19 September 2016.

Supervisory board report

Responsibilities of the supervisory board

The supervisory board, which is accountable to the general meeting, supervises the management of the management board and the general course of affairs of the company and its businesses and provides advice to the management board, including, but not limited to:

- achievement of the company's objectives;
- the corporate strategy and risks inherent in the business activities;
- the structure and operation of the internal risk management and control systems;
- the financial reporting process;
- compliance with applicable laws and regulations; and
- relations with shareholders.

The detailed responsibilities of the supervisory board are contained in formal regulations that were adopted on 1 December 2015. The regulations, the supervisory board rotation schedule and the supervisory board profile can be viewed on the company's website at www.steinhoffinternational.com. In performing its duties, the supervisory directors are required to be guided by the interests of the company and its business enterprise, taking into account the interests of all stakeholders and observing corporate social responsibility issues relevant to the group.

The supervisory board meets at least four times a year and additionally as one or more of the supervisory directors or the management board may deem necessary. Meetings are scheduled to take place every quarter. Corporate strategy meetings are held as an integral part of the supervisory board meetings and corporate strategy is a specific agenda item. The supervisory board also reviews the main risks of the business and, at least once a year, the result of the assessment by the management board of the design and effectiveness of the internal risk management and control systems as well as any significant changes thereto.

The supervisory board meets with the management board as often as the chairman, the deputy chairman the company secretary or the management board deem necessary.

Activities of the supervisory board during the period under review

During the financial period ended 30 September 2016, the supervisory board met as indicated above and fulfilled its responsibilities. The supervisory board was actively involved in advising the management board in the decision-making process, and more specifically with the identification of potential risks associated with acquisitions considered by the company over the reporting period. In particular, the supervisory board advised on the acquisitions of Mattress Firm Holdings Corporation, Poundland Plc, Iliad Africa Trading (Proprietary) Limited, Tekkie Town (Proprietary) Limited, Fantastic Holdings Limited, as well as the offers made in regard to Home Retail Group and Darty Plc. The supervisory board further advised the management board on the convertible bond issuances and in relation to the capital raise completed in September 2016.

During the period under review, the supervisory board reviewed and approved the company's strategy and risk profile submitted by the management board. The supervisory board concurs with the assessment by the management board that, during this period, the design and effectiveness of the group's internal risk management and internal control systems were satisfactory and that no significant changes to these systems had been required

There were no significant issues that were brought to the attention of the supervisory board during this period and up to the date of this report that require specific mention and the supervisory board continues to play its role of reinforcing and enforcing all aspects of corporate governance across the group. For detailed information on corporate social responsibility matters, please refer to the separate report, which has been published on or about the date of this report, and is available on the company's website at www.steinhoffinternational.com.

Composition, appointment, removal and suspension of supervisory directors

The supervisory board shall consist of at least five supervisory directors. Details of the current supervisory board, including brief curriculum vitae of each supervisory director, are given below. The supervisory board, the composition of which is such that the members are able to act critically and independently of one another, and the management board, which takes into account the nature of the business, its activities and the desired expertise and background of its members, currently consists of the following persons, all of whom were appointed/re-appointed on 30 May 2016. The supervisory board rotation schedule, which is available on the company's website at www.steinhoffinternational.com, reflects the date of possible reappointment of these supervisory directors.

SF Booysen *#	17.06.1962
CE Daun *	26.01.1943
TLJ Guibert	26.11.1970
D Konar * #: Deputy chairman	19.02.1954
A Kruger-Steinhoff	16.07.1971
MT Lategan *#	26.02.1957
HJ Sonn*	20.10.1971
BE Steinhoff	26.11.1937
J van Zyl* #	01.06.1956
CH Wiese: Chairman	10.09.1941
JD Wiese	12.01.1981

* Supervisory directors qualifying as independent within the meaning of the Dutch Corporate Governance Code.

\# Financial experts with relevant knowledge and experience of financial administration and accounting for large legal entities or listed companies.

Dr Christoffel Hendrik (Christo) Wiese (75)

BA, LLB, DCom (hc)

Chairman of the supervisory board

Dr Wiese was appointed as a supervisory board director of Steinhoff N.V. in November 2015 and as chairman of the supervisory board in May 2016. He previously served as an independent non-executive director to the Steinhoff Ltd board, having first been appointed on 5 March 2013.

He practiced at the Cape Bar in the 1970s before joining Pepkor Holdings Ltd. In addition, he acts as chairman and controlling shareholder of Shoprite Holdings Limited, Invicta Holdings Limited, Tradehold Limited and Brait SA Limited, and is a former chairman of the Industrial Development Corporation. Dr Wiese has served on the boards of many listed companies over the years and is a past director of the South African Reserve Bank. He is a member of the Steinhoff N.V. nomination committee.

Deenadayalen (Len) Konar (62)

BCom, MAS, DCom, CA(SA), CRMA

Deputy Chairman

Dr Konar is the deputy chairman of the supervisory board of Steinhoff N.V, having been appointed as a supervisory board director in November 2015.

Dr Konar, having been appointed to the Steinhoff Ltd board in 1998, was appointed chairman of the board in September 2008 and held various committee positions, including chairman of the audit committee. He acted as chairman of the supervisory board for the period 30 November 2015 to 31 May 2016 and is currently chairman of the nomination committee and a member of the audit and risk and human resources and remuneration committees.

Dr Konar is an independent consultant and professional director. Prior positions include executive director of internal audit portfolio and head of investments at the Independent Development Trust, and Professor and Head of the Department of Accountancy at the University of Durban-Westville. He is a past patron of the Institute of Internal Auditors South Africa, and a member of the King Committee on Corporate Governance in South Africa, the Corporate Governance Network and the Institute of Directors. He was appointed chairperson of the ministerial panel for the review of the regulation of accountants and auditors in South Africa in 2003 and served as Chairman of the external Audit Committee of the International Monetary Fund. Dr Konar is also a non-executive director of Lonmin plc, Alexander Forbes Group Holdings Limited, Sappi Limited and Exxaro Resources Limited.

Stefanes Francois (Steve) Booysen (54)

BCompt (Hons) (Accounting), MCompt, DCom (Accounting), CA(SA)

Dr Booysen was appointed to the Steinhoff Ltd board as an independent non-executive director in September 2009 and as a supervisory board director of Steinhoff N.V. in November 2015.

He completed his articles with Ernst & Young and acted as lecturer at the University of South Africa. In 2006, he was appointed as council member of the University of Pretoria. Dr Booysen is the former group chief executive officer of Absa Group Limited. He also serves on the boards of Clover Limited, Efficient Group Limited, Senwes Limited and Vukile Property Fund Limited. Dr Booysen is the chairman of Steinhoff N.V.'s audit and risk committee and a member of the human resources and remuneration committee.

Claas Edmund Daun (73)

BAcc, CA

Mr Daun was appointed as a supervisory board director of Steinhoff N.V. in November 2015, having first been appointed as an independent non-executive director of Steinhoff Ltd in 1998. He served as deputy chairman of the supervisory board for the period 30 November 2015 to 31 May 2016 and is currently a member of the nomination committee.

Mr Daun has extensive experience in management and investments worldwide and is a corporate investor in several industries. Mr Daun was instrumental in developing the KAP businesses and acted as chairman of KAP Industrial Holdings Limited for many years. Mr Daun resigned from the KAP board on 25 June 2012. He is currently a member of the board of Daun and Cie AG, chairman of the boards of KAP AG, Stöhr AG and Mehler AG, and holds several other directorships. Mr Daun is honorary consul of South Africa in Lower Saxony, Germany. He holds a master's degree in business commerce from the University of Cologne and qualified as a chartered accountant in 1975.

Marthinus Theunis (Theunie) Lategan (59)

BAcc (Hons), MCompt, DCom (Accounting), CA(SA), Advanced Diploma Banking Law

Dr Lategan was appointed as a supervisory board member of Steinhoff N.V. in November 2015, having previously served as an independent non-executive director on the Steinhoff Ltd board since September 2011.

After qualifying as a chartered accountant in 1983 he lectured in accounting and taxation at the University of Johannesburg until 1987, after which he returned to practice at Price Waterhouse MeyerNel. He joined Rand Merchant Bank in 1994 and later became head of their structured finance unit. In 1999 he became chief executive officer for the corporate banking unit of First National Bank. In 2004 he was appointed to the executive management committee of the FirstRand Group and served on various committees. In 2005, Dr Lategan was appointed chief executive officer for FirstRand Africa and Emerging Markets and, in 2007, he relocated to India to set up FirstRand Banking Group, India. He retired from the FirstRand Group in July 2010. Since 2007, Dr Lategan has served as a member of the council of the University of the Witwatersrand, Johannesburg. He serves as vice chairman for Absa Corporate and previously acted as chairman of RARE Holdings Limited, an AltXlisted company. In addition to his appointment as an independent non-executive director, Dr Lategan is the chairman of Steinhoff N.V.'s human resources and remuneration committee and a member of the audit and risk committee.

Thierry Louis Joseph Guibert (45)

MBA (FR)

Mr Guibert was appointed as a supervisory board director of Steinhoff N.V. in November 2015.

After graduating from the Reims Business School, Mr Guibert began his career in 1995 as an auditor at KPMG. He then joined the previous holding company of Conforama, the French listed PPR Group (now known as Kering), in 1999. Following various financial positions held within PPR, Mr Guibert was appointed as chief financial officer and chief operating officer of FNAC, a European retailer within the same group. Since 2008, Mr Guibert held the position of chairman and chief executive officer of Conforama, which was acquired by Steinhoff Ltd in March 2011. He was appointed to the board of Steinhoff Ltd as an executive director in May 2011 and, following his resignation from Conforama in 2014, continued to serve on the Steinhoff Ltd board as a non-executive director.

Angela Krüger-Steinhoff (45)

BCom (Economic Science)

Ms Krüger-Steinhoff was appointed as a supervisory board director of Steinhoff N.V. in November 2015, having previously been appointed as an alternate non-executive director of the Steinhoff Ltd board in December 2007.

Ms Krüger-Steinhoff obtained a degree in Economic Science in 1997 at the European business school, Oestrichwinkel, Germany. She joined the Steinhoff group in 1997 as a financial manager. In 1999, she was seconded to act as managing director of the Australian operations. She resigned from the group at the end of 2005 and now attends to the Steinhoff family investments. She has more than 10 years' experience in the industry, with specific knowledge of and extensive experience in management and investments globally. Ms Krüger-Steinhoff also holds a position on the advisory committees of Oldenburgische Landesbank AG, HSH Nordbank AG and Commerzbank AG in Germany.

Heather Joan Sonn (44)

BA (Political Science), MSc (International Business)

Ms Sonn was appointed as a supervisory board director of Steinhoff N.V. in November 2015, having previously served as an independent non-executive director of Steinhoff Ltd since December 2013.

On completion of her studies in 1997, Ms Sonn joined Merrill Lynch New York as an investment banking analyst.

She returned to South Africa in 1999 and took up a position with Sanlam Investment Management in Cape Town. Ms Sonn has served as chief executive for Legae Securities, deputy chief executive for WIP Capital, chief executive for The Citizens Movement, is a former director of Strate and was instrumental in building the basis for Barclays' global integrated bank initiative while at Barclays Bank plc. She currently serves on the board of Gamiro Investment Group, Prescient Limited and as an alternate director for Macsteel Service Centres SA Limited. She is also a fellow and moderator of the Aspen Institute's Global Leadership Network.

Bruno Ewald Steinhoff (78)

Mr Steinhoff is the founder of the Steinhoff group and was chairman of Steinhoff Ltd until the end of September 2008. He was appointed as a supervisory board director of Steinhoff N.V. in November 2015.

He relinquished executive duties with effect from 1 April 2008, and continues serving as a non-executive director, assisting with special projects for the group. After studying industrial business, Mr Steinhoff started his furniture trade and distribution business in Westerstede, Germany, in June 1964. Before he started his own business he also gained furniture import and furniture retail experience, having spent three years in Berlin. In 1971, he expanded the business into manufacturing, with the first upholstery factory in Remels. Mr Steinhoff developed the furniture industry throughout the former Eastern bloc countries and built up the furniture factories there, he took over all the capacities and sold furniture to western Europe. He also developed the import business from Asian countries, especially from the Philippines, Taiwan and China. During the 1980s, Mr Steinhoff acquired interests in a joint venture in South Africa with Claas Daun involving Gommagomma Holdings. He has more than 55 years' experience in the furniture business and more than 45 years' manufacturing experience. 1 July 2014 marked Mr Steinhoff's 50th year in the industry.

Johan van Zyl (59)

BSc (Agricultural Science), B.Sc(Hons) (Agric)(cum laude), M.Sc(Agric)(cum laude), D.Sc(Agric), PhD (Economics)

Johan was appointed as a supervisory board director of Steinhoff N.V. on 30 May 2016.

Johan lectured at the University of Pretoria (Department of Agricultural Economics) where he held several positions, including Vice Chancellor and Principal from 1997 to July 2001, when he joined Santam Limited, as Chief Executive Officer. He was group Chief Executive Officer of Sanlam Limited from 2003 until 2016 and remains a non-executive director, also serving on the boards of Sanlam Life Insurance Limited and Santam Limited. Johan is also Chairman of ASISA, serves as a Council Member of the University of Pretoria and is Chairman of the Vumelana Advisory Fund.

He has also consulted and served as part time lecturer to several universities and organisations including Michigan State University, USAID and the Agricultural and Natural Resources Department, World Bank (Washington DC) and as member to a number of Governmental Committees and other associations. He is the recipient of numerous awards, including the Sunday Times Business Leader of the year award in 2014 and the South African AABLA award as Business Leader of the year in 2015.

Jacob Daniel Wiese (35)

BA (Stellenbosch), MA (Stellenbosch), International Economics & Management (Universita Commerciale Luigi Bocconi, Italy), LLB (UCT)

Jacob was appointed as a supervisory board director of Steinhoff N.V. on 30 May 2016

After completing his LLB at UCT in 2008 and his pupillage at the Cape Bar, Jacob was admitted as an advocate of the High Court of South Africa in 2009. He joined the investment committee of the Titan Group in 2010. Jacob is as an independent non-executive director of Fairvest Property Holdings Limited and serves on the boards of various publicly listed companies and is also an alternate and/or non-executive director of Shoprite Holdings, Pepkor Holdings, Invicta Holdings and Tradehold. Jacob is also extensively involved in the management of Lourensford Wine Estate.

The supervisory board is comprised of persons collectively possessing, via their interests in commercial and regulatory sectors, a broad knowledge of international business and governance requirements and trends. Messrs CE Daun and BE Steinhoff are of German nationality, as is Ms A Kruger-Steinhoff, and Mr TLJ Guibert is a French national.

Note: Messrs DC Brink, JF Mouton and PDJ van den Bosch, who were appointed to the supervisory board on 1 December 2015, retired from the board at the extraordinary general meeting held on 30 May 2016. Dr J van Zyl and Adv JD Wiese were appointed to the supervisory board on that date. The supervisory board has appointed Dr CH Wiese as chairman of the supervisory board with Dr D Konar appointed as deputy chairman and lead independent director.

The above supervisory directors are subject to reappointment for a maximum of three terms of four years and as specified in the supervisory board rotation schedule.

A supervisory director may be suspended or removed by the general meeting at any time. Suspension or removal shall be made upon a proposal made by the supervisory board with due observance of the provisions of the company's articles of association.

Supervisory directors are appointed by the general meeting upon a non-binding nomination made by the supervisory board and in compliance with the provisions of the company's articles of association. The chairman and deputy chairman are supervisory directors elected by the supervisory board for a term as determined by that board.

A supervisory director who has reached the age of seventy one can only be appointed or re-appointed for terms of one year each time, subject to a maximum number of terms that exceeds twelve years in the aggregate.

After their appointment, all supervisory directors follow an induction programme, tailored to their specific needs, covering i*nter alia* any specific aspects that are unique to the company and its activities.

Remuneration of supervisory directors

The authority to establish the remuneration for supervisory directors is vested in the general meeting.

Supervisory directors and members of the supervisory board's sub committees receive an annual fee for their board and committee participation. The fee consists of a base fee and retainer and, where applicable, committee membership fees, together with all reasonable travel and accommodation expenses to attend supervisory board and committee meetings. In order to avoid a conflict of interest, the human resources and remuneration committee takes no part in the determination of fees for the supervisory directors or committee members, or in the recommendation of such fees for approval at the general meeting. These fees are simply reviewed and recommended by the supervisory board, taking due cognisance of fees paid to supervisory directors of comparable companies and the necessity to attract and retain high-calibre directors possessing the requisite skills and experience. The independent supervisory directors do not have service contracts and are not members of the group's retirement funding schemes. There are no shares or options under the group's share incentive schemes held by supervisory directors nor have any personal loans, guarantees or the like been granted by the company to any of the supervisory directors.

The fees paid to supervisory board directors for the period under review are detailed in the annual financial statements in note 31.1.

Conflict of interest

Similar to the rules that apply to managing directors as described above, Dutch law also provides that the supervisory directors may not participate in the discussions and decision making by the supervisory board if he or she has a personal conflict of interest conflicting with the interests of the company and the business connected with it.

Any existing or potential personal conflicts of interest must be reported immediately to the chairman and the other supervisory directors and all relevant information must be provided.

Where the chairman has an existing or potential conflict of interest, this must be immediately reported to the deputy chairman and the other supervisory directors and all relevant information must be provided.

If as a result of any such personal conflict of interest no resolution of the supervisory board can be adopted, the resolution shall be put to the general meeting for adoption by the general meeting.

All transactions in which there are conflicts of interest with the supervisory directors will be agreed on terms that are customary in the sector concerned and disclosed in the annual report. Resolutions to enter into transactions in which there are conflicts of interest with supervisory director(s) that are of material significance to the company and/or the relevant supervisory director(s) require the approval of the supervisory board.

Save as reported on elsewhere in this report, during the period under review no conflicts of interest were brought to the attention of the supervisory board. The best practice provisions III.6.1 to III.6.3 of the Dutch Corporate Governance Code have been complied with and best practice provision III.6.4 has been observed.

Supervisory board meetings and attendance

The supervisory board meets at least four times a year or more often, should circumstances require. The following tables indicate the attendance by each director at meetings held during the period under review.

Supervisory board attendees	8 September 2015	1 December 2015	29 February 2016	31 May 2016	5 September 2016
SF Booysen	✓	✓	✓	✓	✓
DC Brink	✓	✓	✓	Retired 30 May 2016	–
CE Daun	✓	✓	✓	Apology	✓
TLJ Guibert	Apology	Apology	✓	✓	Apology
D Konar	✓	✓	✓	✓	✓
A Kruger-Steinhoff	✓	✓	✓	✓	✓
MT Lategan	✓	✓	✓	✓	✓
JF Mouton	✓	✓	✓	Retired 30 May 2016	–
HJ Sonn	✓	Apology	✓	Apology	✓
BE Steinhoff	✓	✓	✓	✓	✓
J van Zyl[1]				✓	✓
PDJ van den Bosch	✓	✓	✓	Retired 30 May 2016	–
CH Wiese	✓	✓	✓	✓	✓
JD Wiese[2]				✓	✓

1 Appointed 30 May 2016
2 Appointed 30 May 2016

Standing committees of the supervisory board

The supervisory board has established the following standing committees each of which plays a preparatory and/or advisory role to the supervisory board. The supervisory board has adopted regulations for each committee, which consist of supervisory directors. The committee members report their findings to the supervisory board, which remains collectively responsible for all decisions prepared and/or taken by these committees. The regulations for these committees, as adopted by the supervisory board, which are complementary to the provisions regarding the supervisory board and its committees as contained in applicable laws and regulations and the articles of association of the company, are available on the company's website at www.steinhoffinternational.com.

The company secretary acts as secretary to the supervisory board's standing committees.

Audit and risk committee

The audit and risk committee consists of at least three members, all of whom must be supervisory directors who are independent. The members of the audit and risk committee are appointed and replaced by the supervisory board, which elects the committee chairman from one of its members. At least one (1) member of the audit and risk committee shall have relevant knowledge and experience of financial administration and accounting for listed companies or other large companies. The committee may not be chaired by the chairman of the supervisory board or by a former member of the management board of the company.

Committee members are kept up to date with the developments affecting the skillset required for committee membership. The committee and/or individual members are permitted to consult with specialists in any related field, subject to supervisory board approval.

Audit and risk committee members attend divisional audit and risk committee meetings. The audit and risk committee, from time to time, invites members of divisional audit and risk committees to attend meetings of the Steinhoff audit and risk committee, as invitees.

The chairman of the audit and risk committee participates in setting and agreeing the agenda for meetings of the committee and attends general meetings.

Members	Composition	Meetings
SF Booysen (Chairman) DC Brink (retired 30 May 2016) MT Lategan D Konar (appointed 31 May 2016)	Comprises three members, all of whom are independent supervisory directors, under the chairmanship of the independent supervisory director, SF Booysen.	Meets formally at least four times per annum, with external auditors and the chief internal auditor(s) attending the meetings. Attendance: All members of the committee attended all meetings held on 4 September 2015, 30 November 2015, 26 February 2016, 27 May 2016 and 26 August 2016.

Responsibilities

The audit and risk committee is responsible for advising the supervisory board and, where applicable, the management board, as well as for preparing and facilitating the decision-making of the supervisory board in relation to the following responsibilities:

- the operation of internal risk management and control; systems
- the provision of financial information by the company;
- compliance with the recommendations and observations of internal and external auditors;
- the role and functioning of internal auditor;
- the policy of the company on tax planning;
- relations with the external auditor;
- the financing of the company; and
- the applications of information and communication technology.

In carrying out its responsibilities, the committee.

- Ensures integrity of financial reporting, including the published annual accounts, summarised integrated information and interim results, and for the audit process.
- Ensures that risk management and internal control systems are maintained and:
  - considers significant risk and control issues arising from the chief financial officer's report on financial and accounting frameworks, including tax-related matters;
  - assists the management and supervisory boards in reviewing risk management processes and significant risks facing the group;
  - sets the group's risk strategy in consultation with the management board and senior management, making use of generally recognised risk management and internal control frameworks; and monitors and reports on key performance indicators and risks.
- Reviews and monitors capital expenditure throughout the group for adequate control, monitoring and reporting.
- Oversees relations with external auditors, reviews the effectiveness of the internal audit function and cooperation between parties and approves the internal audit plan.
- Recommends the external auditors' appointment and the responsible lead partner of the audit firm to the supervisory board, for nomination to the general meeting, and approves the terms of engagement, fees, scope of work process of annual audit, applicable levels of materiality, reviews the independence of external auditors and the services they provide, where necessary making proposals to the supervisory board on the policy applied in respect of the independence of the internal auditor and possible/potential conflicts of interest between the external auditor and the company.
- Ensures overall compliance with corporate governance principles regarding external audit functions and for monitoring the internal control and audit function, which functions report to and have unrestricted access to the committee.
- Facilitates and promotes communication between the management board, the external auditors and the chief internal auditors and receives and deals with any complaints relating either to the accounting practices and internal audit of the group, or to the content or auditing of its financial statements, or any other related matters.
- Reviews and recommends the company's annual reports, including reports on sustainability issues for approval by the board. Oversees all group information and communications technology risks.
- Discusses with the management board the company's major financial risk exposures and the steps taken to monitor and control such exposures.
- Prepares meetings of the supervisory board where the management report, the annual accounts and the quarterly or half-yearly figures of the company are discussed.

Human resources and remuneration committee

The human resources and remuneration committee shall consist of at least three members, all of whom must be supervisory directors who are independent. The members of the committee are appointed and replaced by the supervisory board, which elects the committee chairman from one of its members. The committee may not be chaired by the chairman of the supervisory board or by a former member of the management board of the company.

Committee members are kept up to date with the developments affecting the skillset required for committee membership. The committee and/or individual members are permitted to consult with specialists in any related field, subject to supervisory board approval.

Members	Composition	Meetings
DC Brink (Chairman, retired 30 May 2016) D Konar MT Lategan (appointed Chairman on 31 May 2016) SF Booysen (appointed 31 May 2016)	Comprises three independent supervisory directors under the chairmanship of the independent non-executive supervisory director, MT Lategan Divisional remuneration committees have been established to deal with management remuneration at all operating divisions. These committees are comprised of the regional chief executive, the divisional managing director and the group's human resource executive. The divisional committees report directly to the human resources and remuneration committee.	Meets at least twice a year with ad hoc meetings convened as and when required. two meetings were held during the period under review. Attendance The members of the committee attended all meetings held on 29 September 2015, 30 May 2016 and 26 September 2016. Mr DC Brink retired from this committee effective 30 May 2016, at which meeting D Konar acted as Chairman.

Responsibilities

The committee is responsible for advising the supervisory board and, where applicable, the management board, as well as preparing and facilitating the decision-making of the relevant boards. The committee's duties include:

- Drafting proposals to the supervisory board for the remuneration policy for submission to the general meeting for adoption.
- Drafting a proposal for a framework regarding the remuneration of senior executives in the form of shares, or rights to subscribe for shares, for submission by the supervisory board to the general meeting for approval.
- Drafting proposals for the remuneration of the individual managing directors and members of the executive committee or changes or additions thereto, for submission to the supervisory board.
- Preparation of the remuneration report in compliance with the committee's regulations.
- Appointment of trustees and compliance officer with regard to the company's share based incentive schemes and the approval of amendments thereto after prior consultation with the general meeting.

- Approving the appointments, promotions and terms of employment, other than remuneration of managing directors and members of the executive committee.
- Reviewing any reports of unethical behaviour by senior managers in the group.
- Annually reviewing the company's code of conduct and proposing amendments to the management board.
- Annually evaluating the performance of the managing directors and the supervisory directors, including performance as a committee member, reporting the outcomes of the evaluations to the supervisory board, together with an assessment of the functioning of the human resources and remuneration committee.
- Annually reviewing the regulations of the company's significant subsidiaries remuneration and the committee's compliance with such regulations.
- Supervising the policy of the management board on the selection criteria and appointment procedures for the senior management, other than managing directors, who report to the management board.

Nomination committee

The chairman of the supervisory board is appointed by the supervisory board to chair the nomination committee.

Members	Composition	Meetings
CH Wiese (appointed as chairman 31 May 2016) D Konar (acted as chairman until 30 May 2016) CE Daun	Comprises three independent supervisory directors, under the chairmanship of CH Wiese. Meets at least once a year, or as required.	Meetings are convened as required.

Responsibilities

The nomination committee advises the supervisory board on its duties regarding the selection and appointment of managing directors and supervisory directors and prepares the decision-making of the supervisory board in respect of the matters which fall within the committee's responsibilities. The duties of the committee include:

- Preparing the selection criteria and appointment procedures for managing directors and supervisory directors and proposing the profile for the supervisory board,
- Annual assessment of the scope and composition of the management board, the supervisory board and its committees and the functioning of the individual directors.
- Proposing appointments and re-appointments and the making of non-binding nominations.

Directors' access to information

All managing directors and supervisory directors have unrestricted access to management, including the company secretariat, the legal department and the group risk manager/compliance manager. They also have access to information required to enable them to carry out their duties and responsibilities fully and effectively. Independent professional advice is available in appropriate circumstances and at the company's expense. During the year under review, none of the directors sought independent external advice through the company.

Steinhoff N.V. assists with the continuing professional development of its directors and provides briefings on topics that may influence the group's businesses and strategies. Comprehensive formal induction programmes, including risk governance, are in place for new directors.

Discharge from liability

Resolutions to approve the policy of the management board and to discharge the management board and the management directors from liability, together with the approval of the supervision exercised by the supervisory board and the discharge of the supervisory board and the supervisory directors from liability shall be put to the general meeting and voted on separately.

Diversity

The company remains mindful of its obligations to ensure appropriate gender representation at all levels of its operations and, across the group, programmes and initiatives have been put in place to facilitate this and, where appropriate, targets have been set. The implementation rate of these programmes and initiatives are being actively driven and this is reported on at divisional board level and supervisory board level.

Company secretary

The Steinhoff N.V. company secretary is appointed and removed by the management board, subject to the approval of the supervisory board.

All directors have access to the advice and services of the company secretary, supported by the legal department. The company secretary is responsible for ensuring compliance with the Dutch Corporate Governance Code.

The company secretary is a juristic person, Steinhoff Secretarial Services Proprietary Limited, a South African registered company within the Steinhoff N.V. group of companies. The supervisory board has satisfied itself that the directors of this company are appropriately qualified and competent to fulfil this function and that the individual directors and the board of the secretary have performed, and continue to perform, the role of gatekeeper of good governance in the company.

The company secretary has at its disposal, directors who possess a wide variety of long standing experience and professional skills.

The board of directors of Steinhoff Secretarial Services Proprietary Limited is comprised of:

MC Dalrymple	BA BProc: Practising attorney
MAHEY Girard	BA LLB: Practising attorney (RSA and UK)
CT Grové	BCOM SEP
SJ Grobler	BComm (Hons) (Economics) LLB: Practising attorney, Conveyancer and Notary Public
CA Morrison	BBA (Business Admin)
JC Nel	BLC LLB LLM: Non-practising attorney
JMWR Pieterse	BA (Linguistics) BCom (Law)
JV Radnay	FCIS H Dip (Company Law)
P Robinson	CA(SA) H Dip (International Tax)

The relationship between the shareholder of the company secretary, which is a group subsidiary, and the company secretary has been reviewed by the supervisory board and the supervisory board is satisfied that there have been no circumstances which have affected or could affect the arms' length relationship between the company and the company secretary.

Evaluations

An annual self-evaluation process to review the effectiveness of the management board and the supervisory board is in place. The supervisory board chairman is required to assess the performance of the individual supervisory board members and the supervisory board members are required to assess the performance of the chairman of the supervisory board. The supervisory board is satisfied with the performance of its individual board members, the chairman, the board and its committees. All related board and committee minutes and approvals are made available to the group's external auditors.

Shares and shareholders' rights

General meetings

Steinhoff N.V. shareholders exercise their rights through annual and extraordinary general meetings, held in the Netherlands and conducted in the English language. The company is required to convene an annual general meeting of Shareholders in the Netherlands each year, no later than six months after the end of the company's financial year, which was changed on 30 May 2016 to 30 September. Additional general meetings may be convened at any time by the supervisory board, the management board, or by one or more shareholders representing at least 10% of the issued share capital.

Within three months of it becoming apparent to the management board that the equity of the company has decreased to an amount equal to or lower than one half of the paid up portion of the company's capital, a general meeting will be held to discuss any requisite measures.

The convening of a general meeting must be published through an announcement by electronic means. The notice must state the business to be discussed, the time and venue of the meeting, the record date, the manner in which persons entitled to attend the general meeting may register and exercise their rights, the time by which registration for the meeting must have occurred as well as the place where meeting documents may be obtained. The notice must be given by at least the number of days prior to the day of the meeting as required by Dutch law, which is currently 42 days.

The agenda must include *inter alia*, discussion of the annual report, adoption of the annual accounts, discussion on any changes in the company's corporate governance structure, items included by the management board, the supervisory board and shareholders so entitled under Dutch law, together with the allocation of profit should this be at the disposal of the general meeting.

The agenda for the annual general meeting of Shareholders must contain certain matters as specified in Steinhoff N.V.'s articles of association and under Dutch law, including the adoption of the annual accounts.

Shareholders are entitled to propose items for the agenda of the general meeting provided that they hold at least 3% of the issued share capital or the shares that they hold represent a market value of at least 3%. Proposals for agenda items for the general meeting must be submitted at least 60 days prior to the date of the meeting.

Adoption of resolutions

Subject to certain exceptions provided by Dutch law or the company's articles of association, resolutions of a general meeting are passed as by a simple majority of the votes cast without a quorum being required.
management board resolutions on a major change in the identity or character of the company or the group shall be subject to the approval of the general meeting.
Resolutions for approval or authorisation to be passed by the general meeting shall be explained in writing.

Voting rights

Each common share entitles its holder to cast one vote. Dutch law prescribes a record date to be set 28 days prior to the date of the general meeting to determine whether a person may attend and exercise the rights relating to the general meeting. Shareholders registered at that date are entitled to attend and exercise their votes.

Neither Steinhoff N.V. nor any of its subsidiaries may cast a vote on any share they hold in the company. Such shares are not taken into account for the purpose of determining how many shareholders are represented or how much of the share capital is represented at any general meeting.

Each ordinary share confers the right to cast 50 votes in the general meeting and each preference share, when issued, shall confer the right to cast one vote in the general meeting, provided that, at meetings of holders of shares of a particular class, each share in that class will confer the right to cast one vote at such meeting of that particular class. As at the date of this report, no preference shares are in issue.

Distributions

Distribution of profit shall be made after adoption of the annual accounts, subject to compliance with Dutch law and the determination of the allocation of profits by the general meeting, on recommendation by the management board and with the approval of the supervisory board. The management board may resolve, with the approval of the supervisory board, that the profit realised during a financial year will be fully or partially appropriated to increase and/or from reserves. Proposals for the distribution of profit are shown on the general meeting agenda as items for separate consideration.

Dividends on preference shares, as and when such shares are issued, will be paid in accordance with the relevant provisions contained in the company's articles of association.

Issuance of additional shares

Under the company's articles of association, the company may resolve to issue shares or grant rights to subscribe for shares. The general meeting may, upon a proposal of the management board, approved by the supervisory board, issue shares or grant rights to subscribe for shares or designate the management board as the body authorised to resolve upon a specified issue of shares or grant of rights to subscribe for shares pursuant to the articles of association and Dutch law. Such authority shall be valid for periods of up to five years, renewable by resolution of the general meeting.

Major shareholders

CH Wiese	23.10%
Public Investment Corporation	8.48%
Coronation Fund Managers Ltd	5.24%
BE Steinhoff	4.60%
Black Rock Investment Management	4.08%

Takeover bids

If a takeover bid for the company's shares is received or is being prepared, the management board shall ensure timeously that the supervisory board is closely involved in the process and that appropriate steps are taken to protect the confidentiality of price-sensitive information and to comply with all legal and regulatory obligations in respect of announcements.

Should a takeover bid by the company be announced or made, if a competing bidder requests the management board to make available for inspection the company's records, this shall be promptly discussed by the management board with the supervisory board.

Remuneration: Share incentive schemes

Full details of the group's remuneration policy, together with details of the group's share incentive schemes, are available in the remuneration report, which has been published on or about the date of this report and is available on the company's website at www.steinhoffinternational.com.

Also see remuneration report on page 64

Financial control and reporting

The supervisory board is responsible for ensuring that the group companies maintain adequate records and for reasonable, accurate, timely and reliable reporting on the financial position of the group and on the results of its activities. To assist the supervisory board in effectively discharging this duty, the audit and risk committee has been established and financial reporting procedures have been put in place at all levels across the group.

Divisional management reporting disciplines include defined parameters for the reporting of litigation matters, compliance with legislation and any penalties incurred, risk analyses (including operational, strategic and information technology risks).

External audit

During the period under review, Deloitte Accountants B.V. were appointed as auditors of the group.

The audit and risk committee reviewed and confirmed the independence of Deloitte Accountants B.V. and has recommended their reappointment as auditors of the group. This recommendation has been endorsed by the supervisory board. Deloitte Accountants B.V. has confirmed that, during the period under review, there were no matters which could be held to have compromised, or which could compromise, their independence.

The external auditors report on their audit findings to the various divisional audit and risk management committees and to the audit and risk committee and are afforded unrestricted access to the chairman of the audit and risk committee.

The group has adopted a policy to regulate the use of the external auditors for non-audit services, including consulting services.

Stakeholder communications and investor relations

The company believes that timeous, balanced and understandable communication of the group's activities to stakeholders is essential, regardless of any positive or negative impact. The interests and concerns of stakeholders are addressed wherever possible by communicating material information as it becomes known. The management board or, where appropriate, the supervisory board shall, in compliance with all prevailing legislation and regulations, provide all shareholders and other parties in the financial markets with equal and simultaneous information that may affect the company's share price

The monitoring of relationships between stakeholders and the group is conducted at divisional level and is reported at group level.

Mariza Nel is responsible for stakeholder and investor communications and relations for Steinhoff International. (email: investors@steinhoffinternational.com).

Further information on stakeholder communication is available on the Company's website at www.steinhoffinternational.com.

Ethics

Steinhoff N.V. has adopted a code of ethics, which is reviewed regularly, committing the group, its directors and its employees to the highest standards of conduct. This code, which is available on the company's website, has been endorsed by the supervisory directors and a formal ethics programme has been rolled out across the group.

Compliance with the code is monitored by divisional management and any infringements are dealt with at that level. Any material contraventions of the code are reported at divisional board level and are escalated to the supervisory board. Alleged irregularities concerning the functioning of the management board members may be reported to the chairman of the supervisory board. During the period under review, there were no material incidences of non-compliance with the code of ethics that were brought to the attention of the supervisory board.

A confidential whistle-blowing facility, utilising dedicated hotlines for the reporting of suspected frauds or irregularities, remains in place across the group. Reports are reviewed by internal audit.

The arrangements and contact details for the use of these facilities are available on the company's website www.steinhoffinternational.com

Insider trading

The company has adopted a policy governing insider trading, which is strictly enforced. A copy of the policy is available on the company's website at www.steinhoffinternational.com.

Going concern statement

The directors report that, after making enquiries, they have a reasonable expectation that the group has adequate resources to continue its operational existence for the foreseeable future. For this reason, they continued to adopt the going concern basis in preparing the financial statements for the financial period ended 30 September 2016.

Corporate governance – Management

Management board

Markus Jooste (55)
BAcc, CA(SA)
Group chief executive officer

Danie van der Merwe (58)
BCom, LLB
Group chief operating officer

Ben la Grange (42)
BCom (Law), CA(SA)
Group chief financial officer

Supervisory board

Steve Booysen (54)
BCompt (Hons) (Accounting), MCompt, DCom (Accounting), CA(SA)

Claas Daun (73)
BAcc, CA

Thierry Guibert (45)
MBA (FR)

Len Konar (62)
BCom, MAS, DCom, CA(SA), CRMA
Deputy chairman

Angela Krüger-Steinhoff (45)
BCom (Economic Science)

Theunie Lategan (59)
BAcc (Hons), MCompt, DCom (Accounting), CA (SA), Advanced Diploma Banking Law

Heather Sonn (44)
BA (Political Science), MSc (International Business)

Bruno Steinhoff (79)

Johan van Zyl (60)
BSc (Agricultural Science), BSc (Hons)(Agric) (cum laude), M.Sc (Agric)(cum laude), D.Sc(Agric), PhD (Economics)

Christo Wiese (75)
BA, LLB, DCom (hc)
Chairman

Jacob Wiese (35)
BA, MA (International Economics & Management) (Italy), LLB

Executive management

Johann du Plessis
Executive: Legal services

Pieter Erasmus
Group managing director: Pepkor

Piet Ferreira
Executive: Mergers and acquisitions

Peter Griffiths
Chief executive officer: JD Group

Stéhan Grobler
Executive: Group treasury and financing activities

Jo Grové
Executive deputy chairman: KAP Industrial Holdings Ltd

Frikkie Nel
Finance executive

Mariza Nel
Executive: Corporate services

Alexandre Nodale
Chief executive officer: Conforama

Hein Odendaal
Executive: Group audit

Peter Pohlmann
Chairman, supervisory board: ERM

Dirk Schreiber
Chief financial officer: Steinhoff Europe

Sean Summers
Chief executive officer: UK Retail

STEINHOFF'S risk management

The management board and the supervisory boards are ultimately responsible for the governance of risk management for the Group and for ensuring compliance with all applicable legislation and regulations.

INTERNAL CONTROL AND RISK MANAGEMENT

The Management Board, assisted by the Supervisory Board, determines the Group's appetite for risk. In making this determination, the Supervisory Board and the Management Board review and evaluate the major risks facing the Group, as identified and reported by divisional management.

Risk boundaries are set through strategy, code of conduct, delegation of authority, annually approved budgets and policies. Our risk appetite takes into account product category, jurisdiction and regulatory environment and differs by category.

In pursuing our strategic ambition to grow, Steinhoff is prepared to accept risks in a responsible manner which considers stakeholder interests, also within the communities where we operate. Steinhoff's aim to add value to lifestyles, is entrenched in our operations to provide everyday products at affordable prices, serving customers well at their convenience. In achieving this, risks and rewards are optimally managed. Steinhoff adopts a prudent financing strategy and is committed to maintaining an investment grade credit rating. In addition, Steinhoff is committed to comply with all applicable laws and regulations applicable to the group and its operations.

The Audit and Risk Committee, which reports to the Supervisory Board, oversees Group risk management. The role of internal audit is to examine, evaluate, report and make recommendations to the Audit and Risk Committee and, if appropriate, to the Management Board and the Supervisory Board regarding the adequacy and efficacy of the Group's risk management process.

Financial risks such as exchange rate risk, interest rate risk and liquidity risk are largely controlled centrally.

The Group has adopted a COSO-based enterprise-wide risk management policy and framework, to facilitate the timeous identification, measurement, analysis and evaluation of risk. Each of the Group's divisional and operational entities is required to have a risk management plan in place, together with an up-to-date risk register detailing, quantifying and prioritising risks, and containing details of plans and actions, both to mitigate risks and to exploit opportunities.

This policy and framework have been designed to assist divisional management to achieve the Group's performance and profitability targets, identify and exploit opportunities, ensure compliance with laws and regulations, facilitate effective reporting and to prevent any loss or misuse of resources. The Group risk officer, assisted by divisional risk officers, is responsible for the implementation of the policy and framework across the Group. Internal audit, in consultation with the Group risk officer, has the responsibility to formally review the overall effectiveness of the Group risk management process and to report to the supervisory board and through to the management board. The policy on enterprise-wide risk management encompasses all significant business risks of the Group, including but not limited to strategic, financial, operational, environmental, information technology-related, market, compliance and general risks.

Information and communications technology (ICT) forms an integral part of the Group's risk management approach. Reports and ICT risk assessments from the divisional ICT executives are tabled at the quarterly divisional board meetings and to the Supervisory Board, through to the Management Board, to enable both boards to satisfy themselves that there are appropriate structures, processes and mechanisms in place to enable ICT to continue to deliver value to the Group's businesses and to mitigate ICT risk. Internal audit assists the boards in fulfilling this function and internal audit includes ICT audits during its operational and divisional audits. Certain ICT risks of a specialised nature are audited on a co-sourced basis, utilising external resources.

A compliance function has been established at Group level. The Group compliance manager for the period under review was Mr CT Grové, who possesses the requisite qualifications and experience for this position. A Group legal compliance policy has been approved by the policy review committee. The Group compliance manager interacts regularly with the Management Board and the Supervisory Board, the Audit and Risk Committee and management on strategic compliance matters.

The Supervisory Board and the Management Board have confidence in the effectiveness of the Group's overall risk management processes, which are regularly monitored and reviewed. The Management Board is of the opinion that the internal risk management and control systems provide a reasonable assurance that the financial reporting of the Company does not contain any areas of material importance and that the management and control systems worked effectively in the period under review.

During the period under review, there were no material fines, penalties or prosecutions relating to non-compliance with regulations or legislation applicable to the Group's operations and there were no major failings in the internal risk management and control systems. No significant changes to these systems were made during the period under review.

INTERNAL CONTROL SYSTEMS

The responsibility for ensuring the effectiveness of the Group's systems of internal control rests with the Management Board which confirms that the systems of internal control, which are embedded in all key operations, provide reasonable, albeit not absolute, assurance that the Company's business objectives will be achieved within the risk tolerance levels defined by the Management Board.

The internal control system adopted covers the following areas:

- the control environment;
- main control procedures;
- identification and evaluation of business risks and control objectives; and
- monitoring Information systems.

INTERNAL AUDIT

The internal audit department is an independent assurance function and is an integral part of the enterprise-wide risk management framework. Internal audit reports directly to the Audit and Risk Committee and to the respective divisional management and divisional audit and risk management committees. Compliance with applicable legislation is an item on the divisional board agendas, and is evaluated by internal audit as part of their audit programme and is formally reported on. Internal audit assists executive management and the respective audit committees in the effective discharge of their responsibilities by means of independent financial and information technology internal control and operational system reviews. Internal audit has migrated from a compliance-based approach to an increased focus on Group objectives, risk analysis and governance. Improvement across the Group in internal controls and compliance with applicable policies and legislation continues to provide a platform from which a shift of emphasis towards the assessment of the enterprise-wide risk framework, fraud sensitivity and corporate governance is being implemented.

The internal audit function operates in terms of an internal audit charter approved by the Audit and Risk Committee. This charter is reviewed on a regular basis. The chief internal auditor has a direct reporting line to the chairman of the Audit and Risk Committee and meets regularly with executive management and the chief executive officer. The internal audit plan is approved by the Audit and Risk Committee.

There is an informal information exchange process in place with the external auditors to ensure the efficient coverage of internal controls.

During the period under review, the internal audit process did not highlight any material breakdowns in internal controls across the Group.

RISK MANAGEMENT PROCESS

The risk management process involves the coordinated and economical application of activities and resources to minimise the negative impacts of risks to levels which can be tolerated by stakeholders, as well as to optimise the opportunities or positive impacts of all risks. The most important aspect of the risk management process is that a standard methodology is applied throughout the Group. The risk management process is continuously monitored and comprises the following activities.

Understanding of risk management objectives from a strategic level down to an operational level

Classification of risk management objectives into the following categories: strategic, operational, reporting, compliance and sustainability.

Identification and categorisation of risks into the following categories: environmental, financial, process, information for decision-making, technology, empowerment, hazard, fraud, strategic, compliance, sustainability and operational risks.

Assessment and evaluation of risks in terms of likelihood and impact

Formulation of responses to risks

Maintenance of risk registers and communication and reporting to governance structures

COMBINED ASSURANCE

Combined assurance refers to the integration, coordination, and alignment of all risk management and assurance processes within an organisation, to optimise and maximise the level of risk governance and control oversight over the risk landscape, thereby providing stakeholders with an increased level of confidence and assurance.

The combined assurance provided by internal and external assurance providers and management is designed to satisfy the Audit and Risk committee that significant risk areas within the organisation have been adequately addressed and that suitable controls exist to mitigate and reduce these risks.

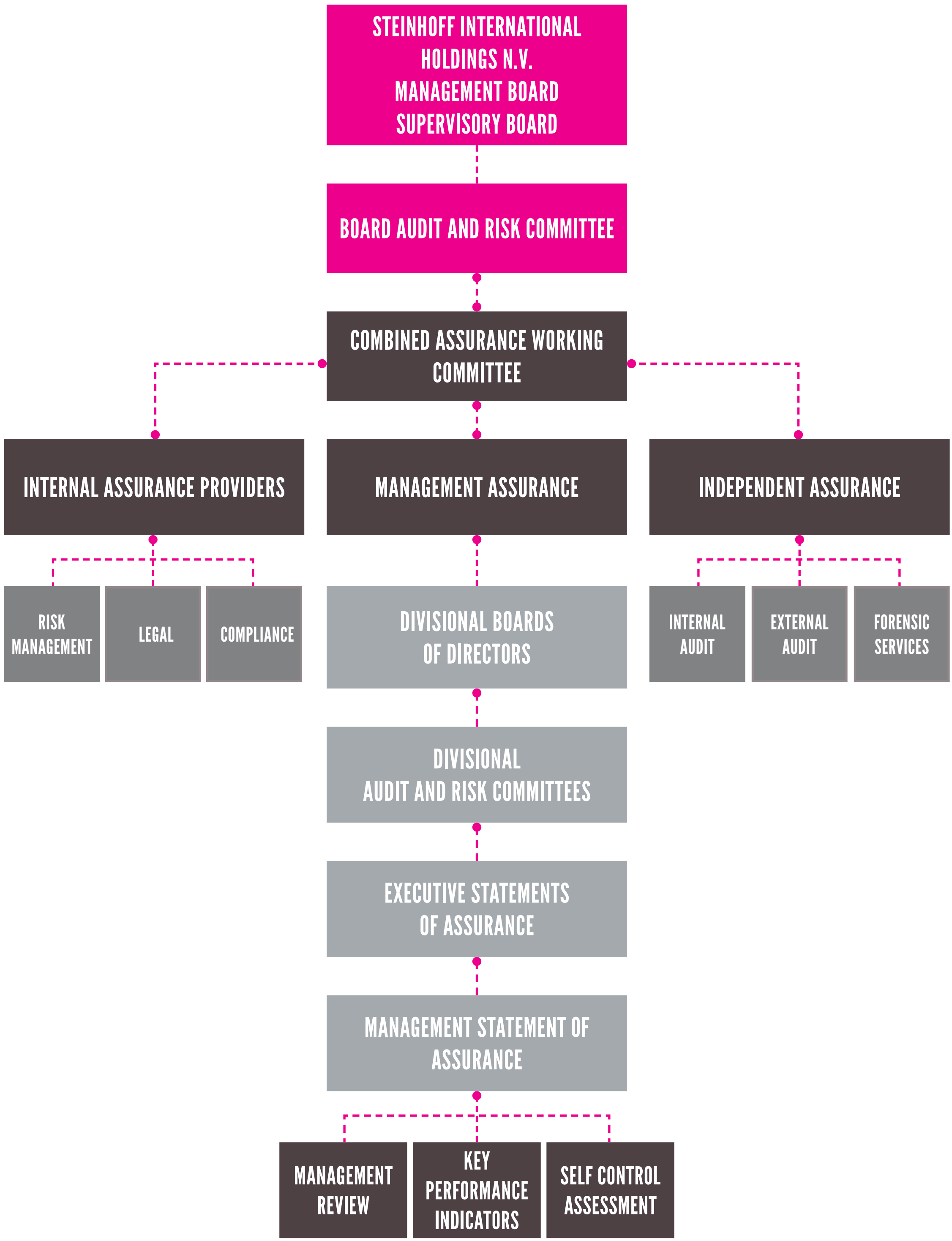
Combined assurance embraces all assurance activities in a coordinated approach across the following three lines of defence

01	02	03
Management	Risk management, compliance, legal etc	External audit, internal audit, other external assurance providers

The implementation of a combined assurance framework across the group promotes:

Collaboration between the various assurance providers across all lines of defence, thereby minimising duplication of effort which often results in audit fatigue across the business;	A common view to risk and provision of assurance;	An understanding of how risks are covered and by which assurance providers, thereby reducing the possibility of risks not being addressed together with duplication of coverage.

The diagram on the following page depicts the flow of assurance information from each service provider through to the combined assurance working committee who in turn reports its findings to the audit and risk committee.



STEINHOFF INTERNATIONAL HOLDINGS N.V. MANAGEMENT BOARD SUPERVISORY BOARD
BOARD AUDIT AND RISK COMMITTEE
COMBINED ASSURANCE WORKING COMMITTEE
INTERNAL ASSURANCE PROVIDERS
MANAGEMENT ASSURANCE
INDEPENDENT ASSURANCE
RISK MANAGEMENT
LEGAL
COMPLIANCE
DIVISIONAL BOARDS OF DIRECTORS
INTERNAL AUDIT
EXTERNAL AUDIT
FORENSIC SERVICES
DIVISIONAL AUDIT AND RISK COMMITTEES
EXECUTIVE STATEMENTS OF ASSURANCE
MANAGEMENT STATEMENT OF ASSURANCE
MANAGEMENT REVIEW
KEY PERFORMANCE INDICATORS
SELF CONTROL ASSESSMENT

The following principle risks and uncertainties have been identified and are reviewed on an annual basis.

The risk management process and the combined assurance model adopted by the Group serve, not only to identify the risks facing the group, but also to ensure that appropriate lines of defence are put into place across the Group's operations, commensurate with the estimated severity and likelihood of occurrence of such risks, together with mitigating actions to restrict their potential or actual impact on the Groups business financial conditions, operational results or sustainability.

The principle risks and uncertainties outlined below will apply, not only to the Group, but across the industry. The Group's approach to risk management allows not only for the identification of risk but often for the identification of opportunities, which are followed up.

Sensitivity to external factors and variables is manged via the Group's risk management process. The Group's vertically integrated business model and its diverse geographical spread serve to reduce, albeit not eliminate sensitivity to external factors and variables.

There is a framework and process in place to anticipate unpredictable risks. The Audit and Risk Committee reviews and considers unpredictable risks identified by management and defensive strategies are adopted where appropriate.

If any of the events below actually occur, the group's business, financial condition or results of operations could be materially and adversely affected.

RISKS RELATING TO THE GROUP'S STRATEGY

01 The Group's ability to increase sales, maintain or increase prices and/or to recover fixed costs may be adversely affected by volatile economic conditions

Historically, the furniture and household goods and general merchandise industries have been cyclical, generally fluctuating with economic cycles and conditions. Demand is sensitive to general economic conditions, including housing activity, interest rate levels, current economic growth, credit availability, unemployment and other factors that affect consumer spending habits. Due to the discretionary nature of most furniture and household goods and general merchandise purchases and the fact that they often represent a significant expenditure to the average consumer, such purchases may be deferred during times of economic uncertainty. These general economic factors affect not only the ultimate consumer, but also impact the Group's owned and third-party mass and specialty retailers, which are the Group's primary customers for wholesale and distribution of its manufactured and sourced products.

02 If the Group fails to integrate its acquisitions effectively, the Group's business and financial results could be adversely affected

The Group has grown both organically and through a number of strategic acquisitions and joint venture arrangements, which have historically contributed to the expansion of its business and operations. The Group's ability to continue to grow its business in new markets will depend partly on its success in identifying and making appropriate acquisitions and joint venture arrangements in the future. Moreover, the Group's future operating results will largely depend upon its ability to manage and integrate the operations of past, as well as any future, acquisitions.

These integration plans may be more complex or timely than expected and costs to achieve these plans may be greater than anticipated. Key suppliers or business partners may also choose to change or terminate their relationship with the Group.

If the Group is unable to successfully integrate acquisitions, this may negatively impact the profitability of the acquired businesses, as well as lead to write-offs of the Group's intangible assets, including goodwill.

03 The Group may not be able to manage the continuing expansion of its business effectively

The Group's retail and production operations have historically expanded significantly through organic growth across its operating divisions and through the acquisition of other companies. The Group's management structures, systems, procedures or controls may not be adequate or sufficiently developed to support the continued expansion of its operations. Furthermore, management may not be able to allocate the time and resources necessary to effectively manage this expansion.

04 The Group may not be able to identify opportunities or conclude transactions to expand its business

The industry in which the Group operates is characterised by opportunities that arise and may need to be evaluated quickly and, if mutually satisfactory terms can be rapidly agreed, concluded within short periods of time. However, while Management expects to continue to evaluate potential transactions, no assurances can be given that it will be able, at any time, to identify and conclude transactions on acceptable terms or at all.

The Group may also face competition from its competitors for potential growth opportunities. The Group may face increased competition with other leading retailers for market share growth opportunities or it may be unable to take advantage of perceived consolidation opportunities, either of which may adversely affect its ability to successfully maintain and grow its market share.

05 The Group operates in highly competitive markets

The furniture and household goods and general merchandise markets are fragmented and highly competitive, and consist of a large number of manufacturers and retailers that produce and distribute products similar to those of the Group. Moreover, the European furniture and household goods market is characterised by a limited number of large competitors, which, like the Group, are able to supply the industry by sourcing products globally and by offering products at reduced prices. Notwithstanding the Group's own sourcing abilities, the added competition and flexibility of competitors (and customers) that are now able to supply via a mix of sourced and manufactured products have placed, and will continue to place, additional pressure on the Group's operations and competitive advantages. The Group also faces intensified competition in the e-commerce sector due to lower barriers to entry and the development of the online market for certain classes of products.

Competition is generally based on product quality, timing of delivery, product design, product availability, brand name recognition, price and customer service. In certain of the Group's markets, the Group competes with a limited number of large companies which may have greater financial and other resources at their disposal.

Additionally, the Group also faces competition in the new geographic markets and general merchandise categories where it competes, in particular clothing, footwear and apparel, accessories and household goods. The Group's success in these markets and across these product categories depends largely on its ability to identify customer preferences and translate such demand into appropriately priced, saleable merchandise in a timely manner. If the Group does not correctly interpret trends and respond appropriately, it may lose its target customers to competing retailers. As a result, the Group may lose market share or be left with excess or slow-moving inventory, in which case it may be forced to rely on markdowns or promotional sales, thereby reducing its revenue and margins.

06 The Group faces seasonal and other fluctuations in consumer demand and the risk of product obsolescence

Seasonal fluctuations in customer demand for certain of the Group's products can create corresponding fluctuations in the Group's revenue and operating profit. The Group's exposure to seasonality and other fluctuations in demand is primarily due to the markets in which the Group operates, the Group's product range, consumer demand, climate and macroeconomic conditions. The Group typically incurs additional expenses in advance of seasonal sales peaks in anticipation of higher sales during such periods, including the cost of additional inventory, advertising and employees. An unanticipated decrease in demand for the Group's products could require the Group to sell excess inventory at a substantial markdown, which could reduce its revenues and operating profit. Alternatively, an unanticipated increase in demand for certain products could leave the Group unable to fulfil such demand and result in lost sales and customer dissatisfaction. Such seasonal fluctuations and/or unexpected events or developments, such as natural or man-made disasters, depressed economic conditions, increased interest rates or product sourcing issues, may have an adverse impact on consumer demand for the Group's products and, consequently, on the Group's business, financial condition or results of operations.

Many of the products that the Group sells at its retail locations, such as furniture and household goods, are also subject to trends and geographic consumer tastes, which can change rapidly. If the Group is unable to anticipate or respond to such changes in a timely manner, its products may become less attractive to customers, and its sales and earnings may decline. Changes in consumer demand can also result in product obsolescence, which may lead to increases in unsalable inventory that may need to be written off, thereby negatively impacting the Group's profitability. Price erosion can similarly impact the Group's profitability by decreasing its revenues and margins.

07 The Group has potential exposure to product liability claims and to loss of reputation

The packaging, marketing, distribution and sale of the Group's products entails an inherent risk of product liability, product recall and resultant adverse publicity. Products may contain contaminants or be of inferior quality, which could result in illness, injury or death. As a consequence, the Group has exposure to product liability claims. If a product liability claim is successful, the Group's insurance may not be adequate to cover all liabilities that it may incur and the Group may not be able to continue to maintain such insurance or obtain comparable insurance at a reasonable cost, if at all. In addition, even if a product liability claim is not successful or is not fully pursued, the negative publicity surrounding any assertion that the Group's products caused injury could materially adversely affect the Group's reputation and, consequently, its business, results of operations or financial condition.

See details of the group's insurance policies at 08 below.

08 The Group may not be adequately insured

The Group maintains external and self-insurance policies and programmes covering a range of potential risks, other than political and other risks for which insurance is not available. No assurances can be given, however, that the Group's insurance is adequate to cover all insurable risks in each of the geographical regions in which it operates or that Management's evaluation of internal and third-party risk management audits will be effective in ensuring that the Group obtains sufficient insurance coverage or retains adequate and cost-effective self-insurance programmes in the future. In addition, the Group may be affected by one or more events that are excluded from insurance cover or for which the relevant insurance company or re-insurers may not have adequate resources and liquidity to fulfil their respective obligations to the Group should it make a large insurance claim.

09 The Group depends on the skills and experience of its senior executive officers and members of its Management Board

The Group's strategic development depends, in part, on the continued contributions of its senior executive officers and members of its Management Board who are experienced in the markets and business in which the Group operates. The loss of the services of certain of these senior executive officers and members of its Management Board could negatively impact the Group's operations and its ability to develop the business. In addition, as Management works to continue development and expansion of the business, Management believes that the Group's future success will depend on its ability to manage, attract and retain skilled and qualified personnel. Competition for skilled employees in the industries in which the Group operates is intense, and the Group cannot be certain that it will be successful in managing, attracting and retaining the personnel required to successfully conduct its operations.

10 The Group is subject to IT risk

The Group is dependent on the permanent and uninterrupted availability of its IT systems and IT infrastructure provided by third parties. The computer and management systems used by the Group could be damaged by a range of factors, such as telecommunication problems, software errors, inadequate capacity at IT centres, fire, power cuts or damage and attacks by third parties. It is possible that the Group's servers could be damaged by physical or electronic break-ins and computer viruses or similar disruptions, despite the security systems in place. Unforeseen problems in the Group's systems may also cause disruption to the Group's operations. There can be no assurance that the existing security systems, IT security policy, data protection, physical access security, access protection, user administration and IT planning are sufficient to prevent loss of data or an extended failure of the network. Sustained or repeated problems or damage to the network and technical systems of the Group or its IT service providers in the future which interrupt or delay the contractual provision of services by the Group to its customers could lead to contractual claims for compensation and contractual penalties or result in the loss of customers or revenues. In addition, significant IT system-related issues could cause the Group to suffer substantial reputational damage or market disadvantages.

11 The Group depends on efficient logistics systems

The Group depends on the efficiency of its logistics networks, which include the movement of raw materials and finished goods primarily by way of road, rail and sea, and the delivery of final products to end users. The primary means by which the Group transports its goods is ocean-borne container. The Group contracts with third parties to ship cargos by ocean-borne container. Transport by ocean-borne container involves particular risks, including the risk of delay in transport and loss of and/or damage to the cargo due to factors beyond the Group's control. These factors include adverse natural conditions, such as violent storms, tidal waves and tsunamis, as well as terrorist attacks and piracy, which have increased in frequency in recent years. The occurrence of these events could have a material adverse impact on the Group's cost of operations. There can be no assurance that the insurance coverage the Group has will be adequate, that its insurers will pay a particular claim or that its insurance premiums will not increase as a result of the occurrence of any of these circumstances. Because logistics are crucial to the Group's business, highly advanced processes and systems are employed, from merchandise pickup and goods movement to intelligent route planning. Despite historical and ongoing investment in the Group's logistics network, the Group remains vulnerable to external issues beyond its control, such as the failure of third party suppliers to ensure that the appropriate quality and quantity of goods are shipped, as well as possible delays to delivery which could be caused by disruption to the Group's distribution networks. The risk of delay in the delivery of goods is particularly significant in instances where large amounts of goods are shipped ahead of peak trading seasons, where the occurrence of or delay in delivery could result in the Group's inability to meet orders and therefore significantly impact the Group's profitability for that period. Moreover, while the Group strategically targets its investment in its own warehousing and logistics technologies, no assurances can be given that the Group's focused investment will earn a sufficient return on such investments in its fulfilment facilities.

12 The Group's operations depend on its ability to source and produce finished goods and raw materials of appropriate quality from reliable sources and suppliers

Because the Group's business model depends, in part, on the sourcing of finished goods and low-cost raw materials from reliable sources and suppliers (being those that are able to provide the required goods and materials at competitive prices and within agreed time frames), it seeks to attain greater control over its supply of finished goods and raw materials. The principal finished goods that the Group sources from third parties include upholstered furniture, case goods and bedding products, as well as general merchandise, household goods and cellular products, while the principal raw materials that the Group purchases from third parties for use in its operations include fabrics, foam, glass, leather, particleboard, steel, springs and timber. Although the Group is well positioned to manage its sourcing requirements, it cannot give any assurances that the cost of these finished goods and raw materials will not increase in the future or that it will continue to have access to the necessary finished goods and raw materials at reasonable prices.

13 If the Group's transfer pricing arrangements are determined to be inappropriate, the Group's tax liability may increase

The Group has transfer pricing arrangements in relation to various aspects of its business, including its retail, manufacturing and distribution functions. Transfer pricing regulations in the countries in which the Group has operations require that any international transaction involving associated enterprises be on arm's length terms. The Group considers the transactions among its businesses to be substantially on arm's length terms. The Group is currently subject to ongoing, general transfer pricing investigations by tax authorities in Austria, Germany and South Africa as part of the tax risk evaluation processes conducted by these authorities. If a tax authority in any jurisdiction in which the Group operates reviews any of the Group's practices and determines that the transfer prices and terms that the Group has applied are not appropriate, or that other income of a division of the Group should be taxed in that jurisdiction, the Group may incur increased tax liability, including accrued interest and penalties, which would cause the Group's tax expense to increase.

14 The Group may not be able to pass on the cost of oil, gas and electricity to its customers

The Group's operations depend *inter alia* on oil, gas and electricity, either in the manufacturing process or to transport goods between facilities/retail outlets and the Group's customers and/or the end consumer. Oil, gas and electricity prices have historically been volatile and depend on the actual and expected changes in the supply and demand of oil, gas and electricity, changes in global economic growth and political uncertainty, especially in oil-producing countries. In the past, the Group has been able to pass increased costs on to the customer or end-consumer. However, it may not succeed in doing so in the future and may not continue to have access to affordably priced oil, gas and electricity.

15 The Group is exposed to fluctuations in currency exchange rates

The Group is exposed to foreign exchange risk as a result of its business model, which includes the strategy of sourcing finished products and raw materials from, and locating manufacturing facilities in, emerging, low-cost economies and supplying finished products into developed economies. As a result, volatility in the exchange rates between the countries where the Group sources and produces its products and the countries where it sells its products could have a negative impact on the Group's operating margins.

While the Group's sourcing and manufacturing costs are incurred principally in Chinese yuan, Hungarian forint, Polish zloty, South African rand and United States dollars, the Group's revenues derived outside Africa are earned principally in Australian dollars, euros, Polish zloty, Swiss francs and UK pounds sterling. Accordingly, any significant and sustained appreciation of the currencies in which the Group incurs sourcing and manufacturing costs against the currencies in which the Group earns revenues would adversely affect the Group's operating margins, thereby reducing its gross profit. Furthermore, going forward, the Group will report its results in euros.

It is the Group's policy to hedge certain transactional currency risk associated with sourcing products via foreign exchange contracts. Such hedging measures may have the effect of increasing costs for the Group to the extent it receives a less advantageous currency exchange rate than the prevailing rate available from time to time.

In addition, Hungary and Poland, where the Group has a significant number of sourcing and manufacturing facilities, are each members of the European Union and may in the future replace their respective local currencies with the euro. If such a change were to result in an increase in the Group's costs of sourcing and manufacturing products from these countries, it could have an impact on the Group's operating margins and its gross profit.

16 The Group is exposed to fluctuations in interest rates

The interest rate associated with variable rate financial instruments is based on a number of different benchmarks, including EURIBOR, JIBAR and the South African prime rate. While certain instruments are hedged using cross-currency interest rate swap contracts, the Group is subject to the risk of a material and sustained increase in interest rates set by these benchmarks, which would lead to an increase in the Group's cost of borrowing. An increase in interest rates could therefore have an adverse effect on the Group's business, financial condition or results of operations.

17 The Group will require additional capital expenditure to expand and develop

The development and expansion of the Group's business and operations is likely to continue to involve significant capital expenditure. Management expects that its capital expenditure plans are likely to require further financial resources, which may be met from existing resources, future offerings of shares, issues of debt instruments, borrowings or a combination thereof. The Group cannot make any assurance that financing will be available when and in the amounts required, on terms acceptable to it, or even at all. In addition, the ability of the Group's South African businesses to borrow and spend certain funds may be limited by South African exchange control regulations.

See the heading below entitled "– Risks Relating to Regulatory, Political and Economic Developments – The South African subsidiaries of the Group are subject to South African exchange control regulations".

18 Natural disasters could adversely affect the Group's business

Severe weather conditions, such as hurricanes, floods, earthquakes or tornadoes, as well as other natural disasters, in regions (i) in which the Group has manufacturing facilities, distribution facilities or retail outlets or (ii) from which the Group obtains products could negatively impact the Group's operations. The effects of natural disasters and other severe weather events could damage the Group's facilities and equipment and force a temporary halt in manufacturing and retail operations. Moreover, natural disasters may lead to the lack of an adequate work force, a temporary disruption in the supply of products, interference in the transport of goods, delays in the delivery of goods to the Group's distribution centres or retail outlets, stock losses and/or a reduction in the availability of products in the Group's retail outlets.

Furthermore, the Group's insurance coverage with respect to natural disasters is limited and is subject to deductibles and coverage limits. Such coverage may not be adequate, or may not continue to be available at commercially reasonable rates and terms.

19 The Group may be unable to protect its intellectual property rights

The Group's intellectual property is important to the operation of its business and its competitive position in the markets in which it operates. The Group protects its intellectual property through a combination of registered trademarks and other trademark and service mark rights. If the Group's efforts to protect its intellectual property are inadequate, or if any third party misappropriates or infringes on the Group's intellectual property, the value of the Group's brand may be harmed.

20 The Group is subject to a variety of risks as a result of its diverse business operations

The Group operates across a variety of markets and industries and faces risks specific to each of its businesses. In addition to the risks set out in this section, these risks primarily include: (i) a reduced pricing model and/or discounted product pricing by its major competitors; and (ii) loss of competitive advantages, including import protections.

21 The Group faces risks in relation to its outstanding loans and borrowings

The terms of the agreements and instruments governing the Group's debt contain a number of covenants and other provisions that may restrict the Group's ability to, *inter alia*, make certain payments, including dividends or other distributions, incur or guarantee debt, engage in certain transactions with affiliates and other related parties, sell assets, issue share capital of certain subsidiaries and create liens. While these limitations are subject to market standard exceptions and qualifications, they could limit the Company's ability to pay dividends, finance future operations or pursue acquisitions and other business activities that may be of interest.

In addition, the Group's debt includes terms related to the Group's debt to EBITDA and interest to EBITDA cover, which may limit its ability to incur additional indebtedness and its flexibility in planning for, or reacting to, changes in its business and the markets in which it operates. As a result, these restrictions could impair the Group's ability to obtain additional financing in the future and place it at a competitive disadvantage compared to any competitors that have less debt, which could have a material adverse effect on the Group's business, financial condition or results of operations.

The Group's ability to comply with its debt covenants may be affected by events beyond its control. If the Group were to fail to comply with any of the financial or non-financial covenants (due, for example, to deterioration in financial performance or declines in asset valuations or certain operational indicators), it could result in an event of default and the acceleration of the Group's obligations to repay those borrowings, increased borrowing costs or cancellation of certain credit facilities.

22 Changes in the Group's creditworthiness may affect its ability to meet future liquidity requirements and to access new funding

In the course of its operations, the Group faces liquidity risks arising from potential inabilities to meet contractual obligations on their due dates and fund assets. These obligations are funded through the proceeds of the Group's operations as well as periodic borrowings and funding arrangements, which the Group enters into from time to time. The Group's creditworthiness for new funding arrangements depends on many factors, including its gearing position, the retail environment in general, the state of the economy and the level of drawn debt, some of which are outside the Group's control. Deterioration in any of these factors could potentially impact the cost and accessibility of new funding or other credit arrangements in the future, thereby having an adverse impact on the Group's business, financial condition or results of operations.

23 Fluctuations in the price, availability or quality of raw materials or sourced products could cause delays or increases in the costs of materials

The Group sources various types of raw materials for the production of the furniture and household goods sold in its retail outlets and to third-party retailers, including wood, fabrics, leathers, glass, upholstered filling material, steel and other commodities. On a global and regional basis, the sources and prices of these materials and components are susceptible to significant price fluctuations due to supply and demand trends, transportation costs, government regulations and tariffs, the economic climate and other circumstances beyond the Group's control. In particular, volatility in oil markets in recent periods has led to significant fluctuations in the price of petroleum-based products, which affects the cost of the Group's polyurethane foam, polyester, polyethylene foam and steel innerspring component parts.

In addition to its manufacturing capabilities, the Group also sources products from independent manufacturers, including upholstery, case goods, homeware, beds, bedroom furniture, electronics and appliances, as well as general merchandise, household goods and cellular products.

Additionally, many of the suppliers of the Group's raw materials and sourced products are dependent upon other suppliers in countries other than where they are located. This global interdependence is subject to delays in delivery, availability, quality and pricing (including tariffs) of products. Furthermore, the Group is subject to the risk that the efforts that it takes to manage exposure to supply chain interruptions may be unsuccessful. The delivery of goods from these suppliers may be delayed by customs, labour issues, changes in political, economic and social conditions, laws and regulations. Unfavourable fluctuations in the availability of these products could negatively affect the Group's ability to meet the demands of its customers and have a negative impact on product margin.

The Group's suppliers of raw materials and finished goods could choose to discontinue business with the Group or could change the terms under which they are willing to do business, such as price, minimum quantities, required lead times or payment terms. Fluctuations in the price, availability or quality of (i) the raw materials the Group uses in manufacturing its products or (ii) the products it sources could have a negative effect on the Group's cost of sales and its ability to meet the demands of its customers. In the event of a significant disruption in the Group's supply of raw materials or sourced products, the Group may not be able to locate alternative sources at an acceptable price or in a timely manner. In addition, if the price of raw materials increases, the Group may not be able to pass on to customers all or a portion of the higher costs, due to competitive and market pressures or other reasons.

24 The Group is exposed to the risk of default on the part of certain customers or counterparties

The Group faces the risk of default by one or more counterparties in respect of cash deposits placed with major financial institutions and trade receivables from and loans to customers. To the extent any of these financial institutions holding cash deposits on behalf of the Group were to experience financial difficulties, the Group could lose some or all of these amounts on deposit. Further, if the Group's existing customers were to experience financial difficulty, this could result in write-offs of trade receivables or customer loans or loss of future business. The Group's customers could be impacted, for example, by the continued management of credit risk by financial institutions and the relatively low levels of growth over recent years in many of the regions where the Group operates, which has caused a decrease in the availability of credit for many furniture and household goods retailers, which form a significant portion of the Group's customer base. In certain instances, this has caused furniture and household goods retailers to exit the market or be forced into bankruptcy. Furthermore, many of the Group's customers rely in part on consumers' ability to finance their purchases with credit from third parties. If consumers are unable to obtain financing, they may defer their purchases, which could have a negative impact on the Group's customers.

25 The Group is subject to risks associated with the suppliers from whom certain of its raw materials and products are sourced

Certain products that the Group sells, or uses in the manufacture of products that it sells, are sourced from a wide variety of suppliers in locations around the world. Global sourcing of many of the products sold by the Group, and used by the Group in the production of its products, is an important aspect of the Group's strategy of sourcing and manufacturing products at low cost and distributing them to the Group's value-conscious customer base mainly through its extensive retail footprint. All of the Group's suppliers must comply with applicable laws, including labour, safety and environmental laws, and otherwise be certified as meeting the Group's required supplier standards of conduct. However, the Group's ability to find qualified suppliers that meet its standards, and to access products in a timely and efficient manner, is a significant challenge, in particular given that many of the Group's suppliers of raw materials and finished goods are located in disparate jurisdictions. Political and economic instability in the countries in which foreign suppliers are located, the financial instability of suppliers, suppliers' failure to meet the Group's supplier standards, labour and safety problems experienced by suppliers, the availability of raw materials to suppliers, merchandise quality issues, currency exchange rates, transport availability and cost, transport security, inflation and other factors relating to the suppliers and the countries in which they are located are beyond the Group's control.

RISKS RELATING TO REGULATORY REQUIREMENTS AND POLITICAL AND ECONOMIC DEVELOPMENTS

01 The Group is subject to various government regulations in the markets in which it operates

The Group's operations are subject to various laws and regulations in the jurisdictions in which it operates, relating to such matters as health and safety, employment and environmental issues. Historically, compliance with these laws and regulations has not resulted in material costs or had any material adverse effect on the Group's operations. However, if the Group fails to comply with any such laws or regulations, it could be subject to liability, including, but not limited to, mandatory shutdowns, damages, criminal prosecutions, financial penalties, loss of trade agreements and contracts, and injunctive action. In addition, future changes in such laws and regulations could negatively impact the Group's business.

Furthermore, the Group could be regarded by anti-trust authorities as having a large market share in some of the jurisdictions in which it operates. The Group's operations in these countries may, consequently, be subject to certain anti-competition legislation and regulatory oversight. Certain expansions of its operations in these countries through acquisitions may require regulatory approval. While to date all acquisitions have been approved by regulatory authorities, it is possible that, in the future, the Group may not receive approval to make additional acquisitions or that such approval may be subject to various conditions which could affect its ability to expand its operations in that market. From an acquisitive growth perspective, any of the foregoing occurrences could have a material adverse effect on the Group's business, financial condition or results of operations.

02 The Group's costs may increase as a result of developments in environmental, health and safety and labour laws, and tax regimes

The Group depends on logistics for the transport of its products and raw materials and on the reliable sourcing of finished goods and raw materials. Developments in environmental, health and safety, and labour laws in respect of the logistics and raw material-related industries with which the Group has dealings may lead to additional costs, such as for carbon emissions and other indirect taxes. Moreover, the complexity of compliance with potential future regulations related to the Group's carbon footprint and health and safety, labour and related laws may further increase the Group's operating costs. As the Group imports many products and raw materials from other jurisdictions, costs may also increase in the event of changes and/or increases in import and/or excise duties being levied or charged on the Group's products. Should any of the foregoing occur, it could have a material adverse effect on the Group's business, financial condition or results of operations.

In addition, although the Company is incorporated under the laws of the Netherlands, it is resident in South Africa for tax purposes. Accordingly, the Company is subject to taxes in South Africa, and is also subject to taxes in the various other jurisdictions in which it operates through its subsidiary companies. Significant judgement is required in evaluating and estimating the Group's provision and accruals for these taxes and, during the ordinary course of business, there may be transactions for which the ultimate tax determination is uncertain. The final outcome of tax audits could be materially different from the estimates of Management that underlie the Group's historical tax provisions and accruals. Developments in an audit or litigation, or the relevant laws, regulations, administrative practices, principles and interpretations, could have a material effect on the Group's operating results or cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods.

The Group may also be subject to audit in various jurisdictions, and such jurisdictions may assess additional tax liabilities against it.

03 The South African subsidiaries of the Group are subject to South African exchange control regulations

The South African subsidiaries of the Group are subject to South Africa's exchange control regulations, which restrict the export of capital from the Common Monetary Area. These regulations restrict the ability of the Group's African businesses to raise and deploy capital outside the Common Monetary Area. In general, South African companies are not permitted to export capital from South Africa or to hold foreign currency without the approval of the South African Reserve Bank, and are required to repatriate the profits of their foreign operations to South Africa. As a result, the Group's operations in South Africa may have limited financial flexibility.

STEINHOFF'S remuneration policy

... dictates that all employees are fairly rewarded for their individual and joint contributions in the execution of the Steinhoff business strategy and delivery of the group's operating and financial performance. Steinhoff's remuneration philosophy is to remunerate all employees in a competitive manner to attract, motivate and retain individuals of the necessary calibre.

Steinhoff is an international business with revenue earned in many countries. Steinhoff expects its executives to be internationally mobile and to have knowledge and experience across borders. As a result, Steinhoff competes for skills and talent in a global marketplace and its approach to remuneration needs to be flexible and competitive in all countries of operation.

To facilitate this, the supervisory board has established the human resources and remuneration committee (remuneration committee) which operates within defined terms of reference and authority delegated by the supervisory board.

The Steinhoff remuneration committee comprises only independent supervisory directors. By invitation, managing directors and certain members of executive management attend meetings. The remuneration committee meets at least twice every financial year and has *inter alia*, the responsibility to:

- Draft proposals to the supervisory board for the Steinhoff remuneration policy, which policy, as well as any changes thereto, shall be submitted to the general meeting for adoption by shareholders;
- Draft proposals for the remuneration of the individual managing directors, members of the executive committee and senior members of management (senior management).
- Prepare the Steinhoff remuneration report regarding the remuneration policy as drawn up by the remuneration committee;

Due to the diversity of the group and the decentralised management structures in the operating divisions, the remuneration committee has established divisional subcommittees with standard terms of reference which are in line with the overseeing committee's regulations. These divisional subcommittees are responsible for all employee remuneration matters at divisional level and report to the overseeing committee.

The remuneration committee and divisional subcommittees are supported by established human resource departments at group and divisional level responsible for implementation and management of human resource and remuneration strategies, policies and practices.

KEY CONSIDERATIONS DURING THE YEAR

A review of the remuneration structures for senior management.

A review of the effectiveness of the share incentive scheme as a long-term incentive plan.

The range of base salary increases.

Annual cash bonus and incentive scheme awards and the approval of performance targets.

Investigations into an appropriate country/ division specific long-term incentive scheme for key management who may be excluded from the share incentive scheme.

Analysis of consolidated data dealing with:

- Global diversity, staff turnover ratios, average age and tenure of services of the workforce.
- Measurement of the total direct payroll cost and development year-on-year in contrast to profitability development. This information also enables per-employee or per-FTE (full time equivalent) comparison and benchmarking in respect of operations (retail vs manufacturing), country dynamics, and employee grade.
- Performance management and the effectiveness of variable incentivisation schemes
- Talent management and succession planning across the group which are prioritised and reported on annually.

An annual review/benchmark exercise is undertaken of Steinhoff's remuneration policy, strategy and disclosure of peer group companies. The peer group includes companies comparable to the group's international retail operations.

ALIGNMENT WITH STRATEGY

Steinhoff's current remuneration policy, which was approved at the general meeting at the end of 2015, remain appropriate and aligned with the group's long-term strategic priorities, namely:

Integrated retail: To create a balanced and solid footprint of household goods and general merchandise businesses; to develop strong and relevant local retail brands that outperform competitive local businesses; sustainably raise the operating margins; leverage from the group's global scale and knowledge; exert sufficient influence over the entire supply chain; having due regard for the long-term sustainability of the business, its environmental and social impact and governance matters.

Other Investments: To exert influence on the group's associates, being companies in which Steinhoff has a significant shareholding without control, and other investments to manage appropriate returns on investment and long-term sustainability; having due regard for the core environmental and social impact of these businesses, including governance matters.

PSG Group Ltd (PSG) is an investment holding company consisting of underlying investments that operate across a diverse range of industries which include financial services, banking, private equity, agriculture and education. PSG's market capitalisation (net of treasury shares) is approximately R45 billion. In 2016, the Johannesburg Stock Exchange listed PSG share achieved a compound annual growth rate of 49.6% per annum over the 20-year period since establishment. PSG further reported headline earnings of R1.4 billion for the half year, following strong results from all of its key investments.

Steinhoff holds a 25.7% associate investment in PSG, thereby obtaining long-term exposure to the underlying investments held in the PSG.

KAP Industrial Holdings Ltd (KAP), a diversified industrial group, predominantly located in and focused on businesses operating in emerging African markets, KAP continues to invest in strategically aligned and established businesses with high barriers to entry. This enhances the quality of its earnings in respect of sustainability, solid margins and cash generation.

KAP continued to grow in 2016 through investment in strategically aligned, established businesses and operations with high barriers to entry, enhancing its quality of earnings in respect of sustainability, solid margins and strong cash generation. This was achieved during the year through continued focus on optimising existing operations, organic expansion activities and the acquisition of complementary businesses. Headline earnings per share increased by 18% and dividend per share increased by 20%. Steinhoff holds 43% of KAP.

Link to performance

A significant element of senior management remuneration is performance related. A substantial portion of short-term performance incentives is directly linked to challenging annual group performance targets. The balance of these incentives are specifically measured against individual performance objectives which are aligned with the group's strategic priorities. The targets for long-term incentives are guided by reference to industry and market benchmarked performance targets as outlined below.

Such benchmarks are determined annually by measuring operational performance against those of peer group companies (in comparable industries and markets) in local currencies. These growth targets and budgets are presented to the supervisory board and approved annually.

Remuneration for junior and middle management employees is governed and controlled by country specific benchmarks for similar positions and responsibility levels. A robust remuneration review process is in place which is aligned with business strategy. Employee development is encouraged through processes such as performance appraisals, counselling and career development programmes.

Remuneration and other benefits in respect of employees who are subject to bargaining council or other authorities' determination are set through a process of collective bargaining with the major labour unions active in the various countries in which the group operates.

REMUNERATION POLICY

The remuneration policy aims to follow various corporate governance recommendations including the Dutch Civil Code and the Dutch Corporate Governance Code and is based on the following principles:

- Remuneration practices are aligned with corporate strategy.
- Total rewards are set at levels that are competitive with and relative to the specific market and industry.
- Incentive-based awards are earned through achieving demanding performance measures and targets with due regard for the sustainable wellbeing of all stakeholders over the short, medium and long term.
- Incentive plans, performance measures and targets are structured to operate effectively throughout the business cycle. This includes conducting scenario analysis of the possible outcomes.
- The design of long-term incentives is prudent and does not expose stakeholders to a position where the sustainability of the group is placed at risk.

Elements of remuneration

The four elements of remuneration consist of a base salary, benefits, annual incentive bonus and long-term incentives. The remuneration committee seeks to ensure an appropriate balance between the fixed and performance-related elements of managerial remuneration and between those aspects of the package linked to short-term financial performance and those aspects linked to longer-term sustainable stakeholder value creation.

A further consideration is the need to attract and retain critical skills in the group. The remuneration committee considers each element of remuneration relative to the market and takes into account operational and individual performance in determining its quantum.

Base salary and benefits

The fixed element of remuneration is referred to as the base salary. Its purpose is to provide a competitive level of remuneration. The base salary is subject to annual review. It is set to be competitive at the median level with reference to market practice in companies comparable in size, market sector, business complexity and international scope. Operational and individual performance and changes in responsibilities are also taken into consideration when determining annual base salaries. In determining base salaries, the remuneration committee takes into consideration inflation, agreed union and bargaining council increases, and the increased scale of businesses given corporate activity undertaken during the year.

The average annual increase in base salaries approximated the rate of consumer price inflation in the respective geographic territories.

Benefits provide security for senior management and their families and include membership of retirement funds (pensions) and medical aid schemes, to which contributions are made by both employees and the employer company.

Annual bonus

An annual short-term incentive plan provides management throughout the group with incentives to achieve short and medium-term goals. The annual cash incentive is based upon the achievement of group and, where applicable, divisional operational and business growth targets. Targets are set at each operational level and include financial, operational and transformation targets, representing in excess of 80% of the potential incentive. In some cases the performance criteria is supplemented by personal performance objectives, representing on average less than 20% of the potential bonus that can be achieved.

The international group services team is responsible for the development of the group's strategic assets and liabilities centrally. Under the leadership of the international group services team, located in various regions, support is provided to divisional management in the form of corporate services.

This enables local management to devote their full attention to operational issues. These teams ensure that the corporate assets and financial risks are prudently managed and that activities comprising brand management, properties, treasury, corporate activities (including mergers and acquisitions) and other functions are aligned and conducted in the best interest of the group.

In terms of strategic implementation targets, individuals in Steinhoff's group services division are incentivised on individual strategic targets and implementation of various corporate transactions (as determined by the board of Steinhoff). All targets and incentives are agreed by the remuneration and divisional committees.

Annual incentive potentials are set by the remuneration and divisional committees on an individual basis each year based on a percentage of annual base salary. The bonus plan is not contractual and is self-funded and therefore dependent on the availability of profits in excess of annual targets generated every year. The remuneration committee retains the discretion to make adjustments to bonuses earned at the end of the financial year, taking into account both corporate performance and the overall and specific contribution of individuals to meeting the group's objectives. Incentives are determined and recorded in the financial year following that to which the performance relates.

Measurement of performance

For the period ended 30 June 2016, the following performance criteria were achieved against targets:

1. Steinhoff reported growth of 33% in revenue to €13 100 million (FY15: €9 800 million) amidst volatile markets and currencies. Operating profit before capital items increased to €1 500 million, representing a 32% increase on the prior year's €1 100 million. As a result of the 25% increase in the diluted weighted average number of shares in issue (mostly relating to the Pepkor acquisition) and the 17% devaluation of the South African rand, diluted adjusted earnings per share was down 3% to 29.5 cents (FY15: 30.3 cents).
2. The acquisition of the Pepkor group in the prior year expanded Steinhoff's retail exposure to the growing discount market in Africa, Europe and Australasia. This acquisition was successfully integrated during the year under review and consequently Pepkor's results for twelve months are included in the FY16 results.
3. During the year cash generation in relation to earnings before interest, tax, depreciation and amortisation (EBITDA) of 150% was achieved.

4. Return on equity targets were exceeded during the year. The targeted returns are determined using comparable return on equity targets for European (7%) and African (15%) peer groups.

5. Implementation of key strategic initiatives related to the strategic development and competitive positioning of the integrated retail business have been achieved and include;

   5.1 Steinhoff International Holdings N.V. successfully commenced trading on the Frankfurt Stock Exchange on December 2015. This was the largest Prime Standard listing in Germany in 2015.

   5.2 During the period under review the group investigated many corporate transactions that would complement and further strengthen group operations, increase retail market shares and improve our ability to influence price and affordability (to the consumer) through building efficiencies and capacity in existing supply chains. A number of transactions investigated were not proceeded with as a result of due diligence findings or competitive bids. All transactions are subject to thorough due diligence processes and value creation plans with clear medium-term return on investment criteria.

   5.3 SteinBuild, the building materials and DIY subsidiary in South Africa, completed the acquisition of the Iliad group, adding significant scale to the existing business.

   5.4 During the period under review the group disposed of the JD Group Financial Services division (including insurance operations) to a European private equity consortium.

   5.5 The group has gained board, shareholder and regulatory approvals on the formal offer to buy the Poundland retail business in the United Kingdom. This transaction should expand Steinhoff's position as a value discount retailer across multiple product categories, creating enhanced product diversification.

   5.6 In September 2016, the transaction to acquire Mattress Firm in the United States was approved by shareholders, thereby creating a world leading multi-brand mattress retail distribution network and facilitating Steinhoff's entry into the United States. It will also expand the group's global market reach in the core product category of mattresses.

   5.7 A 50/50 joint venture agreement with Cofel, a mattress manufacturer in France, extends the group's strategy of vertical integration into central Europe. This represents a key product category for the group.

   5.8 On 29 August 2016, the group concluded an agreement to acquire Tekkie Town in South Africa – a very successful South African based retailer of quality branded school, lifestyle, leisure and sports footwear and accessories. Tekkie Town operates from more than 300 stores in southern Africa and will complement and provide further scale to Steinhoff's general merchandise segment.

6. Ongoing treasury transactions such as; securing and maintaining an appropriate and flexible capital and debt structure in order to minimise the risk of stressed debt or equity issuance in volatile economic environments to enable the group to optimise its future corporate structure.

7. Successfully extending the group's debt maturity through execution various initiatives

   7.1 On 30 July 2015, Steinhoff Finance Holding Gmbh issued a seven-year, euro-denominated convertible bond to raise €1 116 million (before expenses) at a fixed rate of 1.25% per annum and is convertible into 150 million Steinhoff shares at an initial conversion price of €7.44 per share (representing an initial conversion premium of 35% to the prevailing underlying volume-weighted average (VWAP) share price at the date of pricing.

   7.2 On 2 October 2015, special purpose entities purchased 150 million Steinhoff ordinary shares for an aggregate consideration of €758 million.

7.3 The treasury team successfully concluded in December 2015, a €680 million bridge loan with eight banks;

7.4 On 21 April 2016, Steinhoff Finance Holding Gmbh issued a seven-and-a half-year, euro-denominated convertible bond to raise €1 100 million (before expenses) at a fixed rate of 1.25% per annum and is convertible into 141.8 million Steinhoff shares at an initial conversion price of €7.76 per share, representing an initial conversion premium of 40% to the prevailing underlying VWAP share price at the date of pricing.

7.5 The management team successfully refinanced the existing €1 800 million revolving credit facility as well as the €680 million bridge facility into a €2 900 million, 5 year revolving credit facility, at more efficient terms and conditions. In addition, two bilaterals were concluded with an international and a German bank for 2 year revolving credit facilities of €250 million each;

7.6 The treasury team supported the mergers and acquisitions teams with committed funding for the possible acquisition targets, being Home Retail Group (GBP1.6 billion) and Darty (GBP920 million). On withdrawal from both of these transactions, the group benefited from substantial profits on disposal of shares bought during the acquisition process.

The management team committed a bridge facility of GBP460 million for purposes of the acquisition of Poundland Plc. The outstanding purchase consideration will be settled from the €2 900 million syndicated loan referred to in paragraph 7.5 above, whereafter this facility will be cancelled;

7.7 In July 2016, the group concluded a US$4 billion suite of facilities for purposes of the acquisition of Mattress Firm Corporation, with two international banks. Subsequently, this facility was syndicated into an additional 12 banks, which enabled the group to successfully draw on these facilities and full settlement of all vendor costs and the vast majority of Mattress Firm's debt, was settled on Friday, 16 September 2016.

The remuneration committee reviews these measures and targets annually, to ensure that performance measures and targets set are appropriate, given the economic context and the performance expectations for Steinhoff or relevant division. In line with the group's annual short-term incentive plan, which rewards executive teams for the achievement of operational and financial growth objectives including the translation of its growth into cash flow (as measured by cash generated by operations), the remuneration committee approved annual incentives in line with group and divisional performances. Annual performance is compared to targets and based on audited financial results.

Deferred bonus plan

The remuneration committee retains the discretion to defer all or part of the annual bonus payment. The terms of such deferral is agreed on an annual basis, and depends on the performance criteria applicable to such bonuses and the longer-term measurement that could be implied by such performance criteria.

Long-term share-based incentives (LTIs)

As a result of being an international business, Steinhoff competes for management skills and talent in a global marketplace and its approach to remuneration takes account of the need to be competitive in all of the countries where Steinhoff operates. LTIs are awarded with the primary aim of retaining key staff members and aligning performance with the interests of investors and stakeholders over the longer-term.

The allocation and target criteria are at the discretion of the remuneration committee.

Allocation

The allocation of LTIs is based on the following key eligibility criteria:

Involving individuals who are key to driving the group's business strategy
Retention of key talent/scarce skills
Talent management strategy and succession plans

Performance criteria

The targets for long-term incentives are set with reference to industry and market benchmark performance. Such benchmarks are determined annually by measuring operational performance against those of peer group companies (in comparable industries and markets) in local currencies.

Benchmark performance criteria are aligned with the group's long-term strategic priorities, namely:

Integrated retail: To create a balanced and solid footprint of household goods, and general merchandise businesses; to develop strong and relevant local retail brands that outperform competitive local businesses; sustainably raise the operating margins; leverage from the group's global scale and knowledge; exert sufficient influence over the entire supply chain; having due regard for the long-term sustainability of the business, its environmental and social impact and governance matters.

Other Investments: To exert influence on the group's associates and other investments to manage appropriate returns on investment and long-term sustainability; having due regard for the core environmental and social impact of these businesses, including governance matters.

Criteria and the quantum of allocations are benchmarked annually against market practices. Furthermore, scheme rules and the application thereof are evaluated annually to ensure compliance with legislative and regulatory requirements. The targets for long-term incentives are set with reference to industry and market benchmark performance.

For more details on the group's share incentive scheme refer to note 31 of the annual financial statements and the corporate governance report published on the company's website as included in the annual report.

Share incentive scheme: share rights 2013

Under the 2010 Share Rights Scheme, 77 participants were granted 14 837 420 rights in aggregate in respect of Steinhoff International Holdings N.V. (Steinhoff) shares and pursuant to remuneration committee approval, these grants were confirmed with letters issued to participants in December 2013.

Vesting conditions

These rights to Steinhoff shares are subject to certain performance conditions (vesting conditions) being met and if met, the vesting may occur on 1 December 2016. At 30 September 2016, there were 14 452 552 outstanding rights under the 2013 grant in respect of 72 executives. The remuneration committee concluded that these shares may be eligible for vesting on or after 1 December 2016. The vesting, as determined by the remuneration committee, will be the fourth vesting under the current incentive scheme, initially approved by shareholders in 2010 and accepted by Steinhoff in December 2015, as part of the resolutions passed for the listing process.

In terms of the remuneration committee's discretion on vesting criteria, the targets listed below were taken into account in determining the vesting of the grant. Vesting can occur at 0% or 100%, subject to the participant maintaining a minimum shareholding in the Steinhoff as determined by the remuneration committee and explained below under "Minimum shareholding criteria".

1. Growth

The remuneration committee concluded that growth in headline earnings per share (HEPS) is an appropriate measure of growth. The calculation of HEPS is determined in terms of JSE listing requirements and is subject to external assurance by way of the annual external audit of Steinhoff's financial statements. It was determined that Steinhoff's growth in HEPS should outperform, cumulatively over the relevant three year measurement criteria, those of peer group of companies in comparable industries and markets and in local currencies.

2. Cash generation

In line with Steinhoff's global incentive schemes in this regard, at least 80% of operating profit cumulatively over the relevant three year measurement criteria should be generated in cash, as measured by cash generated from operations as a percentage of operating profit.

3. Returns

An appropriate returns-based criterion remains challenging for Steinhoff as a result of the geographic diversity of operations and the inherent currency and other volatilities. In response to this, a blended and weighted targeted return on equity has been adopted by the remuneration committee. A minimum return of 7% needs to be achieved by European operations and 15% for African operations over the vesting period. The return on equity is calculated as headline earnings based on average shareholders' equity and is adjusted for currency fluctuations.

4. Qualification for annual bonus

In addition, to the above-mentioned group measurement criteria, share scheme participants must have qualified for participation in their respective divisions' annual incentive bonus schemes, which would include meeting their respective key performance indicators. This requirement is evaluated and applied on an individual basis.

As a result of the group satisfying vesting conditions 1 to 3 above, the 2013 share allocation will vest subject to the 4th vesting condition which is evaluated on an individual basis.

Minimum shareholding criteria

To encourage participants in the share incentive scheme to maintain and/or invest in the share capital of Steinhoff and to align the interests of the participants with the interests of Steinhoff's shareholders, the remuneration committee introduced a minimum shareholding criterion.

At the discretion of the remuneration committee, the participation in any grant and/or the vesting of rights (and/or the delivery of shares) will be subject to the participant maintaining a minimum shareholding in Steinhoff, as determined by the remuneration committee.

Employee share ownership plan

In accordance with its strategic transformation objectives, Steinhoff has recognised the importance of affording all of its African employees an opportunity to participate in the success of its business.

Accordingly, in December 2008, Steinhoff implemented its employee share participation scheme which effectively empowered all South African employees the majority of whom are black (as defined in the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003), as amended). The scheme is structured in such a way that employees will own Steinhoff shares after a nine year participating period. Through a special purpose vehicle, Steinhoff Sikhulasonke Investments (RF) Proprietary Limited, there are currently approximately 12 000 active employees (of which the majority are previously disadvantaged individuals) holding more than 40 million shares in aggregate. Each beneficiary receives an annual dividend.

During the financial year, a dividend of R16.4 million was paid to participants in the ownership plan. As at the date of this report, the value created in this structure was approximately R1.2 billion.

Service contracts

No managing director and no supervisory director has a service contract with the Company.

Managing directors and members of the executive committee have service or employment contracts with subsidiary companies of the Company, subject to terms and conditions in the local jurisdictions. These contracts do not contain 'golden parachute' clauses. These contracts do not include notice periods of more than one year and no terms of predetermined compensation as a result of termination, exceeding 18 months' salary and benefits. The managing directors, members of the executive committee and senior management individuals have indefinite employment contracts.

Supervisory directors are subject to regulations on appointment and rotation pursuant to the articles of association and related terms of reference or regulations.

Supervisory directors' remuneration

The general meeting determines the remuneration of the supervisory directors. The general meeting will resolve upon the remuneration for the supervisory board on an annual basis, based upon a proposal put before the shareholders. The management board ensures that the supervisory board remuneration is reviewed annually, with reference to competitors and peer companies as well as retention and attraction of high-calibre individuals as supervisory directors. Independent advice is also acquired from specialist human resources consultants. This remuneration is not linked to Steinhoff's share price or performance.

Levels of fees are also set by reference to the responsibilities assumed by the supervisory directors in chairing the board and in chairing or participation in its committees. Supervisory directors do not qualify for shares in term of the group's share incentive schemes. Supervisory directors do not qualify for shares in terms of the group's share incentive schemes.

Further information

Refer to note 31 of the annual financial statements for further information on remuneration earned by the supervisory and managing directors and members of the executive committee for the period ended 30 September 2016. This is available at www.steinhoffinternational.com.

DECLARATIONS

The 2016 Steinhoff International Holdings N.V. Annual Report dated 6 December 2016 comprises regulated information within the meaning of sections 1:1 and 5:25c of the Dutch Act on Financial Supervision “Wet op het financieel toezicht.II.”

Refer to the Financial Statement section for the 2016 consolidated and parent company financial statements “jaarrekening” within the meaning of section 2:361 of the Dutch Civil Code. The members of the Management Board and the Supervisory Board have signed the 2016 financial statements pursuant to their obligation under section 2:101, paragraph 2 of the Dutch Civil Code. The following sections of this Annual Report in combination form the management report “bestuursverslag” within the meaning of section 2:391 of the Dutch Civil Code: Overview and Strategy, Management board report, Corporate Governance Report, Risk Management Report, Remuneration Report and the subsection Remuneration included in the Supervisory Board report.

For other information “overige gegevens” within the meaning of section 2:392 of the Dutch Civil Code, please refer to subsection Other information under the Financial Statements section, and to the Investor Information section.

DECLARATIONS

The members of the Management Board as required by section 5:25c, paragraph 2, under c of the Dutch Act on Financial Supervision confirm that to the best of their knowledge:

The 2016 financial statements included in this Annual Report give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

The management report included in this Annual Report gives a true and fair view of the position of the Company and the undertakings included in the consolidation taken as a whole at 30 September 2016, and of the development and performance of the business for the financial period then ended.

The management report includes a description of the principal risks and uncertainties that the Company faces.

This Annual Report, including the 2016 financial statements, which are audited by Deloitte Accountant B.V., has been presented to the Supervisory Board. The 2016 financial statements and the independent auditor's report relating to the audit of the 2016 financial statements were discussed with the Audit Committee in the presence of the Management Board and the external auditor. The Supervisory Board recommends that the General Meeting of Shareholders adopts the 2016 financial statements included in this Annual Report.

Management Board

Markus Jooste – CEO
Danie van der Merwe – COO
Ben la Grange – CFO

Supervisory Board

Christo Wiese (Chairman)
Len Konar (Deputy Chairman)
Steve Booysen
Claas Daun
Thierry Guibert
Angela Krüger-Steinhoff
Theunie Lategan
Heather Sonn
Bruno Steinhoff
Johan van Zyl
Jacob Wiese

STEINHOFF INTERNATIONAL HOLDINGS N.V.
INCOME STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Notes	Fifteen months ended 30 September 2016 €m	Restated Year ended 30 June 2015 €m
Continuing operations			
Revenue		**16 439**	9 818
Cost of sales		**(10 486)**	(6 300)
Gross profit		**5 953**	3 518
Operating income		**441**	264
Operating expenses		**(4 591)**	(2 667)
Capital items	1	**(10)**	182
Operating profit	2	**1 793**	1 297
Finance costs	3	**(443)**	(279)
Income from investments	3	**248**	151
Share of profit of equity accounted companies	11	**87**	41
Profit before taxation		**1 685**	1 210
Taxation	4	**(238)**	(96)
Profit from continuing operations		**1 447**	1 114
Discontinued operations			
Loss from discontinued operations	5	**(5)**	(155)
Profit for the period		**1 442**	959
Profit attributable to:			
Owners of the parent		**1 437**	976
Non-controlling interests	19	**5**	(17)
Profit for the period		**1 442**	959
Earnings per share (cents)			
Basic earnings per share			
From continuing and discontinued operations	6	**37.8**	34.5
From continuing operations	6	**37.9**	39.3
Diluted earnings per share			
From continuing and discontinued operations	6	**35.9**	31.8
From continuing operations	6	**36.0**	35.9
Headline earnings per share (cents)			
Basic headline earnings per share			
From continuing and discontinued operations	6	**37.7**	28.3
From continuing operations	6	**37.6**	32.6
Diluted headline earnings per share			
From continuing and discontinued operations	6	**35.8**	26.6
From continuing operations	6	**35.7**	30.3

The comparative year has been restated. Please refer to note 32.

Distribution expenses have been aggregated with operating expenses.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Fifteen months ended 30 September 2016 €m	Restated Year ended 30 June 2015 €m
Profit for the period	**1 442**	959
Other comprehensive (loss)/income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses on defined benefit plans	**(37)**	(13)
Deferred taxation	**6**	3
	(31)	(10)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(924)**	192
Net fair value (loss)/gain on cash flow hedges and other fair value reserves	**(48)**	17
Deferred taxation	**11**	(4)
Foreign currency translation reserve released to profit or loss on disposal of investment	**(4)**	-
Other comprehensive income of equity accounted companies, net of deferred taxation	**-**	1
	(965)	206
Total other comprehensive (loss)/income for the period	**(996)**	196
Total comprehensive income for the period	**446**	1 155
Total comprehensive income attributable to:		
Owners of the parent	**440**	1 164
Non-controlling interests	**6**	(9)
Total comprehensive income for the period	**446**	1 155

STEINHOFF INTERNATIONAL HOLDINGS N.V.
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Ordinary share capital and share premium €m	Distributable reserves €m	Convertible and redeemable bonds reserve €m	Foreign currency translation reserve €m	Share-based payment reserve €m	Premiums or discounts on changes in non-controlling interests €m	Other reserves €m	Total ordinary equity attributable to owners of the parent €m	Preference stated share capital €m	Total equity attributable to owners of the parent €m	Non-controlling interests €m	Total €m
Restated balance at 30 June 2014	1 708	4 187	120	(471)	88	(22)	(20)	5 590	327	5 917	107	6 024
Net shares issued	6 759	-	-	-	-	-	-	6 759	146	6 905	-	6 905
Redemption of preference shares	-	-	-	-	-	-	-	-	(36)	(36)	-	(36)
Total comprehensive income/(loss) for the year	-	976	-	184	-	-	4	1 164	-	1 164	(9)	1 155
Profit/(loss) for the year	-	976	-	-	-	-	-	976	-	976	(17)	959
Other comprehensive income for the year	-	-	-	184	-	-	4	188	-	188	8	196
Preference dividends	-	(24)	-	-	-	-		(24)	-	(24)	-	(24)
Dividends paid	-	(273)	-	-	-	-	-	(273)	-	(273)	(4)	(277)
Introduced and acquired on acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	108	108
Net shares bought from/sold to non-controlling interests	-	-	-	-	-	(333)	-	(333)	-	(333)	(116)	(449)
Share-based payments	-	-	-	-	41	-	-	41	-	41	-	41
Convertible bonds redeemed - equity portion net of deferred taxation	-	-	(27)	-	-	-	-	(27)	-	(27)	-	(27)
Transfers and other reserve movements	-	11	-	-	-	-	2	13	-	13	(5)	8
Balance at 30 June 2015	**8 467**	**4 877**	**93**	**(287)**	**129**	**(355)**	**(14)**	**12 910**	**437**	**13 347**	**81**	**13 428**
Net shares issued	**2 260**	**-**	**-**	**-**	**-**	**-**	**-**	**2 260**	**33**	**2 293**	**-**	**2 293**
Reverse acquisition	**10 333**	**-**	**-**	**-**	**-**	**-**	**(10 333)**	**-**	**-**	**-**	**-**	**-**
Treasury shares purchased	**(761)**	**-**	**-**	**-**	**-**	**-**	**-**	**(761)**	**-**	**(761)**	**-**	**(761)**
Treasury shares sold	**754**							**754**	**-**	**754**	**1**	**755**
Total comprehensive income/(loss) for the period	**-**	**1 437**	**-**	**(925)**	**-**	**-**	**(72)**	**440**	**-**	**440**	**6**	**446**
Profit/(loss) for the period	**-**	**1 437**	**-**	**-**	**-**	**-**	**-**	**1 437**	**-**	**1 437**	**5**	**1 442**
Other comprehensive loss for the period	**-**	**-**	**-**	**(925)**	**-**	**-**	**(72)**	**(997)**	**-**	**(997)**	**1**	**(996)**
Preference dividends	**-**	**(24)**	**-**	**-**	**-**	**-**		**(24)**	**-**	**(24)**	**-**	**(24)**
Dividends paid	**-**	**(137)**	**-**	**-**	**-**	**-**	**-**	**(137)**	**-**	**(137)**	**-**	**(137)**
Introduced and acquired on acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**37**	**37**
Net shares bought from/sold to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(41)**	**-**	**(41)**	**-**	**(41)**	**(36)**	**(77)**
Share-based payments	**-**	**-**	**-**	**-**	**44**	**-**	**-**	**44**	**-**	**44**	**-**	**44**
Convertible bonds issued and redeemed - equity portion net of deferred taxation	**-**	**-**	**51**	**-**	**-**	**-**	**-**	**51**	**-**	**51**	**-**	**51**
Transfers and other reserve movements	**-**	**133**	**-**	**(25)**	**(113)**	**-**	**(69)**	**(74)**	**-**	**(74)**	**(14)**	**(88)**
Balance at 30 September 2016	**21 053**	**6 286**	**144**	**(1 237)**	**60**	**(396)**	**(10 488)**	**15 422**	**470**	**15 892**	**75**	**15 967**

STEINHOFF INTERNATIONAL HOLDINGS N.V.
STATEMENT OF FINANCIAL POSITION
as at 30 September 2016

	Notes	30 September 2016 €m	Restated 30 June 2015 €m
ASSETS			
Non-current assets			
Goodwill	8	**9 157**	5 933
Intangible assets	9	**7 351**	4 022
Property, plant and equipment	10	**5 136**	4 296
Investments in equity accounted companies	11	**1 744**	1 170
Investments and loans	12	**267**	493
Deferred taxation assets	13	**226**	198
Trade and other receivables	14	**21**	11
		23 902	16 123
Current assets			
Inventories and vehicle rental fleet	15	**2 715**	1 945
Trade and other receivables	14	**1 714**	1 343
Investments and loans	12	**989**	656
Cash and cash equivalents		**2 861**	2 794
		8 279	6 738
Assets and disposal groups classified as held for sale	16	**-**	248
		8 279	6 986
Total assets		**32 181**	23 109
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	17	**2 122**	1 826
Share premium reserve	17	**18 931**	6 641
Reserves		**(5 631)**	4 443
Preference stated share capital	18	**470**	437
Total equity attributable to equity holders of the parent		**15 892**	13 347
Non-controlling interests	19	**75**	81
Total equity		**15 967**	13 428
Non-current liabilities			
Interest-bearing loans and borrowings	20	**7 142**	4 152
Employee benefits	21	**184**	78
Deferred taxation liabilities	13	**2 094**	1 001
Provisions	22	**491**	216
Trade and other payables	23	**86**	68
		9 997	5 515
Current liabilities			
Trade and other payables	23	**4 894**	3 416
Employee benefits	21	**140**	86
Provisions	22	**263**	96
Interest-bearing loans and borrowings	20	**274**	431
Bank overdrafts and short-term facilities		**646**	137
		6 217	4 166
Total equity and liabilities		**32 181**	23 109
Net asset value per ordinary share (cents)	6	**364**	353

Investment property has been aggregated with property, plant and equipment.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Notes	Fifteen months ended 30 September 2016 €m	Restated Year ended 30 June 2015 €m
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	24	**2 036**	1 943
Net movement in instalment sale and loan receivables		**(25)**	(16)
Net dividends paid		**(142)**	(286)
Net finance charges		**(186)**	(90)
Taxation paid		**(208)**	(76)
Net cash inflow from operating activities		**1 475**	1 475
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(520)**	(341)
Additions to intangible assets		**(167)**	(19)
Proceeds on disposal of property, plant and equipment and intangible assets		**47**	16
Acquisition of subsidiaries and businesses, net of cash on hand at acquisition	25	**(2 926)**	(971)
(Increase)/decrease in long-term investments and loans		**(125)**	2
Increase in short-term investments and loans		**(273)**	(211)
Net increase in investments in equity accounted companies		**(221)**	(12)
Net cash outflow from investing activities		**(4 185)**	(1 536)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of ordinary shares issued		**1 683**	1 325
Proceeds of preference shares issued		**33**	146
Preference shares redeemed		**-**	(36)
Share issue expenses		**(14)**	(28)
Increase in treasury shares		**(3)**	-
Transactions with non-controlling interests		**(76)**	(7)
Increase/(decrease) in bank overdrafts and short-term facilities		**489**	(81)
Increase in long-term interest-bearing loans and borrowings		**1 319**	877
Decrease in short-term interest-bearing loans and borrowings		**(533)**	(475)
Net cash inflow from financing activities		**2 898**	1 721
NET INCREASE IN CASH AND CASH EQUIVALENTS		**188**	1 660
Effects of exchange rate translations on cash and cash equivalents		**(121)**	13
Cash and cash equivalents at beginning of the period		**2 794**	1 121
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**2 861**	2 794

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SEGMENTAL REPORTING
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Fifteen months ended 30 September 2016 €m	Restated Year ended 30 June 2015 €m
REVENUE - CONTINUING OPERATIONS		
Household goods	**10 548**	7 622
General merchandise	**4 367**	888
Automotive	**1 524**	1 308
	16 439	9 818
OPERATING PROFIT BEFORE CAPITAL ITEMS - CONTINUING OPERATIONS		
Household goods	**1 328**	956
General merchandise	**426**	120
Automotive	**49**	39
	1 803	1 115
SEGMENTAL ASSETS		
Household goods	**18 559**	10 814
General merchandise	**7 381**	6 530
Automotive	**380**	404
	26 320	17 748
GEOGRAPHICAL ANALYSIS		
Revenue - continuing operations		
Europe and the United Kingdom	**9 932**	6 461
Africa	**5 349**	2 905
Other	**1 158**	452
	16 439	9 818
Non-current assets		
Europe and the United Kingdom	**13 434**	9 537
Africa	**5 938**	6 151
United States of America	**4 068**	-
Other	**462**	435
	23 902	16 123
RECONCILIATION BETWEEN OPERATING PROFIT PER INCOME STATEMENT AND OPERATING PROFIT BEFORE CAPITAL ITEMS PER SEGMENTAL ANALYSIS		
Operating profit per income statement	**1 793**	1 297
Capital items (note 1)	**10**	(182)
Operating profit before capital items per segmental analysis	**1 803**	1 115
RECONCILIATION BETWEEN TOTAL ASSETS PER STATEMENT OF FINANCIAL POSITION AND SEGMENTAL ASSETS		
Total assets per statement of financial position	**32 181**	23 109
Less: Cash and cash equivalents	**(2 861)**	(2 794)
Less: Investments in equity accounted companies	**(1 744)**	(1 170)
Less: Long-term investments and loans	**(267)**	(493)
Less: Short-term investments and loans	**(989)**	(656)
Less: Assets of discontinued operations and assets held for sale	**-**	(248)
Segmental assets	**26 320**	17 748

Geographical segments have been updated to include the operations in the United Kingdom (UK) as part of the Europe segment. Previously, the UK was included in the other segment. A reallocation of segmental assets was effective between the household goods and automotive segments to better reflect the allocation of assets.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SEGMENTAL REPORTING
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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 discloses its operating segments according to the entity components regularly reviewed by the chief operating decision-makers. The components comprise various operating segments located globally. The revenue and non-current assets are further disclosed within the geographical areas in which the group operates. Segmental information is prepared in conformity with the measure that is reported to the 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. Intersegment revenue is eliminated in the segment from which it was sold. Sales between segments are made on a commercial basis. Segment operating profit before capital items represents segment revenue less segment expenses, excluding capital items included in note 1. Segment expenses include distribution expenses and other operating expenses. Depreciation and amortisation have been allocated to the segments to which they relate.

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

Operational segments

Household goods: Integrated retail

Household goods

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

Integrated supply chain

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

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

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

Properties

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

General merchandise

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

Automotive

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

Geographical segments

The group's operations are principally located in continental Europe, Africa, the Pacific Rim, United Kingdom and the United States of America.

Major customers

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

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SUMMARY OF ACCOUNTING POLICIES
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

Steinhoff International Holdings N.V. (Steinhoff N.V.) is a Netherlands registered company with tax residency in South Africa. The consolidated annual financial statements of Steinhoff N.V. for the period ended 30 September 2016 comprise Steinhoff N.V. and its subsidiaries (together referred to as the Steinhoff Group) and the group's interest in associate companies and joint-venture companies.

Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code. All standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee effective for periods ending 2016 have been endorsed by the EU, except that the EU did not adopt some of the paragraphs of IAS 39 applicable to certain hedge transactions. Steinhoff N.V. has no hedge transactions to which these paragraphs are applicable. Consequently the accounting policies applied by Steinhoff N.V. also comply with IFRS as issued by the IASB. These accounting policies have been applied by group entities.

Adoption of revised standards

During the current year, the group did not adopt any revised standards or interpretations as issued by the IASB and the IFRIC as none issued were relevant to its operations.

Basis of preparation

The consolidated annual financial statements are prepared in millions of euro (€m) on the historical-cost basis, except for certain assets and liabilities which are carried at amortised cost, and certain financial instruments which are stated at their fair value. The management board and supervisory board reasonably believe that the group has adequate resources to continue in operation for the foreseeable future, and the consolidated annual financial statements have therefore been prepared on the going-concern basis.

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.*

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, 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 group entities.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SUMMARY OF ACCOUNTING POLICIES
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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.

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.

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. The group applies equity accounting to its associates.

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.

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.

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.

Common control transactions and premiums and discounts arising on subsequent purchases from, or sales to non-controlling interests in subsidiaries

When a purchase price allocation has been performed for separate financial statements it is reversed for group consolidated accounts. 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 purchase 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.

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

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. The cost of self-constructed assets includes the costs of materials, direct labour, the initial estimate, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, borrowing costs capitalised and an appropriate proportion of production overheads.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SUMMARY OF ACCOUNTING POLICIES
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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. 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.

Investment property

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

Investment property is initially recognised at cost, including transaction costs, when it is probable that future economic benefits associated with the investment property will flow to the group and the cost of the investment property can be measured reliably. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction development is complete.

Investment property is accounted for under the cost model and the accounting treatment after initial recognition follows that applied to property, plant and equipment.

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. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

Development properties comprise land valued at cost and development expenditure attributable to unsold properties.

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

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. These assets may be a component of an entity, a disposal group or an individual non-current asset. Upon initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of their carrying amount and fair value less costs to sell.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operation or a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SUMMARY OF ACCOUNTING POLICIES
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

Share capital

Preference shares

Preference shares are classified as equity if they are non-redeemable and any dividends are discretionary, or are redeemable but only at the group's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

In order to calculate earnings attributable to ordinary shareholders, the amount of preference dividends for cumulative preference shares required for that period, whether or not declared, is deducted from profit attributable to equity holders in determining earnings per ordinary share.

The amount of preference dividends for the period used to calculate earnings per ordinary share does not include the amount of any preference dividends for cumulative preference shares paid or declared during the current period in respect of previous periods.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in accordance with the group's dividend policy.

Treasury shares

When shares recognised as equity are purchased by group companies in their holding company and by the employee share trusts, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from share premium.

Dividends

Non-discretionary dividends on preference shares are recognised as a liability and recognised as an interest expense using the effective-interest method. Other dividends are recognised as a liability in the period in which they are declared.

Dividends received on treasury shares are eliminated on consolidation.

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 a corresponding adjustment against equity for the capital contribution recognised in respect of the share-based payment.
- 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.

Convertible bonds

Bonds which are convertible to share capital, where the number of shares to be issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of the proceeds. The equity component of the convertible bonds is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in profit or loss is calculated using the effective-interest method.

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.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SUMMARY OF ACCOUNTING POLICIES
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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 or where they have been designated as fair value through profit or loss.

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.

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.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SUMMARY OF ACCOUNTING POLICIES
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

Insurance contracts

Classification of contracts

Contracts, under which the group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary, if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable it is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Premiums

Written premiums comprise the premiums on contracts (including inward reinsurance) entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude value added taxation.

The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written, which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method.

Claims

Claims incurred in respect of general business consist of claims and claims handling expenses paid during the financial year, together with the movement in the provision for outstanding claims.

The outstanding claims provision comprises provisions for the group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses.

Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs represent the portion of acquisition costs incurred that correspond to the unearned premium provision.

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.

Insurance premiums
Insurance premiums are stated before deducting reinsurances and commissions and are accounted for when they become due.

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.

Rental income
Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

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.

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 INTERNATIONAL HOLDINGS N.V.
JUDGEMENTS AND ESTIMATES
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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, property, plant and equipment and vehicle rental fleet are:

Intangible assets	
Customer relationship and trade and brand names	10 - 20 years
Contracts and licences	Over the term of the contract or project
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 - 80 years
Computer equipment	2 - 4 years
Motor vehicles	4 - 10 years
Office equipment and furniture	3 - 16 years
Plant and machinery	3 - 60 years
Investment property	
Buildings	5 - 80 years
Vehicle rental fleet	Over the period of the buy-back agreement or estimated holding period

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, investment property 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.

Valuation of equity compensation benefits
Management classifies its share-based payment scheme as an equity-settled scheme, based on the assessment of its role and that of the employees in the transaction. In applying its judgement, management consulted with external expert advisors in the accounting and share-based payment advisory industry. The critical assumptions, as used in the valuation model, are detailed in note 17.

Post-employment benefit obligations
In applying its judgement to defined benefit plans, management consulted with external expert advisors in the accounting and post-employment benefit obligation industry. The critical estimates, as used in each benefit plan, are detailed in note 21.

Consolidation of special-purpose entities
Certain special-purpose entities established as part of the B-BBEE transactions have been consolidated as part of the group results. The group does not have any significant direct or indirect shareholding in these entities, but the substance of the relationship between the group and these entities was assessed and judgement was made that these are controlled entities.

Buy-back lease commitments
When a buy-back agreement is entered into, a provision is raised in respect of future reconditioning costs that may be incurred before the vehicle is made available for sale. Management based this provision on historical data and past experience.

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.

Claims made under insurance contracts
The operations' estimates for reported and unreported losses and establishing resulting provisions are continually reviewed and updated, and adjustments resulting from this review are reflected in income. The process relies upon the basic assumption that past experience adjusted for the effect of current developments and likely trends is an appropriate basis for predicting future events.

The process used to determine the assumptions is intended to result in estimates of the most likely or expected outcome. The sources of data used as input for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information.

The nature of the business makes it relatively easy to predict the likely outcome of claims and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

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	Fifteen months ended 30 September 2016 Gross of taxation and non-controlling interests €m	Fifteen months ended 30 September 2016 Net of taxation and non-controlling interests €m	Year ended 30 June 2015 Gross of taxation and non-controlling interests €m	Year ended 30 June 2015 Net of taxation and non-controlling interests €m
1. CAPITAL ITEMS				
Continuing operations				
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:				
1.1 Impairment	**37**	**28**	67	66
Goodwill	**-**	**-**	60	60
Intangible assets	**25**	**19**	4	3
Property, plant and equipment	**14**	**10**	1	1
Other	**(2)**	**(1)**	2	2
1.2 Foreign currency translation reserve released to profit or loss on disposal of investment	**(4)**	**(4)**	-	-
1.3 Loss on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet	**7**	**6**	8	6
1.4 Profit on sale and dilution of investments	**(9)**	**(15)**	(257)	(257)
1.5 Gain on bargain purchase	**(21)**	**(21)**	-	-
	10	**(6)**	(182)	(185)

	Fifteen months ended 30 September 2016 €m	Year ended 30 June 2015 €m
2. OPERATING PROFIT		
Continuing operations		
Operating profit is stated after taking account of the following items:		
2.1 Amortisation and depreciation		
Amortisation	**26**	17
Depreciation	**284**	145
	310	162
Recognised in:		
Cost of sales	**12**	7
Operating expenses	**298**	155
	310	162
2.2 Auditor's remuneration		
Audit fees	**11**	6
Expenses and fees for other services	**4**	2
(Over)/underprovision in prior year	**-**	(1)
	15	7
2.3 Personnel expenses		
Retirement plans (note 2.4)	**31**	25
Salaries and wages	**2 544**	1 496
Share-based payments - equity-settled (note 17.6)	**35**	29
	2 610	1 550
2.4 Post-retirement benefit expenses		
Contributions to defined benefit plans	**2**	14
Contributions to defined contribution plans	**29**	11
	31	25
2.5 Net foreign exchange (gains)/losses		
Net loss/(gain) on forward exchange contracts	**70**	(3)
Net gain on conversion of monetary assets - realised	**(104)**	(77)
Net (gain)/loss on conversion of monetary assets - unrealised	**(168)**	6
	(202)	(74)
2.6 Fair value (gains)/losses (excluding forward exchange contracts)		
Fair value adjustment on financial assets through profit or loss	**(88)**	(35)
Other fair value adjustments	**-**	(1)
	(88)	(36)
2.7 Operating lease charges - properties		
Rental of properties	**661**	311
Rental recovered from third parties on long-term leases	**(9)**	(7)
	652	304
2.8 Operating lease charges - other		
Leases of plant, equipment, vehicles and other	**32**	34
2.9 Number of employees	**105 866**	91 114

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	Expense €m	Income €m	Net (income) /expense €m
3. FINANCE COSTS AND INCOME FROM INVESTMENTS			
Continuing operations			
Fifteen months ended 30 September 2016			
Dividends received	**-**	**(3)**	**(3)**
Interest			
Banks	**39**	**(26)**	**13**
Convertible bonds	**94**	-	**94**
Loans	**165**	**(159)**	**6**
Other	**145**	**(60)**	**85**
	443	**(248)**	**195**
Year ended 30 June 2015			
Dividends received	-	(6)	(6)
Interest			
Banks	27	(45)	(18)
Convertible bonds	114	-	114
Loans	97	(90)	7
Other	41	(10)	31
	279	(151)	128

	Fifteen months ended 30 September 2016 €m	Year ended 30 June 2015 €m
4. TAXATION		
Continuing operations		
4.1 Taxation charge		
Normal taxation		
South African normal taxation - current year	**99**	72
South African normal taxation - prior year adjustment	**4**	(2)
South African normal taxation - capital gains taxation	**19**	-
Foreign normal taxation - current year	**189**	95
	311	165
Deferred taxation		
South African deferred taxation - current year	**(81)**	(50)
South African deferred taxation - prior year adjustment	**2**	(1)
South African deferred taxation - rate change adjustment	**39**	-
Foreign deferred taxation - current year	**(32)**	(18)
Foreign deferred taxation - prior year adjustment	**(1)**	-
	(73)	(69)
	238	96
For detail on deferred taxation assets/(liabilities) refer to note 13.		
	%	%
4.2 Reconciliation of rate of taxation		
South African standard rate of taxation[1]	**28.0**	28.0
Effect of different statutory taxation rates of subsidiaries in other jurisdictions	**(12.8)**	(13.2)
Effect of profit of equity accounted companies	**(1.4)**	(0.9)
Net creation of unrecognised taxation losses and deductible temporary differences	**5.6**	2.4
Prior year adjustments	**0.3**	(0.2)
Tax-exempt income, non-deductible expenses, withholding taxes and other variances	**(7.9)**	(8.0)
Change in rate adjustments	**2.3**	-
Effective rate of taxation	**14.1**	8.1

[1] *Steinhoff N.V. is a South African resident for taxation purposes.*

5. DISCONTINUED OPERATIONS

Management completed a transaction with a European private equity firm to dispose JD Group's Financial Services division, including its insurance operations effective 1 January 2016.

	Fifteen months ended 30 September 2016 €m	Year ended 30 June 2015 €m
Revenue	**67**	153
Operating expenses	**(73)**	(308)
(Impairment)/reversal of impairment	**(10)**	6
Operating loss	**(16)**	(149)
Net investment income/(finance costs)	**1**	(7)
Loss before taxation	**(15)**	(156)
Taxation	**9**	21
	(6)	(135)
Gain/(loss) on disposal of discontinued operations	**2**	(23)
Attributable income taxation	**(1)**	3
Loss for the period from discontinued operations	**(5)**	(155)
Loss from discontinued operations attributable to:		
Owners of the parent	**(5)**	(132)
Non-controlling interests	**-**	(23)
	(5)	(155)
Cash flows from discontinued operations		
Net cash inflow from operating activities	**32**	30
Net cash inflow from investing activities	**1**	-
Net cash outflow from financing activities	**(33)**	(30)
Net cash inflow	**-**	-

	Fifteen months ended 30 September 2016		Year ended 30 June 2015	
	Gross of taxation and non-controlling interests €m	**Net of taxation and non-controlling interests €m**	Gross of taxation and non-controlling interests €m	Net of taxation and non-controlling interests €m
Capital items for the year from discontinued operations				
Impairment/(reversal of impairment)	**10**	**8**	(6)	(4)
(Gain)/loss on disposal of discontinued operations	**(2)**	**(1)**	23	17
	8	**7**	17	13

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	Fifteen months ended 30 September 2016 Cents	Restated Year ended 30 June 2015[1] Cents
6. 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, excluding shares purchased by the group and held as treasury shares.		
From continuing operations	**37.9**	39.3
From discontinued operations	**(0.1)**	(4.8)
Basic earnings per share	**37.8**	34.5
Diluted earnings per share		
Diluted earnings per share is calculated by dividing the diluted earnings attributable to ordinary shareholders by the diluted weighted average number of ordinary shares in issue during the period. The calculation assumes conversion of all dilutive potential shares, regardless of whether the applicable market price triggers have been met. The calculation does not recognise any funds to be received from the exercise of allocated rights or any projected growth in attributable earnings arising from such additional funds, which could compensate for any dilution in earnings per share.		
From continuing operations	**36.0**	35.9
From discontinued operations	**(0.1)**	(4.1)
Diluted earnings per share	**35.9**	31.8
Headline earnings per share		
Headline earnings is an additional earnings number that is permitted by IAS 33: *Earnings per Share* (IAS 33). The starting point is earnings as determined in IAS 33, excluding separately identifiable remeasurements, net of related taxation (both current and deferred) and related non-controlling interests other than remeasurements specifically included in headline earnings. This number is required to be reported by the Johannesburg Stock Exchange, where the group has a secondary listing, 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.		
From continuing operations	**37.6**	32.6
From discontinued operations	**0.1**	(4.3)
Headline earnings per share	**37.7**	28.3

[1] *The capitalisation issue alternative on 13 November 2015 led to the restatement of the prior period's per share numbers, none of which resulted in a deviation of more than 1.5%. 49.2 million shares were issued under the capitalisation issue alternative.*

		Fifteen months ended 30 September 2016 Cents	Restated Year ended 30 June 2015[1] Cents
	Diluted headline earnings per share		
	Diluted headline earnings per share is calculated by dividing the diluted headline earnings by the diluted weighted average number of shares in issue during the period.		
	From continuing operations	**35.7**	30.3
	From discontinued operations	**0.1**	(3.7)
	Diluted headline earnings per share	**35.8**	26.6
	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 period-end.		
	Net asset value per share	**364**	353
		Million	Million
6.1	**Weighted average number of ordinary shares**		
	Issued ordinary shares at beginning of the period	**3 662**	2 110
	Effect of own shares held	**(130)**	(10)
	Effect of capitalisation issue alternative	**49**	34
	Effect of rights issue and accelerated bookbuild	**-**	333
	Effect of own shares held as prepayment	**-**	(58)
	Effect of shares issued	**145**	362
	Weighted average number of ordinary shares at end of the period for the purpose of basic earnings per share and headline earnings per share	**3 726**	2 771
	Effect of dilutive potential ordinary shares - convertible bonds[2]	**369**	473
	Effect of dilutive potential ordinary shares - other	**25**	25
	Weighted average number of ordinary shares for the purpose of diluted earnings per share and diluted headline earnings per share	**4 120**	3 269

[1] *The capitalisation issue alternative on 13 November 2015 led to the restatement of the prior period's per share numbers, none of which resulted in a deviation of more than 1.5%. 49.2 million shares were issued under the capitalisation issue alternative.*

[2] *All the ordinary shares underlying the convertible bonds are treated as dilutive potential ordinary shares, without taking into account the probability of conversion.*

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		Continuing operations €m	Discontinued operations €m	Total €m
6.2	**Earnings and headline earnings attributable to owners of the parent**			
	Fifteen months ended 30 September 2016			
	Earnings for the period attributable to owners of the parent	**1 442**	**(5)**	**1 437**
	Dividend entitlement on cumulative preference shares	**(30)**	**-**	**(30)**
	Earnings attributable to owners of the parent	**1 412**	**(5)**	**1 407**
	Adjusted for capital items of equity accounted companies	**(2)**	**-**	**(2)**
	Adjusted for capital items (note 1 and note 5)	**(6)**	**7**	**1**
	Headline earnings attributable to owners of the parent	**1 404**	**2**	**1 406**
	Period ended 30 June 2015			
	Earnings for the period attributable to owners of the parent	1 108	(132)	976
	Dividend entitlement on cumulative preference shares	(18)	-	(18)
	Earnings attributable to owners of the parent	1 090	(132)	958
	Adjusted for capital items of equity accounted companies	2	-	2
	Adjusted for capital items (note 1 and note 5)	(185)	13	(172)
	Headline earnings attributable to owners of the parent	907	(119)	788

		Continuing operations €m	Discontinued operations €m	Total €m
6.3	**Diluted earnings and diluted headline earnings attributable to owners of the parent**			
	Fifteen months ended 30 September 2016			
	Earnings attributable to owners of the parent	**1 412**	**(5)**	**1 407**
	Dilutive adjustment on earnings - convertible bonds[1]	**70**	**-**	**70**
	Diluted earnings attributable to owners of the parent	**1 482**	**(5)**	**1 477**
	Adjusted for capital items of equity accounted companies	**(2)**	**-**	**(2)**
	Adjusted for capital items (note 1 and note 5)	**(6)**	**7**	**1**
	Diluted headline earnings attributable to owners of the parent	**1 474**	**2**	**1 476**
	period ended 30 June 2015			
	Earnings attributable to owners of the parent	1 090	(132)	958
	Dilutive adjustment on earnings - convertible bonds[1]	85	-	85
	Diluted earnings attributable to owners of the parent	1 175	(132)	1 043
	Adjusted for capital items of equity accounted companies	2	-	2
	Adjusted for capital items (note 1 and note 5)	(185)	13	(172)
	Diluted headline earnings attributable to owners of the parent	992	(119)	873

[1] *All the ordinary shares underlying the convertible bonds are treated as dilutive potential ordinary shares, without taking into account the probability of conversion.*

		30 September 2016 €m	30 June 2015 €m
6.4	**Net asset value**		
	Attributable to owners of the parent	**15 892**	13 347
	Preference stated share capital	**(470)**	(437)
	Attributable to ordinary shareholders	**15 422**	12 910

	30 September 2016 Cents	30 June 2015 Cents
7. DISTRIBUTION TO SHAREHOLDERS		
7.1 Cash dividend to ordinary shareholders The board approved and declared a cash dividend from retained earnings of 10.3 euro cents (165 South African rand cents) per Steinhoff ordinary share (the Dividend). Shareholders were entitled to decline the cash dividend and instead elect to receive a capitalisation issue alternative (the Capitalisation Issue Alternative). The Dividend and Capitalisation Issue Alternative for the year ended 30 June 2015 was paid or issued to shareholders registered as such in Steinhoff's share register at the close of business on 13 November 2015 (the Record Date). (2015: The board declared a cash dividend from retained earnings of 10.6 euro cents (165 South African rand cents).)	**10.3**	10.6
7.2 Distribution to Steinhoff Investment Holdings Limited preference shareholders A preference dividend of 396 South African rand cents per share (2015: 384 South African rand cents per share) in respect of the period 1 July 2015 to 31 December 2015 (2015: 1 July 2014 to 31 December 2014) was paid on 18 April 2016 (2015: 20 April 2015) to those preference shareholders recorded in the books of the company at the close of business on 15 April 2016 (2015: 17 April 2015).	**25.0**	26.2
A preference dividend of 424 South African rand cents per share (2015: 378 South African rand cents per share) in respect of the period 1 January 2016 to 30 June 2016 (2015: 1 January 2015 to 30 June 2015) was paid on 17 October 2016 (2015: 19 October 2015) to those preference shareholders recorded in the books of the company at the close of business on 14 October 2016 (2015: 16 October 2015).	**26.0**	29.2

	Number of shares	Number of shares
7.3 Capitalisation issue alternative to ordinary shareholders Elections to receive the capitalisation share award of 1.98270 Steinhoff ordinary shares per 100 shares held were made in respect of 2 484 934 297 ordinary shares, resulting in the issuance of 49 268 790 (being 65.2% of the maximum number of capitalisation shares that were the subject of the capitalisation share award) new ordinary shares in the Company.	**49 268 790**	-

A liquidity and solvency test was performed by the board of directors prior to the declaration of the dividends.

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	30 September 2016 €m	30 June 2015 €m
8. GOODWILL		
Carrying amount at beginning of the period	**5 933**	1 908
Arising on business combinations (note 25)	**3 754**	3 965
Additional goodwill raised and transferred on completion of IFRS 3 valuation	**18**	20
Impairments	**-**	(60)
Exchange differences on consolidation of foreign subsidiaries	**(548)**	100
Carrying amount at end of the period	**9 157**	5 933
Cost	**9 230**	6 006
Accumulated impairment	**(73)**	(73)
Carrying amount at end of the period	**9 157**	5 933

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 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.

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. An impairment charge of €60 million was recorded in 2015 relating to JD Group, which is included in the Household goods segment.

The group prepared cash flow forecasts derived from the most recent financial 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.

All impairment testing was consistent with methods applied as at 30 June 2015.

Impairment tests for CGUs containing goodwill
The following units have significant carrying amounts of goodwill:

	Pre-tax discount rate	Forecasted cash flows	30 September 2016 €m	30 June 2015 €m
Household goods				
Europe				
Conforama Holdings S.A., Steinhoff Retail GmbH and Genesis Group	3.12% - 3.91%	Budget years 1 to 3, thereafter 1.0% growth rate.	**2 027**	1 472
Pacific Rim				
Steinhoff Asia Pacific	10.50%	Budget year 1, thereafter growth for sales of 3.5% and growth of expenses of 2.5% until year 5, and thereafter zero sales growth with a reduced discount rate.	**99**	102
United Kingdom				
Steinhoff UK Holdings	6.09%	Budget year 1 to 3, thereafter 2.7% growth rate.	**273**	335
United States of America				
Mattress Firm Holdings Corporation[1]			**2 339**	-
Other			**96**	36
General merchandise				
Pepkor Holdings Proprietary Limited[2]	11.63%	Budget years 1 to 3, thereafter decreasing growth rates to year 10, and a growth rate of 4.3% thereafter.	**3 529**	3 988
Poundland Group PLC[1]			**794**	-
Carrying amount at end of the year			**9 157**	5 933

[1] The acquisition of these subsidiaries took place on or about 30 September 2016 and therefore the goodwill allocated to these CGU's has not been tested for impairment. The goodwill allocated to these CGU's will be tested for impairment in the next year and thereafter.

[2] The goodwill relating to Pepkor was measured as the sum of the parts of the African, Australian and European businesses. The discount rates disclosed are calculated as the weighted average of the businesses, based on the size of the businesses.

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.

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.

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	Trade and brand names €m	Software and ERP systems €m	Dealership agreements and other €m	Total €m
9. INTANGIBLE ASSETS				
Balance at 30 June 2014	2 430	88	110	2 628
Additions	-	19	-	19
Amortisation	-	(16)	(1)	(17)
Disposals	-	(1)	-	(1)
Acquired on acquisition of businesses (note 25)	1 342	-	-	1 342
Impairment	(4)	-	-	(4)
Transfer to assets classified as held for sale	-	(6)	-	(6)
Transfer to goodwill	-	(2)	-	(2)
Exchange differences on consolidation of foreign subsidiaries	52	2	9	63
Balance at 30 June 2015	**3 820**	**84**	**118**	**4 022**
Additions	**134**	**33**	**-**	**167**
Amortisation	**-**	**(25)**	**(1)**	**(26)**
Disposals	**-**	**(1)**	**-**	**(1)**
Acquired on acquisition of businesses (note 25)	**3 398**	**46**	**9**	**3 453**
Impairment	**(21)**	**(4)**	**-**	**(25)**
Transfer from goodwill	**-**	**1**	**-**	**1**
Exchange differences on consolidation of foreign subsidiaries	**(221)**	**(3)**	**(16)**	**(240)**
Balance at 30 September 2016	**7 110**	**131**	**110**	**7 351**
Cost	3 826	175	125	4 126
Amortisation and impairment	(6)	(91)	(7)	(104)
Net book value at 30 June 2015	3 820	84	118	4 022
Cost	**7 152**	**199**	**132**	**7 483**
Amortisation and impairment	**(42)**	**(68)**	**(22)**	**(132)**
Net book value at 30 September 2016	**7 110**	**131**	**110**	**7 351**

Patents and trademarks have been aggregated with dealership agreements and other.

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 year under review and a €25 million impairment was recognised (30 June 2015: €4 million). The majority of the current year impairment relates to the brand names in the JD Group. There is no indication based on a reasonable fluctuation in the key assumptions that the remaining balance of the intangible assets are impaired.

All impairment testing was done consistently with methods used in the prior year. The inputs to the models are classified as level 3 in the fair value hierarchy.

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 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, focusing on furniture and/or household goods, 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 Steinhoff trade names and brand names all fall within or below this recommended range and vary from 0.25% to 4.0%.

Dealership agreements

Dealerships are expected to continue trading with the group as there have been no major changes in the operating environment of the group or the dealers. No material changes have taken place and there is no foreseeable limit to the period over which the asset is expected to generate cash flows, therefore dealership agreements have been determined to have indefinite useful lives. A discounted cash flow valuation was performed, which used the one year budget, thereafter growth of 5.5% until 2021 with a growth rate of 5% thereafter. The pre-taxation discount rate used to test for impairment is 12.8%.

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	Investment property €m	Land and buildings €m	Plant and machinery €m	Leasehold improvements €m	Other assets €m	Total €m
10. PROPERTY, PLANT AND EQUIPMENT						
Balance at 1 July 2014	29	3 211	27	311	155	3 733
Additions	12	94	26	63	146	341
Depreciation	-	(10)	(16)	(65)	(44)	(135)
Disposals	-	(8)	(1)	(7)	(5)	(21)
Impairment	-	-	-	-	(1)	(1)
Acquisition of businesses (note 25)	-	96	172	40	17	325
Disposal of businesses (note 26)	-	(2)	-	-	-	(2)
Reclassification	28	(110)	(7)	93	(4)	-
Transfer to goodwill	-	-	-	-	(3)	(3)
Transfer to inventories	-	(2)	-	-	(1)	(3)
Exchange differences on consolidation of foreign subsidiaries	3	31	11	9	8	62
Balance at 30 June 2015	**72**	**3 300**	**212**	**444**	**268**	**4 296**
Additions	**3**	**88**	**125**	**125**	**179**	**520**
Depreciation	**-**	**(33)**	**(68)**	**(85)**	**(85)**	**(271)**
Disposals	**-**	**(15)**	**(4)**	**(8)**	**(24)**	**(51)**
Impairment	**-**	**(1)**	**(2)**	**(6)**	**(5)**	**(14)**
Acquisition of businesses (note 25)	**-**	**317**	**55**	**208**	**179**	**759**
Reclassification	**(4)**	**(1)**	**14**	**22**	**(31)**	**-**
Transfer to goodwill	**-**	**-**	**(3)**	**-**	**-**	**(3)**
Transfer from inventories	**-**	**-**	**-**	**-**	**1**	**1**
Exchange differences on consolidation of foreign subsidiaries	**(9)**	**10**	**(25)**	**(16)**	**(61)**	**(101)**
Balance at 30 September 2016	**62**	**3 665**	**304**	**684**	**421**	**5 136**
Cost	72	3 372	448	761	544	5 197
Accumulated depreciation and impairment	-	(72)	(236)	(317)	(276)	(901)
Net book value at 30 June 2015	72	3 300	212	444	268	4 296
Cost	**62**	**3 777**	**648**	**871**	**629**	**5 987**
Accumulated depreciation and impairment	**-**	**(112)**	**(344)**	**(187)**	**(208)**	**(851)**
Net book value at 30 September 2016	**62**	**3 665**	**304**	**684**	**421**	**5 136**

The investment property note has been combined with property, plant and equipment note. Capital work-in-progress is aggregated as part of other assets.

Investment property

No depreciation was recognised on investment property in the current or prior years as the residual values exceeded the carrying values of all properties classified as investment property.

At 30 September 2016, investment property was valued by management at €89 million (30 June 2015: €101 million). The fair valuation of the group's investment has been carried out by Steinhoff Properties. Steinhoff Properties has adequate knowledge and experience to value the properties and therefore an independent valuator was not used. The fair value was based on the income approach whereby the market related net income of the property is discounted at the market yield for a similar property. The market yields used in the valuation ranged between 9.00% and 11.00% (30 June 2015: 9.00% and 12.00%). In estimating the fair value of investment properties, the highest and best use for the majority of the properties is their current use. There has been no change to the valuation technique since the previous year.

The fair value of investment property is classified as level 3, based on the fair value hierarchy. There were no transfers between the levels during the year.

No restrictions exist on the sale of investment property.

There are no material contractual obligations to purchase, construct or develop investment property. There are, however, service level agreements and building maintenance contracts in place with third-party contractors for security, repairs, maintenance and minor enhancements.

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; Capital-work-in-progress, long-haul motor vehicles, bus fleet, office equipment, computer equipment and furniture.

Encumbered assets

Assets with a book value of €1 052 million (30 June 2015: €1 248 million) are encumbered as set out in note 20.

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 1 and 5).

Useful lives

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

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	Nature of business	30 September 2016 % holding	30 June 2015 % holding
11. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES			
11.1 Associate companies			
Listed			
KAP Industrial Holdings Limited[1]	Diverse industrial and logistics business	**43.0**	43.3
PSG Group Limited[1,2]	Investment company	**25.7**	27.0
Unlisted			
Various unlisted associate companies	Investment, property, insurance, manufacturing, retail, brands and logistics	**24.5 - 50.0**	24.5 - 50.0

[1] *Principal place of business is South Africa.*

[2] *PSG was recognised as an associate on 30 June 2015. The percentage ownership calculated is net of treasury shares.*

Commitments

The group's obligation in respect of losses and contingent liabilities from associate companies is limited to the extent of the carrying values of the investments.

	Nature of business	30 September 2016 % holding	30 June 2015 % holding
11.2 Joint-venture companies			
Various joint-venture companies	Property	50.0	50.0

No material impairments on associates or joint-venture companies were recognised during both years

	€m	€m
11.3 Carrying values of associate and joint-venture companies		
KAP Industrial Holdings Limited	**315**	325
PSG Group Limited	**749**	805
Various unlisted companies	**680**	40
	1 744	1 170

11.4 Summarised information in respect of material associate companies

Summarised information in respect of KAP

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS. KAP is a separately listed entity, as such only publically available information is used and disclosed. Adjustments are made for material transactions occurring between KAP's reporting date and Steinhoff N.V.'s reporting date (where necessary).

	At at 30 June 2016 €m	As at 30 June 2015 €m
Non-current assets	**798**	794
Current assets	**428**	379
Non-current liabilities	**(367)**	(317)
Current liabilities	**(285)**	(272)
Non-controlling interests	**(13)**	(12)
Net assets	**561**	572

	Year ended 30 June 2016 €m	Year ended 30 June 2015 €m
Revenue	**1 013**	1 140
Profit for the year	**74**	68
Other comprehensive income for the year	**3**	2
Total comprehensive income for the year	**77**	70

Reconciliation of the above summarised financial information to the carrying amount of the interest in KAP recognised in the consolidated financial statements:

Net assets of KAP	**561**	572
Proportion of the group's ownership interest in KAP	**43.0%**	43.3%
Proportion of the group's ownership interest in the net assets of KAP	**241**	248
Adjustment for material transactions and foreign currency differences	**7**	-
Goodwill	**67**	77
Carrying amount of the group's interest in KAP	**315**	325
Market value of KAP	**505**	449

Summarised information in respect of PSG

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS. PSG is a separately listed entity, as such only publically available information is used and disclosed. Adjustments are made for material transactions occurring between PSG's reporting date and Steinhoff N.V.'s reporting date (where necessary).

	Twelve months ended 31 August 2016 €m	2015* €m
Revenue	**867**	-
Profit for the year	**160**	-
Other comprehensive loss for the year	**(9)**	-
Total comprehensive income for the year	**151**	-

** PSG became an associate on 30 June 2015, as such, only the statement of financial position disclosure is included below for 2015.*

	As at 31 August 2016 €m	As at 28 February 2015 €m
Non-current assets	**2 922**	2 406
Current assets	**2 043**	956
Non-current liabilities	**(1 903)**	(1 130)
Current liabilities	**(1 426)**	(824)
Non-controlling interests	**(709)**	(670)
Net assets	**927**	738

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

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	Fifteen months ended 30 September 2016 €m	Year ended 30 June 2015 €m
Reconciliation of the above summarised financial information to the carrying amount of the interest in PSG recognised in the consolidated financial statements:		
Net assets of PSG	**927**	738
Proportion of the group's ownership interest in PSG (net of treasury)	**25.7%**	27.0%
Proportion of the group's ownership interest in the net assets of PSG	**238**	199
Adjustment for material transactions and foreign currency differences	**3**	-
Goodwill	**508**	606
Carrying amount of the group's interest in PSG	**749**	805
Market value of PSG	**703**	822

The 30 September 30-day volume-weighted average share prices on the JSE Limited (JSE) were used to determine the market value of listed associates. For listed associates, publicly available information was used to determine value in use. At period-end the market value of the group's interest in PSG was less than the carrying amount. A period-end sum-of-the-parts valuation exceeded the carrying value of the group's interest in PSG and the investment was not deemed to be impaired. No impairment was recognised during the period. The fair value of listed associates is classified as level 1 in the fair value hierarchy. There were no transfers between levels during the year for listed associates.

	Fifteen months ended 30 September 2016 €m	Year ended 30 June 2015 €m
11.5 Aggregate total comprehensive income from associate and joint-venture companies		
The group's share of profit	**87**	41
The group's share of other comprehensive income	**-**	1
The group's share of total comprehensive income	**87**	42

12. INVESTMENTS AND LOANS

	Fifteen months ended 30 September 2016 €m	Year ended 30 June 2015 €m
Long-term investments and loans		
At fair value through profit or loss		
Listed investments		
Unit trusts	**6**	6
Available-for-sale financial assets		
Listed investments		
Ordinary shares	**3**	5
Unlisted investments		
Ordinary shares	**25**	21
	28	26
Loans and receivables at amortised cost		
Unlisted investments		
Preference shares	**5**	5
Interest-bearing loans	**228**	456
	233	461
	267	493

	Fifteen months ended 30 September 2016 €m	Year ended 30 June 2015 €m
Short-term investments and loans		
At fair value through profit or loss		
Listed investments		
Ordinary shares[1]	-	118
Loans and receivables at amortised cost		
Interest-bearing loans	989	538
	989	656

[1] *The investment was sold in April 2016.*

	Fifteen months ended 30 September 2016 €m	Year ended 30 June 2015 €m
The following fair value adjustments were made during the year (increase/(decrease)):		
At fair value through profit or loss		
Listed investments		
Ordinary shares	88	35
Available-for-sale financial assets - through other comprehensive income		
Listed investments		
Ordinary shares	1	270
Fair value through other comprehensive income recycled to profit or loss	-	(253)
Unlisted investments		
Ordinary shares	1	7
	2	24
Total fair value adjustments	90	59

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

The loans and receivables at amortised cost consist of various loans with repayment terms ranging between 1 and 73 months unless called earlier, bearing interest at market-related interest rates and participating in profit share.

None of the loans and receivables at amortised cost are past due or impaired at reporting date and there areno indications that any of these counterparties will not meet their repayment obligations.

The fair value of loans are disclosed in note 28.

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	30 September 2016 €m	30 June 2015 €m
13. DEFERRED TAXATION ASSETS/(LIABILITIES)		
13.1 Deferred taxation movement		
(Liabilities)/assets		
Balance at beginning of the period	**(803)**	(651)
Deferred taxation of businesses acquired	**(1 148)**	(218)
Amounts charged directly to other comprehensive income and equity		
Convertible bond	**(35)**	-
Share-based payments	**5**	12
Other	**18**	(2)
Current year charge	**73**	67
Exchange differences on consolidation of foreign subsidiaries	**22**	(11)
Balance at end of the period	**(1 868)**	(803)

13.2 Deferred taxation balances

For periods ending 30 September 2016 and 30 June 2015 the corporate taxation rate in South Africa is 28% and the capital gains taxation rate 18.6%. From the 2017 financial year capital gains will be taxed at 22.4% and deferred tax has been provided on this basis. Deferred taxes for non-South African subsidiaries are calculated based on tax rates that have been enacted or substantively enacted by the reporting date.

	30 September 2016 €m	30 June 2015 €m
Total deferred taxation liabilities	**(2 094)**	(1 001)
Total deferred taxation assets	**226**	198

Realisation of the deferred taxation assets are expected out of future taxable income, which was assessed and deemed to be reasonable.

	30 September 2016 €m	30 June 2015 €m
Deferred taxation balance comprises:		
Intangible assets	**(1 810)**	(715)
Investments	**-**	(38)
Property, plant and equipment	**(230)**	(202)
Prepayments and provisions	**70**	74
Equity component of convertible bonds	**(38)**	(9)
Share-based payments	**27**	27
Taxation losses	**151**	105
Valuation allowance	**(35)**	-
Other	**(3)**	(45)
	(1 868)	(803)

13.3 Unrecognised deferred taxation assets

	30 September 2016 €m	30 June 2015 €m
Deferred taxation assets have not been recognised in respect of the following items:		
Taxation losses	**1 001**	588

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.

13.4 Taxation losses

	30 September 2016 €m	30 June 2015 €m
Estimated taxation losses available for offset against future taxable income	**1 567**	964

	30 September 2016 €m	30 June 2015 €m
14. TRADE AND OTHER RECEIVABLES		
Non-current trade and other receivables		
Derivative financial assets	**19**	10
Non-current trade and other receivables (financial assets)	**19**	10
Equalisation of operating lease payments	**2**	1
	21	11
Current trade and other receivables		
Trade receivables	**787**	810
Instalment sale and loan receivables	**130**	143
Other amounts due	**418**	207
Less: Provision for bad debts (note 28.6)	**(60)**	(62)
Derivative financial assets	**15**	19
Current trade and other receivables (financial assets)	**1 290**	1 117
Prepayments	**247**	111
Taxation receivable	**83**	37
Value added taxation receivable	**94**	78
	1 714	1 343

The credit terms of instalment sale and loan receivables range from 3 to 12 months.

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 bureaux 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 (both geographically and segmentally), 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 28.

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	30 September 2016 €m	30 June 2015 €m
15. INVENTORIES AND VEHICLE RENTAL FLEET		
15.1 Inventories at cost less provisions		
Finished goods and merchandise	**2 518**	1 768
Goods in transit	**84**	91
Raw materials and other inventories	**39**	31
	2 641	1 890
15.2 Vehicle rental fleet		
Balance at beginning of the period	**55**	37
Additions	**95**	81
Impairment and scrapping of vehicle rental fleet	**(2)**	(2)
Transfer to inventories	**(55)**	(54)
Depreciation	**(13)**	(10)
Exchange differences on consolidation of foreign subsidiaries	**(6)**	3
Balance at end of the period	**74**	55
	2 715	1 945
15.3 Amount of write-down of inventories to net realisable value included as an expense during the period	**50**	8

Included in inventories above are vehicles relating to the operations of Unitrans Automotive, which were subject to a lien of €130 million (30 June 2015: €112 million) in respect of the manufacturers' floorplan financing, comprising interest-bearing and interest-free amounts and which are included in trade and other payables.

Inventories carried at net realisable value are immaterial.

Encumbered assets
Vehicle rental fleet with a book value of €33 million (30 June 2015: €51 million) are encumbered as set out in note 20.

16. ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

As described in note 5, the JD Group Financial Services division (including its insurance operations) was sold to a European private equity firm effective 1 January 2016.

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

	30 September 2016 €m	30 June 2015 €m
Assets		
Intangible assets	-	19
Property, plant and equipment	-	1
Trade and other receivables (including instalment sale and loan receivables)	-	305
	-	325
Impairment of disposal group	-	(77)
Net assets and disposal groups classified as held for sale	-	248

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	30 September 2016 Number of shares	30 June 2015 Number of shares
17. ORDINARY SHARE CAPITAL		
A scheme of arrangement was approved by the Steinhoff shareholders, whereby Steinhoff N.V. acquired the entire issued share capital of Steinhoff. As consideration, the Steinhoff shareholders received one ordinary share in Steinhoff N.V. for each Steinhoff share transferred. The scheme became operative on 7 December 2015 and Steinhoff became a wholly-owned subsidiary of Steinhoff N.V.		
17.1 Authorised		
Steinhoff International Holdings N.V.		
Ordinary shares of €0.50 each (30 June 2015: €0.50 cents each)	**17 500 000 000**	450 000
Steinhoff International Holdings Limited		
Ordinary shares of no par value (30 June 2015: no par value)	**6 000 000 000**	6 000 000 000
17.2 Issued		
Balance at beginning of the period	**3 662 269 596**	2 109 880 692
Shares issued during the year net of transaction costs	**591 281 655**	1 552 388 904
Balance at the end of the period	**4 253 551 251**	3 662 269 596
17.3 Treasury shares		
Balance at beginning of the period	**(10 212 211)**	(9 963 800)
Purchases of shares	**(150 770 123)**	(266 434)
Capitalisation share award	**(2 974 050)**	-
Sale of shares	**152 000 000**	18 023
Balance at the end of the period	**(11 956 384)**	(10 212 211)
Total issued ordinary share capital	**4 241 594 867**	3 652 057 385

	30 September 2016 Share capital €m	30 June 2015 Share capital €m	30 September 2016 Share premium €m	30 June 2015 Share premium €m
17.4 Issued				
Balance at beginning of the period	**1 831**	1 055	**6 650**	667
Shares issued during the year net of transaction costs	**296**	776	**12 297**	5 983
Balance at the end of the period	**2 127**	1 831	**18 947**	6 650
17.5 Treasury shares				
Balance at beginning of the period	**(5)**	(5)	**(9)**	(9)
Purchases of shares	**(75)**	-	**(686)**	-
Capitalisation share award	**(1)**	-	**-**	-
Sale of shares	**76**	-	**679**	-
Balance at the end of the period	**(5)**	(5)	**(16)**	(9)
Total issued ordinary share capital and share premium	**2 122**	1 826	**18 931**	6 641

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

	30 September 2016 Number of shares	30 June 2015 Number of shares
17.5 Unissued shares		
Reserved for bond holders	**412 603 378**	320 666 847
Shares reserved for future participation in share schemes	**89 053 656**	97 109 276
Shares reserved for current participation in share schemes	**31 144 361**	32 235 368
Shares under the control of the directors	**677 842 269**	167 973 415
Unissued shares	**12 035 805 085**	1 719 745 498
Total unissued shares	**13 246 448 749**	2 337 730 404

17.6 Share-based payments

Terms of the scheme

Following the Scheme of Arrangement implemented by Steinhoff and the resultant listing of Steinhoff N.V., Steinhoff N.V. assumed the obligations to grant future share rights to share scheme participants under the Steinhoff Share Rights Scheme. The obligations of Steinhoff under all open grants were also assumed by Steinhoff N.V. These rights were also, as a result of the Listing replaced with rights to Steinhoff N.V. shares and remain subject to meeting certain performance conditions (vesting conditions).

Steinhoff N.V. Executive Share Right Scheme

The Executive Share Right Scheme is subject to the following conditions:

a) Rights are granted to qualifying senior executives on an annual basis.
b) Vesting of rights occur on the third anniversary of grant date, provided performance criteria, as set by Steinhoff N.V.'s Remuneration Committee at or about the time of the grant date, have been achieved.
c) In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, all rights attaching to the particular grant will lapse.

	30 September 2016 Number of rights	30 June 2015 Number of rights
The number of share rights outstanding is:		
Outstanding at the beginning of the period	**32 235 368**	35 885 136
Exercised during the year	**(9 146 627)**	(10 913 405)
Forfeited during the year[1]	**(1 392 705)**	(753 404)
Granted during the year	**9 448 325**	8 017 041
Outstanding at the end of the period	**31 144 361**	32 235 368

[1] *Certain divisions and individuals did not meet performance targets for the share vesting and forfeited their share rights relating to these grants.*

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

	2016 grant	2014 grant	2013 grant
Fair value of share rights and assumptions:			
Fair value at grant date	€4.55	R53.76	R37.78
Share price at grant date	€4.92	R58.00	R40.42
Expected volatility	26.05%	24.39%	26.33%
Dividend yield	2.57%	2.57%	2.32%
Risk-free interest rate	8.16%	6.45%	6.72%
Option life	3 years	3 years and 3 months[1]	3 years

Refer to note 31 for directors' interests in the share incentive scheme.

[1] *The option life was extended by 3 months.*

	30 September 2016 Number of shares	30 June 2015 Number of shares	30 September 2016 €m	30 June 2015 €m
18. PREFERENCE STATED SHARE CAPITAL				
18.1 Authorised				
Steinhoff International Holdings N.V. Non-cumulative financing preference shares of €0.01 (2015: No authorised preference share capital)	**20 000 000 000**	-	**-**	-
Steinhoff International Holdings Limited Non-redeemable, cumulative, non-participating preference shares of no par value (2015: 0.1 South African rand cents each)	**1 000 000 000**	1 000 000 000	**-**	-
Steinhoff Investment Holdings Limited Variable rate, cumulative, non-redeemable, non-participating preference shares of 0.1 South African rand cents each	**495 000 000**	495 000 000	*****	*
Steinhoff Africa Holdings Proprietary Limited Class A perpetual preference shares of 1 South African rand cent each	**2 000**	2 000	*****	*
Class B perpetual preference shares of no par value	**2 000**	2 000	**-**	-
Cumulative redeemable preference shares of 1 South African rand cent each	**2 000**	2 000	*****	-
Stripes US Holding Inc.[1] Series A non-participating, non-redeemable preferred shares (par value $0.01)	**215**	-	**-**	-

[1] *Certain senior executives of Mattress Firm Holdings Corporation hold the preference shares in Stripes US Holding Inc, the parent company of Mattress Firm Holdings Corporation.*

** Amount less than €500 000.*

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		30 September 2016 Number of shares	30 June 2015 Number of shares	30 September 2016 €m	30 June 2015 €m
18.2	**Issued**				
	Steinhoff Investment Holdings Limited				
	In issue at the beginning of the period	**15 000 000**	15 000 000	**139**	139
	In issue at the end of the period	**15 000 000**	15 000 000	**139**	139
	Steinhoff Africa Holdings Proprietary Limited (class A and class B perpetual preference shares)				
	In issue at the beginning of the period	**3 000**	1 333	**298**	188
	Shares issued during the year	**-**	2 000	**-**	146
	Shares redeemed during the year	**-**	(333)	**-**	(36)
	In issue at the end of the period	**3 000**	3 000	**298**	298
	Stripes US Holding Inc.				
	Shares issued during the period	**202**	-	**33**	-
	In issue at the end of the period	**202**	-	**33**	-
	Total issued preference stated share capital	**15 003 202**	15 003 000	**470**	437

Terms of issued Steinhoff Investment preference shares
The preference shares earn dividends on the issue price at the rate of 82.5% of the SA prime lending rate quoted by Absa Bank Limited or its successor in title in South Africa. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the board of directors of Steinhoff Investment Holdings Limited.

Terms of issued Steinhoff Africa preference shares
The preference shares earn dividends on the issue price at the rate of 72% of the SA prime lending rate quoted by Standard Bank Group Limited or its successor in title in South Africa. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the board of directors of Steinhoff Africa.

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

	Proportion of ownership interests and voting rights held by non-controlling interests		Profit or loss allocated to non-controlling interests		Accumulated non-controlling interests	
	30 September 2016 %	30 June 2015 %	**30 September 2016 €m**	30 June 2015 €m	**30 September 2016 €m**	30 June 2015 €m
19. NON-CONTROLLING INTERESTS						
19.1 Details of subsidiaries that have material non-controlling interests:						
JD Group Limited[1, 2]	**-**	13	**-**	(21)	**-**	53
Individually immaterial subsidiaries with non-controlling interests			**5**	4	**75**	28
			5	(17)	**75**	81

[1] *Incorporated in South Africa.*

[2] *The non-controlling interests in JD Group were bought out on 6 July 2015.*

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	30 September 2016 €m	30 June 2015 €m
20. INTEREST-BEARING LOANS AND BORROWINGS		
20.1 Analysis of closing balance		
Secured financing		
Mortgage and term loans	**115**	153
Capitalised finance lease and instalment sale agreements	**204**	119
	319	272
Unsecured financing		
Convertible bonds	**2 511**	1 065
German loan notes	**732**	637
US note purchase agreements	**130**	130
Steinhoff Services domestic medium-term note programme	**360**	404
JD Group domestic medium-term note programme	**-**	132
Preference shares: Ainsley Holdings Proprietary Limited	**394**	446
Syndicated loan facilities and term loans	**2 791**	1 235
Other loans	**179**	262
	7 097	4 311
Total interest-bearing loans and borrowings	**7 416**	4 583
Portion payable within 12 months included in current liabilities	**(274)**	(431)
Total non-current interest-bearing loans and borrowings	**7 142**	4 152

The book value of assets encumbered in favour of the above mortgage and term loans and finance lease and instalment sale agreements amounts to €1 085 million (30 June 2015: €1 299 million) (notes 10 and 15). As at the reporting date, no financial assets have been pledged as collateral (30 June 2015: Nil).

	30 September 2016 €m	30 June 2015 €m
20.2 Analysis of repayment		
Repayable within the next year and thereafter		
Next year	**274**	431
Within two years	**1 199**	463
Within three years	**1 073**	819
Within four years	**799**	965
Within five years	**1 526**	883
Thereafter	**2 545**	1 022
	7 416	4 583

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 28.

	Facility million	Maturity date	Interest rate	30 September 2016 €m	30 June 2015 €m
20. INTEREST-BEARING LOANS AND BORROWINGS					
20.3 Loan details					
Secured					
Mortgage loans					
Loans with various banks, repayable over various repayment terms.	€72	Various maturities up to June 2027	EURIBOR plus 0.60% to 2.50%	**72**	84
Loans with various banks, repayable over various repayment terms and secured under mortgage bonds over various properties in the United States of America in favour of the relevant banks.	$42	Various maturities ranging from April 2019 to September 2019	3.6% to 5.62%	**34**	-
Mortgage loan secured under mortgage bond over a property in Poland.	€9	30 September 2019	2.00%	**9**	-
Syndicated property loan was repaid during the period.	-	-	-	**-**	69
Capitalised finance lease and instalment sale agreements	-	-	Various	**204**	119
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					
Convertible bond due 2017	-	-	-	**-**	175
The bond was converted and redeemed between June 2015 and February 2016.					
Convertible bond due 2018	-	-	-	**-**	473
The bond was converted and redeemed between October 2015 and May 2016.					
Convertible bond due 2021	€465	30 January 2021	4.00%	**424**	417
The bond is convertible to 120.8 million ordinary shares of Steinhoff at €3.85 per ordinary share. The coupon rate is 4% per annum and the redemption price is 100%.					
Convertible bond due 2022	€1 116	11 August 2022	1.25%	**1 043**	-
The bond is convertible to 150.0 million ordinary shares of Steinhoff at €7.44 per ordinary share. The coupon rate is 1.25% per annum and the redemption price is 100%.					
Convertible bond due 2023	€1 100	21 October 2023	1.25%	**1 044**	-
The bond is convertible to 141.79 million ordinary shares of Steinhoff at €7.76 per ordinary share. The coupon rate is 1.25% per annum and the redemption price is 100%.					

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	Facility million	Maturity date	Interest rate	30 September 2016 €m	30 June 2015 €m
The fair values of the liability components and the equity conversion components were determined at issuance of the bonds and were calculated using market interest rates for equivalent non-convertible bonds. The residual amounts, representing the values of the equity conversion components, are included in shareholders' equity, net of deferred taxation.					
German loan note					
SSD five-year floating rate note	€430	17 July 2020	EURIBOR plus 1.25%	**430**	402
SSD five-year fixed rate note	€63	17 July 2020	1.88%	**63**	62
SSD six-year floating note	€50	19 July 2021	EURIBOR plus 1.35%	**50**	-
SSD seven-year floating note	€107	18 July 2022	EURIBOR plus 1.50%	**107**	92
SSD seven-year fixed rate note	€77	18 July 2022	2.46%	**77**	77
SSD ten-year fixed rate note	€5	17 June 2025	3.08%	**5**	4
US note purchase agreement					
Senior notes series B	$28	25 April 2019	EURIBOR plus 3.49%	**25**	25
Senior notes series C	$32	25 April 2022	EURIBOR plus 3.74%	**29**	29
Senior notes series D	€38	25 April 2019	5.38%	**38**	38
Senior notes series E	€38	25 April 2022	5.92%	**38**	38
The group has entered into a combined cross-currency interest rate swap on the series B and C loans (note 28). These swaps are designated as cash flow hedges. The notes are carried at amortised cost.					

	Facility million	Maturity date	Interest rate	30 September 2016 €m	30 June 2015 €m
Steinhoff Services domestic medium-term note programme: senior unsecured	R10 000				
SHS - Listed floating rate notes		Various maturities ranging from December 2016 to June 2020	JIBAR plus 1.60% to 2.30%	**277**	241
SHS - Listed fixed rate notes		Various maturities ranging from June 2017 to June 2020	8.7% to 10.16%	**61**	68
SHS - Unlisted floating rate note		19 November 2016	JIBAR plus 1.70%	**20**	22
SHS - Unlisted amortising floating rate note		30 November 2016	JIBAR plus 2.40%	**2**	14
SHS - Listed floating rate notes repaid during the period.				**-**	37
SHS - Unlisted floating rate notes repaid during the period.				**-**	22
Steinhoff, Steinhoff Investment, Steinhoff Africa, Ainsley Holdings Proprietary Limited and Pepkor Holdings Proprietary Limited have committed themselves as guarantors in respect of the Steinhoff Services (SHS) note programme.					
JD Group domestic medium-term note programme: senior unsecured notes repaid during the period				**-**	132
Preference shares: Ainsley Holdings Proprietary Limited	R6 000	30 March 2019	69.00% of SA prime	**394**	446
Syndicated loan facilities					
Revolving multi-currency credit facility[1,2]	€2 900	2 June 2021	EURIBOR plus 0.90%	**539**	700
Structured term loan	€20	31 March 2031	Structured rate of 4.10% plus 3.00%	**20**	20
Syndicated term loans	R6 050	Various maturities ranging from March 2018 to March 2020	JIBAR plus 1.65% to 2.00%	**399**	452
Syndicated term loans	$2 000	Various maturities ranging from August 2018 to August 2020	LIBOR plus 1.20% to 1.45%	**1 792**	-
Term loan	CHF45	31 December 2023	LIBOR plus 1.00%	**41**	-
Revolving credit facility repaid during the period	-	-	-	**-**	51
Term loan repaid during the period	-	-	-	**-**	12
Other loans				**179**	262
				7 416	4 583

[1] *The margin could vary, depending on the achievement of financial covenants.*

[2] *Refinanced during the period.*

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		30 September 2016 €m	30 June 2015 €m
20.4	**Convertible bonds**		
	Balance at beginning of the year	**1 065**	1 661
	Proceeds from issue of convertible bonds	**2 201**	-
	Amount classified as equity	**(139)**	-
	Redemption of convertible bonds	**(3)**	(1)
	Conversion of convertible bonds	**(651)**	(636)
	Coupon interest	**(56)**	(73)
	Market implied interest	**94**	114
	Balance at end of the year	**2 511**	1 065
21.	**EMPLOYEE BENEFITS**		
	Conforama France Pension Fund	**51**	46
	Other pension funds	**16**	4
	Post-retirement medical benefits	**6**	6
	Performance-based bonus accrual	**52**	25
	Leave pay accrual	**62**	49
	Indemnity provision and other	**137**	34
	Total liability	**324**	164
	Transferred to short-term employee benefits	**(140)**	(86)
	Long-term employee benefits	**184**	78

21.1 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.

21.2 Defined benefit plans

Various defined benefit plans are in operation throughout the group. The assets of these schemes are held in administered trust funds separate from the group's assets. Certain of the funds have surpluses, which have not been recognised as the employer is not entitled to any of the surpluses or unutilised reserves.

Conforama France Pension Fund

Under the scheme, the employees are entitled to retirement benefits based on final salary on attainment of retirement age (or earlier withdrawal or death) and the number of years worked for Conforama. No other post-retirement benefits are provided.

The fund was valued on 30 September 2016, which is in line with group policies. There are 8 495 (30 June 2015: 8 396) employees currently covered by the fund.

21.3 The financial details of the different funds and the effect on the group's annual financial statements are:

	Conforama Pension Fund		Other pension funds	
	30 September 2016 €m	30 June 2015 €m	30 September 2016 €m	30 June 2015 €m
The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit plans are as follows:				
Present value of funded defined benefit obligations	**(51)**	(46)	**(93)**	(101)
Fair value of plan asset	**-**	-	**77**	97
Net liability arising from defined benefit obligations	**(51)**	(46)	**(16)**	(4)

	Conforama Pension Fund		Other pension funds	
	30 September 2016 €m	30 June 2015 €m	**30 September 2016 €m**	30 June 2015 €m
Components of defined benefit cost recognised in total comprehensive income				
Service cost	**(3)**	(2)	**-**	-
Net interest expense	**(1)**	(1)	**-**	-
Other expenses	**-**	-	**-**	(1)
Components of defined benefit cost recognised in profit or loss	**(4)**	(3)	**-**	(1)
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding amounts included in net interest expense)	**-**	(1)	**2**	3
Remeasurement gains/(losses) arising from changes in:				
Demographic assumptions	**-**	-	**1**	-
Financial assumptions	**(4)**	(3)	**(23)**	(4)
Experience adjustments	**(1)**	-	**2**	-
Components of defined benefit cost recognised in other comprehensive income	**(5)**	(4)	**(18)**	(1)
	(9)	(7)	**(18)**	(2)
Movements in the present value of the defined benefit obligations				
Opening defined benefit obligations	**(46)**	(42)	**(101)**	(92)
Current service cost	**(3)**	(2)	**-**	-
Interest cost	**(1)**	(1)	**(4)**	(4)
Remeasurement gains/(losses) arising from changes in:				
Demographic assumptions	**-**	-	**1**	-
Financial assumptions	**(4)**	(3)	**(23)**	(4)
Experience adjustments	**(1)**	-	**2**	-
Past service cost	**1**	-	**-**	-
Benefits paid	**3**	2	**13**	11
Exchange differences on consolidation of foreign subsidiaries	**-**	-	**19**	(12)
Closing defined benefit obligations	**(51)**	(46)	**(93)**	(101)
Movements in the fair value of the plan assets				
Opening fair value of plan assets	**-**	2	**97**	88
Interest income	**-**	-	**4**	4
Return on plan assets (excluding amounts included in net interest expense)	**-**	(1)	**2**	3
Employer contributions	**3**	2	**4**	3
Other expenses	**-**	-	**-**	(1)
Settlements	**-**	(1)	**-**	-
Benefits paid	**(3)**	(2)	**(13)**	(11)
Exchange differences on consolidation of foreign subsidiaries	**-**	-	**(17)**	11
Closing fair value of plan assets	**-**	-	**77**	97
The major categories of plan assets are:				
Equities/diversified growth fund	**-**	-	**76**	61
Bonds	**-**	-	**-**	36
Cash	**-**	-	**1**	-
Total market value of assets	**-**	-	**77**	97

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	Conforama Pension Fund		Other pension funds	
	30 September 2016 €m	30 June 2015 €m	**30 September 2016 €m**	30 June 2015 €m
The principal assumptions used for the purposes of the actuarial valuations are:				
Discount rate	**1.0%**	2.0%	**2.3%**	3.9%
Expected rates of salary increase	**1.8%**	2.0%	**n/a**	n/a
Inflation	**1.8%**	2.0%	**2.9%**	3.2%

		Performance-based bonus €m	Leave pay €m	Total €m
21.4	**Performance-based bonus and leave pay accruals**			
	Balance at 1 July 2014	20	23	43
	Accrual raised	13	19	32
	Amounts unused reversed	(1)	-	(1)
	Amounts utilised	(8)	(14)	(22)
	Net acquisition and disposal of subsidiaries and businesses	-	20	20
	Exchange differences on consolidation of foreign subsidiaries	1	1	2
	Balance at 30 June 2015	**25**	**49**	**74**
	Accrual raised	**50**	**46**	**96**
	Amounts unused reversed	**(4)**	**(1)**	**(5)**
	Amounts utilised	**(46)**	**(36)**	**(82)**
	Net acquisition and disposal of subsidiaries and businesses	**12**	**21**	**33**
	Exchange differences on consolidation of foreign subsidiaries	**(6)**	**(6)**	**(12)**
	Reclassification from/(to) accruals	**21**	**(11)**	**10**
	Balance at 30 September 2016	**52**	**62**	**114**

Performance-based bonus accrual
The bonus payable is fixed 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.

22. PROVISIONS

	Dilapidation, onerous lease and onerous contract provisions €m	Warranty provisions €m	Contingent liabilities raised on business combinations €m	Other €m	Total €m
Balance at 30 June 2014	108	26	24	34	192
Provision raised	13	13	-	25	51
Amounts unused reversed	(26)	(1)	-	(20)	(47)
Amounts utilised	(20)	(14)	(14)	(2)	(50)
Net acquisition and disposal of subsidiaries and businesses	18	-	116	6	140
Exchange differences on consolidation of foreign subsidiaries	5	2	2	17	26
Balance at 30 June 2015	**98**	**26**	**128**	**60**	**312**
Provision raised	**27**	**19**	**-**	**54**	**100**
Amounts unused reversed	**(4)**	**(1)**	**-**	**(32)**	**(37)**
Amounts utilised	**(37)**	**(17)**	**(42)**	**(17)**	**(113)**
Net acquisition and disposal of subsidiaries and businesses	**421**	**24**	**-**	**63**	**508**
Exchange differences on consolidation of foreign subsidiaries	**(3)**	**-**	**(16)**	**3**	**(16)**
Balance at 30 September 2016	**502**	**51**	**70**	**131**	**754**

	30 September 2016 €m	30 June 2015 €m
Long-term provisions	**491**	216
Short-term provisions	**263**	96
	754	312

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.

Warranty provisions
The warranty provision represents management's best estimate, based on past experience, of the group's liability under warranties granted on products sold.

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 include the amounts under insurance contracts, see note 29.

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	30 September 2016 €m	30 June 2015 €m
23. TRADE AND OTHER PAYABLES		
Non-current trade and other payables		
Derivative financial liabilities	**10**	7
Equalisation of operating lease payments	**76**	61
	86	68
Current trade and other payables		
Trade payables	**2 411**	2 262
Accruals	**348**	147
Floorplan creditors	**148**	128
Cash received in advance	**338**	242
Other payables and amounts due	**1 176**	383
Derivative financial liabilities	**55**	4
Trade and other payables (financial liabilities)	**4 476**	3 166
Equalisation of operating lease payments	**4**	2
Taxation payable	**270**	149
Value added taxation payable	**144**	99
	4 894	3 416

The fair value of trade and other payables is disclosed in note 28.

	Fifteen months ended 30 September 2016 €m	Year ended 30 June 2015 €m
24. CASH GENERATED FROM OPERATIONS		
Operating profit	**1 793**	1 297
Adjusted for:		
Operating loss of discontinued operations including loss on disposal	**(14)**	(172)
Debtors' costs	**40**	239
Depreciation and amortisation	**311**	162
Fair value profit on financial assets	**(88)**	(36)
Impairments	**47**	61
Inventories written down to net realisable value and movement in provision for inventories	**50**	28
Net loss on disposal and scrapping of property, plant and equipment, vehicle rental fleet and intangible assets	**7**	8
Profit on disposal and dilution of investments and disposal groups	**(11)**	(234)
Share-based payment expense	**35**	29
Other non-cash adjustments	**(1)**	(7)
Cash generated before working capital changes	**2 169**	1 375
Working capital changes		
(Increase)/decrease in inventories	**(259)**	82
Increase in vehicle rental fleet	**(4)**	(9)
Decrease in trade and other receivables	**2**	148
Decrease/(increase) in assets held for sale	**144**	(3)
Movement in net derivative financial liabilities/assets	**7**	(16)
Decrease in liabilities held for sale	**(62)**	(14)
Decrease in non-current and current provisions	**(38)**	(59)
Increase in non-current and current employee benefits	**29**	3
Increase in trade and other payables	**48**	436
Net changes in working capital	**(133)**	568
Cash generated from operations	**2 036**	1 943

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	Genesis group (Steinhoff N.V. reverse acquisition) €m	Poundland €m	Mattress Firm €m	Other €m	30 September 2016 €m	30 June 2015 €m
25. NET CASH FLOW ON ACQUISITION OF SUBSIDIARIES AND BUSINESSES						
25.1 The fair value of assets and liabilities assumed at						
Assets						
Intangible assets	1 921	133	1 335	64	3 453	1 342
Property, plant and equipment	269	97	384	9	759	325
Investments in equity accounted companies	-	-	-	-	-	3
Investments and loans	24	-	10	-	34	33
Deferred taxation assets	95	21	-	4	120	26
Cash on hand	36	39	25	29	129	141
Liabilities						-
Non-current interest-bearing loans and borrowings	(169)	-	(1 241)	(2)	(1 412)	(266)
Deferred taxation liability	(757)	-	(506)	(5)	(1 268)	(244)
Current interest-bearing loans and borrowings	(17)	(107)	(3)	-	(127)	(59)
Bank overdraft and short-term facilities	(15)	-	(13)	-	(28)	(48)
Working capital	(1 938)	(271)	(123)	10	(2 322)	131
Existing non-controlling interests	(1)	-	(17)	(19)	(37)	(1)
Total assets and liabilities acquired	(552)	(88)	(149)	90	(699)	1 383
Less: Non-controlling interests' portion of assets and liabilities acquired	-	-	-	-	-	(107)
Group's share of total assets and liabilities	(552)	(88)	(149)	90	(699)	1 276
Goodwill attributable to acquisition	576	794	2 339	45	3 754	3 965
Total consideration	24	706	2 190	135	3 055	5 241
Cash on hand at date of acquisition	(36)	(39)	(25)	(29)	(129)	(141)
Purchase price settled through loan account	-	-	-	-	-	(1)
Purchase price settled through issue of shares	-	-	-	-	-	(4 128)
Net cash outflow on acquisition of subsidiaries	(12)	667	2 165	106	2 926	971

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

The fair value of assets and liabilities assumed of the Genesis group, Poundland and Mattress Firm are provisional and are expected to be finalised within twelve months after the date of the acquistions.

25.2 Acquisition of Genesis group (Steinhoff N.V. reverse acquisition)

On the acquisition date, Steinhoff N.V. owned retailed operations, including that of the kika-Leiner and operational rights to a number of trade and brand names.

The revenue and net profit, included in the consolidated income statement since 7 December 2015, contributed by the Genesis group was €802 million and €57 million, respectively.

25.3 Acquisition of Poundland

On 16 September 2016, Steinhoff acquired 76.4% of Poundland for a total equity value of £610.4 million. The 23.6% investment already held in Poundland before the acquisition date was fairly valued to market value at the acquisition date.

No revenue or net profit, other than the acquisition date fair value adjustments and transaction costs, have been included in the consolidated income statement as at 30 September 2016.

25.4 Acquisition of Mattress Firm

On 19 September 2016, Steinhoff acquired Mattress Firm for a total equity value of approximately US$2.4 billion.
No revenue or net profit, other than transaction costs, have been included in the consolidated income statement as at 30 September 2016.

25.5 Other acquisitions during the year

Other immaterial acquisitions made during the year are set out below. The revenue and net profit of these operations have been included in the consolidated income statement for the period ended 30 September 2016 from their dates of acquisition.

	Segment	Country of incorporation	Date of acquisition	Ownership %	Total purchase price paid €m
Iliad Africa Limited	Household goods: Africa	South Africa	January 2016	**100**	**80**
Impuls Küchen	Household goods: Europe	Germany	July 2015	**100**	**23**
Extreme Digital	Household goods: Europe	Hungary	January 2016	**100**	**20**
Other					**12**
					135

Acquisition-related costs, included in operating expenses in Steinhoff N.V.'s Income Statement for the period ended 30 September 2016, amounted to €23 million (30 June 2015: €8 million).

	Group (Steinhoff N.V. reverse acquisition) €m	Poundland €m	Mattress Firm €m
25.6 The carrying value of identifiable assets and liabilities immediately prior to the material acquisitions			
Assets			
Goodwill	**-**	**315**	**1 399**
Intangible assets	**815**	**18**	**117**
Property, plant and equipment	**255**	**103**	**403**
Investments and loans	**24**	**4**	**16**
Deferred taxation assets	**40**	**1**	**-**
Cash on hand	**36**	**39**	**25**
Liabilities			
Non-current interest-bearing loans and borrowings	**(169)**	**-**	**(1 242)**
Deferred taxation liability	**(119)**	**-**	**(35)**
Current interest-bearing loans and borrowings	**(17)**	**(107)**	**(38)**
Bank overdraft and short-term facilities	**(15)**	**-**	**(13)**
Working capital	**(849)**	**(93)**	**(164)**
Non-controlling interests	**(1)**	**-**	**(17)**
Total assets and liabilities acquired	**-**	**280**	**451**

	30 September 2016 €m	30 June 2015 €m
26. NET CASH FLOW ON DISPOSAL OF SUBSIDIARIES AND BUSINESSES		
The carrying values of assets and liabilities disposed of at the date of disposal were:		
Assets: Property, plant and equipment	**-**	2
Working capital	**-**	(2)
Carrying value of assets and liabilities disposed	**-**	-
Proceeds on disposal	**-**	-
Net cash inflow on disposal of subsidiaries	**-**	-

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	30 September 2016 €m	30 June 2015 €m
27. COMMITMENTS AND CONTINGENCIES		
27.1 Capital expenditure		
Contracts for capital expenditure authorised	**141**	42
Capital expenditure authorised but not contracted for	**142**	113
Capital expenditure will be financed from cash and existing loan facilities.		
27.2 Borrowing facilities		
In terms of the memorandum of incorporation, the borrowing powers of the company are unlimited.		
27.3 Unutilised borrowing facilities at period end	**3 002**	2 157

	Property €m	Plant, equipment, vehicles and other €m	30 September 2016 Total €m	30 June 2015 Total €m
27.4 Operating leases				
Amounts outstanding under non-cancellable operating lease agreements payable within the next year and thereafter:				
Next year	**1 341**	**35**	**1 376**	494
Within two to five years	**3 919**	**50**	**3 969**	1 112
Thereafter	**9 794**	**87**	**9 881**	422

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

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

27.5 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.

One of the group's relationships with a joint-venture partner in Europe ended in 2015 in disputes that remain the subject matter of ongoing legal proceedings. These disputes relate to alleged breaches arising from agreements with the former joint-venture partner. Management remains confident that the outcome of the disputes will not affect the group's ownership structure in the entities concerned, as only a monetary remedy would be required to be paid by the group. The payment of any such monetary remedy would not have a material adverse effect on the trading and/or financial condition of the group. Management believes that adequate provisions have been made for the related liabilities which may result from the dispute in the consolidated results. For further details on the dispute, please refer to the prospectus dated 19 November 2015, which is available on the group's website.

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.

28. 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.

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	At fair value through profit or loss[1] €m	Available for sale financial assets €m	Loans and receivables and other financial liabilities at amortised cost €m	Total carrying values €m	Loans and receivables and other financial liabilities at fair value €m	Total fair values €m
28.1 Total financial assets and liabilities						
30 September 2016						
Investments and loans	6	28	233	267	233	267
Trade and other receivables (financial assets)	19	-	-	19	-	19
Non-current financial assets	25	28	233	286	233	286
Trade and other receivables (financial assets)	15	-	1 275	1 290	1 275	1 290
Investments and loans	-	-	989	989	989	989
Cash and cash equivalents	-	-	2 861	2 861	2 861	2 861
Current financial assets	15	-	5 125	5 140	5 125	5 140
Long-term interest-bearing loans and borrowings	-	-	(7 142)	(7 142)	(7 298)	(7 298)
Trade and other payables (financial liabilities)	(10)	-	-	(10)	-	(10)
Non-current financial liabilities	(10)	-	(7 142)	(7 152)	(7 298)	(7 308)
Short-term interest-bearing loans and borrowings	-	-	(274)	(274)	(276)	(276)
Bank overdrafts and short-term facilities	-	-	(646)	(646)	(646)	(646)
Trade and other payables (financial liabilities)	(55)	-	(4 421)	(4 476)	(4 421)	(4 476)
Current financial liabilities	(55)	-	(5 341)	(5 396)	(5 343)	(5 398)
	(25)	28	(7 125)	(7 122)	(7 283)	(7 280)
Net gains recognised in profit or loss	(17)	-	(69)	(86)		
Net (gains)/losses recognised in other comprehensive income	58	(3)	-	55		
	41	(3)	(69)	(31)		
Total interest income from continuing and discontinued operations	-	-	(239)	(239)		
Total interest expense from continuing and discontinued operations	-	-	432	432		
	-	-	193	193		

[1] *This category includes derivative financial instruments.*

	At fair value through profit or loss[1]	Designated as at fair value through profit or loss	Available for sale financial assets	Loans and receivables and other financial liabilities at amortised cost	Total carrying values	Loans and receivables and other financial liabilities at fair value	Total fair values
	€m	€m	€m	€m	€m	€m	€m
30 June 2015							
Investments and loans	6	-	26	461	493	461	493
Trade and other receivables (financial assets)	10	-	-	-	10	-	10
Non-current financial assets	16	-	26	461	503	461	503
Trade and other receivables (financial assets)	19	-	-	1 098	1 117	1 098	1 117
Investments and loans	118	-	-	538	656	538	656
Cash and cash equivalents	-	-	-	2 794	2 794	2 794	2 794
Current financial assets	137	-	-	4 430	4 567	4 430	4 567
Long-term interest-bearing loans and borrowings	-	-	-	(4 152)	(4 152)	(4 308)	(4 308)
Trade and other payables (financial liabilities)	(7)	-	-	-	(7)	-	(7)
Non-current financial liabilities	(7)	-	-	(4 152)	(4 159)	(4 308)	(4 315)
Short-term interest-bearing loans and borrowings	-	-	-	(431)	(431)	(431)	(431)
Bank overdrafts and short-term facilities	-	-	-	(137)	(137)	(137)	(137)
Trade and other payables (financial liabilities)	(4)	-	-	(3 162)	(3 166)	(3 162)	(3 166)
Current financial liabilities	(4)	-	-	(3 730)	(3 734)	(3 730)	(3 734)
	142	-	26	(2 991)	(2 823)	(3 147)	(2 979)
Net (gains) and losses recognised in profit or loss	(37)	(5)	(259)	-	(301)		
Net (gains) and losses recognised in other	-	-	(25)	-	(25)		
	(37)	(5)	(284)	-	(326)		
Total interest income from continuing and discontinued operations		-	-	(143)	(143)		
Total interest expense from continuing and discontinued operations		5	-	255	260		
		5	-	112	117		

[1] *This category includes derivative financial instruments.*

No items were classified as 'designated as at fair value through profit of loss during the current year and no items were classified as 'held to maturity' during either period presented.

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	Fair value hierarchy	Valuation techniques and key inputs	Fair value 30 September 2016 €m	Fair value 30 June 2015 €m
28.2 Fair values				
Listed investments - ordinary shares, preference shares and unit trusts	Level 1	Quoted 30-day volume weighted average prices in an active market.	**9**	129
Unlisted investments - ordinary shares	Level 2	Adjusted quoted prices in an active market.	**25**	21
Trade and other receivables - derivative financial assets - interest rate swaps	Level 2	The fair values of interest rate swaps are based on broker quotes. Those quotes are tested for reasonability by discounting estimated future cash flows based on the terms and maturity of each contract using market interest rates for a similar instrument at the measurement date.	**19**	10
Trade and other payables - derivative financial liabilities - interest rate swaps	Level 2		**(10)**	(7)
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).	**15**	19
Trade and other payables - derivative financial liabilities - foreign currency forward contracts	Level 2		**(55)**	(4)

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 3 financial assets or financial liabilities at 30 September 2016 and 30 June 2015. There were no transfers between level 1 and level 2 during the year.

28.3 Foreign currency risk

The group's manufacturing and sourcing operating costs and expenses are principally incurred in Chinese yuan, Hungarian forint, Polish zloty, South African rand and US dollars. Its revenue derived from outside Africa, however, is principally in Australian dollars, euros, Polish zloty, Swiss franc, UK pounds and US dollars. The group's business model is based on the strategy of locating production in, and sourcing materials from, emerging low-cost economies and supplying finished products into developed economies.

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

Exposure to currency risk

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

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

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

	Euros €m	SA rands €m	UK pounds €m	US dollars €m
30 September 2016				
Investments and loans	**-**	**-**	**-**	**15**
Trade and other receivables (financial assets excluding financial derivatives)	**44**	**126**	**8**	**4**
Cash and cash equivalents	**4**	**-**	**9**	**14**
Long-term interest-bearing loans and borrowings	**(83)**	**-**	**(539)**	**(1 847)**
Short-term interest-bearing loans and borrowings	**(4)**	**-**	**-**	**-**
Trade and other payables (financial liabilities excluding financial derivatives)	**(66)**	**(9)**	**-**	**(104)**
Pre-derivative position	**(105)**	**117**	**(522)**	**(1 918)**
Derivative effect	**(20)**	**-**	**-**	**(13)**
Open position	**(125)**	**117**	**(522)**	**(1 931)**
30 June 2015				
Investments and loans	1	-	-	-
Trade and other receivables (financial assets excluding financial derivatives)	24	1	7	4
Cash and cash equivalents	9	7	1	1
Long-term interest-bearing loans and borrowings	(2)	-	-	(54)
Short-term interest-bearing loans and borrowings	(1)	-	(12)	-
Trade and other payables (financial liabilities excluding financial derivatives)	(53)	(2)	-	(71)
Pre-derivative position	(22)	6	(4)	(120)
Derivative effect	1	-	-	15
Open position	(21)	6	(4)	(105)

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

	Forecast rate[1] 30 September 2017	Forecast rate[1] 30 June 2016	**Reporting date spot rate 30 September 2016**	Reporting date spot rate 30 June 2015
Euro				
South African rand	**15.8527**	13.1225	**15.4493**	13.5628
UK pound	**0.7965**	0.6863	**0.8610**	0.7114
US dollar	**1.0863**	1.0440	**1.1161**	1.1189

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

Sensitivity analysis

The table below indicates the group's sensitivity at year-end to the movements in the major currencies that the group is exposed to on its financial instruments. The percentages given below represent a weighting of foreign currency rates forecasted by the major banks that the group transacts with regularly. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2015.

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	30 September 2016 €m	30 June 2015 €m
The impact on the reported numbers, using the forecast rates as opposed to the reporting date spot rates, is set out below.		
Through (profit)/loss		
South African rand weakening by 2.6% (2015: strengthening by 3.2%) to the euro	**3**	-
UK pound strengthening by 7.5% (2015: strengthening by 3.5%) to the euro	**39**	-
US dollar strengthening by 2.7% (2015: strengthening by 6.7%) to the euro	**52**	7

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

Foreign exchange contracts
The group uses forward exchange contracts to hedge its foreign currency risk against the functional currency of its various global operations. Most of the forward exchange contracts have maturities of less than one year after reporting date. As a matter of policy, the group does not enter into derivative contracts for speculative purposes. The fair values of such contracts at year-end, by currency, were:

	30 September 2016 €m	30 June 2015 €m
Short-term derivatives		
Assets		
Fair value of foreign exchange contracts		
Euro	**7**	-
US dollar	**7**	16
Chinese yuan	**1**	3
	15	19
Liabilities		
Fair value of foreign exchange contracts		
Chinese yuan	**(25)**	-
US dollar	**(28)**	-
Other	**(2)**	(4)
	(55)	(4)
Net short-term derivative (liabilities)/assets	**(40)**	15
Long-term derivatives		
Assets		
Fair value of foreign exchange contracts: Euro	**4**	-
Interest rate swaps and cross-currency derivatives		
Assets	**15**	10
Liabilities	**(10)**	(7)
	5	3
Net long-term derivative assets	**9**	3

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

	30 September 2016 €m	30 June 2015 €m
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 loss for the period recognised in other comprehensive income	**51**	8

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.

28.4 Interest rate risk

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

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

The interest and related terms of the group's interest-bearing loans are disclosed in note 20.

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

	Subject to interest rate movement						
	Variable EURIBOR €m	Variable JIBAR and SA prime €m	Variable LIBOR €m	Variable other €m	Fixed rate €m	Non-interest-bearing €m	Total €m
30 September 2016							
Non-current financial assets	**1**	**164**	**7**	**2**	**20**	**73**	**267**
Current financial assets	**2 164**	**373**	**-**	**103**	**816**	**1 684**	**5 140**
Non-current financial liabilities	**(1 364)**	**(995)**	**(1 811)**	**(48)**	**(2 859)**	**(65)**	**(7 142)**
Current financial liabilities	**(434)**	**(300)**	**(31)**	**(220)**	**(40)**	**(4 371)**	**(5 396)**
	367	**(758)**	**(1 835)**	**(163)**	**(2 063)**	**(2 679)**	**(7 131)**
Effect of interest rate swaps	**(48)**	**4**	**-**	**-**	**53**	**-**	**9**
	319	**(754)**	**(1 835)**	**(163)**	**(2 010)**	**(2 679)**	**(7 122)**
30 June 2015							
Non-current financial assets	351	31	-	-	56	55	493
Current financial assets	10	361	22	191	3 312	671	4 567
Non-current financial liabilities	(756)	(1 197)	-	(94)	(2 103)	(2)	(4 152)
Current financial liabilities	(96)	(221)	(122)	(88)	(404)	(2 813)	(3 744)
	(491)	(1 026)	(100)	9	861	(2 089)	(2 836)
Effect of interest rate swaps	(213)	-	-	-	216	-	3
	(704)	(1 026)	(100)	9	1 077	(2 089)	(2 833)

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Sensitivity analysis

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

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

	30 September 2016 €m	30 June 2015 €m
Through (profit)/loss		
EURIBOR - 100 basis point increase	**(3)**	7
JIBAR and SA prime - 100 basis point increase	**8**	10
LIBOR - 100 basis point increase	**18**	1

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

Cross-currency interest rate swap contracts

The group has entered into a number of cross-currency interest rate swap contracts to effectively convert fixed-interest US dollar borrowings into variable-interest euro borrowings. The value of the group's cross-currency interest rate swaps can effectively be split into two components: a portion that is attributable to converting a US dollar-denominated borrowing liability into a euro-denominated borrowing liability (the currency portion) - the value of this portion changes as currency exchange rates change; and a portion that is attributable to converting fixed-rate US dollar interest payments into variable rate euro interest payments (the interest portion) - the value of this portion of the swap changes as US dollar fixed-interest rates, euro variable-interest rates and foreign currency exchange rates change.

The swaps are dedicated to convert a total of US$60 million (30 June 2015: US$60 million) of the fixed-rate US dollar-denominated senior notes (note 20) to a variable-rate euro liability. The maturity dates of the swaps are identical to those of the underlying series of senior notes that they effectively offset.

Under the terms of the swaps, the group receives fixed interest at rates varying from 4.49% to 6.27% and pays floating-rate interest at fixed spreads above the six-month EURIBOR rate. The interest payments are due bi-annually, with reset dates being the first day of each calculation period. The embedded derivatives contained within the transactions were calculated with the assistance of major investment banks.

The fair value of the swaps entered into on 12 April 2012 was estimated as an asset of €10.9 million (30 June 2015: asset of €9.9 million). These swaps are designated as cash flow hedges of the exposure to variability in the cash flows arising from foreign currency exchange, initially on the note's US dollar nominal value to be exchanged, and subsequent to the effective date, on the repayments of US dollar interest and capital on the notes.

Fixed for floating interest rate swap contracts

The group has entered into a number of fixed for floating-interest rate swap contracts:
• Swap LIBOR interest payments for fixed-rate interest payments. Cash flows from this swap is matched with the interest payments on the underlying liability. The underlying loan has a maturity date of 10 October 2019.
• Swap EURIBOR interest payments for fixed-rate interest payments. Cash flows from these swaps are matched with the interest payments on the underlying liabilities. The underlying loans have various maturity dates up to 30 June 2024.

28.5 Other price risks

Equity price sensitivity analysis

A one percent change in the 30-day VWAP used in the valuation of the listed ordinary shares, categorised as available for sale, would result in a €0.03 million (30 June 2015: €0.3 million) adjustment to the fair value, through other comprehensive income before taxation.

A one percent change in the 30-day VWAP used in the valuation of the listed ordinary shares, categorised as at fair value through profit or loss, would result in a €0.1 million (30 June 2015: €1.3 million) adjustment to the fair value, through profit and loss before taxation.

28.6 Credit risk

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, and loans receivable. The group deposits short-term cash surpluses with major banks of quality credit standing. Trade receivables comprise a large and widespread customer base and group companies perform ongoing credit evaluations on the financial condition of their customers, and appropriate use is made of credit guarantee insurance. At 30 September 2016, the group did not consider there to be any significant concentration of credit risk which had not been adequately provided for. The amounts presented in the statement of financial position are net of provisions for bad debts, estimated by the group companies' management based on prior experience and the current economic environment.

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

	30 September 2016 €m	30 June 2015 €m
The maximum exposure to credit risk at the reporting date without taking account of the value of any collateral obtained was:		
Non-current financial assets	**286**	503
Current financial assets	**5 140**	4 567
Less: Instalment sale and loan receivables[1]	**(130)**	(143)
	5 296	4 927

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

	30 September 2016 €m	30 June 2015 €m
The maximum exposure to credit risk, including instalment sale and loan receivables, at the reporting date by segment was (carrying amounts):		
Household goods	**4 915**	4 530
General merchandise	**417**	459
Automotive	**94**	81
	5 426	5 070
The maximum exposure to credit risk at the reporting date by geographical region was (carrying amounts):		
Continental Europe	**4 029**	4 140
Africa	**958**	812
United States of America	**130**	-
Other	**309**	118
	5 426	5 070

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	30 September 2016 €m	30 September 2016 %	30 June 2015 €m	30 June 2015 %
Ageing of financial assets, excluding instalment sales and loan receivables				
Not past due or impaired	**5 016**	**94.7**	4 847	98.4
Past due 1 to 30 days but not impaired	**62**	**1.2**	36	0.7
Past due 31 to 60 days but not impaired	**19**	**0.4**	6	0.1
Past due more than 60 days but not impaired	**197**	**3.7**	35	0.7
Past due but not impaired in full	**2**	**-**	3	0.1
	5 296	**100.0**	4 927	100.0

	Continuing operations			Discontinued operations		
	Secured €m	Unsecured €m	Total €m	Secured €m	Unsecured €m	Total €m
Credit exposure by class to instalment sale and loans receivables						
30 September 2016						
Up to date	**2**	**99**	**101**	**-**	**-**	**-**
Performing	**1**	**18**	**19**	**-**	**-**	**-**
Non-performing	**1**	**9**	**10**	**-**	**-**	**-**
	4	**126**	**130**	**-**	**-**	**-**
30 June 2015						
Up to date	2	111	113	173	22	195
Performing	3	15	18	74	7	81
Non-performing	1	11	12	77	17	94
	6	137	143	324	46	370

	Discontinued operations 30 June 2015	
	Provision and IFRS 5 impairments €m	As percentage of loan receivable %
Provision and IFRS 5 impairments against instalment sale and loan receivables included as assets held for sale:		
Up to date	2	0.9%
Performing	37	45.7%
Non-performing	94	100.0%
	133	35.9%

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

Secured	Secured against retail product sold
Unsecured	Unsecured in nature and includes personal loans and third-party 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.

	Continuing operations Secured €m	Continuing operations Unsecured €m	Total €m	Discontinued operations Secured €m	Discontinued operations Unsecured €m	Total €m
Risk analysis for up to date accounts						
30 September 2016						
Low risk	**1**	**100**	**101**	**-**	**-**	**-**
30 June 2015						
Low risk	1	111	112	100	16	116
Medium risk	1	-	1	58	4	62
High risk	-	-	-	15	2	17
	2	111	113	173	22	195

	30 September 2016 €m	30 June 2015 €m
Movement in provision for bad debts		
Balance at beginning of the period	**(62)**	(61)
Provision raised	**(38)**	(48)
Amounts unused reversed	**6**	6
Amounts used during the year	**43**	74
Acquired on acquisition of subsidiaries and businesses	**(12)**	(33)
Eliminated on disposal of subsidiaries and businesses	**-**	2
Exchange differences on consolidation of foreign subsidiaries	**3**	(2)
Balance at end of the period	**(60)**	(62)

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.

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28.7 Liquidity risk

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

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

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:

	30 September 2016 €m	30 June 2015 €m
0 to 3 months	**(5 012)**	(3 491)
4 to 12 months	**(535)**	(354)
Year 2	**(1 349)**	(661)
Years 3 to 5	**(3 664)**	(3 032)
After 5 years	**(2 708)**	(1 146)
	(13 268)	(8 684)

28.8 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.

28.9 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 20, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

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

	30 September 2016 €m	30 June 2015 €m
29. INSURANCE AND INSURANCE RISK MANAGEMENT		
29.1 Assets under insurance contracts		
Short-term operations		
Unearned reinsurance premium	**4**	5
Claims outstanding	**19**	4
Deferred acquisition costs	**2**	3
	25	12
29.2 Liabilities under insurance contracts		
29.2.1 Short-term operations		
Provision for unearned premiums	**15**	19
Provision for outstanding claims, including the incurred but not recognised (IBNR) provision	**37**	4
Reinsurance premium due	**3**	1
	55	24
29.2.2 Long-term operation		
Provision for unearned premiums	**-**	2
Provision for outstanding claims, including IBNR	**-**	3
	-	5

As described in note 5, the JD Group Financial Services division (including its insurance operations) was sold to a European private equity firm during the year.

It is expected that all insurance contract liabilities will be settled within 12 months from period-end.

The group believes that the liabilities for claims reported in the statement of financial position are adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when the claims arise.

	30 September 2016 €m	30 June 2015 €m
29.3 Financial assets		
Investments	**6**	6
Treasury bills	**-**	12
Short-term deposits	**21**	24
Cash at bank	**6**	9
	33	51
29.4 Revenue		
Premium income comprised the following:		
29.4.1 Short-term operations		
Gross premiums written	**31**	52
Provision for unearned premiums	**(3)**	(2)
Outward reinsurance premiums	**(11)**	(10)
Earned premiums	**17**	40

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		30 September 2016 €m	30 June 2015 €m
29.4.2	**Long-term operation**		
	Gross premiums written	-	67
	Provision for unearned premiums	-	(2)
	Earned premiums	-	65
29.4.3	**Total premium income**	**17**	105

29.5 Insurance operations

29.5.1 African operations

Risk management objectives and policies for mitigating risk

The primary insurance activities carried out by the insurance operations assume the risk of loss from persons that are directly subject to the risk. The insured risks are directly associated with furniture, electronic equipment, motor, accident and health, assets, business interruption, commercial crime. Cover is provided to persons purchasing vehicles from dealerships within the Pepkor Group and to companies within the Steinhoff group.

The theory of probability is applied to the pricing and provisioning for the portfolio of insurance contracts. The principal risk to the operations is pricing for the relevant insurance contracts written. With regard to the insured risks associated with furniture, electronic equipment, vehicles and the life of consumers, the pricing risk is considered to be low due to the low sums insured and the short duration of the indemnity period. Pricing risk with regard to the group asset insurance is managed through reinsurance treaties locally and offshore.

In addition, the insurance operation manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance transactions and monitoring of emerging issues.

Underwriting strategy

The operation's underwriting strategy is to ensure a balanced portfolio and is based on a large portfolio of similar risks over a large geographical area. This reduces the variability of the outcome.

Terms and conditions of insurance contracts

The short-term operations offer cover against physical loss or theft of, or damages to, the insured movable assets.

Claims development

The operation is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term, subject to predetermined time scales dependent on the nature of the insurance contract. The operation could therefore be exposed to the risk that claims reserves will not be adequate to fund historic claims (run-off risk). This risk is mitigated through adequate IBNR claims reserves.

In addition, the majority of the operation's insurance contracts are classified as ‘short-tailed’, meaning that any claim is settled within a year after the loss date, reducing the exposure to historic claims.

In terms of IFRS 4: *Insurance Contracts,* an insurer need only disclose claims run-off information where uncertainty exists about the amount and timing of claims payments not resolved within one year. Therefore, detailed claims run-off information is not presented.

Financial risk management

Transactions in financial instruments may result in the operations assuming financial risks. These include market risk, credit risk and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the operations manage these risks.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the operation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The operations have limited market risk exposure due to the nature and duration of its financial instruments. The operations do not transact in foreign currency.

Credit risk

The operation has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

The operations have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from default. The operations only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies, where available, and, if not available, the operation uses other publicly available financial information and its own records to rate its policyholders.

The major concentration of credit risk arises from the operations' cash balances and trade and other receivables. Reputable financial institutions are used for investing and cash handling purposes. Management makes regular reviews to assess the degree of compliance with the operation's procedures on credit.

Credit exposure is controlled and managed by counterparty limits that are reviewed and approved by the insurance entities' risk committee, which meets quarterly.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The operation's liabilities are matched by appropriate assets and they have significant liquid resources to cover its obligations. The operation's liquidity and ability to meet such calls are monitored quarterly by the risk committee. Trade and other payables all fall due within 12 months.

Capital management

The operation manages its capital base to achieve a prudent balance between maintaining capital ratios to support business growth and confidence, and providing competitive returns to shareholders. The capital management process ensures that the operation maintains sufficient capital levels for legal and regulatory compliance purposes. The operation ensure that their actions do not compromise sound governance and appropriate business practices and they eliminate any negative effect on payment capacity, liquidity or profitability.

Short-term operations

The operation submits quarterly and annual returns to the Financial Services Board in terms of the Short-term Insurance Act, 53 of 1998. The operation is required at all times to maintain a statutory surplus asset ratio as defined in the same Act. The quarterly return as at 30 September 2016, submitted by the operations to the Regulator, showed that the companies met the minimum capital requirements as at year-end, calculated in terms of the new solvency and assessment management interim measures.

The Short-term operations meet the minimum capital requirements calculated in terms of the new solvency and assessment management's Comprehensive Parallel Runs.

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29.5.2 International operations

Risk management objectives and policies for mitigating risk

Each line of business and each policy is underwritten individually. The risks and exposures are assessed and then mitigated using any of the following: premium, capital, reinsurance protection and collateral (e.g. letter of credit).

Underwriting strategy

The underwriting strategy is to assist the clients in managing their insurance risk by providing cost-effective bespoke solutions. The insurance operations are unable to underwrite compulsory insurance.

Terms and conditions of insurance contracts

The terms and conditions of the insurance contracts reflect the usual market cover for the risks being insured. The policies also include specific conditions reflecting the structure of the insurance operations.

Claims development

The claims function is largely outsourced to third-party adjusters. Based on their assessment of the loss, a claims reserve is created on behalf of the relevant client. The claim reserve is then adjusted to reflect claim payments or additional claim costs as the claim develops.

Market risk, credit risk, liquidity risk and capital management

The risks are continually monitored by the insurance managers, with oversight ultimately provided by the White Rock board of directors at the quarterly meetings.

Market risk is minimised by holding funds in local currency in order to match the expected claims.

Reinsurance is used to mitigate insurance risk, but a credit risk remains. The creditworthiness of the reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

All assets are held in cash using current bank accounts. The cash is deposited with European banks with a minimum Standard & Poor's credit rating of 'A-' (or equivalent).

30. 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.

30.1 Significant subsidiaries

	Country of incorporation	30 September 2016 Ownership %	30 June 2015 Ownership %
Steinhoff Finance Holdings GmbH	Austria	**100**	100
Steinhoff Möbel Holdings Alpha GmbH	Austria	**100**	100
Steinhoff Europe AG	Austria	**100**	100
Steinhoff Europe AG	Switzerland	**100**	100
Genesis Investment Holdings GmbH	Austria	**100**	100
Steinhoff Retail GmbH	Austria	**100**	100
Steinhoff Holdings Beta GmbH	Austria	**100**	100
Conforama Holdings S.A.	France	**99**	99
Tau Enterprises GmbH	Germany	**100**	100
Steinhoff UK Holdings Limited	United Kingdom	**100**	100
Homestyle Operation Limited	United Kingdom	**100**	100
Poundland Group PLC	United Kingdom	**100**	-
Steinhoff Asia Pacific Holdings Proprietary Limited	Australia	**100**	100
Steinhoff Asia Pacific Limited	Australia	**100**	100
Steinhoff UK Beds Limited	United Kingdom	**100**	100
Hemisphere International Properties BV	The Netherlands	**100**	100
Steinhoff International Holdings Limited	South Africa	**100**	-
Steinhoff Investment Holdings Limited	South Africa	**100**	100
Steinhoff Africa Holdings Proprietary Limited	South Africa	**100**	100
Ainsley Holdings Proprietary Limited	South Africa	**100**	100
Pepkor Holdings Proprietary Limited	South Africa	**100**	100
Pepkor Trading Properietary Limited	South Africa	**100**	100
Steinhoff Services Limited	South Africa	**100**	100
Stripes US Holding Incorporated	United States of America	**100**	-
Mattress Firm Holdings Corporation	United States of America	**100**	-

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

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30.2 Trading transactions

Key management personnel did not have any material transaction with the group. All transactions were at market-related prices.

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

	Fifteen months ended 30 September 2016 €m	Year ended 30 June 2015 €m
Net goods and services purchased from/sold to:		
KAP Industrial Holdings Limited and its subsidiaries	**6**	27
Dividend received from:		
KAP Industrial Holdings Limited	**10**	9
PSG Group Limited	**10**	5
	20	14

30.3 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 (ExCo) and the supervisory board to be key management personnel as defined in IAS 24: *Related parties* . At the end of 2016, the ExCo consisted of the management board and 13 other ExCo members (30 June 2015: management board and six other ExCo members).

	Fifteen months ended 30 September 2016 €m	Year ended 30 June 2015 €m
Short-term employee benefits	**30**	24
Share-based payments - related expense	**14**	14
	44	38

30.4 Directorate

Management board	Date of appointment	Date of resignation
JL Coetzer	24 July 2015	30 November 2015
R Harmzen	22 June 2015	30 November 2015
SH Muller	24 July 2015	30 November 2015
MJ Jooste	30 November 2015	
AB la Grange	30 November 2015	
DM van der Merwe	30 November 2015	
Supervisory Board		
SF Booysen	30 November 2015	
DC Brink*	30 November 2015	30 May 2016
CE Daun	30 November 2015	
TLJ Guibert	30 November 2015	
D Konar	30 November 2015	
MT Lategan	30 November 2015	
JF Mouton*	30 November 2015	30 May 2016
HJ Sonn	30 November 2015	
BE Steinhoff	30 November 2015	
A Krüger-Steinhoff	30 November 2015	
PDJ van den Bosch*	30 November 2015	30 May 2016
J van Zyl	30 May 2016	
CH Wiese	30 November 2015	
JD Wiese	30 May 2016	

** Retired*

Details relating to directors' emoluments, shareholding in the company and interest of directors and officers are disclosed in note 31.

30.5 Interest of directors and officers in contracts

All directors and officers of the company have, other than described below, confirmed that they had no interest in any agreement of significance with the company or any of its subsidiary companies, which could have resulted in a conflict of interest during the year.

During the year under review, contracts were concluded with the following companies:

- Hoffman Attorneys (of which SJ Grobler is a partner) provided legal services to group companies and was reimbursed for expenses to the amount of approximately €1.0 million (30 June 2015: €0.7 million).

- During the year, Steinhoff N.V. issued 162 million new ordinary shares which were subscribed for by Upington Investment Holdings B.V. (Upington), a company ultimately controlled by a family trust of Dr Christo Wiese, Steinhoff´s largest shareholder and chairman of Steinhoff´s supervisory board (the Upington Subscription).
  Additionally, Upington purchased 152 million existing ordinary shares (which were classified as treasury shares in the group for the purposes of IFRS) to further increase its investment in Steinhoff N.V. as part of its strategy as a strategic long term investor in Steinhoff N.V. (the Upington Purchase) from a group company.
  In consideration for the commitments in terms of the Upington Subscription and the Upington Purchase, Upington received an underwriting commission of 2.5% of the respective subscription price and purchase price, as applicable. This was partly paid in September 2016.

- MJD Aviation Partnership (of which MJ Jooste, KJ Grové and DM van der Merwe are partners) provided aviation services to the group for an immaterial amount.

All the contracts were concluded at arm's length in the normal course of business and are no more favourable than those arranged with third parties.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
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	Basic remuneration and other company contributions[1] €'000	Company directors' fees[2] €'000	Annual bonus €'000	Strategic bonus €'000	Deferred bonus[3] €'000	Total remuneration and fees €'000
31.1. REMUNERATION REPORT						
31.1.1 Remuneration of the management board and executive committee[4]						
Fifteen months ended 30 September 2016						
MJ Jooste	**2 753**	**-**	**1 980**	**476**	**416**	**5 625**
AB la Grange	**1 100**	**-**	**484**	**416**	**416**	**2 416**
DM van der Merwe	**1 356**	**-**	**1 000**	**312**	**156**	**2 824**
Subtotal management board	**5 209**	**-**	**3 464**	**1 204**	**988**	**10 865**
Executive committee	**7 275**	**-**	**5 717**	**936**	**1 788**	**15 716**
Total management board and executive committee	**12 484**	**-**	**9 181**	**2 140**	**2 776**	**26 581**
Year ended 30 June 2015						
MJ Jooste	2 158	57	1 855	485	875	5 430
AB la Grange	497	57	729	485	-	1 768
DM van der Merwe	1 078	57	954	182	650	2 921
Subtotal management board	3 733	171	3 538	1 152	1 525	10 119
Executive committee	2 384	372	4 004	1 541	-	8 301
Total management board and executive committee	6 117	543	7 542	2 693	1 525	18 420

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

[2] *Directors' fees were paid with basic remuneration. Refer to the remuneration report for changes to the remuneration structure of the management board and the executive committee during the period.*

[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] *Pursuant to the company listing on the Frankfurt Stock Exchange in December 2015, the company implemented a "two-tier" governance structure comprising a management board and a supervisory board.*

		Fifteen months ended 30 September 2016 €'000	Year ended 30 June 2015 €'000
31.1.2	**Remuneration of the Supervisory Board**		
	SF Booysen	**66**	90
	DC Brink[2]	**46**	84
	CE Daun	**42**	30
	TLJ Guibert[4]	**34**	16
	D Konar	**119**	121
	MT Lategan	**58**	78
	JF Mouton[2]	**25**	33
	HJ Sonn	**34**	33
	A Krüger-Steinhoff	**27**	27
	BE Steinhoff	**563**	450
	PDJ van den Bosch[2]	**313**	288
	J van Zyl[1]	**9**	-
	CH Wiese[3]	**1 981**	248
	J Wiese[1]	**9**	-
		3 325	1 498

[1] *Appointed on 30 May 2016*
[2] *Retired on 30 May 2016*
[3] *Paid to various entities as management fees.*
[4] *TLJ Guibert became a non-executive director on 5 December 2014.*

31.1.3	**Directors' fees and remuneration**		
	Remuneration paid by:		
	- Company	**-**	455
	- Subsidiary companies	**29 906**	19 463
		29 906	19 918

STEINHOFF INTERNATIONAL HOLDINGS N.V.
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		Offer date	Number of rights as at 30 June 2015	Number of rights exercised during the year[1]	Number of rights awarded during the year[2]	Number of rights as at 30 September 2016
31.2	**Share rights**					
	Management board					
	MJ Jooste	December 2012	1 186 514	(1 186 514)	-	-
		December 2013	1 669 183	-	-	1 669 183
		December 2014	869 301	-	-	869 301
		March 2016	-	-	671 017	671 017
			3 724 998	**(1 186 514)**	**671 017**	**3 209 501**
	AB la Grange	December 2012	393 250	(393 250)	-	-
		December 2013	487 490	-	-	487 490
		December 2014	233 499	-	-	233 499
		March 2016	-	-	259 257	259 257
			1 114 239	**(393 250)**	**259 257**	**980 246**
	DM van der Merwe	December 2012	610 207	(610 207)	-	-
		December 2013	858 437	-	-	858 437
		December 2014	439 041	-	-	439 041
		March 2016	-	-	335 509	335 509
			1 907 685	**(610 207)**	**335 509**	**1 632 987**
	Total management board		**6 746 922**	**(2 189 971)**	**1 265 783**	**5 822 734**

No rights were forfeited during the year under review.

[1] *The fair value at date of vesting was €4.93 per share.*

[2] *The fair value at date of grant was €4.55 per share.*

		Total shares 30 September 2016	Total shares[1] 30 June 2015
31.3	**Interest in Steinhoff N.V. share capital**		
	Management board		
	MJ Jooste	**68 947 287**	67 056 504
	AB la Grange	**1 546 957**	1 289 376
	DM van der Merwe	**6 143 144**	5 711 982
		76 637 388	74 057 862
	Supervisory board		
	SF Booysen	**218 148**	213 907
	DC Brink[2]	**203 965**	200 000
	CE Daun	**2 419 856**	2 399 856
	TLJ Guibert	**666 155**	300 000
	D Konar	**363 335**	356 271
	ML Lategan	**355 599**	392 821
	JF Mouton[2]	**7 000 000**	7 000 000
	BE Steinhoff	**195 653 808**	191 850 000
	A Krüger-Steinhoff	**825 664**	809 612
	PDJ van den Bosch[2]	**710 043**	669 561
	J van Zyl[3]	**152 067**	-
	CH Wiese	**982 859 150**	654 874 971
		1 191 427 790	859 066 999

[1] *Shares held in Steinhoff International Holdings Limited prior to scheme of arrangement.*

[2] *Retired on 30 May 2016.*

[3] *Appointed on 30 May 2016.*

STEINHOFF INTERNATIONAL HOLDINGS N.V.
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

32. RESTATEMENT, CAPITALISATION ISSUE ALTERNATIVE AND IMPACT OF APPLICATION OF IFRS FOR EU

Restatement

The restatement resulted from the change in the Steinhoff N.V.'s presentation and functional currency from South African rand to euro, as allowed by International Accounting Standard 21: *The Effects of Changes in Foreign Exchange Rates* (IAS 21). In line with the requirements of IAS 21, a change in the presentation currency of an entity is a change in accounting policy, which must be applied retrospectively in terms of IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8). A change in functional currency of an entity is a change in estimate, which must be applied prospectively in terms of IAS 8.

The retrospective restatement had the following impact on the previously rand-reported numbers:

a) The assets and liabilities for the statements of financial position have been translated at the closing rate at the date of the statement of financial position.

b) Income and expenses for the statements presenting profit or loss and other comprehensive income have been translated at the average exchange rate for that period.

c) Equity balances were translated at spot rate on 30 June 2012 (rand:euro 10.3447:1), the date the group determined was most practicable to apply retrospective application. Thereafter the movements in equity are translated at average exchange rates.

d) The resulting exchange differences have been recognised in other comprehensive income as part of the foreign currency translation reserve.

No detailed analysis of the effects is presented as it affects all line items in the statement of financial position, statement of comprehensive income and statement of cash flows, and is thus presented in the primary statements.

Capitalisation issue alternative

The capitalisation issue alternative on 13 November 2015 led to the restatement of the prior year's per share numbers, none of which resulted in a deviation of more than 1.5%. 49.2 million shares were issued under the capitalisation issue alternative.

Application of IFRS for EU

The accounting policies applied by Steinhoff N.V. comply with IFRS as issued by the IASB. The application of IFRS as adopted by the EU, as a result of the group's listing on the FSE on 7 December 2015, had no impact on the previously reported results.

Segmental representation

Geographical segments have been updated to include the operations in the United Kingdom (UK) as part of the Europe segment. Previously, the UK was included in the other segment. A reallocation of segmental assets was effective between the household goods and automotive segments to better reflect the allocation of assets.

STEINHOFF INTERNATIONAL HOLDINGS N.V. (FORMERLY KNOWN AS GENESIS INTERNATIONAL HOLDINGS N.V.)
INCOME STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Notes	Fifteen months ended 30 September 2016 €'000	Period ended 30 June 2015 €'000
Operating expenses		(8 727)	(19)
Loss for the period	1	(8 727)	(19)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Notes	Fifteen months ended 30 September 2016 €'000	Period ended 30 June 2015 €'000
Total comprehensive loss for the period, net of taxation		(8 727)	(19)

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Notes	Fifteen months ended 30 September 2016 €'000	Period ended 30 June 2015 €'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations	8	(9 016)	-
Net cash outflow from operating activities		(9 016)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue expenses		(6 186)	-
Proceeds of ordinary shares issued		1 682 616	45
Increase in related party loans receivable		(1 667 394)	-
Decrease/(increase) in related party loans payable		(3)	3
Net cash inflow from financing activities		9 033	48
NET INCREASE IN CASH AND CASH EQUIVALENTS		17	48
Cash and cash equivalents at beginning of the period		48	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		65	48

STEINHOFF INTERNATIONAL HOLDINGS N.V. (FORMERLY KNOWN AS GENESIS INTERNATIONAL HOLDINGS N.V.)
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Ordinary stated share capital €'000	Share premium €'000	Distributable reserves €'000	Share-based payment reserve €'000	Total €'000
Balance at 22 June 2015	-	-	-	-	-
Issue of shares net of transaction costs	45	-	-	-	45
Total comprehensive loss for the period	-	-	(19)	-	(19)
Balance at 30 June 2015	**45**	**-**	**(19)**	**-**	**26**
Cancellation of incorporation shares issued	**(45)**	**-**	**-**	**-**	**(45)**
Issue of shares net of transaction costs	**2 126 776**	**18 975 432**	**-**	**-**	**21 102 208**
Total comprehensive loss for the period	**-**	**-**	**(8 727)**	**-**	**(8 727)**
Share-based payments	**-**	**-**	**-**	**58 185**	**58 185**
Balance at 30 September 2016	**2 126 776**	**18 975 432**	**(8 746)**	**58 185**	**21 151 647**

STEINHOFF INTERNATIONAL HOLDINGS N.V. (FORMERLY KNOWN AS GENESIS INTERNATIONAL HOLDINGS N.V.)
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	Notes	30 September 2016 €'000	30 June 2015 €'000
ASSETS			
Non-current assets			
Investment in subsidiary companies	3	**20 666 071**	-
		20 666 071	-
Current assets			
Related party loans receivable	9	**478 809**	-
Share scheme settlement receivable	4	**96 732**	-
Cash and cash equivalents		**65**	48
		575 606	48
Total assets		**21 241 677**	48
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	5	**2 126 776**	45
Share premium reserve		**18 975 432**	-
Other reserves		**49 439**	(19)
		21 151 647	26
Current liabilities			
Other payables and accruals	6	**51 484**	19
Related party loans payable	9	**-**	3
Deferred dividend receivable	4	**38 546**	-
		90 030	22
Total equity and liabilities		**21 241 677**	48

STEINHOFF INTERNATIONAL HOLDINGS N.V.
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Fifteen months ended 30 September 2016 €'000	Period ended 30 June 2015 €'000
1. OPERATING LOSS		
Operating loss is stated after taking account of the following items:		
Auditor's remuneration		
Audit fees	**35**	4
Unrealised foreign exchange losses	**8 151**	**-**
All directors' fees and remuneration was paid by subsidiary companies. Refer to note 9.		
	%	%
2. TAXATION		
Reconciliation of rate of taxation		
Standard rate of taxation	**(28.0)**	(28.0)
Permanent differences	**11.6**	28.0
Creation of taxation losses and deductible temporary differences not recognised	**16.4**	-
Effective rate of taxation	**-**	-
	€'000	€'000
3. INVESTMENT IN SUBSIDIARY COMPANIES		
Shares at cost	**20 666 071**	-

	Country of incorporation	Issued share capital	Shareholding %	Total €'000
30 September 2016				
Steinhoff International Holdings Limited[1]	**South Africa**	**R41 156 551 732**	**100**	**2 485 673**
Genesis Investments Gamma GmbH[1]	**Austria**	**€35 000**	**100**	**20 000**
Steinhoff Finance Holdings GmbH[2]	**Austria**	**€100 000**	**100**	**12 473 168**
Steinhoff Investment Holdings Limited[2]	**South Africa**	**R3 581 913 096**	**100**	**4 835 747**
Steinhoff UK Group Services Limited[3,5]	**United Kingdom**	**£100 000**	**100**	**-**
Stripes US Holding Inc.[4]	**United States of America**	**$100**	**100**	**851 483**
				20 666 071

[1] *Acquired entire issued share capital via scheme of arrangement in December 2015.*

[2] *Acquired entire issued share capital via dividend in specie from Steinhoff Investment Holdings Limited in April 2016.*

[3] *Acquired entire issued share capital in April 2016.*

[4] *Acquired entire issued share capital in September 2016.*

[5] *Less than €500.*

4. SHARE SCHEME SETTLEMENT RECEIVABLE

Terms of the scheme

Following the Scheme of Arrangement implemented by Steinhoff International Holdings Limited and the resultant listing of the company, Steinhoff International Holdings N.V. (Steinhoff N.V.) assumed the obligations to grant future share rights to share scheme participants under the Steinhoff N.V Share Rights Scheme. The obligations of Steinhoff International Holdings Limited under all open grants were also assumed by Steinhoff N.V. These rights were

Executive Share Right Scheme

The Executive Share Right Scheme is subject to the following conditions:

a) Rights are granted to qualifying senior executives on an annual basis.

b) Vesting of rights occurs on the third anniversary of grant date, provided performance criteria, as set by the company's remuneration committee at or about the time of the grant date, have been achieved.

c) In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, all rights attaching to the particular grant will lapse.

	30 September 2016 Number of rights
The number of share rights outstanding is:	
Assumed with scheme of arrangement	**31 541 168**
Exercised during the year	**(9 146 627)**
Forfeited during the year[1]	**(698 505)**
Granted during the year	**9 448 325**
Outstanding at end of the year	**31 144 361**

[1] *Certain divisions and individuals did not meet performance targets for the share vesting and forfeited their share rights relating to these grants.*

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 Black-Schöles model. The volatility was estimated using the Steinhoff International Holdings Limited daily closing share price over a rolling three-year period.

	2016 grant	2014 grant	2013 grant
Fair value of share rights and assumptions:			
Fair value at grant date	€4.55	R53.76	R37.78
Share price at grant date	€4.92	R58.00	R40.42
Expected volatility	26.05%	24.39%	26.33%
Dividend yield	2.57%	2.57%	2.32%
Risk-free interest rate	8.16%	6.45%	6.72%
Option life	3 years	3 years and 3 months	3 years

Share scheme settlement arrangement

Rights granted under the 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.

	30 September 2016 €'000
Fair value of share scheme settlement receivable	
Assumed with scheme of arrangement	**49 828**
Increase in fair value	**46 904**
Balance at 30 September 2016	**96 732**
Deferred dividend receivable	
Assumed with scheme of arrangement	**(22 725)**
Dividend deferred in current year	**(15 821)**
Balance at 30 September 2016	**(38 546)**

STEINHOFF INTERNATIONAL HOLDINGS N.V.
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The fair value of the share scheme settlement receivable under the Share Rights Scheme and the 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 2016 were as follows:

	2016 grant	2014 grant	2013 grant
Share price at 30 September 2016	€5.08	€5.08	€5.08
Fair value at 30 September 2016	€4.78	€4.94	€4.96
Term	29 months	17 months	2 months
Volatility	31.1%	31.1%	31.1%
Dividend yield	2.6%	2.1%	13.1%
Risk-free interest rate	7.4%	7.3%	7.3%

	30 September 2016 Number of shares	30 June 2015 Number of shares
5. SHARE CAPITAL		
5.1 Authorised - ordinary		
Ordinary shares of €0.50 each (2015: €0.50 cents each)	17 500 000 000	450 000
5.2 Issued - ordinary		
Shares in issue at beginning of the period	90 000	-
Cancellation of incorporation shares issued	(90 000)	-
Shares issued during the period	4 253 551 251	90 000
Total issued ordinary stated share capital	4 253 551 251	90 000

	30 September 2016 Share capital €'000	30 June 2015 Share capital €'000	30 September 2016 Share premium €'000	30 June 2015 Share premium €'000
5.3 Issued - ordinary				
Balance at beginning of the period	45	-	-	-
Cancellation of incorporation shares issued	(45)	-	-	-
Shares issued during the period net of	2 126 776	45	18 975 432	-
Total issued ordinary stated share capital	2 126 776	45	18 975 432	-

	30 September 2016 Number of shares
5.4 Unissued shares	
Reserved for bond holders	412 603 378
Shares reserved for future participation in share schemes	89 053 656
Shares reserved for current participation in share schemes	31 144 361
Shares under the control of the directors	677 842 269
Unissued shares	16 287 229 560
Total unissued shares	17 497 873 224

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

	30 September 2016 Number of shares	30 June 2015 Number of shares	30 September 2016 €'000	30 June 2015 €'000
5.5 Authorised - preference				
Non-cumulative financing preference shares of €0.01 (2015: No authorised preference share capital)	20 000 000 000	-	200 000	-

No preference shares were issued during the period.

5.6 Reconciliation of the shareholder's equity of the company to that of the Steinhoff International Holdings N.V. group

	Share capital and share premium €'000	Distributable reserves €'000	Share-based payment reserve €'000	Other reserves €'000	Total ordinary shareholders equity €'000	Preference stated share capital €'000	Total equity attributable to owners of the parent €'000
Balance at the end of the period: Company	**21 102 208**	**(8 746)**	**58 185**	**-**	**21 151 647**	**-**	**21 151 647**
Prior periods movements and transfers	-	4 877 000	-	(563 000)	4 314 000	437 000	4 751 000
Exchange differences on translation at date of scheme of arrangement	(27 618)	-	-	-	(27 618)	-	(27 618)
Treasury shares	(21 151)	-	-	-	(21 151)	-	(21 151)
Reverse acquisition	-	-	-	(10 333 000)	(10 333 000)	-	(10 333 000)
Net shares issued	-	-	-	-	-	33 000	33 000
Share of subsidiaries consolidated total comprehensive profit/(loss) for the period	-	1 445 746	-	(997 000)	448 746	-	448 746
Dividends paid	-	(161 000)	-	-	(161 000)	-	(161 000)
Transfers and other reserve movements	-	133 000	1 815	(84 000)	50 815	-	50 815
Balance at the end of the period: Group	**21 053 439**	**6 286 000**	**60 000**	**(11 977 000)**	**15 422 439**	**470 000**	**15 892 439**

	30 September 2016 €'000
5.7 Reconciliation of the total comprehensive profit/(loss) of the company to that of the Steinhoff Holdings N.V. group	
Total comprehensive loss for the period, net of taxation: Company	**(8 727)**
Share of subsidiaries consolidated total comprehensive profit, attributable to owners of the parent, for the period, net of taxation	**1 445 746**
Total comprehensive profit for the period, attributable to owners of the parent, net of taxation: Group	**1 437 019**

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	30 September 2016 €'000	30 June 2015 €'000
6. OTHER PAYABLES AND ACCRUALS		
Other payables and amounts due (financial liabilities)	**51 484**	19

The fair values of accounts payable are disclosed in note 10.

7. CONTINGENCIES

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

All amounts payable in respect of the convertible bonds due 2021, 2022 and 2023 issued by subsidiary companies are guaranteed by the company and the company undertook to procure the due and punctual delivery of the shares persuant to the terms and conditions of the bonds.

8. CASH UTILISED IN OPERATIONS

	30 September 2016 €'000	30 June 2015 €'000
Operating loss	**(8 727)**	(19)
Cash utilised in operations before working capital changes	**(8 727)**	(19)
Working capital changes		
Increase in accounts receivable	**(45)**	-
(Decrease)/increase in other payables and accruals	**(244)**	19
Net changes in working capital	**(289)**	19
Cash utilised in operations	**(9 016)**	-

9. 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.

9.1 Subsidiaries
Details of investments in direct subsidiaries are disclosed in note 3.

9.2 Trading transactions
The following is a summary of transactions with subsidiary companies during the period and balances at period-end:

	30 September 2016 €'000	30 June 2015 €'000
Loans receivable from:		
Steinhoff Investment Holdings Limited	**295 074**	-
Steinhoff Finance Holdings GmbH	**179 659**	-
Steinhoff International Holdings Limited	**4 076**	-
	478 809	-

The loans bear no interest and have no fixed terms of repayment.

	30 September 2016 €'000	30 June 2015 €'000
Loan payable to:		
Stichting Genesis International	**-**	3

The loan was repaid during the year.

9.3 Directors
For details of the directorate, directors' emoluments, share rights, directors' interest in contracts and interest in Steinhoff N.V. ordinary share capital, please refer to the consolidated annual financial statements.

10. 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 2016 €'000	Loans and receivables and other financial liabilities at carrying and fair value 30 June 2015 €'000
10.1 Total financial assets and liabilities		
Related party loans receivable	**478 809**	-
Cash and cash equivalents	**65**	48
Current financial assets	**478 874**	48
Other payables and accruals	**(51 484)**	(19)
Related party short-term loans payable	**-**	(3)
Current financial liabilities	**(51 484)**	(22)
	427 390	26
Foreign exchange losses	**(8 151)**	**-**

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 either period presented.

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.

10.2 Foreign currency risk

The financial assets and liabilities of the company are denominated in the functional currency except for the following South African rand denominated related party loan receivable, related party loan payable and the bank balance.

	30 September 2016 €'000	30 June 2015 €'000
Related party loan receivable (note 10)	**299 150**	**-**
Bank balances and cash	**8**	**-**
	299 158	**-**

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

	Forecast rate[1] 30 September 2017	Forecast rate[1] 30 June 2016	**Reporting date spot rate 30 September 2016**	Reporting date spot rate 30 June 2015
South African rand : euro	**15.8527**	13.1225	**15.4493**	13.5628

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

Sensitivity analysis

The table below indicates the company's sensitivity at the reporting date to the movements in the rand that the company is exposed to on its financial instruments. The percentage given below represents a weighting of foreign currency rates forecasted by the major banks that the company transacts with regularly. This analysis assumes that all other variables, in particular interest rates, remain constant.

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

	30 September 2016 €'000	30 June 2015 €'000
Through (profit)/loss		
Rand weakening by 2.6% (2015: nil) to the euro	**7 812**	-

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

10.3 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		
	Variable South African (SA) prime €'000	**Non-interest-bearing €'000**	**Total €'000**
30 September 2016			
Current financial assets	**8**	**478 866**	**478 874**
Current financial liabilities	**-**	**(51 484)**	**(51 484)**
	8	**427 382**	**427 390**
30 June 2015			
Current financial assets	-	48	48
Current financial liabilities	-	(22)	(22)
	-	26	26

Sensitivity analysis

The company is sensitive to movements in the SA prime rate.

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 is less than €1 000. A 100 basis point decrease in the above rates would have had an equal, but opposite, effect on profit or loss.

	30 September 2016 €'000	30 June 2015 €'000
10.4 Credit risk		
Potential concentration of credit risk consists principally of cash and cash equivalents and related party loans receivable. The company deposits short-term cash surpluses with major banks of quality credit standing. At 30 September 2016, the company did not consider there to be any significant concentration of credit risk which had not been adequately provided for.		
The carrying amounts of financial assets represent the maximum credit exposure.		
The maximum exposure to credit risk at the reporting date, without taking account of the value of any collateral obtained was:		
Current financial assets	**478 874**	48
The maximum exposure to credit risk at the reporting date by geographical region was (carrying amounts):		
Continental Europe	**179 716**	48
Southern Africa	**299 158**	-
	478 874	48

No balances were past due or impaired for both periods presented.

10.5 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.

10.6 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.

10.7 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 cash and cash equivalents and 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.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
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		Effective date - annual periods commencing on or after
NEW ACCOUNTING PRONOUNCEMENTS		
At the date of authorisation of these annual financial statements, there are standards and interpretations in issue but not yet effective. These include the following standards and interpretations that have not been early adopted and may have an impact on future financial statements:		
IFRS 2	Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
IFRS 4	Insurance Contracts: Interaction of IFRS 4 and IFRS 9	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements: Investment entities: Applying the consolidation exception	1 January 2016
IFRS 11	Joint arrangements: Investment entities: Applying the consolidation exception	1 January 2016
IFRS 12	Disclosure of Interests in Other Entities: Investment entities: Applying the consolidation exception	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 1	Presentation of Financial Statements: Disclosure initiative	1 January 2016
IAS 7	Statement of Cash Flows: Disclosure initiative	1 January 2017
IAS 12	Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 27	Separate Financial Statements: Equity method in separate financial statements	1 January 2016
IAS 28	Investments in Associates: Investment entities: Applying the consolidation exception	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle		1 January 2016

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. The group is in the process of evaluating the impact the standard will have on the group. This standard will be adopted by the effective date.

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. The group is in the process of evaluating the impact the amendments will have on the group. The amendments will be adopted by the effective date.

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. The group is in the process of evaluating the impact the standard will have on the group. This standard will be adopted by the effective date.

IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28
In December 2014, the IASB issued *Investment Entities: Applying the Consolidation Exception.* The amendments provide clarification to the requirements on accounting for investment entities. The amendments also provide relief in particular circumstances. The group currently does not meet the definition of an investment entity and therefore the amendments are not expected to affect the group. The amendments will be adopted by the effective date.

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. The group is in the process of evaluating the impact the standard will have on the group. This standard will be adopted by the effective date.

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 group is in the process of evaluating the impact the standard will have on the group. This standard will be adopted by the effective date.

IAS 1

In December 2014, the IASB made improvements on the effectiveness of disclosure by issuing amendments to IAS 1: *Presentation of Financial Statements.* The amendments encourage companies to apply further professional judgement in determining what information to disclose in their financial statements. The group is in the process of evaluating the impact the amendments will have on the group. The amendments will be adopted by the effective date.

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. The group is in the process of evaluating the impact the amendments will have on the group. The amendments will be adopted by the effective date.

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. The group is in the process of evaluating the impact the amendments will have on the group. The amendments will be adopted by the effective date.

Annual Improvements to IFRSs 2012-2014

In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014. The improvements cover the following topics; IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal;* IFRS 7: *Financial Instruments: Disclosures - Servicing contracts and Applicability of the amendments to IFRS 7 to condensed interim financial statements;* IAS 19: *Employee Benefits - Discount rate: regional market issue* and IAS 34: *Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'.* The group is in the process of evaluating the impact the standard will have on the group. The improvements will be adopted by the effective date.

Other information

STEINHOFF INTERNATIONAL HOLDINGS N.V.
OTHER INFORMATION

DISTRIBUTION OF PROFIT

Articles of Association provisions governing the distribution of profit

The holders of ordinary shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to section 35 of the Articles of Association, a dividend may be declared out of net income after appropriation to increase and/or form reserves. The allocation of profit remaining after reservations deemed necessary by the supervisory board, in consultation with the management board, will then be available for distribution to the ordinary shareholders subject to approval at the general meeting of shareholders. The management board, with the approval of the supervisory board, may propose that the general meeting of shareholders make distributions wholly or partly in the form of ordinary shares. Distributions on shares may be made only up to an amount which does not exceed the amount of the distributable equity. The management board, with the approval of the supervisory board may declared an interim dividend which does not exceed the amount of the distributable equity.
A preference share shall entitle the holder thereof to a distribution of profit of an amount per preference share that is equal to the amount that shall be distributed per ordinary share to the holder thereof plus a premium per preference share of a percentage equal to one per cent calculated over the aforementioned amount of profit that shall be distributed per ordinary share, which percentage may at the time of issue of preference share concerned be increased up to a maximum of ten per cent. Amounts of net income not paid in the form of dividends will be added to the retained earnings.

Distribution of profit

The management board with the approval of the supervisory board, declared an interim distribution of 12.0 euro cents per Steinhoff N.V. ordinary share on 16 November 2016. The interim distribution was paid in cash, after withholding taxation deductions, on Tuesday, 6 December 2016.

SUBSEQUENT EVENTS

The directors are not aware of any 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, except as discussed in this report.

Tekkie Town Proprietary Limited (Tekkie Town)

On 29 August 2016, Steinhoff N.V. concluded an agreement to acquire Tekkie Town in South Africa. The acquisition has been approved by the South African Competition Commission and is subject to Namibian anti-trust approval which is expected to close by the end of the 2016 calendar year.

Fantastic Holdings Limited (Fantastic)

On 14 October 2016, Steinhoff N.V. and Fantastic executed a Scheme Implementation Deed under which Steinhoff will acquire 100% of the issued share capital in Fantastic by way of a scheme of arrangement.

The offer price values Fantastic's fully diluted equity at approximately AUD$ 361.4 million. The scheme is subject to Fantastic shareholder approval, has limited conditions and is scheduled for implementation before the end of the 2016 calendar year.

SUPPLEMENTARY INFORMATION

The following fully consolidated group companies comply with the requirements in according with section 264 Abs. 3; 264b HGB (German GAAP) and make use of relief with regard to the preparation and publication of the statutory financial statements:

Firm and seat of group company	Relevant statutory reference
Steinhoff Service GmbH, Westerstede	§ 264 Abs. 3 HGB
BST Enterprises GmbH, Westerstede	§ 264 Abs. 3 HGB
Steinhoff Europe Groupe Services GmbH, Westerstede	§ 264 Abs. 3 HGB
Steinhoff Eta GmbH, Westerstede	§ 264 Abs. 3 HGB
Bruno Steinhoff Trading GmbH, Westerstede	§ 264 Abs. 3 HGB
LTW Transport GmbH, Westerstede	§ 264 Abs. 3 HGB
Global Warehouse and Logistics GmbH, Leinefelde-Worbis	§ 264 Abs. 3 HGB
WL Westersteder Lagerhaus GmbH, Westerstede	§ 264 Abs. 3 HGB
puris Bad Beteiligungs Gesellschaft mbH, Brilon	§ 264 Abs. 3 HGB
Prolog Vertriebs GmbH, Westerstede	§ 264 Abs. 3 HGB
Tau Enterprises GmbH, Westerstede	§ 264 Abs. 3 HGB
Omega Enterprises GmbH, Westerstede	§ 264 Abs. 3 HGB
Steinhoff Digital GmbH, München (vormals: Kappa Projekt GmbH, Westerstede)	§ 264 Abs. 3 HGB
Kappa Immobilien Investment GmbH, Westerstede	§ 264 Abs. 3 HGB
Kappa Immobilien GmbH, Westerstede	§ 264 Abs. 3 HGB
Kappa Immobilien Verwaltungs GmbH & Co. KG, Westerstede	§ 264b HGB
Gamma Enterprises GmbH, Westerstede	§ 264 Abs. 3 HGB
LiVest GmbH, Bergkamen	§ 264 Abs. 3 HGB
LiVest Management GmbH & Co. KG, Bergkamen	§ 264b HGB
LiVest Management Verwaltungs GmbH, Bergkamen	§ 264 Abs. 3 HGB
Briloner Möbel Werke GmbH, Brilon	§ 264 Abs. 3 HGB
Impuls Küchen Gesellschaft mit beschränkter Haftung, Brilon	§ 264 Abs. 3 HGB
Global Warehouse and Logistics Service GmbH (vormals: Wohnpark Hase Auen GmbH), Westerstede	§ 264 Abs. 3 HGB

Independent auditor’s report

Our opinion

We have audited the financial statements for the 15 months period ended 30 September 2016 of Steinhoff International Holdings N.V. (‘the company’), based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements as set out on pages 74 to 172 of this annual report.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of Steinhoff International Holdings N.V. as at 30 September 2016, and of its result and cash flows for the 15 months period then ended in accordance with International Financial Reporting Standards as adopted by the European Union (‘EU-IFRS’) and with Part 9 of Book 2 of the Dutch Civil Code.
- The company financial statements give a true and fair view of the financial position of Steinhoff International Holdings N.V. as at 30 September 2016, and of its result for the 15 months period then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What have we audited

The consolidated financial statements comprise:

1. The consolidated statement of the financial position as at 30 September 2016;
2. The following statements for the 15 month period ended 30 September 2016: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 30 September 2016;
2. The company profit and loss account for the 15 months period ended 30 September 2016; and
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Steinhoff International Holdings N.V. in accordance with the Regulation on Auditor Independence in Assurance Engagements ['*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*' ('ViO')] and other relevant independence regulations in The Netherlands.

Furthermore we have complied with the Regulation on Rules of Professional Conduct and Practice of Accountants ['Verordening gedrags- en beroepsregels accountants' ('VGBA')].

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Report of the Board of Directors

- Prepared in accordance with Part 9 Book 2 Dutch Civil Code
- Consistent with financial statements

Materiality

Materiality for the financial statements as a whole € 85 million

Key Audit Matters

- Vendor allowances
- Valuation of goodwill and intangible assets
- Acquisitions – Accounting for business combinations
- Taxes – Provisions for uncertain tax positions and valuation of deferred tax assets
- Initial audit engagement

Scope

Deloitte audited the consolidated and company financial statements

As part of our audit we have determined materiality and used it to assess the risks of material misstatement. We have specifically assessed accounts where subjectivity is high because of estimates regarding uncertain future developments. We have likewise specifically focused on the risk related to management override of controls and the risk of material misstatement due to fraud. In addition, our audit included the continuity and reliability of the automated information systems.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 85 million. The materiality is determined by applying a factor of 5% of normalised consolidated profit before taxation. We have also taken into account misstatements and / or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Materiality overview

Materiality for the financial statements as a whole	€ 85 million
Basis for materiality	5% of normalised profit before taxation
Threshold for reporting misstatements	€ 2.500.000

We agreed with the Audit Committee that misstatements in excess of € 2.500.000 which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Steinhoff International Holdings N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Steinhoff International Holdings N.V.

Our group audit mainly focused on significant group entities. Our assessment of entities that are significant to the group was done as part of our audit planning and was aimed to obtain sufficient coverage of the risks of a material misstatement for significant account balances and disclosures that we have identified. In addition we considered qualitative factors as part of our assessment which entities are significant to the group, such as:

- The complexity and nature of operations, internal controls and accounting;
- The extent and nature of internal control deficiencies and financial statement misstatements identified in prior year;
- Newly acquired businesses;
- Location of the component;
- The complexity of the underlying IT infrastructure.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the group engagement team and by component auditors. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. The group engagement team directed the planning, reviewed the results of the work undertaken by component auditors and assessed and discussed the findings with the component auditors during conference calls and site visits.

In the current year, the group engagement team visited components in France, Germany, United Kingdom, the Netherlands, Austria, the United States of America and South Africa. Additionally, the group engagement team visits other components on a rotational basis.

The group consolidation, financial statement disclosures and a number of complex items were audited by the group engagement team. These include goodwill impairment testing, share based payments, significant acquisitions and critical accounting positions.

As part of our year-end audit procedures we have reconsidered our assessment of significant group entities in order to ensure we have obtained appropriate coverage of the risks of a material misstatement for significant account balances and disclosures that we have identified.

In summary, the group engagement team has:

- Performed audit procedures at Steinhoff International Holdings N.V.;
- Used the work of other auditors when auditing the two significant components: the combined operations in Europe and Australasia and the combined operations in Africa;
- Performed review procedures or specific audit procedures at the other group entities.

The group entities subject to full scope audits comprise over 95% of consolidated net sales, over 95% of profit before taxation and over 95% of consolidated total assets. For these remaining entities we performed a combination of specific audit procedures and analytical procedures at group level relating to the risks of material misstatement for significant account balances and disclosures that we have identified.

Audit coverage

Audit coverage of consolidated net sales	> 95%
Audit coverage of profit before taxation	> 95%
Audit coverage of consolidated total assets	> 95%

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to Audit Committee. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the 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	
Vendor allowances The Group receives various types of vendor allowances (buying group bonuses, rebates and marketing contributions). These allowances are a significant component in the cost of sales. The majority of vendor allowances are settled during the financial year. Significant management judgement is required to estimate the value of the significant vendor allowance receivable at balance sheet date, for example concerning the nature and level of fulfilment of the company's obligations under the vendor agreements, estimates with respect to purchase or sales volumes to support income recognition.	Our procedures included testing management's controls around the completeness and accuracy of the contractual agreements recognized in the accounting system, challenging management's assumptions used in determining the unrealized vendor allowances through discussions with management and performing the following specific substantive procedures: • On a sample basis we agreed the recorded amounts to contractual evidence and confirmed the related positions and terms with the vendors; and • To evaluate the reliability of management's estimates, we performed a retrospective review of subsequent collections on prior period vendor allowance receivables.
Valuation of goodwill and intangible assets As disclosed in Note 8 and 9, goodwill and intangible assets amount to €16 508 million (June 2015: €9 955 million) and represent 51 % of total assets and 103 % of equity. Goodwill and intangible assets are subject to an annual impairment test. A variety of internal and external factors such as market developments, profitability, economic conditions, fiscal terms and management's expectations of future performance are used in the impairment analyses of the company, and they represent significant estimates that require the use of valuation models and a significant level of management judgement, particularly the assumptions related to discount rate, future growth rate and future royalty rates.	We have evaluated the impairment models and involved valuation specialists to assess the models used and the key assumptions applied. Our audit procedures included challenging management's key assumptions used in the cash flow forecasts included within the impairment models with reference to historical trading performance and market expectations, as well as historic trend analyses to determine management's ability to reliably estimate such assumptions. Our valuation specialists assisted us in assessing the discount rates, future growth rate and future royalty rates applied by benchmarking against independent data. We also evaluated the Director's assessment of the sensitivity of the Group's impairment models to possible changes in the key assumptions and assessed the adequacy of the disclosures provided by the Group in relation to its impairment reviews.
Acquisitions – Accounting for business combinations During the period, the Group made a number of acquisitions as detailed in Note 25, most notably the acquisition of Mattress firm for a total consideration of € 2.2 billion excluding existing debt and the acquisition of Poundland for a total consideration of € 704.6 million. On acquisition, the Group was required to determine the fair value of identifiable assets acquired and liabilities assumed in the acquiree. The determination of the fair value of these assets and liabilities requires the exercise of significant management judgement, in particularly where their values differ significantly from prior book value, to ensure the completeness of assets and liabilities identified and in relation to the fair value	Our audit procedures, which involved internal valuation specialists to assess whether the methodology utilised by management in determining the fair valuation of assets and liabilities acquired was appropriate, 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 process by reading the key documents associated with the acquisition, including the sale and purchase agreement, board papers and due diligence reports.

Key audit matter	
adjustments applied to the book values of other assets acquired. Management engaged external valuation specialists to assist in relation to the acquisition accounting process, focusing specifically on the adjustments arising from the intangible assets recognised.	We challenged key assumptions utilised by reference to historical and forecast cash flows, third party evidence such as local market data and discount rates applied. We have also assessed the adequacy of the disclosures as included in the consolidated financial statements in note 25.
Taxes – provisions for uncertain tax positions and valuation of deferred tax assets 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, including transaction-related taxes and transfer pricing arrangements. Additionally, deferred tax assets resulting from 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. We focused on these areas because of the level of complexity and judgement that is required when quantifying appropriate provisions for uncertain tax positions and in determining assumptions about future market and economic conditions when assessing the recoverability of deferred tax assets.	We used our own tax specialists to obtain a detailed understanding of the Group's tax strategy including current transfer pricing arrangements. We assessed tax risks, legislative developments and the status of ongoing local tax authority audits. We evaluated and challenged the Group's judgements in respect of estimates of tax exposures, recoverable amounts and contingencies. We considered correspondence with tax authorities and relevant historical and recent judgements, and also assessed legal opinions from third party tax advisors. With regard to recorded deferred tax assets, we evaluated the Group's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on budgets and business plans. We assessed the adequacy of the Company's disclosures in notes 4 and 13 regarding uncertain tax positions and recognised deferred tax assets.
Initial audit engagement There are additional considerations involved in performing initial audit engagements. After being appointed as the Company's auditors in May 2016, we developed a comprehensive plan to ensure an effective and efficient initial audit.	In order to develop an appropriate audit strategy and audit plan in the initial audit engagement at the Group, specific planning activities were necessary. These included, but were not limited, to: • Obtaining an initial understanding of the Group and its business including background information, strategy, business risks, IT landscape and its financial reporting and internal controls framework, to assist in performing risk assessment procedures; • Obtaining sufficient appropriate audit evidence regarding opening balances and the appropriate selection and consistent application of accounting policies; and • Communicating with the predecessor auditor, including reviews of audit working papers for previous periods.

Responsibilities of the Board of Directors' and the Supervisory Board for the financial statements.

The Board of Directors' is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors' is responsible for such internal control as the Board of Directors' determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors' is responsible for assessing the company's ability to continue as a going concern. Based on EU-IFRS, the Board of Directors' should prepare the financial statements using the going concern basis of accounting unless the Board of Directors' either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors' should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Board of Directors';
- Concluding on the appropriateness of Board of Directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and / or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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 findings in internal control that we identify during our audit.

We 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 Audit Committee, we determine those matters that were of most significance in the audit of the 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, not communicating the matter is in the public interest.

Report on other legal and regulatory requirements

Report on the other information included in the annual accounts

In addition to the financial statements and our auditor's report, the annual accounts contain other information that consists of:

- Report of the Board of Directors
- Other Information as required by Part 9 Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of other information, including the Report of the Board of Directors and Other Information in accordance with Part

Engagement

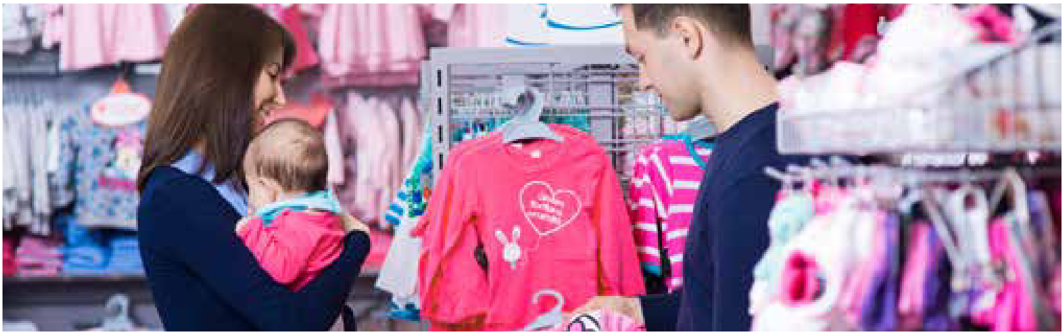
We were engaged as auditor by the Shareholders of Steinhoff International Holdings N.V. on May 30, 201 as of the audit for the 15 month period ended September 30, 2016. This is our first year of statutor auditor of Steinhoff International Holdings N.V.

Amsterdam, 6 December 2016

Deloitte Accountants B.V.

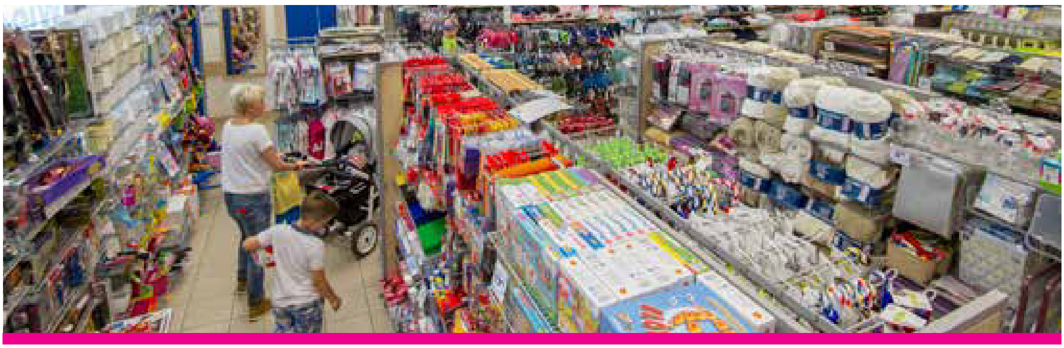
Signed on the original

P.W. Seinstra



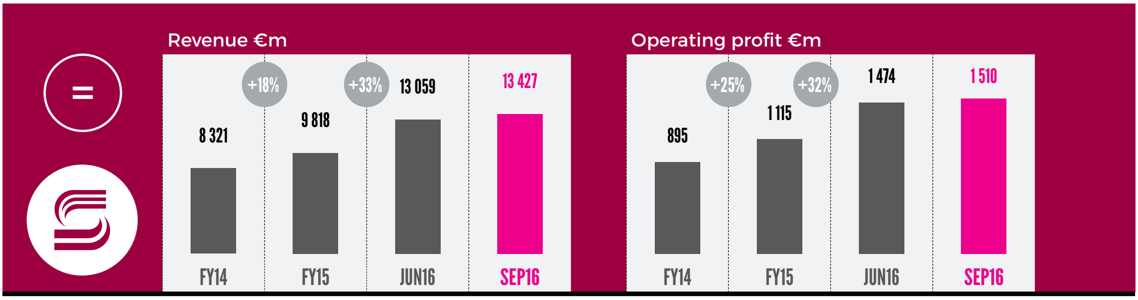

Value
Everyday!


PEP&CO
BABY

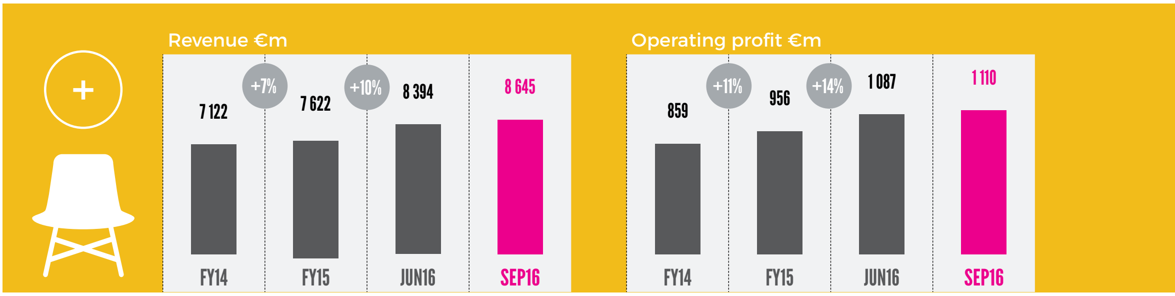


Annexure 1 – Historic performance

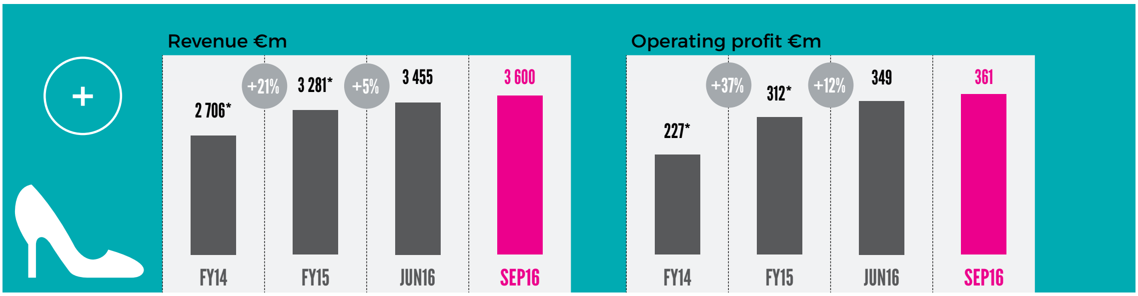
STEINHOFF GROUP



HOUSEHOLD GOODS

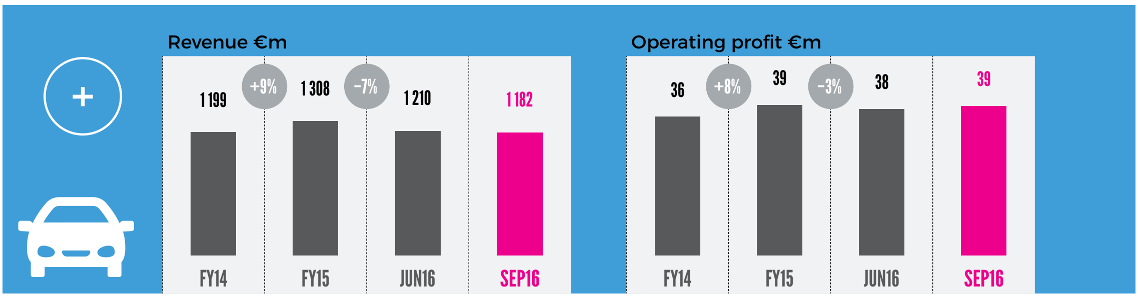


GENERAL MERCHANDISE

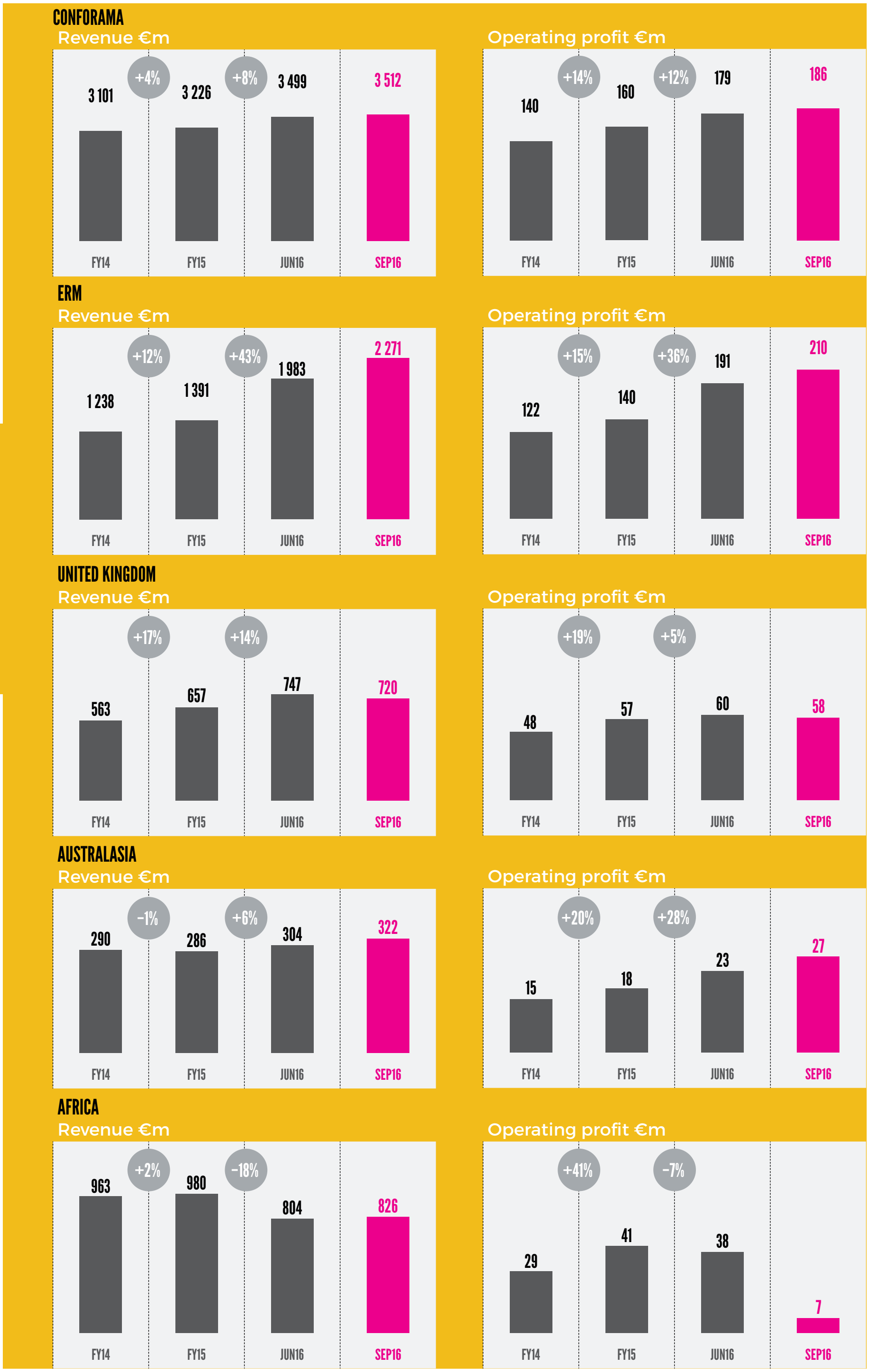


*Pro forma for 12 months

AUTOMOTIVE



FY refers to the financial year of 12 months, JUN16 refers to 12 months ended 30 June 2016, SEP16 refers to 12 months ended 30 September 2016



FY refers to the financial year of 12 months, JUN16 refers to 12 months ended 30 June 2016, SEP16 refers to 12 months ended 30 September 2016

Annexure 2 – Historic performance

SEASONALITY ANALYSIS FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2016 (FY16)

	Q1FY16 Oct–Dec	Q2FY16 Jan–Mar	Q3FY16 Apr–Jun	Q4FY16 Jul–Sep	FY16 Oct–Sep €m
Revenue					
Household goods	26%	26%	23%	25%	8 645
General merchandise	30%	20%	25%	25%	3 600
Automotive	26%	24%	24%	26%	1 182
	28%	**24%**	**23%**	**25%**	**13 427**
Operating profit					
Household goods	33%	22%	23%	22%	1 110
General merchandise	37%	9%	33%	21%	361
Automotive	23%	23%	27%	27%	39
	34%	**19%**	**25%**	**22%**	**1 510**
Operating margin					
Household goods	16.0%	11.1%	12.8%	11.1%	12.8%
General merchandise	12.3%	4.4%	13.5%	8.4%	10.0%
Automotive	2.9%	3.2%	3.9%	3.5%	3.3%
	13.8%	**9.0%**	**12.2%**	**9.7%**	**11.2%**

	H1FY16 Oct–Mar	H2FY16 Apr–Sep	FY16 Oct–Sep €m
Revenue			
Household goods	52%	48%	8 645
General merchandise	50%	50%	3 600
Automotive	50%	50%	1 182
	52%	**48%**	**13 427**
Operating profit			
Household goods	55%	45%	1 110
General merchandise	46%	54%	361
Automotive	45%	55%	39
	53%	**47%**	**1 510**
Operating margin			
Household goods	13.6%	11.9%	12.8%
General merchandise	9.2%	10.9%	10.0%
Automotive	3.0%	3.7%	3.3%
	11.6%	**10.9%**	**11.2%**

RESULTS FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2016

SUMMARISED CONSOLIDATED INCOME STATEMENT	€m
Continuing operations	
Revenue	13 427
Operating profit before depreciation, amortisation and capital items (EBITDA)	1 768
Depreciation and amortisation	(258)
Operating profit before capital items	1 510
Capital items	(10)
Earnings before finance charges, dividend income, equity accounted earnings and taxation	1 500
Net finance charges	(161)
Dividend income	3
Share of profit of equity accounted companies	72
Profit before taxation	1 414
Taxation	(192)
Profit for the year from continuing operations	1 222
Profit for the year from discontinued operations	6
Profit for the year	1 228
Attributable to:	
Owners of the parent	1 224
Non-controlling interests	4
Profit for the year	1 228

ADDITIONAL INFORMATION	
WEIGHTED AVERAGE NUMBER OF SHARES (m)	**3 721**
DILUTIVE WEIGHTED NUMBER OF SHARES (m)	**4 113**
Continuing operations (cps)	
Basic earnings per share	32.1
Headline earnings per share	31.9
Diluted earnings per share	30.3
Diluted headline earnings per share	30.1
Currency (rand:euro)	16.4289

Annexure 3 – Store network development

HOUSEHOLD GOODS		30 Jun 2016	STORE OPENINGS	STORE CLOSURES	30 Sep 2016	Retail area m² ('000)
Australia	Snooze	81	1	–	82	88
	Poco	2	–	–	2	12
Australia and New Zealand	Freedom	62	1	–	63	125
Austria	kika-Leiner	50	–	–	50	506
Croatia	Emmezeta	7	–	–	7	63
Czech Republic	kika-Leiner	8	–	–	8	55
France	Conforama	204	1	–	205	742
Germany	Poco	112	2	–	114	660
Hungary	Extreme Digital	14	1	–	15	1
	kika-Leiner	8	–	–	8	64
Iberia	Conforama	36	2	–	38	158
Italy	Conforama	15	–	–	15	124
Netherlands	Poco	1	–	–	1	6
Poland	Abra	102	3	(2)	103	71
	Poco	1	–	–	1	5
Romania	kika-Leiner	1	–	–	1	11
Serbia	Conforama	1	–	–	1	12
Slovakia	kika-Leiner	4	–	–	4	22
South Africa	Poco	1	–	–	1	7
Southern Africa	Bradlows, Rochester, Russells, Sleepmasters, Incredible Connection, HiFi Corp	945	1	(84)	862	463
	SteinBuild	137	–	–	137	360[1]
Switzerland	Conforama	23	–	(2)	21	80
	Lipo	21	–	–	21	72
United Kingdom	Bensons for Beds	280	2	(4)	278	156
	Harveys	155	6	(1)	160	140
United States of America	Mattress Firm	–	3 505	–	3 505	1 667[2]
TOTAL RETAIL OUTLETS		2 271	+3 525	(93)	5 703	
TOTAL RETAIL SPACE (m²)						5 670

[1] *Estimated retail area pertaining to the Iliad stores included*
[2] *Mattress Firm was acquired on 30 September 2016*

GENERAL MERCHANDISE

		30 Jun 2016	STORE OPENINGS	STORE CLOSURES	30 Sep 2016	Retail area m² ('000)
Australia and New Zealand	Best&Less, Harris Scarfe, Mozi, Postie+, Store&Order	331	2	(8)	325	347
France	MacDan	23	1	–	24	32
Poland, Slovakia, Czech Republic, Romania, Hungary	PEPCO	939	36	–	975	359
Rest of Africa	Pep, Powersales	294	7	(9)	292	117
Southern Africa	Ackermans	560	17	–	577	388
	Pep	1 971	23	(4)	1 990	735
	Dunns, John Craig, Shoe City, Refinery	520	3	(9)	514	131
United Kingdom	PEP&CO, GHM!	52	2	–	54	19
	Poundland	–	874	–	874	472[3]
TOTAL RETAIL OUTLETS		4 690	+965	(30)	5 625	
TOTAL RETAIL SPACE (m²)						2 600

[3] Poundland was acquired on 30 September 2016

AUTOMOTIVE

		30 Jun 2016	STORE OPENINGS	STORE CLOSURES	30 Sep 2016	Retail area m² ('000)
Southern Africa	Unitrans	91	–	–	91	346
	Hertz	48	2	–	50	23
TOTAL RETAIL OUTLETS		139	+2	–	141	
TOTAL RETAIL SPACE (m²)						369

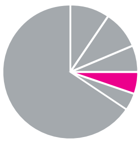
TOTAL GROUP RETAIL OUTLETS	7 100	+4 492	(123)	11 469	
TOTAL RETAIL SPACE (m²)					8 639

Annexure 4 – Retail markets and positioning

HOUSEHOLD GOODS

AUSTRALIA — #4

Market size **€9.5bn#**



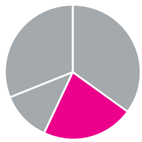
IKEA	9.6%
Harvey Norman	9.2%
Super Amart	6.3%
Steinhoff	**5.2%**
Fantastic Furniture	4.3%
Other	65.4%

Source: *Australian Bureau of Statistics and internal sources 2016*

The market definition was updated to include furniture, floor coverings, housewares and textile goods

AUSTRIA — #2

Market size **€3.9bn**



XXXLutz	35.0%
Steinhoff	**22.0%**
IKEA	11.9%
Other	31.1%

Source: *Regioplan and internal sources 2015*

CROATIA — #3

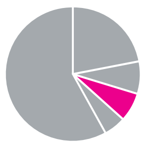
Market size **€0.4bn**

Lesnina	27.6%
IKEA	19.1%
Steinhoff	**11.9%**
Jysk	10.6%
Other	30.8%

Source: *FINA 2015*

CZECH REPUBLIC AND SLOVAKIA — #3

Market size **€1.5bn**

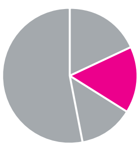


IKEA	22.1%
Jysk	7.7%
Steinhoff	**6.9%**
XXXLutz	5.4%
Other	57.9%

Source: *Euromonitor 2015*

FRANCE — #2

Market size **€9.3bn**

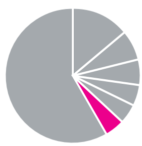


IKEA	18.3%
Steinhoff	**15.7%**
BUT	13.1%
Other	52.9%

Source: *IPEA 2015*

GERMANY — #6

Market size **€31.4bn**

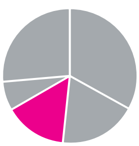


IKEA	14.1%	Tessner Roller	4.8%
XXXLutz	7.2%	**Steinhoff**	**4.5%**
Krieger	6.1%	Other	58.3%
Otto	5.0%		

Source: *Möbelmarkt 2016*

HUNGARY — #3

Market size **€0.5bn**

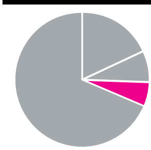


IKEA	33.1%
Jysk	18.8%
Steinhoff	**14.8%**
DIEGO	7.1%
Other	26.2%

Source: *Euromonitor 2015*

SPAIN — #3

Market size **€3.5bn**



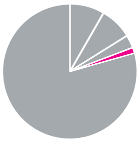
IKEA	18.2%
El Corte Ingles	7.4%
Steinhoff	**5.8%**
Other	68.6%

Source: *DBK 2015*

#4

ITALY

Market size **€9.5bn**



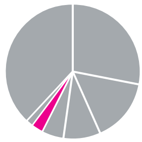
Mondo Convenienza Uno	8.4%
IKEA	7.9%
Poltrone Sofa	3.1%
Steinhoff	1.2%
Other	79.4%

Source: CSIL, GFK 2015

#5

POLAND

Market size **€2.1bn**



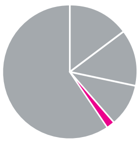
IKEA	28.6%	Black Red White	4.3%
Jysk	15.4%	Steinhoff	2.8%
Agata	8.9%	Other	40%

Source: Euromonitor 2015

#4

ROMANIA

Market size **€0.8bn**



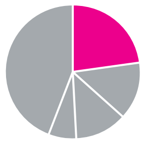
IKEA	11.9%
Mobexpert	8.5%
Jysk	4.5%
Steinhoff	1.7%
Other	73.4%

Source: Euromonitor 2015

#1

SOUTH AFRICA

Market size **€2.1bn**



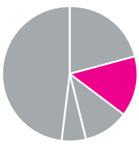
Steinhoff	22.8%
Mr Price	14.1%
Shoprite	12.5%
Lewis	6.7%
Other	43.9%

Source: Stats SA 2015, company annual reports

#2

SWITZERLAND

Market size **€2.2bn**



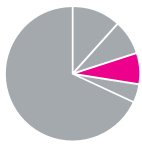
IKEA	21.1%
Steinhoff	14.4%
Pfister	10.7%
Migros	5.8%
Other	48.0%

Source: GFK 2015

#3

UNITED KINGDOM

Market size **€8.7bn**



DFS	11.9%
IKEA	8.3%
Steinhoff	7.5%
SCS	4.4%
Other	67.9%

Source: Verdict 2016

Annexure 5 – Exchange rates

	AVERAGE TRANSLATION RATE			CLOSING TRANSLATION RATE		
	15MFY16	12MFY15	% Change	30 September 2016	30 June 2015	% Change
EUR:ZAR	16.0376	13.7347	16.8%	15.4493	13.5628	13.9%
EUR:PLN	4.3045	4.1667	3.3%	4.3192	4.1911	3.1%
EUR:GBP	0.7693	0.7625	0.9%	0.8610	0.7114	21.0%
EUR:AUD	1.5137	1.4361	5.4%	1.4657	1.4550	0.7%
EUR:USD	1.1111	1.2041	(7.7%)	1.1161	1.1189	(0.3%)
EUR:CHF	1.0875	1.1342	(4.1%)	1.0876	1.0413	4.4%

15MFY16 represents the 15-month period ended 30 September 2016
12MFY15 represents the 12-month period ended 30 June 2015

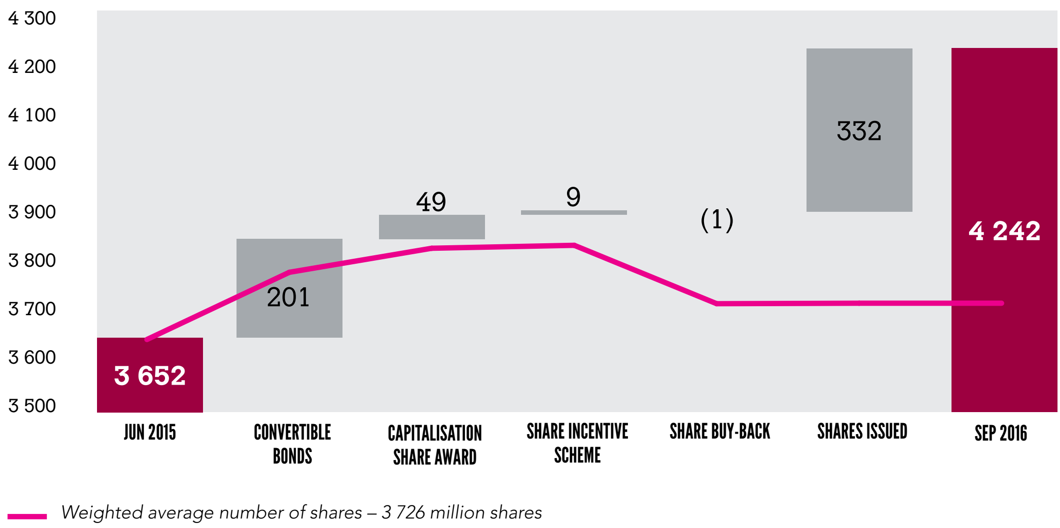
Annexure 6 – Share information

SHARE STATISTICS

Stock Exchange	FSE	JSE
Stock symbol	SNH Xetra	SNH SJ
ISIN	NL0011375019	NL0011375019
Initial listing	Dec 2015	Sep 1998[1]
Opening share price	€5.00[2]	ZAR76.99[3]
Closing share price[4]	€5.13	ZAR78.55
Highest share price during period	€6.14	ZAR96.85
Lowest share price during period	€3.80	ZAR69.80
Market capitalisation (bn)[4]	€21.8	ZAR333.4
Number of shares in issue (m)[5]	4 242	4 242

[1] *Original listing of Steinhoff International Holdings Limited on the JSE Limited*
[2] *As at 7 December 2015 (Primary listing on Frankfurt Stock Exchange in Germany with a secondary listing on the JSE Limited in South Africa)*
[3] *As at 30 June 2015*
[4] *As at 30 September 2016*
[5] *As at 30 September 2016, net of treasury shares*
Source: Thomson Eikon

EQUITY – SHARES ISSUED DURING FY16 (15-MONTH PERIOD)



Shareholder analysis

SIGNIFICANT SHAREHOLDERS WITH HOLDINGS IN EXCESS OF 5% AT 30 SEPTEMBER 2016

	Number of shares	%
CH Wiese	982,859,150	23.1%
Public Investment Corporation	360,597,881	8.5%
Coronation Fund Managers	222,935,029	5.2%

Annexure 7 – Financial calendar

Quarter one – Trading update	Tuesday, 28 February 2017
Annual general meeting of Steinhoff International Holdings N.V.	Tuesday, 14 March 2017
Anticipated payment date of final distribution (if and when approved)	Wednesday, 15 March 2017
Interim results	Wednesday, 7 June 2017
Quarter three – Trading update	Thursday, 31 August 2017
Financial year 2017 – Publication of results	Wednesday, 6 December 2017

Corporate and contact information

Registration number

63570173

Registered office	Business office
Herengracht 466, 1017 CA Amsterdam, The Netherlands PO Box 15803 1001 HC Amsterdam	Block D, De Wagenweg Office Park, Stellentia Road, Stellenbosch 7600 RSA

Website

www.steinhoffinternational.com

Auditors

Deloitte Accountants B.V.
Gustav Mahlerlaan 2970
1081 LA Amsterdam
The Netherlands

PO Box 58110
1040 HC
Amsterdam
The Netherlands

Company secretary

Steinhoff Secretarial Services Proprietary Limited
28 Sixth Street
Wynberg
Sandton 2090
(PO Box 1955, Bramley 2018)

South African sponsor

PSG Capital Proprietary Limited
(Registration number 2002/017362/06)
1st Floor
Old Kollege Building
35 Church Street
Stellenbosch
7600
(PO Box 7603, Stellenbosch 7599)

South African transfer secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank 2196
(PO Box 61051, Marshalltown 2107)

Commercial banks

Commerzbank AG
Strawinskylaan 2501
1077 22 Amsterdam

PO Box 75444, 1070 Amsterdam

Standard Corporate and Merchant Bank
(A division of The Standard Bank of South Africa Limited)
(Registration number 1962/000738/06)
Ground Floor, 3 Simmonds Street
Johannesburg 2001
(PO Box 61150, Marshalltown 2107)
In addition, the group has commercial facilities with various other banking and financial institutions worldwide.

For further publications and additional information, please refer to the company website:

www.steinhoffinternational.com