STEINHOFF
INTERNATIONAL HOLDINGS N.V.

AUDITED RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The publication today of the delayed Annual Report for 2017, including restated figures for both 2016 and the opening balance of 2016, is another important milestone for the Group.

Preparation of these financial statements has been extremely complex, especially determining the correct IFRS implications of accounting irregularities that cover an extended period and involve a substantial number of entities, both within and outside the Group.

2017

TABLE OF CONTENTS

TABLE OF CONTENTS
continued

MESSAGE FROM THE MANAGEMENT BOARD

Dear Stakeholders

The last seventeen months have been by far the most challenging in the history of Steinhoff International Holdings N.V. (the "Company" or "Steinhoff N.V."). As a Management Board our priority through this period has been to re-establish stability for the business by achieving a financial restructuring. This process has been highly complex and demanding but will shortly be complete.

We recognise that we must ensure our Company is never again confronted with a similar incident with respect to controls and governance. To this end, we have developed a Remediation Plan to address the shortcomings that have been identified and ensuring improved standards of compliance, disclosure and professional conduct are adopted throughout the business as we forge our recovery.

We would like to start by expressing our thanks to all of those who have supported the Group during a very difficult time. Many of you have gone through the same feelings of profound shock, anger and disappointment that we in the Group felt as the accounting irregularities were uncovered in December 2017. We are enormously grateful to our shareholders, financiers, customers and suppliers who have stood by us as we have worked through the necessary investigations and audits, and to our employees and others who have worked above and beyond the call of duty.

Our aim as a recently reconstituted Management Board has been to bring stability, leadership and strong governance to a Group that still has very real challenges, but also great strengths in the retail sector, and then to drive its businesses forward to help forge a sustainable recovery.

Of pressing concern has been the financial stability of the Company and the Group. We have been engaged in a tireless effort to restructure our finances since December 2017 and are now entering the final stages of this process. We are grateful to our financial creditors in agreeing to the Lock-up Agreement in July 2018, giving us the opportunity to develop a restructuring plan which will, when implemented, give us a period of financial stability to 31 December 2021 as detailed in the Business Review.

The publication today of the delayed Annual Report for 2017, and the restated figures for both 2016 and the opening balance of 2016, is another important milestone for the Group. Preparation of these financial statements has been extremely complex, especially determining the correct IFRS implications of accounting irregularities that cover an extended period and involve a substantial number of entities, both within and outside the Group. This position has been further exacerbated by the fact that certain key individuals, with the requisite knowledge to help unravel these complex transactions, and the consequential effects thereof, have not made themselves available for questioning. This has resulted in an extended investigation, detailed analysis and substantial judgements by the Management Board in arriving at the results for each year and in particular the restatement of the opening balance for 2016.

In arriving at these results, the Management Board has relied on both its own internal investigations and those of the PwC forensic investigation teams to glean the background and facts surrounding the irregularities. In addition, the Company has engaged with both independent technical experts and the Company's External Auditor to determine the most appropriate way to account for the financial effects of the irregularities and the consequential impact thereof. This process included the detailed analyses of the numerous transactions and relationships. These analyses have has in turn been discussed and reviewed by independent technical experts and reviewed and challenged by the Company's External Auditor. The finalisation of the financial statements was dependent on the completion of PwC's forensic investigation, to ensure that all identified issues could be considered and evaluated in the preparation of these financial statements, which in turn enabled completion of the audit by the External Auditor.

Preparation of the Annual Report relating to the 2018 Reporting Period is progressing well and is expected to be published within the next few weeks. As we plan to release the 2018 Annual Report shortly after the 2017 Annual Report, we shall, where it makes sense, duplicate parts of the various reports, including this message and the message from the Supervisory Board. This duplication is aimed at creating a bridge between both publications. Looking at either year in isolation tells only half the story and we believe this approach makes it easier for stakeholders to comprehend the Group's affairs and the surrounding context.

Achievement of this milestone paves the way for us to commence the next phase of our restructuring, which aims to stabilise the Group and maximise the return for all its various stakeholders in a way that enables the long-term growth of the underlying operating entities whilst ensuring the highest standards of corporate governance. As part of the process, we have developed a Remediation Plan.

This Annual Report outlines the events that followed the December 2017 announcement of the financial irregularities, and the role of the Management Board in stabilising the Company and the Group. We deal with the events leading up to the December 2017 announcement, focus on the business's performance in the financial years in question, and the financial restructuring process, and then outline our strategy and address the outlook.

At the outset it should be noted that it is now clear from the multiple investigations carried out that the accounting irregularities, over an extended period, masked the fact that the Group's profitability was challenged. As stated above, the investigations identified several areas where the financial results for the previous financial periods required restatement. The detailed restatements are available in the Financial Review of the Annual Report.

For the 12 months to 30 September 2017, the Company's consolidated net sales were €18.8 billion, compared with €16.1 billion for the 15 months to 30 September 2016.

The increase in net sales is largely attributable to the first-time inclusion of Mattress Firm in the USA and Poundland in the UK for a full year, both acquired during September 2016. Sales in 2017 were further boosted by the acquisitions of Fantastic in Australia and Tekkie Town in South Africa during the Reporting Period.

The aggressive international expansion of recent years was terminated immediately after the announcement of the accounting irregularities in December 2017.

Due to the level of abnormal transactions impacting each year, the Management Board have chosen to disclose, in addition to the disclosed EBITDA, Sustainable EBITDA that excludes such abnormal transactions (refer to Financial Review section). Sustainable EBITDA was €765 million in 2017 while it was €753 million in 2016 (15 months). In both years operating results were impacted by impairment charges relating to goodwill and other intangible assets, being €3.4 billion in 2017 and €42 million in 2016, impairment charges related to property, plant and equipment of €521 million and €26 million in 2016 and impairment charges relating to other assets of €103 million in 2017 and €161 million in 2016.

The Operational Review can be found in section 3 of the Annual Report.

Stabilising our financial situation

The Management Board commenced discussions with its financial creditors immediately after the news of the accounting irregularities broke in December 2017. This engagement continued throughout 2018 and in 2019 to the date of this Annual Report, at various levels in the Group. The restructuring effort has resulted in the majority of the South African debt being repaid, and funds being raised successfully at operating company level, and culminated in the implementation of the Lock-up Agreement as finally amended, on 20 July 2018. The Lock-Up Agreement was aimed at providing the Group with stability by creating an extended period of time to ensure fair treatment across the various creditor groups, allow management to focus on delivering value at the Group's operating businesses, and achieve a deleveraging of the Group.

The restructuring of the financial indebtedness of Hemisphere, the Group's major European property owning subsidiary, was implemented on 5 September 2018, resulting in a new, secured, three-year term loan facility of approximately €775 million.

SEAG CVA and SFHG CVA

On 30 November 2018, SEAG and SFHG, the two subsidiaries where most of the Group's financial creditors are concentrated, launched a debt restructuring through an English Company Voluntary Arrangement ("CVA") process. The SEAG and SFHG CVAs sought to implement the restructuring plan set out in the Lock-Up Agreement. When fully implemented, this will result in the restructuring of the existing financial indebtedness at each of SEAG and SFHG, and will result in the issuance of new private debt by certain newly incorporated subsidiary companies, such debt to mature on 31 December 2021 and to accrue payment-in-kind – (PIK) interest capitalising on a semi-annual basis.

Meetings of the creditors and members of SEAG and SFHG were held on 14 December 2018 at which the SEAG CVA and the SFHG CVA were approved by the requisite majorities of their respective creditors and by their members. Various conditions have to be satisfied prior to implementation of the restructuring.

On 10 January 2019, an application was issued by a company claiming to be a creditor of SEAG, challenging certain provisions of the CVA proposed in respect of SEAG. Aside from this challenge, no other challenges were received. As the challenge periods have now expired, no further challenges are permitted. On 28 March 2019, the Company and claimant agreed that the challenge application be dismissed on consensual terms. The parties accordingly filed with the court a consent order giving effect to that agreement. This has been approved by the competent court.

On 29 March 2019, the Company announced that the requisite majority of creditors of SEAG and SFHG had provided their consent to the extension of the CVA long-stop date to 31 May 2019. The approval consequently extended the long-stop date as defined in and as applicable to the Lock-Up Agreement to be the same as the extended CVA long-stop date.

As a consequence of events that have occurred since the approval of the SEAG CVA and the SFHG CVA, further amendments and modifications to the SEAG CVA, the SFHG CVA and certain of the associated documents are necessary. Whilst a number of these amendments are minor, technical or administrative in nature, certain of them will require the approval of the certain majorities of relevant creditors. SEAG and SFHG are in the process of finalising the proposed amendments and it is anticipated that SEAG and SFHG will request the relevant consents by way of a separate CVA consent request in due course. It remains the objective of the Group to complete the restructuring as soon as possible.

The Company, SEAG and SFHG have continued to work towards satisfying the remaining conditions detailed in the SEAG CVA and the SFHG CVA which need to be satisfied prior to the implementation of the restructuring. This has included, among other things, seeking to:

- finalise the tax structure paper in relation to the restructuring;
- obtain relevant tax clearances;
- clarify the methodology for calculating creditor entitlements to the new facilities pursuant to the restructuring and verifying certain underlying data with relevant creditors;
- progress, and where possible satisfy, certain of the conditions precedent detailed in the relevant documents; and
- update the SEAG CVA, SFHG CVA and certain of the associated documents to reflect developments since 28 November 2018, in consultation with the SEAG and SFHG creditor groups (and their advisers).

As referred to in the consent request circulated on 15 March 2018 and the "Update on progress of the financial restructuring" published on the Steinhoff website on 29 April 2019, SEAG and SFHG consider that certain further amendments and modifications to the SEAG CVA and the SFHG CVA and certain of the associated documents will be necessary. Once the work to update the SEAG CVA, the SFHG CVA and the relevant documents to reflect developments since 28 November 2018 has been completed (including the resolution of certain outstanding points with the SEAG and SFHG creditor groups), it is envisaged that the relevant consents to make such amendments will be requested by SEAG and SFHG by way of a separate CVA consent request.

Provided the relevant consents are received and all remaining conditions to implementation are satisfied, implementation of the restructuring will commence. It remains the objective of the Group to complete the restructuring as soon as possible.

Cash managements

In addition to the Lock-up Agreement and the CVA process, the Group has instituted tight control over capital expenditure and the management of working capital, with clear focus on receivables, payables and inventories, to help strengthen its cash position.

Our divestment programme has also moved forward at pace. We have announced the sale of several investments during the past year. The full detail of corporate activity during 2016, 2017 and 2018 can be found in the Financial Review section of this Report of the Management Board. In view of what has transpired since December 2017, it is unlikely that the Group will engage in investment activities in the near future. Instead, it is expected that the Group will initiate further divestments to help stabilise the Group and repay financial creditors.

Litigation

Several legal proceedings have been initiated against the Company and certain of its Subsidiaries during the past seventeen months. A newly constituted litigation committee consisting of the CEO (Louis du Preez), a Supervisory Director (Peter Wakkie) and two nominated Supervisory Directors (Paul Copley and David Pauker), in consultation with the Group's attorneys, continue to assess the merits of and responses to these claims. A number of initial defences have been filed.

Regulatory engagement and listings

The Group continues to engage with regulators.

Steinhoff was invited to present to the South African Parliament on several occasions during 2018 and 2019 and used these opportunities to update its joint committees on progress made since the announcements in December 2017.

The Company remains in contact with the Company's principal stock-market regulators regarding its listings: the AFM in the Netherlands, the FSE and the Federal Financial Supervisory Authority of Germany (Bundesanstalt für Finanzdienstleistungsaufsicht) and the JSE in South Africa.

We remain committed to maintaining open communication lines with all our regulators and this forms an integral part of the Group's Remediation Plan going forward

Our strategic direction

As stated above, as a new Management Board, we have a clear objective: to stabilise the Company in a way that ensures the long-term stability and growth of its underlying operations, maximises stakeholder returns and protects value, against the backdrop of substantially enhanced standards of corporate governance and control. This objective is at the heart of our Remediation Plan.

In the first instance, we are concentrating on establishing a clear understanding of the true value and potential of each of our businesses, and we will be able to further develop the future strategy of the Company once this process is complete.

We are making fundamental changes across the organisation, placing a renewed focus on the customer, as well as implementing the tighter control of capital mentioned above.

We are also stepping up our efforts to lower our cost base and maintain local market leadership. Simplifying the organisation will assist in this regard. The purpose of our operating businesses remains the delivery of a unique standard of quality to our customers at superior value.

Together, these steps will enable us to establish a new foundation for increasing free cash generation, to reduce the level of debt and over time creating value for our stakeholders.

Trading subsequent to 2017

In the 2018 and 2019 financial years, we expect that our consolidated net sales will be reduced by the impact of several factors including a number of disposals, a weaker global economy and stronger competition in our markets. These factors have been compounded by the reputational damage associated with the disclosures in December 2017, constraints from supplier credit lines and the related uncertainty associated with the ongoing investigations.

We expect that operating expenses, excluding the impact of currency exchange rates, will be significantly higher than in 2017 due to the substantial increase in adviser costs and professional fees associated with the investigation and restructuring effort, which has been detailed and extensive. We shall therefore experience an adverse impact on our consolidated operating income, before impairments, in both 2018 and 2019 financial years.

We also expect net financial expenses, excluding the impact of currency exchange rates, to be higher than in 2017. This will adversely affect net income.

We have restricted our capital expenditures during the 2018 and 2019 financial years in order to strengthen our free cash flow. Accordingly, we have delayed or cancelled several planned initiatives that involve discretionary capital expenditures, such as store remodelling. However, we expect to continue working on initiatives that will reduce our administrative costs, as well as other initiatives, including the opening of new stores that are critical for us to remain competitive in our markets. Our objective is to fund these initiatives largely through cash generated by the operations.

Outlook

The Company and the Group have worked hard to recover from the consequences post the announcement of 5 December 2017. The collective effort made by those within and outside the Group to meet the challenge of a wide-ranging and complex financial restructuring has been impressive to witness. Much has been achieved but we still have a long way to go, including resolving the various legal proceedings that have been initiated against the Company.

With implementation of the financial restructuring nearing completion, we shall once again be able to focus fully on our operating businesses, giving them the support they require to help the Group re-establish value for our stakeholders.

The whole team continues to work tirelessly towards this objective.

Our appreciation of our stakeholders

The Management Board remains positive about the Company's ability to weather the current situation. All actions being taken, as set out in this Annual Report, are aimed at repositioning the Group as a more resilient business.

We appreciate our financial creditors' support and willingness to explore solutions in the best interests of all stakeholders. We value the ongoing support of our loyal shareholders as we navigate through these difficult times. We also thank all our business partners.

We have new management in place in key positions and close to 120 000 employees who have proven their dedication time and time again, especially over the past year.

I would like to take this opportunity to thank our employees, the senior management teams and the Supervisory Board. They have worked with remarkable dedication and stamina to keep the Company running amid these challenging times.

On behalf of the Management Board.

Louis du Preez
CEO

7 May 2019

MESSAGE FROM THE SUPERVISORY BOARD

Dear Stakeholder

The past year and a half has been the most difficult period in the Company's history. The announcement on 5 December 2017 that the Chief Executive Officer's offer to resign had been accepted, and that the Supervisory Board had appointed Werksmans Attorneys to engage PwC to conduct a forensic investigation into accounting irregularities, marked the start of a period of intense pressure and uncertainty. A detailed account of these events can be found in the Annual Report.

We understand the serious disappointment and concern caused by the Company's problems, and the very real consequences. These have included losses for investors and financial creditors, difficulties for operational managers and uncertainty for staff.

Throughout this period, the Supervisory Board has focused relentlessly on stabilising the Company, the nomination of new Managing Directors and improving effective governance. The Group has cooperated with the investigations of regulators and will continue to do so. The Supervisory Board is determined to ensure that the Company moves forward in the right way, addressing the problems of the past but also builds on its operational strength in retail to achieve a sustainable recovery.

The Management Board has already made substantial progress with a financial restructuring that will bring the stability needed for the Company to focus fully once more on its operating businesses.

The development of the Remediation Plan has also identified areas where controls and procedures can be improved to align them with best practice.

Publication today of this Annual Report is another major milestone in this process.

The new Management Board, as explained in their report, is tackling the challenges it inherited with skill and vigour and we are grateful for the exceptional work in extremely difficult circumstances that were not of its making.

We also want to thank all the Company's stakeholders for their continued support, particularly the shareholders, financial creditors and the Group's close to 120 000 employees across the world. They have worked hard and loyally in the face of great uncertainty and deserve our admiration and gratitude.

Governance & Leadership

In December 2017, the Supervisory Board intensified its oversight and established a committee composed solely of independent Supervisory Directors to ensure independent oversight was exercised. Rapid action was also taken to strengthen the Management Board with the appointment of new executives to critical roles, and with the designation of Danie van der Merwe as acting Chief Executive Officer on 19 December 2017. Danie's retail and operational experience, and institutional knowledge, were vital in securing the immediate future of the business in the first crucial phase of the Restructuring. Four executives were nominated to the Management Board: Alexandre Nodale as Deputy CEO, Louis du Preez as Commercial Director, Philip Dieperink as Chief Financial Officer and Theodore de Klerk as Chief Operational Officer.

Shortly thereafter a number of Supervisory Directors stepped down and new Supervisory Directors were nominated. The reconstituted Management Board, in close consultation with the reconstituted Supervisory Board, as discussed below, then steered the Group through an intensely difficult period, as the scale of the recovery task became clear.

Most significantly, the Management Board's task included securing a number of new credit facilities to stabilise the Company's financial situation, allowing the vital work on the financial restructuring to commence.

As announced on 19 November 2018, Louis du Preez was subsequently designated Chief Executive Officer, effective from 1 January 2019, following Danie van der Merwe's decision to step down, having met the objectives set when he took on the acting CEO role. Louis has a wealth of commercial and corporate experience and is well-placed to lead the Company through the Restructuring and into the next phase of its recovery. We thank Danie for his extensive contribution to the Group over many years and for leading it through an exceptionally challenging period.

On 11 April 2019, the Company announced that Alexandre Nodale had stepped down as deputy CEO and as a member of the Management Board. We thank Alexandre for his service to the Group – he has been a valued member of the Management Board and we wish him every success in his future endeavours.

We have full confidence in the Management Board's approach, and with the strong, committed and talented team in place.

Biographies of members of the Supervisory Board and those of the Management Board can be found in the Corporate Governance Report.

Forensic investigation

In December 2017, Werksmans Attorneys appointed PwC to conduct an independent forensic investigation. The task was substantial, complex and time-consuming and involved interaction with Deloitte, the Company's External Auditor; third parties; regulators; special purpose vehicles; entities outside the Group; and current and former Supervisory and Managing Directors, senior managers and employees. The investigations continued throughout 2018 with regular feedback to a committee of the Supervisory Board, consisting of several newly appointed Supervisory Directors (Peter Wakkie, Moira Moses and Alex Watson), and Louis du Preez. This committee was charged with oversight of the investigation. As announced on 15 March 2019, PwC has completed its report, the impact on the financial statements has been assessed and taken into account and the broader implications of the findings are being considered.

For further information about this investigation is included in the Report of the Management Board.

Annual Report

While the thoroughness of the investigations and subsequent audit resulted in several unavoidable delays to the completion of this Annual Report, publication today addresses one of the most significant outstanding tasks arising from the December 2017 disclosures. The 2018 Annual Report is progressing well, and we expect that the report will be published within the next few weeks.

Outlook

The journey to restore the Company's reputation will be a long one and, as we pursue this aim, we understand that we will remain under intense scrutiny. However, very real progress has already been made. The completion of the forensic investigation, the restatement of the 2016 Consolidated Financial Statements and the publication of this Annual Report are all important milestones, and the extreme care taken in their preparation can help us all face the future with confidence.

As the Company moves forward with new leadership in the Management Board and oversight by the Supervisory Board, with a commitment to strengthen corporate governance and internal controls, with a clear Remediation Plan that addresses the issues identified by the forensic report in place, and with a period of financial stability afforded by the financial restructuring, we are confident that we are on the path to recovery and re-emergence as a robust company with strong, long-term prospects.

We thank you for your continued support.

On behalf of the Supervisory Board

Heather Sonn
Chairperson

7 May 2019

TIMELINE OF KEY EVENTS SINCE DECEMBER 2017

For more detail please refer to the Financial Overview.

2017

DECEMBER

Announcements of accounting irregularities, governance changes, appointment of PwC forensic team by Werksmans Attorneys and immediate response to liquidity constraints.

Reorganisation of the Supervisory Board commenced. Resignations of incumbent Supervisory Directors and nominations of new Supervisory Directors continued in the period up to the annual General Meeting.

15 December

Disposal of 21 million shares in PSG totalling approximately ZAR4.7 billion (€301 million).

19 December

Management Board strengthened with key nominations.

First European financial creditor meeting.

22 December

Additional financing of USD75 million secured by Mattress Firm.

2018

JANUARY

3 January

Pepkor Europe secured new credit facilities totalling GBP264 million.

11 January

Disposal of Conforama's 17% stake in SRP for €79 million.

23 January

Disposal of approximately 29.4 million shares in PSG raising proceeds of approximately €451 million (ZAR7.0 billion).

24 January

Conforama agrees new funding totalling €143 million.

26 January

Second European financial creditor meeting.

31 January

Mattress Firm increased funding facility by USD 75 million (total USD150 million).

Briefing to the South African Parliament.

FEBRUARY

16 February

Lender Co-ordinating Committee formally established after prior informal discussions.

28 February

Unaudited trading update for three months ended 31 December 2017.

MARCH

9 March

Settlement of all notes issued under Domestic Medium-Term Note Programme ZAR7.6 million and deregistration of the programme titled "Steinhoff Services Notes".

13 March

Placing of a portion of KAP shares (450 million shares; €251 million).

MARCH/APRIL

Revaluation of Hemisphere property portfolio.

APRIL

12 April

Successful placement of 200 million Pepkor shares (€254 million).

20 April

Annual General Meeting. New members of Supervisory Board and Management Board appointed.

MAY

18 May

Third European financial creditor meeting.

23 May

Refinancing by Pepkor / repayment of the Group's historic African debt (ZAR16 billion).

JUNE

7 June

Support letters for SEAG and SFHG become effective.

22 June

Sale of kika-Leiner Sale Assets agreed.

25 June

The remaining 100% interest in the non-voting participating preference shares in Atterbury Europe were repurchased by Atterbury Europe for €224 million.

29 June

Amendments to the support letters for SEAG and SFHG become effective and publication of Unaudited Half Year Results for the six months ended 31 March 2018.

JULY

11 July

Launch of Lock-up Agreement with SEAG / SFHG / SUSHI.

20 July

Lock-up Agreement with SEAG / SFHG / SUSHI becomes effective.

26 July

Hemisphere Lock-up Agreement becomes effective.

2018
continued

AUGUST

29 August
Briefing to the South African Parliament.

31 August
Unaudited Trading Update for the nine months ended 30 June 2018.

SEPTEMBER

4 September
Sale of POCO agreed.

5 September
Hemisphere implemented a new, secured, three-year term loan facility of approximately €775 million.

20 September
Fourth European financial creditor meeting.

27 September
Refinancing of the Group's renamed Asia Pacific business, Greenlit Brands Proprietary Limited (AUD 256 million).

OCTOBER

5 October
Mattress Firm files voluntary petitions for relief under Chapter 11.

10 October
Launch of SUSHI Scheme of Arrangement.

NOVEMBER

16 November
SUSHI Scheme effective and implemented.

21 November
Mattress Firm successfully emerges from Chapter 11.

30 November
SEAG CVA and SFHG CVA filed with the English court.

2019

DECEMBER

14 December

Requisite majorities of relevant creditors and members of SEAG and SFHG approve the CVAs.

21 December

Additional inter-group funding of €50 million provided to the Conforama Group by SEAG.

JANUARY

10 January

SEAG informed of application to challenge the SEAG CVA by LSW GmbH.

FEBRUARY

28 February

Unaudited trading update for three months ended 31 December 2018

MARCH

15 March

Publication of overview of the PwC forensic investigation.

19 March

Briefing to the South African Parliament.

27 March

Placing of the remaining KAP shares (694 million shares; €293 million).

28 March

In-principle agreement to disposal of Unitrans Automotive.

Release of Unaudited Trading Update for three months ended 31 December 2018.

29 March

The Group and LSW GmbH agree that the LSW GmbH challenge to the SEAG CVA be dismissed on consensual terms.

CVA long-stop date and Lock-up Agreement long-stop date extended to 31 May 2019.

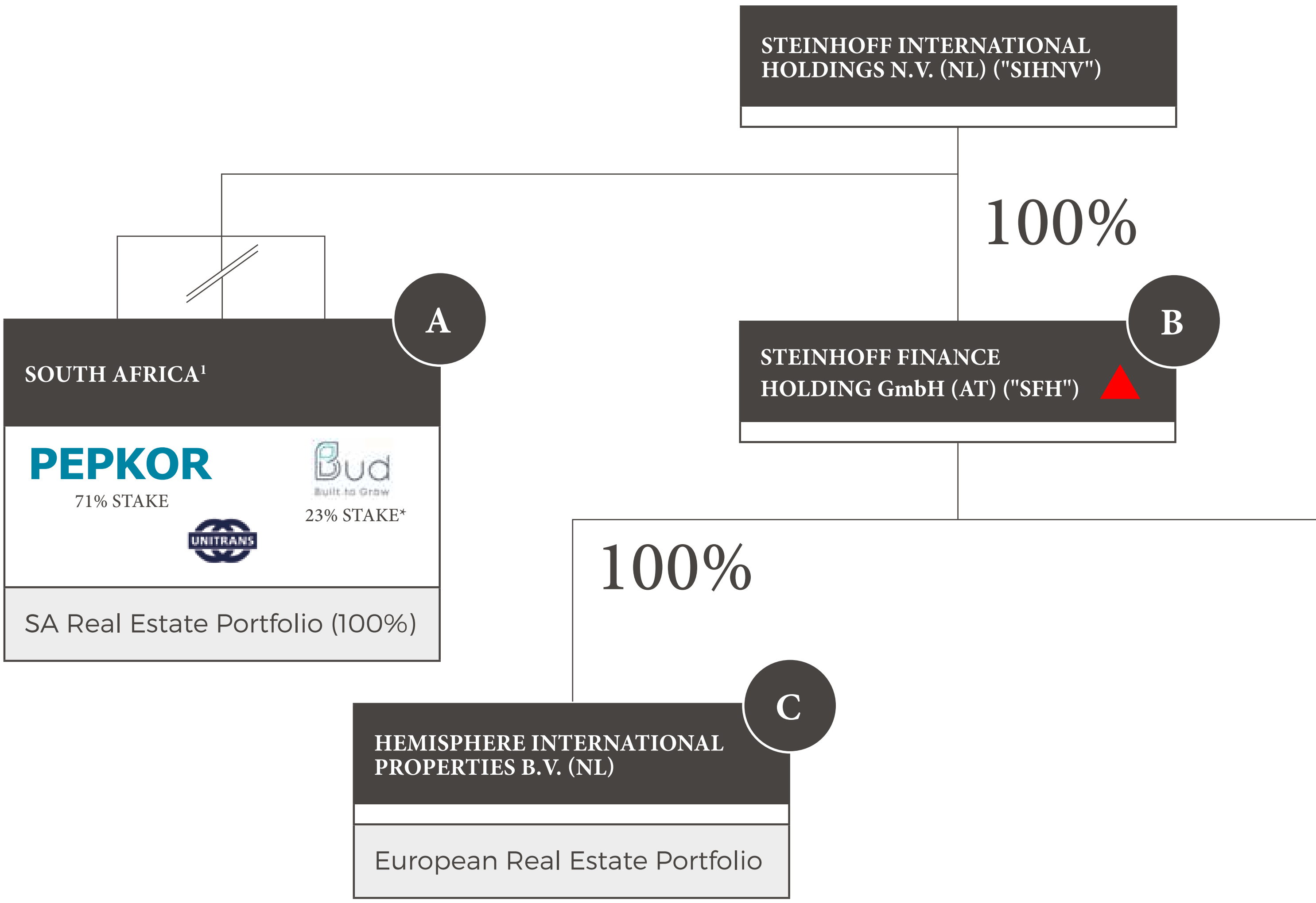
APRIL

11 April 2019

Conciliation agreement entered into between Conforama and its creditors, allowing Conforama to proceed to implement its financial restructuring.

SUMMARISED GROUP STRUCTURE (AS AT 7 MAY 2019)

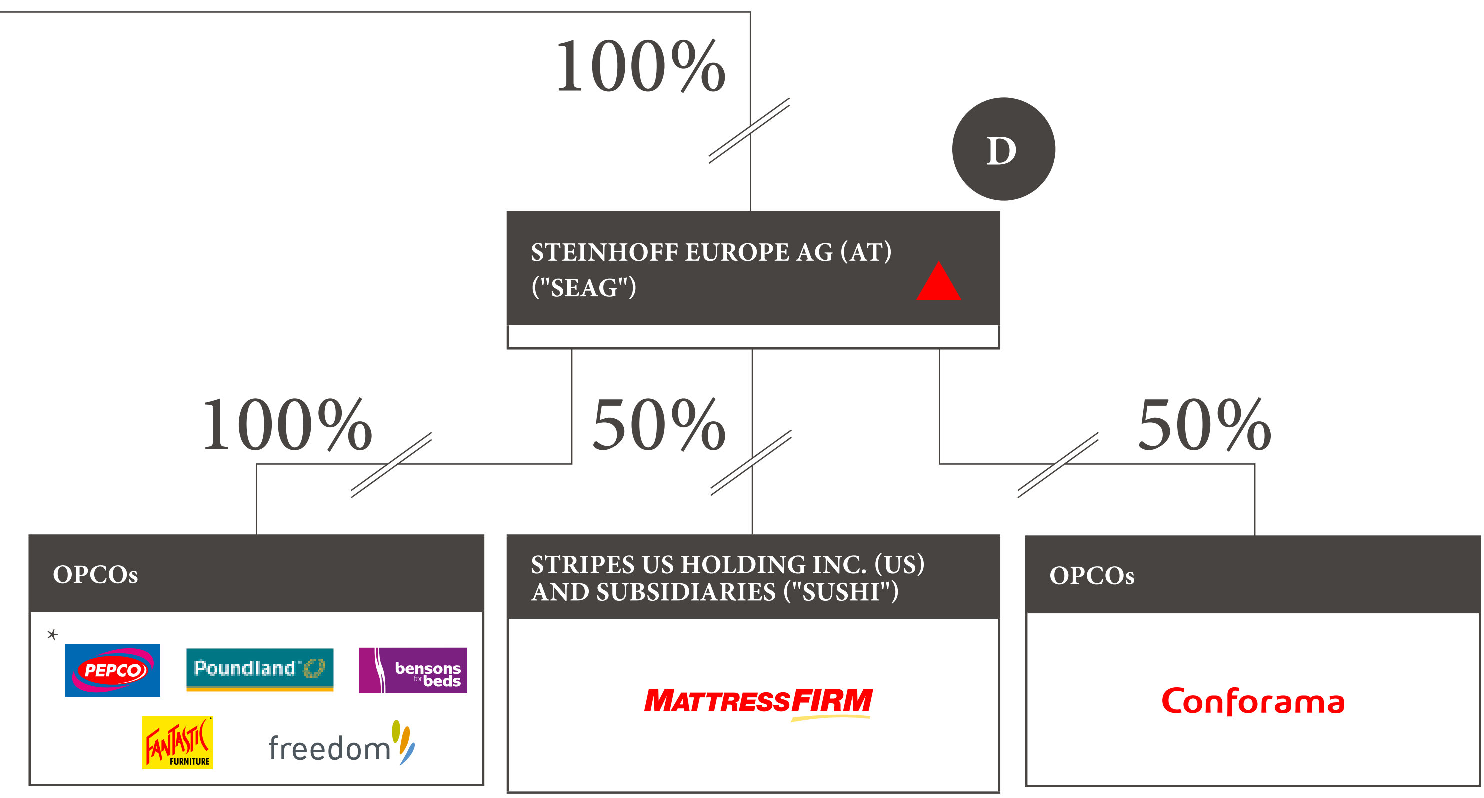
Breaking down the Group's debt clusters



[1] PSG 25.5% stake sold in 2018
KAP stake sold in 2018 and 2019

* Formerly IEP

- **A** "South Africa" cluster
- **B** "SFHG" cluster
- **C** "Hemisphere" cluster
- **D** "SEAG + Stripes US" cluster
- ▲ Finance company



* Sample of OPCO brands

SUMMARISED NARRATIVE OF KEY EVENTS SINCE DECEMBER 2017

For more detail please refer to the Financial Review.

2017 to 2018

5 DECEMBER | FEBRUARY

Announcement of accounting irregularities and appointment of PwC forensic team

The revelation of accounting irregularities and the resignation of the former CEO on 5 December 2017 had a profound impact on the Group. Deloitte recommended that an independent forensic investigation be conducted into the irregularities. Following concerns raised by the Company's External Auditor, Deloitte, over potential accounting irregularities, which prompted Deloitte to request that an independent forensic investigation be performed, PwC was appointed b Werksmans Attorneys. It was clear that the Company's 2016 Consolidated Financial Statements would require restatement and they were withdrawn. A decision was made to delay the publication of the 2017 Consolidated Financial Statements.

Immediate changes were made to strengthen the independent governance of the Group, including the appointment of an independent sub-committee of the Supervisory Board.

Liquidity constraints and immediate response

Factors including the withdrawal of undrawn facilities, closure of bank accounts, termination of the cash pooling arrangements between the European group subsidiaries, ratings downgrades, etc. had the combined effect of creating enormous liquidity constraints within the Group. The various announcements and press coverage together with the inability to produce audited accounts at entity level, because of the ongoing investigation, resulted in additional supplier and credit insurance pressure on the Group's operating companies.

In response, the Group engaged with its lenders, bondholders and other financial creditors, including by way of presentations to lenders and credit insurers in London and South Africa during December 2017 and January 2018.

Moelis & Company were appointed as independent financial advisor to support and counsel the Group on the lender discussions. AlixPartners were appointed as operational advisor to assist the Group on liquidity management and operational measures.

The Company appointed Danie van der Merwe as interim CEO. It then strengthened the Management Board with several appointments including those of Louis du Preez (Commercial Director), Philip Dieperink (Chief Financial Officer), Theodore de Klerk (Operational Director) and Alexandre Nodale (Deputy CEO).

The Company announced the appointment of Richard Heis as Chief Restructuring Officer on 15 February 2018.

Other immediate actions included the sale of certain non-core investments such as the Group's sale of portion of its stake in its associate, PSG, from 25.5% to 16.0%, yielding proceeds of approximately ZAR4.7 billion to help fund operations on 15 December 2017. The Group sold its remaining PSG stake raising a further ZAR7.7 billion during January 2018.

Short-term liquidity was further supported by a series of non-core European asset disposals such as the sale of the Group's ordinary shares in Atterbury Europe on 18 December 2017 (€20 million) and of the Mariahilferstrasse property in Vienna on 29 December 2017 (€70 million). The Group's non-voting participating preference shares in Atterbury Europe were sold in June 2018 for €223.5 million.

Progress was also made in raising finance at the Group's operational levels:

(i) Mattress Firm raised USD150 million to fund working capital and operational requirements in December 2017 and January 2018;

(ii) Pepkor Europe obtained a new credit facility of GBP264 million to finance working capital and operational requirements on 3 January 2018;

(iii) Conforama agreed on 11 January 2018 to sell its 17% stake in SRP for approximately €79 million to raise further liquidity for the business. On 24 January 2018, Conforama agreed funding from Tikehau Capital of €115 million for three years and a separate €28 million facility.

New procedures were instituted to rigorously control cash management across the Group.

On 31 January 2018, the Company provided a progress update to the South African Parliament.

In February co-ordinating committee of lenders was established to represent all creditors in the ongoing discussions with the Group.

Reporting

On 28 February 2018, the Company released its unaudited trading update for the three months ended 31 December 2017.

2018

MARCH TO MAY

Ongoing response and development of restructuring plan

On 9 March 2018, following the settlement of all notes (with a principal value of approximately ZAR7.6 billion) issued under the Domestic Medium-Term Note programme, the Group announced the deregistration of the programme. This programme had been issued by Steinhoff Services, a financing Subsidiary of the Group.

On 13 March 2018, the Group raised €251 million by way of a placing of KAP shares. This reduced the Group's interest in KAP, from c. 43% to c. 26%.

Given that many of the Group's European finance companies and international operating companies required ongoing funding, and to avoid continued reliance on asset disposals, extensive negotiations were commenced with key creditor groups to formulate a viable restructuring plan.

On 3 April 2018, Hemisphere, the Group's European property Subsidiary, announced a valuation for its real estate portfolio of €1.1 billion, on the basis of fair value under IFRS assuming vacant possession. This was significantly lower than the book value previously disclosed (€2.2 billion).

At the time, discussions had already commenced with the Group's financial creditors with a view to ensuring long-term financial stability as well as resolving short-term cash flow difficulties. Extensive negotiations around the restructuring continued against this backdrop.

Since the December 2017 announcement, the financial creditors of the Company, its subsidiaries SFHG and SEAG (which at that point held the primary debt obligations of the Group), Hemisphere, Pepkor (previously STAR) and SUSHI, had provided support to the Group by:

(i) not taking any action against the Company, SEAG, SFHG, Hemisphere, Pepkor, or SUSHI based on any actual or potential defaults arising under the relevant finance documents;

(ii) where relevant, agreeing to rollovers of facilities; and

(iii) where applicable, confirming they would not seek immediate repayment of matured facilities.

On 12 April 2018, the Group announced the successful placement of 200 million ordinary shares in Pepkor through an accelerated bookbuild. This raised c. €254 million and reducing the Group's interest in Pepkor from 77% to 71%.

On 20 April 2018, the Company held its annual General Meeting in Amsterdam (with a video link to Cape Town). It provided a detailed update presentation which was followed by a question and answer session for shareholders. Shareholders appointed the new Supervisory Directors and Managing Directors.

On 18 May 2018, the Company gave a lender presentation outlining a proposed restructuring framework. The Management Board and their advisors subsequently entered into extensive negotiations with the financial creditors with a view to implementing a restructuring plan agreeable to the financial creditor group. The Company also provided guidance on the Group's half-year performance.

On 23 May 2018 it was announced that Pepkor had successfully completed the refinancing of the Shareholder funding provided by the Group. This facilitated the repayment of the Group's remaining South African debt. Since January 2018 the Group had repaid approximately €2 billion of African debt owed directly by it, and the Pepkor repayment left it with no remaining African debt other than that within the working capital facilities of the Automotive business and the African properties division. The Pepkor debt had been successfully placed at operational level.

2018

JUNE TO AUGUST

Creditor Negotiations & Agreement of the Lock-up Agreement

During June to August 2018 the Management Board and the financial creditors negotiated the terms of a Lock-Up Agreement. This Lock-Up-Agreement was designed to, among other things, provide stability by creating an extended period to ensure fair treatment across the various financial creditor groups, allow management to focus on delivering value at the Group's operating businesses, and achieve a deleveraging of the Group and a detailed assessment of all contingent litigation claims.

Whilst negotiations were ongoing around the terms of the Lock-Up Agreement, SEAG and SFHG agreed the terms of certain creditor support letters which became effective on 7 June 2018 and were amended on 29 June 2018. Under these support letters, the relevant creditors agreed to provide SEAG and SFHG with a number of temporary support measures to facilitate discussions in connection with a potential restructuring plan and the Lock-Up Agreement. These support measures included commitments on behalf of creditors not to petition for any action that would cause SEAG or SFHG to enter into insolvency proceedings, prematurely declare due and payable or otherwise seek to accelerate payment of all or any part of any debt, bring legal proceedings against any member of the Group or enforce any rights under any guarantee or any right in respect of any security.

As consideration for creditors entering into support letters, SEAG and SFHG agreed to abide by various undertakings during the period for which the letters were in place. These restrictions included restrictions on incurring additional indebtedness, restrictions on granting security and taking certain other actions without the prior consent of the relevant parties.

Disposal of kika-Leiner

On 22 June 2018, the Group announced that transaction documents for the sale of the kika-Leiner Sale Assets to SIGNA Holding GmbH had been concluded. The loss-making operating companies were sold for a nominal consideration, whilst the consideration for the property holding companies was based on an enterprise value of approximately €490 million (subject to certain adjustments). The decision to sell was motivated by the withdrawal of kika-Leiner's credit insurance cover which created significant liquidity constraints and would have placed significant further cash demands on the Group given that the kika-Leiner businesses were both loss making and required significant future investment to implement a turnaround plan. The disposal of the property holding companies was effective during August 2018 and was completed on 15 October 2018.

Financial reporting

On 29 June 2018, the Group published detailed unaudited half-year results for the six months ended 31 March 2018.

Intragroup Support Letter

In July 2018, to enable SEAG to enter into the Lock-Up Agreement, SEAG entered into an intragroup support letter in terms of which, subject to various conditions and limitations, SEAG agreed to provide limited financial support to certain of its subsidiaries to provide comfort in relation to their third-party liabilities.

Term sheet, Lock-Up Agreement and steps plan

With the support letters in place, the Group continued discussions with creditors to agree the restructuring.

The agreed term sheet for the restructuring was announced on 11 July 2018 and a consent process for creditors to support the Lock-Up Agreement was launched. The Lock-Up Agreement appended both the term sheet and a steps plan setting out the actions required to implement the restructuring.

The Lock-Up Agreement became effective in accordance with its terms on 20 July 2018 having been acceded to by the relevant majorities of creditors and the directors of the Company, SEAG and SFHG. The Lock-Up Agreement was ultimately acceded to by creditors representing approximately 97% of SEAG debt and 98% of SFHG debt. The support letters terminated with effect from the effective date of the Lock-Up Agreement.

The key terms of the Lock-Up Agreement included financial creditors agreeing that the indebtedness owed to them would be subject to limited recourse terms, the parties agreeing to support and implement the restructuring in accordance with the term sheet and steps plan, and no financial creditor being entitled to take enforcement action in respect of any of the relevant financial indebtedness. The Lock-Up Agreement also prohibited the assignment of any voting rights or interests in any such financial indebtedness without the transferee acceding to the terms of the Lock-Up Agreement. It also required each financial creditor to consent to the roll-over or extension of the maturity date in respect of any financial indebtedness falling due whilst the Lock-Up Agreement was effective.

Centre of main interest

The Lock-Up Agreement also required SEAG and SFHG to take certain steps in relation to their principal place of administration. Consequently, with effect from 3 August 2018 the central administration and supervision of the management of SEAG is now located in England, while for SFHG it is with effect from 1 October 2018.

Hemisphere Lock-Up Agreement

The Hemisphere Lock-up Agreement was entered into by approximately 90% in value of the Hemisphere lenders and the Hemisphere Lock-up Agreement became effective on 26 July 2018. The Hemisphere Lock-up Agreement, among other matters, imposed an agreed standstill obligation on lenders. This standstill was aimed at facilitating the restructuring of Hemisphere by providing the parties with a period of stability whilst the relevant documents were negotiated.

Reporting

On 29 August 2018, the Company gave another briefing to the South African Parliament.

On 31 August 2018, the Company released its unaudited trading update for the nine months ended 30 June 2018.

2018

SEPTEMBER

POCO sale

On 4 September 2018, the Group's Subsidiary LiVest entered into an agreement to sell its shares in the POCO furniture group, including its property portfolio, for a total consideration of approximately €271 million. In terms of this agreement POCO retained debt of approximately €140 million, without recourse to the Group.

Hemisphere restructuring

The restructuring of the financial indebtedness of SFHG's subsidiary Hemisphere was implemented on 5 September 2018. This resulted in a new, secured, three-year term loan facility of approximately €775 million at Hemisphere. Since then, following the sale of the kika-Leiner related property companies and certain other individual assets, approximately €473 million has been applied in repayment of interest and principal of this facility by Hemisphere.

Lenders

The Group held further lender meetings in London on 20 September 2018.

Australasian refinancing

The refinancing of certain financial indebtedness of Greenlit Brands Proprietary Limited (formerly Steinhoff Asia Pacific Group Holdings Proprietary Limited) was implemented on 27 September 2018. This refinancing included the amendment and restatement of certain intragroup loans, as well as a new senior revolving credit facility and bilateral facilities of AUD256 million for the refinancing of existing senior financing. It provided facilities for Greenlit Brands Proprietary Limited and its subsidiaries through to maturity in October 2020.

2018

OCTOBER TO DECEMBER

Mattress Firm and SUSHI Scheme

On 5 October 2018, the Group announced that Mattress Firm had filed voluntary Chapter 11 cases in the United States Bankruptcy Court. This process allowed Mattress Firm to implement a financial restructuring through a court-supervised process while continuing to trade as normal. The Chapter 11 process was conducted for two primary reasons, to allow Mattress Firm to secure additional funding and restructure its balance sheet, and to enable it to right-size its retail store portfolio.

On 16 November 2018, the Chapter 11 Plan was approved by the United States Bankruptcy Court and, following satisfaction of certain conditions, the Mattress Firm entities emerged from Chapter 11 having successfully completed a reorganisation. In accordance with the Chapter 11 plan, Mattress Firm emerged with access to USD525 million in exit financing and successfully exited approximately 640 underperforming stores.

On 21 November 2018, in consideration for providing the financing required by the Mattress Firm entities in order to exit Chapter 11, the lenders providing the exit financing, received 49.9% of the shares in SUSHI. The Group retains the remaining 50.1% of the shares in SUSHI. Both the lenders' and the Group's shareholding are subject to dilution by a management incentive plan.

On 10 October 2018, shortly after the Mattress Firm entities filed for relief under Chapter 11, SUSHI launched an English scheme of arrangement in respect of its USD200 million revolving credit facility. The SUSHI Scheme became effective on 16 November 2018. Under the SUSHI Scheme, the lenders under the existing SUSHI revolving credit facility exchanged their rights under that facility for substantially similar rights under a new revolving credit facility between, among others, SEAG (as borrower) and the Company (as guarantor).

SEAG CVA and SFHG CVA

In connection with the restructuring detailed in the Lock-up Agreement, on 30 November 2018, the SEAG CVA and the SFHG CVA were filed with the English court. The SEAG CVA and the SFHG CVA seek to implement the restructuring plan set out in the Lock-up Agreement. The steps to be implemented pursuant to each of the SEAG and the SFHG CVAs included inter alia amendments to the corporate holding structure, revised corporate governance across the European holding companies and the restructuring of the existing financial indebtedness at each of SEAG and SFHG including the issuance of new debt by certain newly incorporated Luxembourg companies. The new debt is to mature on 31 December 2021 and will accrue payment in kind interest capitalising on a semi-annual basis.

Meetings of the creditors and members of SEAG and SFHG were held on 14 December 2018 at which the SEAG CVA and the SFHG CVA were approved by the requisite majorities of their respective creditors and by their members. Various conditions detailed in the SEAG CVA and the SFHG CVA are to be satisfied prior to implementation of the restructuring. The SEAG CVA and the SFHG CVA documents and the Lock-Up Agreement are available on www.steinhoffinternational.com.

The CVAs affect approximately €5.8 billion of external debt (excluding any intragroup debt) at SEAG and approximately €2.7 billion of external debt (excluding any intragroup debt) at SFHG.

Conforama

On 21 December 2018, the Group agreed to make an additional short-term funding facility available to the Conforama Group to provide working capital if required.

2019

JANUARY TO MARCH

Louis du Preez was designated CEO with effect from 1 January 2019.

Challenge to the SEAG CVA

On 10 January 2019, SEAG was informed that an application had been issued by LSW GmbH, a company related to Seifert and claiming to be a creditor of SEAG, challenging certain provisions of SEAG's CVA.

Aside from the challenge of LSW GmbH, no other challenges were received to the SEAG CVA within the challenge period (being the period of 28 days beginning on the day on which the SEAG CVA chairman's report was filed at the competent court). No challenges were received to the SFHG CVA within the applicable challenge period. As the challenge periods have now expired, no further challenges are permitted in respect of either CVA.

Notwithstanding the challenge to the SEAG CVA, certain relevant terms of the SEAG CVA and the SFHG CVA, including the interim moratoria, continued to apply and the Group continued working towards the implementation of the financial restructuring of the Group.

On 21 February 2019, the Company confirmed receipt of a petition by a group of Shareholders for inquiry proceedings before the Enterprise Chamber. The petition includes a request to appoint an investigator as well as an additional member of the Supervisory Board whose role will include oversight that information is provided to Shareholders adequately and in the context of any inquiry to be ordered by the Enterprise Chamber.

On 28 March 2019, the Company and LSW GmbH agreed that the application be dismissed on consensual terms. The parties accordingly filed with the court a consent order giving effect to that agreement.

SEAG CVA and SFHG CVA

On 29 March 2019, the Company announced that the requisite majority of creditors of SEAG and SFHG had provided their consent to the extension of the CVA long-stop date to 31 May 2019. The approval consequently extended the long-stop date as defined in and as applicable to the Lock-Up Agreement to be the same as the extended CVA long-stop date.

The Company, SEAG and SFHG continue to work towards satisfying the remaining conditions detailed in the SEAG CVA and the SFHG CVA which need to be satisfied prior to the implementation of the restructuring. Certain terms of the SEAG CVA and the SFHG CVA, including the interim moratoria, remain effective during this period.

Financial reporting

On 28 February 2019, the Company released its unaudited trading update for the three months ended 31 December 2018.

Completion of the Forensic Investigation

On 15 March 2019, the Company announced that the Supervisory Board and the Management Board of the Company had received a report from Werksmans Attorneys setting out the findings of PwC following the investigation initiated at the request of Werksmans in December 2017. The Company released an overview of the forensic investigation, via the Company's website. On the same date. PwC has been requested to undertake a further phase of investigative work (phase II) in respect of certain issues identified that the Supervisory Board and Management Board believe will not be material to the Company's financial statements but which may be significant for other reasons and therefore require further investigation, conclusion and resolution.

Disposals

On 27 March 2019, the Group raised a further €293 million by way of a placement of the remaining interest in KAP (694 million ordinary shares, c. 26% of KAP's issued share capital).

On 28 March 2019, the Group announced that it had reached an in-principle agreement to dispose of 74.9% of Steinhoff Africa's shares in Unitrans, and 100% of the loan claims.

2019

APRIL TO MAY

Appointment of Chief Compliance and Risk Officer

On 5 April 2019, it was announced that Louis Strydom was appointed Chief Compliance and Risk Officer with effect from 1 July 2019.

Conforama financial restructuring

On 11 April 2019, the French Commercial Court of Meaux approved a conciliation agreement entered into between Conforama and its creditors, as part of a French law conciliation process which provided the framework for the refinancing negotiations. This ruling allowed Conforama to proceed to implement its financial restructuring.

The key terms of the financial restructuring included a total nominal value of €316 million new money financing (including undrawn and conditional commitments) and a warrant in favour of the funders over 49.9% of the shares in Conforama. Funds were available from 15 April 2019.

Alexandre Nodale stepped down as CEO of Conforama and deputy CEO and member of the Management Board following this ruling.

SEAG CVA and SFHG CVA

The Company, SEAG and SFHG have continued to work towards satisfying the remaining conditions detailed in the SEAG CVA and the SFHG CVA, which need to be satisfied prior to the implementation of the restructuring. This has included, among other things, seeking to:

(i) finalise the tax structure paper in relation to the restructuring;

(ii) obtain relevant tax clearances;

(iii) clarify the methodology for calculating creditor entitlements to the new facilities pursuant to the restructuring and verifying certain underlying data with relevant creditors;

(iv) progress, and where possible satisfy, certain of the conditions precedent detailed in the relevant documents; and

(v) update the SEAG CVA, SFHG CVA and certain of the associated documents to reflect developments since 28 November 2018, in consultation with the SEAG and SFHG creditor groups (and their advisers).

As referred to in the consent request on 20 March 2018 and the "*Update on progress of the financial restructuring*" published on the Company's website on 29 April 2019, SEAG and SFHG consider that certain further amendments and modifications to the SEAG CVA and the SFHG CVA and certain of the associated documents will be necessary.

Once the work to update the SEAG CVA, the SFHG CVA and the relevant documents to reflect developments since 28 November 2018 has been completed (including the resolution of certain outstanding points with the SEAG and SFHG creditor groups), it is envisaged that the relevant consents to make such amendments will be requested by SEAG and SFHG by way of a separate CVA consent request.

Provided that the relevant consents are received and all remaining conditions to implementation are satisfied, implementation of the restructuring will commence. It remains the objective of the Group to complete the restructuring as soon as possible.

STEINHOFF INTERNATIONAL HOLDINGS N.V.

REPORT OF THE MANAGEMENT BOARD

This Annual Report has been prepared in compliance with the requirements of Dutch law, including the DCGC.

The Management Board of the Company would like to draw specific attention to the following events, including those that took place after the Reporting Date, as detailed on the following pages.

SECTION 1: BUSINESS REVIEW

The last 17 months have been a challenging time for the Company, its Subsidiaries, employees and stakeholders.

The announcement of accounting irregularities, the sudden resignation of the CEO of the Company in December 2017, other changes to the senior leadership team and the Supervisory Board of the Company, the material decline in the share price, and the withdrawal of various credit and trade facilities, have all had a profound impact on the Company, the Group and its stakeholders.

INDEX

Introduction

Background

The last 17 months have been a challenging time for the Company, its Subsidiaries, employees and stakeholders. The discovery of accounting irregularities, the sudden resignation of the CEO in December 2017, other changes to the senior leadership team and the Supervisory Board, the material decline in the share price, and the withdrawal of various credit and trade facilities, have all had a profound impact on the Company, the Group and its stakeholders. The Group has subsequently been engaged in a complex restructuring that has encompassed all aspects of its business.

The Management Board has focused on re-establishing stability within the Group's operations, negotiating, agreeing and implementing the restructuring plan with the Group's financial creditors, improving governance at all levels, and finalising the audited financial results for the reporting periods.

Stakeholders have been kept informed by regular announcements released through formal channels. All announcements can be found on the Investor Relations website of the Company: www.steinhoffinternational.com/sens.php.

The scope and timing of the investigation, the fact that the accounting irregularities appear to cover an extended period, the complexity associated with determining the appropriate accounting treatment to be afforded the requisite adjustments and the scale of the restructuring has meant a delay in the publication of the Annual Report for both 2017 and 2018 was unavoidable. Following the delay, this Annual Report is prepared for the financial year ended on 30 September 2017, the Reporting Date.

The preparation of the Annual Report for the 2018 Reporting Period is progressing well, and the Management Board is expecting to publish these financial statments within the next few weeks. As the Annual Report for the 2018 Reporting Period will be published shortly after this Annual Report, where it makes sense, portions of this Annual Report will be replicated in the Annual Report for the 2018 Reporting Period. This duplication is aimed at ensuring there is a bridge between both Annual Reports. As stated previously, looking at either year in isolation tells only half the story. The Management Board believes this approach allows stakeholders to comprehend the Company and Group's affairs and the surrounding context.

Financial reporting and restatement process

The preparation of the 2017 Consolidated Financial Statements has been extremely complex. Determining the correct IFRS implications of the accounting irregularities that cover an extended period and involve a substantial number of entities, both within and outside the Group, has been specifically challenging.

This position has been further exacerbated by the fact that certain key individuals, with the requisite knowledge to help unravel these complex transactions, and the consequential effects thereof, have not made themselves available for questioning or have only made themselves available for limited questioning. This has resulted in an extended investigation, detailed analysis and substantial judgements having to be made by the Management Board in arriving at the results for each year and the restatement of the opening balance for 2016.

The consequential impact of reversing the accounting irregularities is the fact that the restatements highlight that several of the group's operating entities are unprofitable as can be seen in the restated segmental report. This has had a material impact on a number of areas including the impairment of goodwill and intangible assets.

In arriving at these results, the Management Board has relied on both our internal and the PwC forensic investigations to glean the background and facts surrounding the irregularities.

The Management Board's approach to financial reporting and the restatement process, following the findings of the various investigations undertaken, has been to assimilate and analyse as much information as possible to place management in a position to determine the likely financial impact of all transactions under investigation. In preparing the financial statements, the Management Board has, as set out in the 2017 Consolidated Financial Statements, considered and applied a significant number of judgements, especially in circumstances where the information was incomplete.

A detailed analysis has been made, covering numerous transactions and relationships with each area requiring judgement in order to arrive at the best and most appropriate accounting treatment. This analysis has been widely debated and reviewed by the accounting teams within the Group as well as by PwC's technical team as external advisers. In addition, the Audit and Risk Committee appointed a sub-committee, headed by Alex Watson, to review and debate the analysis and conclusions reached. Once finalised, the analysis was assessed as part of the audit procedures by Deloitte. This has resulted in a very thorough, but time-consuming, process.

Throughout the process, weekly meetings have been held between the financial teams, members of the subcommittee, PwC technical and forensic teams and the External Auditor to agree plans, discuss progress made and ensure that communication channels remained open and clear.

Regular feedback has been provided to the Audit and Risk Committee, with a specific feedback meeting in mid-April 2019 to discuss and challenge all judgements made, estimates applied, and conclusions reached in this regard. The External Auditor, including its forensic partners, attended this meeting.

The finalisation of the 2017 Consolidated Financial Statements was dependent on the completion of PwC's forensic investigation, to ensure that all identified issues could be considered and evaluated in the preparation of these financial statements, which in turn enabled completion of the audit by the External Auditor.

The process to determine substantive control over various previous transactions identified as being not at arm's length has been completed. The Management Board has requested repayment of affected loan assets granted in respect of transactions that may not have been on arm's length terms and/or rates and has also requested financial information from the parties involved. Notwithstanding requests for information, at the date of this Annual Report, the Management Board has been unable to obtain detailed financial information on certain structures, therefore making the assessment of any loan recoverability, or the possible impact of consolidating such structures, not possible at this stage.

In respect of property valuations, the Management Board considered the impairments identified by the fair value analysis. A decision was made by the Management Board to recognise the majority of impairments identified by these valuations in the 2017 Consolidated Financial Statements, as formal third party valuations were not obtained for earlier years. It is likely that the impairments should have also impacted earlier years. The removal of step-ups created through non-arm's length sale and buy-back transactions were however processed in the correct financial year. The Group also revisited its depreciation estimates and applied these estimates to the revised property values.

The various restatements led to the forecast information used in goodwill and brand impairment models having to be revised. The Management Board has also revised the WACC rates in line with the risk profile and revised size of the Group. The impairments of goodwill and brands are substantial. The Management Board has felt it appropriate in the circumstances to roll back the impairment testing to earlier years. The majority of the impairments relate to prior periods, with the exception of Mattress Firm which was impaired at the end of September 2017. As the impairment models are sensitive to any adjustment to forecast or WACC rate inputs, any new information may lead to further adjustments (note 8.1 to the 2017 Consolidated Financial Statements).

Other than as mentioned in note 21.3 of the 2017 Consolidated Financial Statements, none of the vendor or shareholders claims have been provided for. The Management Board, in consultation with its legal advisors, is in the process of assessing the quantum and validity of all claims received to date, and any potential settlement values. As the amount and timing of most possible settlements could not be measured with sufficient reliability at the date of this Annual Report, very few provisions are recognised. Please refer to the contingent liabilities note in the 2017 Consolidated Financial Statements (note 22.3 to the 2017 Consolidated Financial Statements) and to the legal claims provision (note 21.3 of the 2017 Consolidated Financial Statements).

The tax impact of the restatements remains uncertain. For the purpose of these results the Management Board estimated the impact of any tax corrections arising from the restatements and reversed deferred tax liabilities relating to brands that were impaired. In a number of cases the restatement will result in the reversal of income which will result in subsidiaries being placed in loss-making positions, which could impact on the recognition of deferred tax assets. Where apparent, these deferred asset balances have been reversed. A comprehensive tax review is currently being undertaken, which will take time, considering the multi-jurisdictional nature of the issues involved. and could result in further restatements. At this stage, the Management Board is unable to conclude with certainty on the tax impact of the restatements. The External Auditor has expressed similar concerns.

2017 separate financial statement relating to Steinhoff N.V.

The Company's financial statements, reflecting the Company as a separate investment holding company, are included after the 2017 Consolidate Financial Statements. Investment holding company stand-alone financial statements are often confusing in nature as the operational transactions take place within the Subsidiary companies and all that is reflected in the holding company financial statements are the transactions typically associated with a listed holding company (investment in subsidiaries, acquisitions and disposals, dividend and interest income, foreign exchange gains or losses, management fees and profit or loss on disposal of investments).

The 2017 and comparative 2016 holding company financial statements have been further distorted initially by the increase in corporate activity and group re-organisations during the year, followed by the accounting impacts flowing from the discovery of accounting irregularities and questionable transactions, together with the realisation that certain operations were not as profitable as previously thought. These impacts include:

(i) Various restatements to correct prior period errors relating to initial recognition and valuation of investments in subsidiaries, affecting the 2016 comparatives in the financial statements;

(ii) Recognition of financial guarantees;

(iii) Adjustments to share based payment schemes;

(iv) Impairment of investments in subsidiaries;

(v) Impairment of affiliated-party loans; and

(vi) Impairment of related party loans.

For more information refer to Note 1 of the 2017 Separate Financial Statements.

External audit

The 2017 Annual Financial Statements have been audited by the External Auditor, Deloitte, and their opinion is set out in the 2017 Annual Consolidated Financial Statements.

Given the specific circumstances that the Company has been involved in, we as the Management Board were faced with significant and multiple uncertainties, which have been described in our notes on Critical Accounting Estimates and Judgments set out in note 1 of the 2017 Consolidated Financial Statements.

Under International Auditing Standards the auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base their opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive or the auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

These significant uncertainties resulted in a 'disclaimer of opinion' from the External Auditor. In its auditor's report Deloitte has described the reasons why it has come to that conclusion and it is clear that the Company finds itself in the extremely rare circumstance described above, namely that because of multiple uncertainties, Deloitte cannot form an opinion on the Financial Statements due to the potential interaction of the uncertainties and their cumulative effect on the 2017 Consolidated Financial Statements.

Status of the forensic investigation

The forensic investigation, initiated after the events of December 2017, has been completed and the Company released an overview of the forensic investigation, on www.steinhoffinternational.com, on 15 March 2019. The investigation report is confidential and is subject to legal professional privilege. Consequently, the investigation report will not be published. Reference to the investigation and the investigation report is made without waiving the privileged nature of the investigation report.

At the date of this Annual Report, there is still a criminal investigation ongoing in Germany against two former Senior Managers.

Liquidity constraints and debt restructuring

Introduction

The announcement by the Company on 5 December 2017 and the subsequent announcement that the 2016 Consolidated Financial Statements could no longer be relied on and needed to be restated, as well as the postponement of the publication of the 2017 Consolidated Financial Statements, resulted in a significant decline in the Company's share price and serious liquidity constraints across the Group.

The Group took a number of actions to address the liquidity constraints with the aim of restoring stability to its operations, including those detailed below.

Shortly following these announcements, Moelis & Company were appointed as independent financial advisor to support and counsel the Group on the lender discussions. AlixPartners were appointed as operational advisor to assist the Group on liquidity management and operational measures. Linklaters LLP, an international legal adviser, was appointed to advise on restructuring and legal matters.

Operational funding

The events of December 2017 resulted in undrawn facilities at Steinhoff central treasury being cancelled with immediate effect. This limited the ability of the Group to run a central treasury operation and fund its operational businesses. These events also undermined the confidence of the Group's suppliers, customers, and credit insurers (providing credit insurance cover to suppliers). Together this tightening of credit severely affected the ability of all operational businesses to access normal credit facilities and substantially reduced the availability of trade credit. The Group's operations and people were inevitably affected by these factors.

The situation was exacerbated by certain of the Group's operations being faced with a more difficult retail trading environment. This is covered in more detail in the Operational Review

As a consequence of the curtailment of access to Group treasury and the constraints on the Group's banking facilities and other credit lines, the Group's operating subsidiaries were encouraged to and did arrange their own working capital facilities at an operating company level. This enabled them to continue operating independently from their holding companies.

Notwithstanding these challenges the Group successfully repaid approximately €2 billion of South African debt, using proceeds from the sale of the Group's holdings in PSG (25.5%), KAP (17%) and Pepkor (previously known as STAR) (6%), and €1 billion received from Pepkor (Pepkor repaid its intra-group loan during the 2018 financial year after successfully raising its own funding independent from Steinhoff). Save for the Pepkor debt, the working capital facilities of the automotive business, and the African property division, the Group has no remaining African debt.

The Group's European finance companies short-term liquidity has been supported by inter alia, a release of funds from the Group's South African operations and through a series of disposals of non-core European assets.

However, the Group's liquidity position remained challenged due to its overborrowed position. The Group continued to face ongoing funding requirements at many of its European finance companies and international operating companies. As a result, and with a view to ensuring long-term financial stability, the Group engaged with its various financial creditor groups in Europe to develop a restructuring plan to address its current financial position

Restructuring plan – Lock-Up Agreement

At the Group's lender presentation on 18 May 2018, it outlined a proposed framework for the restructuring. It subsequently entered into extensive negotiations with its European financial creditors with a view to implementing the restructuring on terms agreeable to the parties.

Whilst negotiations on the terms of the Lock-Up Agreement were ongoing, the directors of SEAG and SFHG (as Austrian incorporated companies) required further assurances from financial creditors during the interim period prior to the conclusion of such negotiations. As a consequence, each of SEAG and SFHG agreed the terms of support letters which became effective on 7 June 2018 and 29 June 2018. Reference is made to earlier announcements concerning the entry into these formal letters of support.

As announced on 20 July 2018, the Group received support from the requisite majorities of creditor groups to conclude the Lock-Up Agreement which became effective on that day. The Lock-Up Agreement appended a term sheet which detailed the terms of the proposed restructuring and an implementation steps plan.

The restructuring plan detailed in the Lock-Up Agreement takes into account the features of the framework relating to the restructuring outlined in the Company's presentation to creditors on 18 May 2018 and seeks to:

(i) ensure fair treatment across the various financial creditor groups having regard to their existing rights and claims; and

(ii) provide stability to the Group and its stakeholders by affording the Group:

- the opportunity to address and seek to resolve any concerns arising out of, or otherwise related to, the Group's announcements; and
- the time to take relevant steps aimed at improving the value of, and, where applicable, realising certain of its assets with the aim of providing a better return, including allowing:
  - the Management Board to focus on supporting and delivering value at the Group's operating businesses;
  - an extended period in which to achieve a deleveraging of the Group; and
  - a detailed assessment of all contingent litigation claims.

As part of the Lock-Up Agreement various newly incorporated companies are being inserted into the Group of which Steenbok Newco 3 Limited is the entity with respect to which nomination rights are created for the creditors within the SEAG Group.

The nomination rights of the creditors of the SEAG Group are replicated for these creditors in a number of subsidiaries of Steenbok Newco 3 Limited. The creditor nomination rights in respect of Steenbok Newco 3 Limited are for up to 4 out of the 6 board members at the initiative of the respective creditors and in consultation with the Company. The Company retains the right to object to nominations. If the Company objects to a nomination made, the creditors have the right to make a new nomination. Further, the Company has the right to dismiss nominees once appointed. Dependent on the reason for such dismissal, dismissal of a creditor nominees may have serious consequences under the Lock-Up Agreement and other finance documents (consequences that can be waived with majority lender approval and do not apply in the event of a breach of a fiduciary duty). The Company ultimately owns both legally and beneficially the voting rights in Steenbok Newco 3 Limited. The creditors do not hold ownership interests or voting rights in Steenbok Newco 3 Limited.

Australasian refinancing

The refinancing of certain financial indebtedness of Greenlit Brands Proprietary Limited (formerly Steinhoff Asia Pacific Group Holdings Proprietary Limited) was implemented on 27 September 2018. This refinancing involved a new senior revolving credit facility and bilateral facilities of AUD256 million for Greenlit Brands Proprietary Limited from Australian banks, providing facilities for Greenlit Brands Proprietary Limited and its subsidiaries through to maturity in October 2020. In addition, as part of the refinancing, existing intercompany debt from certain members of the SEAG group to Greenlit Brands Proprietary Limited and certain of its subsidiaries was refinanced. This intercompany debt, which was previously unsecured, was granted the benefit of security, with a portion of the debt (approx. AUD97 million) sharing security with the Australian banks (albeit on a second-ranking basis). The other portion of the debt (approx. AUD227.5 million) was granted a separate but identical security package and was third ranking. As part of the intercompany refinancing, the maturities for the intercompany debt was extended so that it matured after Australian banks' debt.

In addition, as a number of the Greenlit Brands Proprietary Limited group's retail brands are licensed from SEAG group entities, the refinancing also involved amendments to these intellectual property licences to ensure the relevant Greenlit Brands Proprietary Limited subsidiaries have medium to long-term licensing arrangements in place.

Mattress Firm financial restructuring

In addition to the local financings and the South African refinancing referred to in "*operational funding*" above, a number of steps have been taken in relation to certain sub-groups of the Group that fall outside the scope of the restructuring plan detailed in the Lock-Up Agreement.

On 5 October 2018, the Company announced that its Mattress Firm subsidiaries filed voluntary Chapter 11 cases in the United States Bankruptcy Court for the District of Delaware. The filing implemented a pre-packaged Chapter 11 plan of reorganisation that, inter alia, provided Mattress Firm with access to new financing to support its business and established an efficient and orderly process for closing certain underperforming store locations in the United States. Mattress Firm emerged from Chapter 11 on 21 November 2018, having successfully exited approximately 640 underperforming stores.

In anticipation of Mattress Firm filing, Mattress Firm had access to approximately USD250 million in debtor-in-possession financing to support its ongoing operations during the Chapter 11 cases. On emergence from Chapter 11, Mattress Firm had access to a four-year exit facility term loan in the original principal amount of USD400 million, a portion of which was used to repay the debtor-in-possession facilities, and an undrawn exit asset backed lending facility in the amount of USD125 million. In accordance with the terms of the exit facilities, the exit facility lenders received their pro rata share of 49.9% of the equity in SUSHI the owner of Mattress Firm. The Group retaining a 50.1% equity interest in SUSHI. These shareholdings are however in each case subject to dilution by a management incentive plan. On 5 October 2018, as part of the reorganization, SUSHI shares were contributed to SEAG from the Company. The Mattress Firm sub-group was moved within the Group structure from directly below the Company to become a subsidiary of SEAG. This move facilitated the restructuring of certain material inter-company loans owed by SUSHI and the Mattress Firm Group.

In relation to their equity stake, the exit facility lenders and the Group executed a stockholders' agreement that governs, among other things, shareholder rights in relation to the governance of SUSHI and sales of their respective equity interests. The exit facility lenders also receive a USD150 million payment-in-kind facility that has a five-year maturity.

The Management Board has considered the shareholding and governance structures of SUSHI and determined that the Group lost control of SUSHI on 21 November 2018. Subsequent to this date, Mattress Firm will be accounted for as an equity accounted investment in the Group's 2019 annual financial statements.

Shortly after the Mattress Firm Filing, but as part of that restructuring plan, SUSHI launched an English law scheme of arrangement. The SUSHI Scheme was sanctioned on 12 November 2018 and, following completion of certain other steps (including recognition of the SUSHI Scheme in proceedings under chapter 15 of title 11 of the United States Code by the United States Bankruptcy Court for the District of Delaware on 13 November 2018), became effective on 16 November 2018.

European financial restructure

Hemisphere

The Hemisphere Lock-up Agreement was entered into by approximately 90% in value of the Hemisphere lenders and became effective on 26 July 2018. The Hemisphere Lock-up Agreement, among other matters, imposed an agreed standstill obligation on lenders. This standstill was aimed at facilitating the restructuring of Hemisphere by providing the parties with a period of stability whilst the relevant documents were negotiated.

The restructuring of the financial indebtedness of Hemisphere was implemented on 5 September 2018. This resulted in a new, secured, three-year term loan facility of approximately €775 million at Hemisphere. Since then, following the sale of the kika-Leiner related property companies and certain other individual assets, approximately €473 million has been applied in repayment of interest and principal of this facility by Hemisphere leaving a balance owing of approximately €324 million.

Company voluntary arrangements (CVAs)

In terms of the proposed European restructuring detailed in the Lock-Up Agreement, on 30 November 2018, the SEAG CVA and the SFHG CVA were filed with the English court. The SEAG CVA and the SFHG CVA seek to implement the restructuring plan outlined in the Lock-Up Agreement. The CVA proposals, together with certain supporting documentation, can be downloaded from www.steinhoffinternational.com.

In particular, the restructuring steps to be implemented pursuant to each of the SEAG CVA and the SFHG CVA seek:

(i) to revise the terms of the Group's principal European debt instruments, and the guarantees of such debt instruments, to provide a common set of covenants and security package and a maturity date set sufficiently in advance (being 31 December 2021);

(ii) as a result of those maturity dates, to afford the Group the opportunity to seek to improve the value of its assets for the benefit of its creditors and avoid a situation whereby SEAG's and SFHG's assets would be realised in a distressed scenario, potentially reducing any returns to SEAG's or SFHG's creditors;

(iii) through the revised debt terms, to improve the Group's liquidity position by providing that the interest accruing on the new debt pursuant to the restructuring will be payment - in - kind (PIK), rather than in cash;

(iv) the PIK rate applicable to the New Lux Finco 1 Debt will be 10 per cent. per annum. The PIK rates applicable to the New Lux Finco 2 Debt will be: (i) 10% per annum in relation to a "Super Senior Facility Loan"; (ii) 7.875% per annum in relation to a "Facility A1 Loan" or a "Facility B1 Loan"; and (iii) 10.75% in relation to a "Facility A2 Loan" or a "Facility B2 Loan". Such PIK interest rates may increase in the event that certain creditor approved nominees are not appointed to the Supervisory Board of the Company; and

(v) The new SEAG debt facility contains provisions that regulate the steps to be taken if the new SEAG HoldCo decides to undertake a material asset disposal outside of a default scenario. If that material asset disposal also requires a shareholder vote by the Company shareholders, the matter will be put to the Company shareholders. If the Company shareholders do not vote in favour of the sale there is a requirement that within approximately 75 days the SEAG debt is prepaid in amount equal to the net proceeds that would have been obtained on the proposed sale. If the Company does not raise the required funds within the required time to make the prepayment an event of default under the new debt facilities will occur. For more details please refer to the CVA Proposals and the new SEAG finance documentation.

(vi) To implement (or provide the framework to implement) revised corporate governance across the European holding companies in order to supplement and support the functions and specifications of those holding companies including the appointment of new directors to certain companies within the SEAG Group and the establishment of a litigation working group.

The total amount of such external European debt instruments under the CVA is approximately €8.5 billion, being approximately €5.8 billion of external SEAG debt and approximately €2.7 billion of external SFHG debt).

The meetings of the financial creditors and members of SEAG and SFHG to vote on the SEAG CVA and SFHG CVA, as applicable, were held on 14 December 2018. The SEAG CVA and the SFHG CVA were each approved by the requisite majorities of their respective creditors and by their members.

On 10 January 2019, SEAG was informed of an application issued by LSW GmbH, a company claiming to be a creditor of SEAG, challenging the SEAG CVA. LSW GmbH sought to challenge certain provisions of the SEAG CVA and related matters.

Aside from the challenge submitted by LSW GmbH, no challenges were received to the SEAG CVA within the challenge period (i.e. the period of 28 days beginning on the day on which the SEAG CVA Chairman's report was filed at the competent court). No challenges were received to the SFHG CVA within the applicable challenge period. As the challenge periods had expired, no further challenges were permitted.

Notwithstanding the challenge to the SEAG CVA, certain relevant terms of the SEAG CVA and the SFHG CVA, including the interim moratoria, continued to apply and the Group continued working towards the implementation of the financial restructuring of the Group.

On 28 March 2019, the Company and LSW GmbH agreed that the application be dismissed on consensual terms. The parties accordingly filed with the court a consent order giving effect to that agreement.

On 29 March 2019, the Company announced that the requisite majority of creditors of SEAG and SFHG had provided their consent to the extension of the CVA long-stop date to 31 May 2019. The approval consequently extended the long-stop date as defined in and as applicable to the Lock-Up Agreement to be the same as the extended CVA Long-Stop Date.

As a consequence of events that have occurred since the approval of the SEAG CVA and the SFHG CVA, further amendments and modifications to the SEAG CVA, the SFHG CVA and certain of the associated documents are necessary. Whilst a number of these amendments are minor, technical or administrative in nature, certain of them will require the approval of the certain majorities of relevant creditors. SEAG and SFHG are in the process of finalising the proposed amendments and it is anticipated that SEAG and SFHG will request the relevant consents by way of a separate CVA consent request in due course. It remains the objective of the Group to complete the restructuring as soon as possible.

Conforama

The French Commercial Court of Meaux approved an amicable restructuring agreement entered into between Conforama and its creditors, as part of a French law pre-insolvency so-called "conciliation" process which provided the framework for the refinancing negotiations. This ruling allowed Conforama to proceed to implement its financial restructuring.

The key terms of the financial restructuring included a total nominal value of €316 million new money financing (including undrawn and conditional commitments) and warrants in favour of the new money funders over 49.9% of the shares in Conforama. The first tranche of the funds amounting to €205 million was made available on 15 April 2019.

Alexandre Nodale stepped down as deputy CEO and member of the Management Board following the issuance of this approval ruling on 11 April 2019.

Outstanding steps

The SEAG CVA and the SFHG CVA each require certain pre-conditions and milestones to be reached prior to the restructuring being implemented. The first of these milestones is the CVA effective date which has now taken place following, among other things, the resolution of LSW GmbH's challenge to the SEAG CVA.

The Company is now working towards satisfying certain final implementation conditions, including the satisfaction of conditions precedent under the new finance documents. Once the implementation conditions have been satisfied, the Company will implement the restructuring. At the completion and satisfaction of the final restructuring step, the SEAG CVA and SFHG CVA will have been fully implemented.

Appreciation

The Management Board is constantly striving to maintain and improve the liquidity position of the Group to enable continued trading by our operating businesses and to preserve and restore value for our stakeholders (including creditors, shareholders and the Group's c. 120 000 employees).

The past seventeen months has been a very challenging period for the people in our Group, and we would like to make use of this opportunity to thank the Senior Management and employees of the underlying businesses for their leadership and loyalty in keeping the businesses going and retaining value for the Group under extremely difficult circumstances.

We would also like to thank all members of the Supervisory Board, who for the last seventeen months have provided guidance and support and contributed extra hours to assist the Group through this period.

Finally, to all employees at the various central offices of the Group, our most sincere thanks for your relentless hard work and determination to assist the Group.

SECTION 2: FINANCIAL REVIEW

This Financial Review covers the period of 1 October 2016 to 30 September 2017 and addresses the material events subsequent to the Reporting Date up to the date of this Annual Report.

INDEX

Introduction

This Financial Review covers the period of 1 October 2016 to 30 September 2017 and addresses the material events subsequent to the Reporting Date up to the date of this Annual Report.

Prior period restatements due to accounting irregularities

On 5 December 2017, the Company announced that its 2017 Consolidated Financial Statements could not be released when expected as it had identified potential accounting irregularities and questionable transactions.

As a result of these concerns, PwC was upon instruction of the Supervisory Board retained by the Group's legal advisors to conduct an independent forensic investigation. The audited 2016 Consolidated Financial Statements could no longer be relied on and had to be restated and publication of the 2017 Consolidated Financial Statements was postponed.

The initial Investigation Report was produced on 11 March 2019. The investigation is ongoing. The Investigation Report is confidential and legal professional privilege inheres therein. Consequently, the Investigation Report will not be published. Reference to the investigation identified adjustments to the financial results, and the Investigation Report in these consolidated and separate financial statements and notes thereto is made without waiving the privileged nature of the Investigation Report.

A number of accounting irregularities were identified by the Management Board:

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

The Management Board determined that certain other transactions, which were not part of the investigation, required further consideration, and were also assessed by the Management Board to have been inappropriately recognised in the consolidated financial statements and required correction.

The Management Board identified a number of transactions with four principal groups of corporate entities which were not necessarily on an arm's length basis. The four principal groups are: Campion and/or Fulcrum Group, Talgarth Group, TG and/or TG Management Group and Fihag Group and certain individuals; Schmidt, Evans, Pasquier were purportedly independent, but were in substance closely related and/or controlled by the Group or its employees and certain key management.

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

The entities linked to these groups at some point in time have been summarised below:

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

TG or TG Management Group

Fihag Group
- Geros B
- Geros FS

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

The transactions entered into between the Group and entities within the Campion Group and Talgarth Group included, amongst others, the facilitation of business acquisitions and transactions that involved the trading of Ordinary Shares. Funding in respect of such transactions was mostly provided for by the Group. It appears that all, or the majority of these transactions, were concluded on a non-arm's length basis. The Management Board considered whether the Group controls the Campion Group, Talgarth Group, TG Group and Fihag Group. Certain of the Group's former executives and other non-Steinhoff executives, who have subsequently resigned, were assessed to have a degree of influence over the structure of the entities and the outcome of these transactions and the Group is exposed to variable returns resulting from the recoverability of the funding provided and the manner in which the transactions were structured for the benefit of the Group. However, although there are some indicators suggesting that the Group might control the Talgarth, Campion, TG and Fihag Groups, no conclusive information exists to confirm that the Group does in fact control any of these Groups. In addition, the Management Board does not have access to the financial information of either the Talgarth, Campion, TG or Fihag Groups to be able to consolidate these entities. The Management Board therefore accounted for the transactions with the respective entities on a transaction by transaction basis to reflect the substance of the underlying transactions and the Group's exposure. The Group did not identify any direct transactions with Fihag or direct loans outstanding during the period from 1 July 2015. Where transactions were entered into within specific entities in the respective groups it was considered whether the Group controlled the specific entity it was transacting with, which has led to the consolidation of certain entities within those groups. The recoverability of any loans and assets with such counterparties has been assessed and where there is no security on the loans in the entity with the liability or where the Group does not have sufficient information to perform a recoverability test, the Management Board has deemed it appropriate to impair these assets.

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

- Schmidt was the financial director of the European division of the Company until his resignation on 28 November 2011. Despite his resignation, shares allocated to him continued to vest in respect of the Steinhoff share scheme for the 2013 and 2014 financial years. Since resigning from the Group, Schmidt was not a director or key management personnel of the Group and did not have a relationship with the Group that would indicate the legal form of a related party in terms of IAS 24 Related Parties ("IAS 24").
- Evans and Pasquier have never been key management personnel of the Group and there are no legal relationships that indicate that they are related parties in terms of IAS 24.

The 2016 Consolidated Financial Statements and its statement of financial position as at 1 July 2015 have been restated to correct prior period errors. As a result of the extent and complexity of the restatements required to correct these errors, the Management Board has grouped the restated transactions according to type and impact on the consolidated financial statements. A brief explanation of each grouping is discussed below with the detail of the restatements contained in this note and the relevant section of the consolidated financial statements.

Categories of restatements:

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

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

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

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

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

6. Consequential effects of accounting irregularities
The restatements as a result of the accounting irregularities has consequential impacts on various other assets and liabilities of the Group. The most material impacts related to; the impairment of

goodwill and brands due to the revision of inputs used in value-in-use calculations of CGUs as a result of incorrect forecast information and revised WACC rates, the taxation impact of fictitious income and expenses; the reassessment of vesting criteria based on restated financial information relating to employee share grants, the classification of external debt as short term as a result of the technical breach of financial covenants and the recognition of adjustments not previously considered material to the Group.

The following table summarises the effect of restatements recognised by the Group in order to correct prior period errors in respect of the 15 months ended 30 September 2016 and at 1 July 2015. Details relating to the nature and amount of the restatements are provided below.

	Financial impact: 30 September 2016					Financial impact: 1 July 2015	
			Equity				
Categories of restatement	Asset decrease	Liability decrease	Decrease in profit	Other equity move-ments (increase)/ decrease	Opening balance (increase)/ decrease	Asset decrease	Liability (increase) decrease
Property transactions	(429)	–	41	(18)	406	(406)	–
Intangible asset transactions	(5 801)	703	1 013	(19)	4 104	(3 778)	(326)
Accounting for Group or related entities	(1 376)	802	240	153	181	(348)	167
Contributions and 'cash equivalents'	(1 179)	11	288	35	845	(845)	–
Share transactions	(241)	–	62	(40)	219	(219)	–
Consequential effects of accounting irregularities	(2 406)	41	35	(209)	2 539	(2 600)	61
Total impact relating to accounting irregularities	**(11 432)**	**1 557**	**1 679**	**(98)**	**8 294**	**(8 196)**	**(98)**

*

Restatement due to finalisation of provisional post-combination accounting of acquisitions

The post-combination accounting of the following acquisitions was finalised and the affected assets and liabilities were retrospectively restated:

(i) *Mattress Firm acquisition: effective acquisition date 30 September 2016;*

(ii) *Poundland acquisition: effective acquisition date 30 September 2016; and*

(iii) *Other small acquisitions*

Refer to note 1.1 to the 2017 Consolidated Financial Statements for further details on the restatement. These restatements are not as a result of the accounting irregularities.

Change in reportable segment information

As a result of restatements arising from the correction of prior period errors, the Management Board had to reconsider the Group presentation of its segments.

Historically, the Group presented three aggregated segments, but in the interest of transparency and in compliance with IFRS, the Group has restated its segments as eleven segments, details of which are contained in note 2 to the 2017 Consolidated Financial Statements. This presentation is aligned with how the Management Board views the business and with historical operational reports.

Critical Accounting estimates and judgements

The preparation of consolidated financial statements requires management to make judgements and estimates that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

Actual results may differ from estimates, and judgements have been made after taking into account all currently available information, but could change if additional relevant information comes to light.

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

The details of such judgements and estimates is included as part of the "Basis of Preparation" of the 2017 Consolidated Financial Statements, and users should take note of these judgement areas.

Judgements

1 Going concern assumptions
2 Consolidation decisions
3 Classification and completeness or related parties and affiliated parties
4 Recoverability of financial and other assets
5 Linkage and economic substance of transactions
6 Treatment of transactions involving Steinhoff shares funded by the Group
7 Presentation of liabilities
8 Recognition and measurement of provisions
9 Correct classification and completeness of contingent liabilities
10 Correct classification and completeness of liabilities and events occurring after the reporting period
11 Derecognition of financial assets
12 Recognition of investment as equity accounted companies

Current trading performance

The accompanying operational review deals with the performance of the trading divisions of the Group in the Reporting Period.

Due to the level of abnormal transactions contained therein, a table has been prepared below which adjusts reported EBITDA for certain specific expenses and impairments to arrive at management's view of Sustainable EBITDA:

Reconciliation of EBITDA for the period ended	Year ended 30 September 2017 € million	Fifteen months ended 30 September 2016 € million
EBITDA per segment report	**738**	875
Remove: Deconsolidation of POCO	**(52)**	(95)
Legal provisions	**63**	7
Foreign exchange (gains)/losses	**(2)**	19
Profit on kika-Leiner derivative	–	(41)
Loss/gain PSG derivative	**18**	(12)
Sustainable EBITDA	**765**	753

Classification of debt as current liabilities

Under IFRS, a liability should be classified as current if the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the Reporting Date. As the Group was in technical breach of a number of its covenants which, relate to loans that were payable in future years subsequent to the Reporting Date, until a restructuring plan is implemented, financial creditors are not obligated to condone covenant breaches. The liabilities are therefore required to be presented as current liabilities in the 2017 Consolidated Financial Statements. As a result of restating the 2016 Consolidated Financial Statements, it appears that the Group was in technical breach in prior years and the Group has therefore restated the prior years' position to reflect these as current liabilities as well.

Once the finalised restructuring plan with financial creditors becomes effective, a substantial portion of the current interest-bearing liabilities and borrowings will be reclassified to non-current interest-bearing liabilities.

Net debt and cash flow

The debt of the Group remains high, with net debt of €8.8 billion at the Reporting Date. The net debt balance increased by €1.3 billion in the Reporting Period. The major contributors to the increase were funds secured by issuing European non-convertible bonds of €790 million, a drawdown under the revolving multi-currency credit facility of circa €800 million and a repayment was made under a syndicated term loan of circa €500 million.

On listing the Pepkor group separately in South Africa during September 2017, the Group sold a portion of its shares in Pepkor to non-controlling interests and raised €1.0 billion from this transaction.

In the prior year, the Group issued additional convertible bonds raising €2.2 billion and did a capital raise by issuing shares during September 2016. Total proceeds from the issuance of shares contributed €1.7 billion.

The Group generated €404 million from operations (2016: €998 million), ordinary and preference dividends of €652 million (2016: €155 million) were paid to shareholders and net interest and tax of €611 million (2016: €609 million) was paid. This resulted in a cash outflow from operations of €792 million (2016: inflow of €257 million).

Estimates

1 Estimates of uncertain tax positions

2 Estimation of future taxable profits in support of recognition of deferred taxation assets

3 Estimates of inputs into discounted cash flow models relating to the impairment of goodwill

4 Estimates of inputs into discounted cash flow models relating to the impairment of intangible assets

5 Estimation of the useful life of intangible assets

6 Estimation of the fair value of properties

7 Estimation of the useful life and residual values of buildings

8 Estimation of the fair value of identified assets and liabilities impacting the measurement of goodwill in a business combination

9 Estimation of vesting conditions relating to share-based payments

The cash raised from issuing additional debt and transactions with non-controlling interest, net of the cash outflow from operations, were invested as follows:

(i) €744 million net capital expenditure;

(ii) Acquisitions of businesses of €483 million:

- €237 million for the acquisition of Fantastic;
- €106 million for the acquisition of Tekkie Town;
- €64 million for the acquisition of Sherwood;
- €32 million for the acquisition of Capfin call centre and Van As debt collectors; and
- the balance of €50 million for other smaller acquisitions. (Refer to note 24.1 of the 2017 Consolidated Financial Statements).

(iii) Investments in equity accounted companies of €544 million:

The Group increased its preference share investment in Atterbury Europe by €278 million to support the expansion in central Eastern Europe. The SRP investment was acquired for €159 million in July 2017. Cofel SAS, a bedding manufacturer, was acquired during the period for €51 million. As part of the KAP rights offer, the Group subscribed for a further 94 million KAP shares during the period for €45 million.

In the 2016 year:

(i) €584 million net capital expenditure;

(ii) Acquisitions of businesses of €2 938 million (net of cash on hand):

- €662 million for the acquisition of Poundland;
- €2 165 million for the acquisition of Mattress Firm (€1 244 million debt was allocated to this business, bringing the gross acquisition price to €3 409 million)
- the balance of €111 million for other smaller acquisitions. (Refer to note 24.5 of the 2017 Consolidated Financial Statements).

(iii) Investments in equity accounted companies of €221 million:

In the prior year, the Group acquired its interest in the Bud Group for €132 million and increased their preference shares investment in Atterbury Europe for €85 million.

Details on the development of the debt subsequent to the Reporting Date is given in various sections of this Annual Report.

Geographic context and impact of foreign currencies

As demonstrated in the geographical analysis in note 2 to the 2017 Consolidated Financial Statements, the Group earned circa 67% of its revenue outside the Euro-zone. The Group's assets are also spread around the globe and the non-European assets are subject to various currency fluctuations including fluctuations in the value of the South African rand, the Australian dollar, the US dollar, the UK pound sterling and the Polish zloty.

Changes impacting investments in equity accounted entities

POCO

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

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

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

On 30 September 2015, Steinhoff's effective interest in POCO increased from 25% to 50% as the majority of Pohlmann's interest in LiVest was swapped for Ordinary Shares in the Company. It is noted that in September 2018, Pohlmann instituted legal proceedings to have the share swap set aside. A settlement agreement is currently being concluded and the confidential settlement amount and related withholding taxes were provided at the Reporting Date as The Management Board assessed this to be an adjusting subsequent event.

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

The Group derecognised POCO as a Subsidiary on 31 March 2017 and recognised its 50% interest in POCO as an investment in equity accounted companies under the recognition and measurement criteria of IAS 28 – Investments in Associates and Joint Ventures.

The assets and liabilities, as well as the non-controlling interest, were derecognised line by line and an investment as an equity accounted company recognised at its fair value of €301.5 million on 31 March 2017.

The derecognition of POCO as a Subsidiary resulted in a profit of €89 million in the Reporting Period. The impact of this change is included in notes 4.2.6 and 10 of the 2017 Consolidated Financial Statements. At the Reporting Date, an impairment to fair value of €49 million was recognised.

Habufa

The Group owned a 50% interest in Habufa, a wholesale facility located in the Netherlands. The balance of the shares were owned by the original family owners.

It has come to the Management Board's attention that Habufa was incorrectly consolidated with a 50% non-controlling interest in prior periods. The accounting for Habufa has been restated to reflect the accounting treatment of an equity accounted entity. Reference is made to note 1.2.3f of the 2017 Consolidated Financial Statements.

Habufa was disposed of during the 2018 Reporting Period – see *Corporate activity after the Reporting Date* in this Financial Review.

Related party transactions

During the Reporting Period, related party relationships existed between certain previous shareholders, Subsidiaries, joint-venture companies and associate companies within the Group and its company directors and Group key management personnel.

As part of the Management Board's investigation, certain transactions which may not have been entered into on an arm's length basis have been identified. The Management Board's focus is to ensure that all related parties and non-arm's length transactions are identified and correctly accounted for in the accounting records.

The Group has identified and tested various transactions that appear not to have been entered into on a market-related basis, with a focus on determining the extent of the relationship and the recoverability of loans and assets. In instances where there is no security on the loans in the entity with the liability, or where the Group has insufficient information to perform a recoverability test, the Management Board has deemed it appropriate to impair these assets.

All known material intergroup transactions are eliminated on consolidation.

The Group's focus is to ensure that all related parties are identified and are appropriately recognised and disclosed.

Where non-arm's length transactions did not classify as related-party transactions in terms of IAS 24 – Related Parties, the Group has decided to include voluntary disclosure in the interests of transparency under the heading "affiliated-party transactions". Notes 29 and 30 to the 2017 Consolidated Financial Statements gives information on IAS 24 – related parties and affiliated-party transaction.

Corporate activity during the 2017 financial year

Tekkie Town Proprietary Limited (Tekkie Town)

On 29 August 2016, the Company concluded an agreement to acquire Tekkie Town in South Africa. All the required regulatory approvals were obtained and Tekkie Town was consolidated from 1 February 2017. The purchase price of €226 million was settled through a combination of ordinary shares issued and cash paid. Reference is made to note 24.3 to the 2017 Consolidated Financial Statements.

Fantastic Holdings Limited (Fantastic)

On 14 October 2016, Steinhoff Asia Pacific Holdings Proprietary Limited and Fantastic legal entity in Australia executed a scheme implementation deed under which the Group acquired 100% of the issued share capital in Fantastic for €247 million by way of a scheme of arrangement. Fantastic was consolidated from 1 January 2017. Reference is made to note 24.2 to 2017 Consolidated Financial Statements.

SRP

On 12 May 2017, Conforama announced the acquisition of a 17% stake in SRP, a listed leading European digital retailer. The transaction received regulatory approval during July 2017. Steinhoff entered into voting agreements with the founding shareholders and Steinhoff was also represented on the board of SRP. As such, the Group determined that it had significant influence over SRP and it is therefore equity accounted. Reference is made to note 10 to the 2017 Consolidated Financial Statements. The Group impaired its investment in SRP by €79 million during the year. This impairment reduced the carrying value to the Management Board's estimate of its fair value.

SRP was disposed of during the 2018 financial year.

Sherwood

On 25 May 2017, the Company acquired a 100% stake in Sherwood Group Holdings Inc, which in turn acquired 80% in Sherwood, Acquisition Holdings, a bedding manufacturer in the United States, for a total combined purchase price of €64 million. Sherwood was consolidated from 1 July 2017.

Pepkor (previously named STAR)

Pepkor was established with effect from 1 July 2017. Pepkor owns the African retail assets of the Group. Pepkor was listed on the main board of the JSE on 20 September 2017.

The initial public offering of 750 million Pepkor shares, combined with a 50 million Pepkor share disposal by the Company, raised cash of ZAR16.4 billion (€1 billion) and simultaneously introduced a non-controlling interest of 23% in Pepkor with Steinhoff owning the balance.

Pepkor published their annual results for 2017 on 4 December 2017 and for 2018 on 26 November 2018. Reference is made to www.pepkor.co.za.

€800 million European bond issue

Effective 17 July 2017, the Company placed senior unsecured fixed-rate corporate bonds with an aggregate principal amount of €800 million (€10 million fees were capitalised to this bond). The bonds were issued by its Subsidiary, SEAG, and is unconditionally and irrevocably guaranteed by the Company. The bonds, which have a term of 7.5 years and bear an annual coupon of 1.875%, were issued in denominations of €100 000 on 24 July 2017 and were admitted to trading on the regulated market of the Luxembourg Stock Exchange. Moody's announced a 'Baa3 (stable outlook)' credit rating for the bond, which was in line with the long-term corporate rating assigned by Moody's to the Company at the time. On 28 December 2017, following the events that took place early in December 2017, Moody's downgraded the Steinhoff credit ratings to Caa1 and then on 13 June 2018 they withdrew their Steinhoff ratings.

Corporate activity after the Reporting Date

Acquisitions entered into prior to the mid-December 2017 liquidity crisis

Lancaster 102
Steinhoff Africa is an indirect wholly-owned Subsidiary subscribed for preference shares issued by Lancaster 102 for a total subscription amount of ZAR4 billion. As part of a proposed transaction relating to Shoprite Holdings Limited (explained below), Lancaster 102 required funding to purchase shares from Thibault. In exchange, Thibault subscribed for preference shares in Steinhoff Africa to the value of ZAR4 billion. These preference shares are classified as a non-current liability. In a subsequent transaction between Thibault and Lancaster 102, these preference shares in Steinhoff Africa were transferred to Lancaster 102.

The preference shares that Steinhoff Africa holds are entitled to a dividend calculated at 80% of the South African prime rate, calculated daily and compounded monthly. The final redemption date is either October 2022 or, if Lancaster 102 elects, October 2024 or a later date if Lancaster 102 and Steinhoff Africa agree.

Lancaster 102 is a wholly-owned subsidiary of Lancaster 101. Lancaster 101 is held 25% by Jayendra Naidoo (a former Supervisory Director), 50% by the Public Investment Corporation and 25% by a trust.

Thibault is controlled by Christo Wiese (former chairman of the Supervisory Board).

BSG
On 1 October 2017, an indirect subsidiary of Pepkor acquired 100% of BSG for an enterprise value of ZAR645 million, subject to a clawback or 'agterskot' based on the results for the 12-month period ending September 2018.

The acquisition was approved by the relevant regulatory authorities. BSG has been consolidated within Pepkor from 1 October 2017. At the time of the conclusion of the BSG deal, Jacob Wiese (a former Supervisory Director) declared an interest in the contract as a director of both the seller, Invicta Holdings Limited, and the purchaser, to the board of Pepkor.

Repurchase of 70.6 million Ordinary Shares
The Company repurchased 70.6 million of its own Ordinary Shares, representing 1.7% of its issued share capital. The Ordinary Shares acquired by the Company, or held by Subsidiaries of the Company, are being treated as treasury shares.

Acquisitions of dealerships by Unitrans Automotive
The acquisitions of the Lazarus Ford and Action Ford groups (with dealerships in South Africa) were approved by the South African Competition Commission in November 2017 and January 2018, respectively.

Shoprite transaction and transactions with Christo Wiese's related entities
Pepkor entered into the Call Option Agreements whereby it obtained the right to acquire 128 million ordinary shares in the capital of Shoprite Holdings Limited from various parties. Pepkor's board exercised the call options prior to 30 November 2017 as part of the planned expansion of the Pepkor group, subject to the fulfilment of conditions precedent. This transaction was subsequently not implemented. In the process, Steinhoff made prepayments of €125 million and €200 million in October and November 2017 to entities related to Christo Wiese (the former chairman of the Supervisory Board). Agreements have been entered into with these entities in terms of which €125 million has been settled in full during the second quarter of the 2018 Reporting Period. The balance of €200 million plus interest will be repaid on agreed terms.

Disposals necessitated by liquidity needs in specific businesses

Mariahilferstrasse
On 29 December 2017, the Group sold a property in Vienna, Mariahilferstrasse, for a consideration of €70 million. The Group received partial payment of €60 million at the end of December 2017 and a further €10 million is payable in future by the purchaser. The kika-Leiner group held this €10 million claim against the purchaser, so this claim formed part of the kika-Leiner disposal. As such, it was not considered when calculating the loss on disposal.

SRP
An offer to sell the Group's 17% interest in SRP, an equity accounted company, on 11 January 2018, to the international supermarket chain, Carrefour, was accepted. The block of shares owned by the Company's Subsidiary, Conforama, was sold in an off-market transaction for a total amount of approximately €79 million, at €13.5 per share; corresponding to a 108% premium to the market price on the date of offer. Steinhoff acquired its interest in SRP in July 2017 for €158 million, at €27.0 per share. At the Reporting Date, the carrying amount of the investment in SRP exceeded its recoverable amount and an impairment of €79 million was recognised.

Habufa
Steinhoff sold its 50% interest in Habufa, back to the original family owners on 25 January 2018.

Proceeds of €10 million were received and a loss was recognised on disposal.

Disposals necessitated to release the Group from future cash commitments

Extreme Digital
Steinhoff disposed of its 50% interest in Extreme Digital on 30 January 2018 for an amount of €13 million.

Atterbury Europe
SEAG, an indirect wholly owned Subsidiary of the Company, held a joint venture investment in Atterbury Europe consisting of 50% of the ordinary shares and 100% of the non-voting participating preference shares. The investment in Atterbury Europe was recognised as a joint venture and measured in accordance with IAS 28 – Investments in Associates and Joint Ventures.

Atterbury Europe repurchased the ordinary shares held by the Group on 18 December 2017 for an amount of €20 million.

The Group's remaining 100% interest in the non-voting participating preference shares in Atterbury Europe were also repurchased by Atterbury Europe in June 2018 for €224 million.

kika-Leiner disposal
In January 2018, the Group took steps to assist the kika-Leiner business to formulate a restructuring plan with the objective of avoiding Austrian insolvency proceedings and of setting a course for it to continue as a going concern. The kika-Leiner business has been loss-making for a number of years (operating loss in 2017 of €92 million and in 2016 of €43 million) and has placed significant cash demands on the wider Group. The agreed support plan for kika-Leiner required a significant new investment from the Group over a number of years.

The Group considered that it was making good progress with the turnaround plan pursuant to the agreement of the kika-Leiner restructuring plan. At the start of June 2018, a major credit insurer in Austria decided to withdraw their credit insurance cover. This placed significant new and additional liquidity constraints on the kika-Leiner businesses, which resulted in the restructuring funds required for the restructuring plan increasing to c. €125 million.

In order to curtail the cash injection required from the Group and to secure the future of kika-Leiner and its approximately 5 500 employees, the Group's management team engaged with various third parties with a view to agreeing the terms of a sale of the kika-Leiner Sale Assets. Agreement was reached with SIGNA Holding GmbH (as purchaser) to acquire the kika-Leiner Sale Assets.

The key terms of the disposals are set out below:

(i) Disposal of OpCos: Although the consideration for each of the OpCos was a nominal amount, the Purchaser took over the Group's cash commitment as per the restructuring plan. The sale of the OpCos received merger clearance in each of Austria, the Czech Republic and Slovakia by mid July 2018.

(ii) Disposal of PropCos: The consideration for the PropCos is based on an enterprise value of approximately €490 million. The sale of the PropCos received merger clearance and lender approval.

(iii) In terms of accounting standards, these transactions are considered to be linked, and the Group established 14 August 2018 to be the date of loss of control of both the operating and property companies.

Disposal of non-core assets to raise funds to repay debt

PSG
In 2015, the Group made the strategic decision to increase its PSG shareholding to above 25%.

To facilitate the increase in its PSG shareholding, the Company agreed with certain PSG investors to swap their PSG shares for Shares in the Company. Two of the PSG investors that participated in the swap, entered into a separate derivative agreements with the Company in terms of which the Company would retain economic exposure to PSG (therefore should the Company share price underperform the PSG share price, the Company would pay out the difference in value to these swap counterparties and should the Company share price outperform the PSG share price, the Company would receive the difference in value).

Prior to this disposal, the Company, through its indirect Subsidiary Steinhoff Finance Investments (Proprietary) Ltd, held 56 million ordinary shares in PSG, representing approximately 26% of the externally issued share capital of PSG.

During the Reporting Period, one of the derivative contracts was cash settled for €1 million. During the 2018 Reporting Period, the Company entered into the following sale agreements of its investment in PSG:

(i) Block placement of 21 million shares on 15 December 2017 at a placement price of ZAR230 per share. The shares were taken up by a consortium of bidders.

(ii) Accelerated book build of 29 million shares on 22 January 2018 at a price per share of ZAR240.

(iii) A block of 3 million PSG shares were sold gradually on-market for an average net price of ZAR210 per share.

The remaining 2 million PSG shares were swapped for 6 million of the Company's Ordinary Shares to settle the second PSG derivative contract. On the Reporting Date, the statement of financial position included a cumulative €13 million liability for the second PSG derivative contract. As the PSG derivative was settled by the Company delivering PSG shares (as opposed to cash), the €13 million liability on the 2017 statement of financial position was reversed in the 2018 financial year, resulting in a once-off €13 million profit.

Total proceeds of ZAR12 billion were received for all the sales of PSG shares, net of transactions costs. A net profit before taxation of ZAR375 million was recognised. At a Group level this profit before taxation translates to c. €24 million. The reclassification of the cumulative FCTR, which arose as a result of translation of the investment in PSG at fluctuating ZAR:Euro exchange rates over the period of the investment, resulted in a circa €99 million loss being recycled to the income statement during the 2018 financial year.

KAP

Ainsley Holdings Proprietary Limited, an indirect wholly owned Subsidiary of the Company, held 1,144 billion shares (approximately 43%) in KAP up until 12 March 2018, with a market value of c. ZAR10 billion. As part of the agreement reached with its South African financial creditors, the Company agreed that it would continue with a process to dispose of a portion of its interests in KAP to repay a portion of its South African debt. The Management Board approved the launch of an accelerated bookbuild of up to 450 million ordinary shares in KAP. The shares were successfully placed at a price of ZAR8.15 per share on 13 March 2018, raising total gross proceeds of ZAR3.7 billion.

In March 2019, the Management Board approved a further launch of an accelerated bookbuild of the remaining 694 million ordinary shares in KAP. The shares were successfully placed at a price of ZAR6.85 per share on 26 March 2019, raising total gross proceeds of ZAR4.8 billion.

Gulfstream jet

Rainford Isle of Man Limited (RIM), a wholly-owned Subsidiary of the Company acquired a company aircraft, for USD21 million in January 2017. RIM sold the company aircraft on 12 January 2018 for a consideration of USD16 million. A loss was recognised on disposal in the 2018 financial year.

The Group also disposed of two smaller jets at a combined loss of €2 million.

Pepkor (previously called STAR)

During April 2018, the Company successfully placed 200 million ordinary shares in STAR through an accelerated bookbuild. The shares were placed at a price of ZAR18.75 per share, raising total gross proceeds of ZAR3.8 billion (c. €241 million). The book was multiple times oversubscribed. The placing price represented a discount of 3% to the STAR closing price of ZAR19.26.

Following the accelerated bookbuild, the Group's interest in Pepkor reduced from 77% to 71%.

Manufacturing and other

A number of smaller non-core manufacturing and other businesses have been disposed of or closed, including Puris Bad (bathroom), Impuls Küchen (Kitchen), Steinpol, Ellis, Genfin, Entrepo, Spotco, SVF UK, Princess Bay, BST, and Global Warehouse.

Unitrans Automotive

The Group announced, on 28 March 2019, that it had reached in-principle agreement to dispose of 74.9% of Steinhoff Africa's shares in Unitrans Motor Holdings Proprietary Limited (and its subsidiaries), and 100% of the loan claims against Unitrans Automotive held by Steinhoff Africa, to CFAO Holdings South Africa Proprietary Limited. Under the terms of the potential transaction the parties will endeavour to dispose of the Group's remaining 25.1% interest in Unitrans Automotive at a later date, as part of a Broad-Based Black Economic Empowerment transaction.

Other disposals and transactions

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

The Group historically concluded that it controlled POCO and consolidated POCO from July 2007 with a 50% non-controlling interest. As of January 2012, the Group incorrectly reduced its non-controlling interest to 0% and from April 2015 recognized a liability in respect of Seifert's 50% shareholding as it was believed that certain actions taken had resulted in the right to redeem his 50% shareholding, known as a "squeeze out". There was an ongoing dispute between the parties in Germany on the validity of the so-called 'squeeze out'.

Representatives of the Group and the other parties attended a court hearing in Dortmund where this issue was contested on 25 April 2018. At the hearing, the parties agreed, in principle, to settle the matter on terms acceptable to all parties. To this end, it was agreed that the Group would no longer contest the validity of the forfeiture of the JV Entities' existing 50% interest in POCO. Furthermore, the JV Entities offered to acquire the Group's remaining interest in POCO based on an agreed equity valuation of €533 million for 100% of the equity in POCO. In addition, the POCO business would retain debt of approximately €140 million, with no recourse to the Group.

The Group entered into a sale agreement with the JV Entities on 4 September 2018 for a total consideration of €271 million. The sale was subject to competition and merger control provisions. Closing the POCO sale brought the German litigation proceedings with the entities owned by Seifert to an end.

The Pohlmann family declared a dispute regarding the 2015 sale of their interest in the Company. A settlement has subsequently been reached in this regard. Refer to note 21.3 of the 2017 Consolidated Financial Statements.

Debt restructured and repaid – 2018 financial year

Repayment and delisting of the services Domestic Medium-Term Note

A portion of the proceeds raised from the disposal of PSG was used to redeem the outstanding notes under the Domestic Medium-Term Note programme. The Group, through its indirect wholly-owned Subsidiary Steinhoff Services, requested the noteholders to approve early settlement.

All the notes except SHS34 were settled on 23 February 2018. The noteholders of note SHS34 voted against the early settlement. As the Steinhoff Services audited 2017 Consolidated Financial Statements were not published on or before 28 February 2018, the trading of the remaining note SHS34 was suspended on 1 March 2018. Note SHS34 was settled on 2 March 2018 and the Domestic Medium-Term Note programme was deregistered with the JSE effective 9 March 2018. Steinhoff Services is currently in the process of being converted to a private company.

Pepkor refinancing – 2018 financial year

Pepkor successfully completed the refinancing of the Group's shareholder funding amounting to approximately ZAR16 billion on 23 May 2018. The refinancing facilitated the repayment of the shareholder loan owing to Group entities. These entities used the cash to repay existing African debt, external debt and a portion of the preference share debt.

Accordingly, the Group has successfully repaid approximately €2 billion of existing African debt since January 2018. Save for the new refinanced Pepkor debt, working capital facilities of the automotive business and the African properties division, as at the date of this report, the Group has no remaining African debt.

Group debt restructure

The Group has been engaged in substantial and complex debt restructuring throughout 2018 and 2019 as detailed in the Business Review section of this Annual Report.

Shareholder and vendor claims

Subsequent to the Reporting Date, the Group received a number of Shareholder and vendor claims. The Group, in consultation with its legal advisors, are in the process of evaluating and assessing the quantum of all the claims received to date. The majority of the claims will not have an impact on the 2017 Consolidated Financial Statements and are being disclosed as subsequent events in note 34 to the 2017 Consolidated Financial Statements. Where claims have been provided, details are included in note 21.3 to the 2017 Consolidated Financial Statements.

The Group is at the same time evaluating what claims it may have against third parties.

Going concern

In determining the appropriate basis of preparation of the 2017 Consolidated Financial Statements, the Management Board is required to consider whether the Group can continue in operational existence for the foreseeable future.

The Group and the Company's cash flow forecast indicate that the Group and the Company can, based on certain critical assumptions, continue in operational existence for the foreseeable future, namely for 12 months after the date of authorisation.

The Management Board draw attention to the following critical assumptions that are key in arriving at the cash flows, namely:

Litigation

The Group and Company has received several shareholder and vendor claims and notices of regulatory investigation. A key assumption in both the Group and Company cash flows is that no material claims or fines are awarded against the Group or Company and will become payable during the next twelve months. As stated previously, these legal proceedings and regulatory investigations have been initiated against the Group and Company during the past seventeen months. The Supervisory Board and the Management Board, assisted by a newly constituted litigation committee, and in consultation with the Group's attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the regulatory bodies. Several initial defences have already been filed by Steinhoff in these legal proceedings. However, litigation remains a material uncertainty as to its ultimate impact on the liquidity of the Group.

Tax

Tax remains a material uncertainty as the tax impact of the accounting irregularities identified and the consequential effects thereof remains uncertain. This is exacerbated by the fact that these irregularities impact multiple jurisdictions, the finalisation of which will require substantial analysis and negotiation with various Tax Authorities in the respective jurisdictions. A key assumption is therefore that the tax assumptions built into the current cash forecast, for both the Group and Company, continue to apply and that no unexpected material assessments are received.

CVA process

The restructuring of the Group's existing financial indebtedness continues. The fall implementation of the CVA is critical to the liquidity of the Group. Should the CVA fail for any reason, this would have a materially negative impact on the liquidity of the Group and the Company.

CVA and Hemisphere Arrangements

That there is no event of default in the future, once the implementation of the CVA has been fully implemented or under the existing agreement with the Hemisphere lenders, that threatens the current standstill agreements.

Conclusion

The Management Board draw attention to the following facts:

(i) that in both the Group and Company's financial statements current liabilities exceed current assets, and

(ii) that these material uncertainties extend beyond the foreseeable future.

These facts therefore cast significant doubt upon the Company and Group's ability to continue as a going concern beyond the foreseeable future. If the Group and Company is to continue as a going concern, the Management Board and operational management require sufficient time to stabilise the Group and re-establish value at operational level. This will enable the Group and Company to realise assets in a non-distressed fashion and thus maximise value to repay or reduce debt to manageable levels. This will also maximise the return to all stakeholders. At the same time a solution for the potential litigation against the Group will need to be sought and implemented.

Remediation Plan

As stated above, PwC completed their investigation and delivered the forensic report to the Supervisory Board and the Management Board in mid-March 2019. The Company thereafter provided the market with an overview of this report.

After reviewing the findings of both the PwC report and its own internal investigations, the Management Board have designed and drafted a Remediation Plan aimed at addressing the cause of the various failures and the consequential impacts.

To ensure that the Remediation Plan is delivered upon, the Company has appointed a Chief Compliance and Risk Officer (CCRO), Louis Strydom, who will be responsible for the plan and will report directly to the CEO and have reporting responsibility to the Audit and Risk Committee. The CCRO will join the Group on 1 July 2019. Louis Strydom is well versed in the issues facing the Steinhoff Group as he has been heading up the PwC forensic team responsible for the PwC Steinhoff investigation.

The Remediation plan is detailed and attempts to cover all the potential weaknesses that have been identified to date and the regulatory consequences thereof. It also identifies what still requires to be done, who is responsible for performance and the timeline for delivery. The Remediation Plan is a live document which will be expanded upon as and when new issues arise and require change.

The Remediation plan has been endorsed by the Supervisory Board and the Supervisory Board will ultimately oversee the implementation of the Remediation Plan.

The Company is also considering findings from its own investigation, and the contents of the forensic report, in order to pursue, where appropriate, the recovery of losses incurred and damages suffered. This represents an ongoing part of the Group's investigations.

The Company's dividends on Ordinary Shares

In terms of the Company's dividend policy, the Company in the past declared dividends annually. Given the ongoing liquidity position of the Company and Group, the Management Board, with the approval of the Supervisory Board, has resolved not to propose dividend on Ordinary Shares until further notice.

On the Reporting Date, the Ordinary Shares remain listed and traded on the FSE and the JSE.

Preference Shares and dividends

Suspension of the SINVH preference shares on the JSE

SINVH is a wholly owned Subsidiary of the Company and is the issuer of variable rate, cumulative, non-redeemable, non-participating preference shares with a capital value of ZAR1.5 billion. The preference shares are listed on the JSE. Following the events of December 2017, SINVH was unable to publish its 2017 consolidated annual financial statements for the year ended 30 September 2017 by the requisite date namely 28 February 2018. The listing of the preference shares was suspended by the JSE effective 1 March 2018. These preference shares are included as non-controlling interest: preference share capital.

Preference SINVH share dividends

The board of SINVH declared a gross dividend of 436,68 South African cents per SINVH preference share on 27 February 2017, in respect of the period from 1 July 2016 to 31 December 2016, payable on Tuesday, 18 April 2017.

The SINVH board also declared a gross dividend of 429,56 South African cents per SINVH preference share on 31 August 2017, in respect of the period from 1 January 2017 to 30 June 2017, payable on Monday, 23 October 2017.

On 30 April 2018, SINVH published a stock exchange news service announcement notifying holders of the SINVH preference shares that a decision had been taken by the board of directors not to declare a dividend on the SINVH preference shares in respect of the period 1 July 2017 to 31 December 2017.

The above-mentioned decision was subsequently reviewed by the board of SINVH, who determined that SINVH was in a position to declare the SINVH preference shares dividend. Accordingly, on 29 June 2018, the board approved the payment of a gross dividend of 427.41781 South African cents per SINVH preference share, payable on 23 July.

On 26 July 2018, the board of SINVH declared a gross dividend of 414.02568 South African cents per SINVH preference share, payable on Monday 20 August. In addition, and with reference to the previous dividend declaration announcement published on 29 June 2018, SINVH increased the SINVH preference shares dividend by a gross amount of 10.03132 South African cents per share to compensate holders for the period between the previous preference dividend declaration date, being 29 June 2018 and the eventual payment date of 23 July 2018 (both days included).

On 27 February 2019, the board of SINVH declared a gross dividend of 418.09418 South African cents per SINVH preference share, payable on Monday 29 April 2019.

The SINVH preference shares dividends were paid in the currency of South Africa and were subject to local dividend tax of 20%.

Events after the Reporting Date

There have been significant events after the Reporting Date in relation to the 2017 financial year, including corporate activity and debt restructuring, as set out above in this Financial Review.

SECTION 3: OPERATIONAL REVIEW

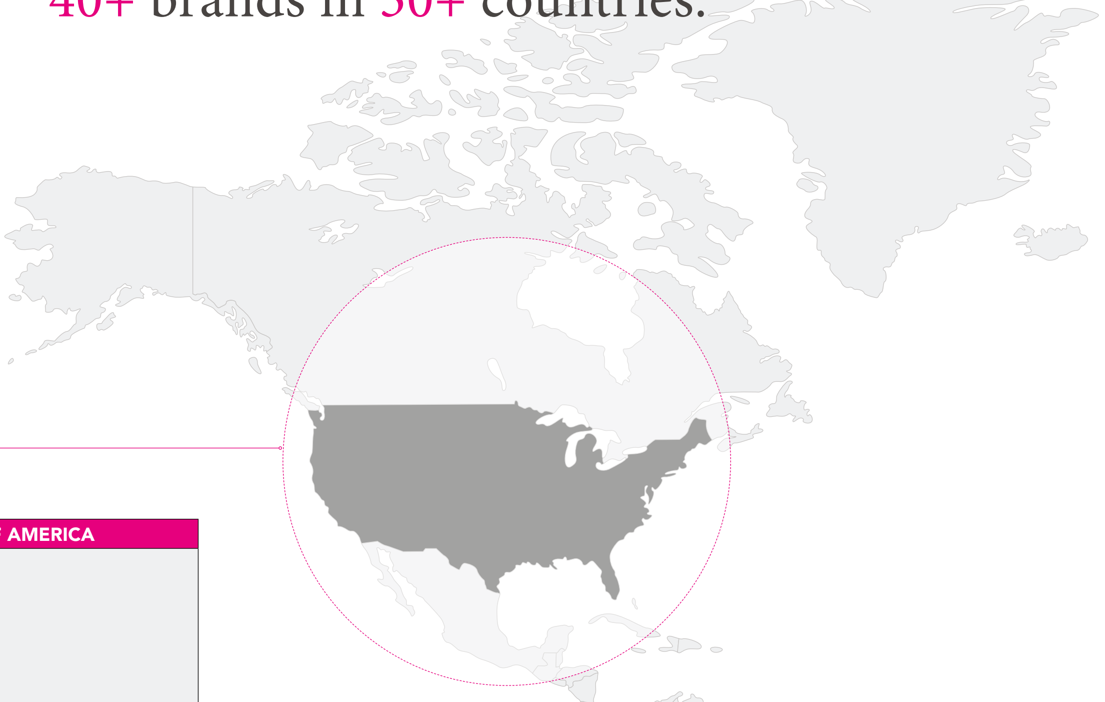
During the Reporting Period, the Group reported revenue growth of 17% to €18.8 billion against a comparative of €16.1 billion for the 15-month period ended 30 September 2016.

INDEX

As a retailer, the Group does not make material investments in research and development itself, but sources product for distribution into various markets through an extensive distribution footprint.

Steinhoff today ...

... adds value to its customers' lifestyles by providing everyday products at affordable prices and serving customers at their convenience in 12 000+ stores with 40+ brands in 30+ countries.



UNITED STATES OF AMERICA

100%
ownership
(30 September 2017)
(7 May 2019: **50%**, subject to future dilution by the new management incentive plan.)

MATTRESS FIRM

AFRICA

77%
ownership
(30 September 2017)
(7 May 2019: **71%**)

Pepkor
Sample of Pepkor brands (separately listed on the JSE)

PEP

ACKERMANS

Russells

BUCO

100%
ownership
(30 September 2017)
(7 May 2019: **100%**)

UNITRANS

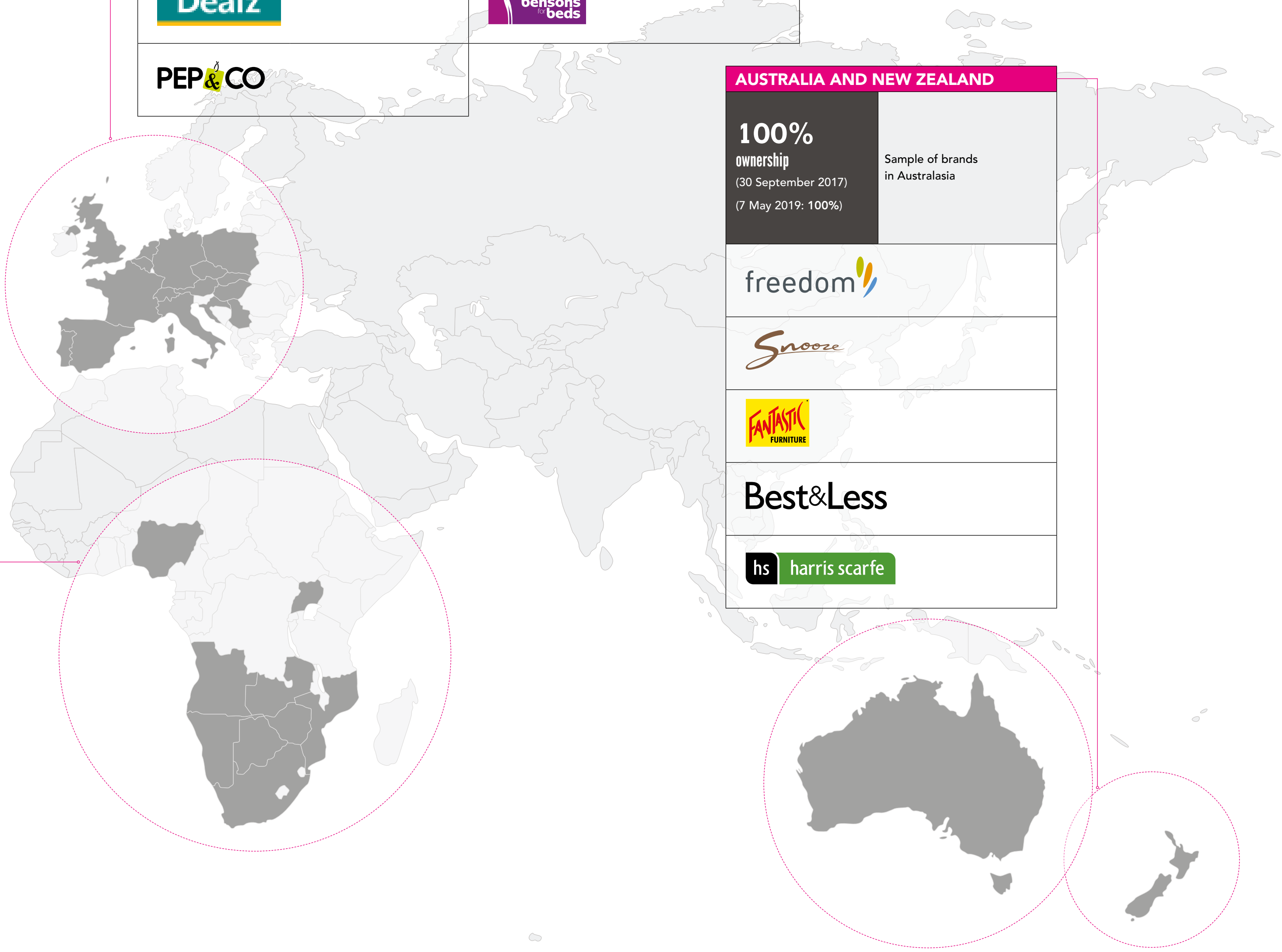
The group's full brand complement includes: Abra, Ackermans, Bensons for Beds, Best&Less, Bradlows, BUCO, Conforama, Dealz, Dunns, Emmezeta, Fantastic, FLASH, Floors Direct, Freedom, Harris Scarfe, Harveys, Hertz, HiFi Corp, Incredible Connection, John Craig, Lipo, Mattress Firm, OMF, PEP, PEP Cell, PEP Home, PEPCO, PEP&CO, Plush, Postie, Poundland, Powersales, Refinery, Rochester, Russells, Shoe City, Sleepmasters, Snooze, Tekkie Town, Tiletoria, Timbercity and Unitrans Automotive.

EUROPE AND UNITED KINGDOM

100% ownership (30 September 2017) (7 May 2019: **100%**)* Pepkor Europe	**100%** ownership (30 September 2017) (7 May 2019: **100%**)
Poundland	Conforama
PEPCO	Harveys
Dealz	bensons for beds
PEP&CO	

AUSTRALIA AND NEW ZEALAND

100% ownership (30 September 2017) (7 May 2019: **100%**)	Sample of brands in Australasia
freedom	
Snooze	
Fantastic Furniture	
Best&Less	
hs harris scarfe	



*100% reflects accounting ownership, although legal ownership amounts to 99% as at 7 May 2019 (30 September 2017: 98%)

When reviewing the operational performance of the Group, it should be noted that the 2017 Consolidated Financial Statements represent a 12-month period, while the comparative 2016 Consolidated Financial Statements represent a 15-month period, as a result of a change in the financial year-end in 2016 from June to September. Where like-for-like revenue growth is mentioned in the detailed commentary below, the growth is calculated for the Reporting Period against a comparable 12-month period (in local currency) to assist the reader when reviewing performance.

Introduction

Revenue

During the Reporting Period, the Group reported revenue growth of 17% to €18.8 billion against a comparative of €16.1 billion for the 15-month period ended 30 September 2016. The revenue growth is largely attributable to the acquisitions of Mattress Firm, Poundland and Fantastic Furniture.

Profitability

As a result of the accounting irregularities and their consequential impact, the Group has significantly impaired certain non-operational Group assets. These impairments and other one-off expenses are not part of the segmental results summarised below and are described in more detail in note 4.2 of the 2017 Consolidated Financial Statements.

REVENUE (€M)*

	12M Sept 2017	15M Sept 2016	Change %
EUROPE AND UNITED KINGDOM			
Total Europe revenue	**9 268**	**9 538**	**(3)**
Pepkor Europe	2 796	813	>100
Conforama	3 472	4 379	(21)
ERM	1 761	2 768	(36)
Other	895	1 181	(24)
Manufacturing, sourcing and logistics	333	385	(14)
Properties	11	12	(8)
AFRICA			
Total Africa revenue	**5 269**	**5 416**	**(3)**
Pepkor (separately listed)	3 910	3 816	2
Automotive	1 351	1 527	(12)
Other	–	62	(100)
Properties Africa*	8	11	(27)
UNITED STATES OF AMERICA			
Mattress Firm	**2 994**	**–**	
AUSTRALASIA			
Greenlit Brands	**1 285**	**1 175**	**9**
CORPORATE AND TREASURY SERVICES			
Corporate and treasury services	**2**	**1**	**100**
Total Group revenue	**18 818**	**16 130**	**17**

**Part of "All other segments" in the 2017 Consolidated Financial Statements.*

The operational results discussed below include restatements for certain businesses within the segments. These restatements largely relate to the historic receipt of contributions and profits from know-how sales that have been reversed (for more details refer to the "*prior period restatements due to accounting irregularities*" section in the Financial Review). Pepkor Europe and the African operating entities (including Pepkor, Automotive, African properties and the Group's equity accounted investments (which is not part of the segmental reporting)) were not impacted by these restatements.

A detailed reconciliation of Group revenue, EBITDA and operating profit (including sustainable EBITDA and operating profit) is provided below. For the Reporting Period, sustainable EBITDA for the Group increased by 2% to €765 million (15MFY16:€753 million) and sustainable operating profit for the Group decreased by 15% to €358 million (15MFY16: €421 million).

EBITDA (€M)*	12M Sept 2017	15M Sept 2016	Change %
EUROPE AND UNITED KINGDOM			
Total Europe revenue	**448**	**468**	**(4)**
Pepkor Europe	219	79	>100
Conforama	145	225	(36)
ERM	(17)	81	(>100)
Other	(8)	(45)	82
Manufacturing, sourcing and logistics	12	14	(14)
Properties	97	114	(15)
AFRICA			
Total Africa EBITDA	**536**	**400**	**34**
Pepkor (separately listed)	466	324	44
Automotive	59	60	(2)
Other	–	(4)	100
Properties Africa*	11	20	(45)
UNITED STATES OF AMERICA			
Mattress Firm	**(71)**	–	
AUSTRALASIA			
Greenlit Brands	**54**	**12**	**>100**
CORPORATE AND TREASURY SERVICES			
Corporate and treasury services	**(229)**	**(5)**	**(>100)**
Total segmental EBITDA as reported	**738**	**875**	**(16)**
Deconsolidation of POCO	(52)	(95)	
Legal provisions	63	7	
Foreign exchange losses/(gains)	(2)	19	
Profit on kika-Leiner derivative	–	(41)	
Loss/(gain) on PSG derivative	18	(12)	
Sustainable EBITDA	**765**	**753**	**2**
Segmental EBITDA	**738**	**875**	**(16)**
Non-operational one-off impairments and expenses not included in segmental results**	(3 995)	(242)	
Total EBITDA as reported	**(3 257)**	**633**	**(>100)**

* *Part of "All other segments" in the 2017 Consolidated Financial Statements.*
** *One-off impairments and other one-off expenses are detailed in note 4.2 of the 2017 Consolidated Financial Statements.*

OPERATING PROFIT (€M)*	12M Sept 2017	15M Sept 2016	Change %
EUROPE AND UNITED KINGDOM			
Total Europe operating profit	**228**	**224**	**2**
Pepkor Europe	168	57	>100
Conforama	90	152	(41)
ERM	(50)	33	(>100)
Other	(35)	(84)	58
Manufacturing, sourcing and logistics	2	5	(60)
Properties	53	61	(13)
AFRICA			
Total Africa operating profit	**454**	**313**	**45**
Pepkor (separately listed)	401	253	58
Automotive	43	44	(2)
Other	–	(4)	100
Properties Africa*	10	20	(50)
UNITED STATES OF AMERICA			
Mattress Firm	**(162)**	–	
AUSTRALASIA			
Greenlit Brands	**30**	**(13)**	**>100**
CORPORATE AND TREASURY SERVICES			
Corporate and treasury services	**(231)**	**(4)**	**(>100)**
Total segmental operating profit as reported	**319**	**520**	**(39)**
Deconsolidation of POCO	(40)	(72)	
Legal provisions	63	7	
Foreign exchange losses/(gains)	(2)	19	
Profit on kika-Leiner derivative	–	(41)	
Loss/(gain) on PSG derivative	18	(12)	
Sustainable operating profit	**358**	**421**	**(15)**
Segmental operating profit	**319**	**520**	**(39)**
Non-operational one-off impairments and expenses not included in segmental results**	(3 995)	(242)	
Total operating profit as reported	**(3 676)**	**278**	**(>100)**

* *Part of "All other segments" in the 2017 Consolidated Financial Statements.*
** *One-off impairments and other one-off expenses are detailed in note 4.2 of the 2017 Consolidated Financial Statements.*

Europe and United Kingdom

Pepkor Europe

REVENUE (€M)	12M Sept 2017	15M Sept 2016	Change %	Annual change* %
Total revenue – Pepkor Europe	**2 796**	**813**	**>100**	
Pepco (central and eastern Europe)	991	813	**22**	52
Poundland (largely UK)	1 805	–		
EBITDA (€M)				
Pepkor Europe	219	79	>100	
OPERATING PROFIT (€M)				
Pepkor Europe	168	57	>100	

**Annual change is a mathematical calculation of the 15-month 2016 financial period results *12/15. This is not necessarily a true reflection of a 12-month growth rate as it will not take into account factors such as seasonality.*

Pepkor Europe delivered a strong performance for the Reporting Period. In central and eastern Europe, Pepco increased sales by 22% to €991 million for the Reporting Period (15MFY16: €813 million). The acquisition of Poundland added a further €1.8 billion of revenue.

Operating profit increased to €168 million (15MFY16: €57 million), while margin decreased, reflecting the impact of lower margin inherent in the mix of categories served by Poundland.

The Pepco business continues to progress strongly, delivering like-for-like sales growth of more than 20% driven by strong growth in the clothing and homewares categories, and expanding its store portfolio and geographic footprint. Encouragingly, the business continued to show good growth in all the territories in which it operates. During the Reporting Period, Pepco added 238 new, with 23% (12MFY16: 28%) of sales generated from stores less than 12 months old. Over 40% (12MFY16: 30%) of total sales were generated outside of Poland, with Romania being the second-largest market, contributing 13% of sales. During the Reporting Period, the business entered two new countries (Croatia and Slovenia) where new stores are trading significantly above initial expectations. Scale benefits in buying and operating costs from both store expansion and like-for-like growth continued to support margin growth.

During the Reporting Period, Poundland delivered 2.8% like-for-like sales growth, trading ahead of its acquisition plan in terms of both revenue and margin growth. The introduction of a multi-price strategy (introducing products at price points of £2 and £5) has proven successful. Good progress has also been made in reducing the range size in order to focus on core product categories and deliver operating efficiencies.

Poundland completed two significant restructuring projects during the Reporting Period, realising the benefits identified at acquisition. Firstly, following the integration of over 200 stores from the acquisition of 99p Stores Ltd in 2015, a surplus warehouse and 60 stores were closed, where these did not bring economic benefit to the UK portfolio. Furthermore, Poundland Far East, a sourcing operation based in Hong Kong, was formally merged with Pepkor Global Sourcing, a Pepkor Europe groupwide sourcing entity. This merger will drive significant benefit by reducing operating costs and leveraging increased buying scale in key Far East sourcing markets.

The PEP&CO clothing brand continues to resonate strongly with UK consumers, delivering double-digit like-for-like sales growth in stand-alone stores. However, going forward, Pepkor Europe will focus the development of PEP&CO on creating shop-in-shop offers within Poundland stores. This approach will not only offer a unique point of differentiation for Poundland in the UK discount sector but also significantly increase trading densities and economic returns in those stores. During the Reporting Period, 111 PEP&CO store-in-stores were added within Poundland, with a further 171 planned for the 2018 Reporting Period. Furthermore, in the Reporting Period, 18 stand-alone PEP&CO stores were combined with Poundland stores where stores are co-located.

As at 30 September 2017, Pepkor Europe Limited was fully financed via intercompany loans provided by subsidiaries of Steinhoff N.V. Following the announcement of accounting irregularities in the Steinhoff N.V. Group in early December 2017, an independent GBP260 million medium-term financing facility was arranged, with the aim of stabilising Pepkor Europe by providing ongoing working capital and repayment of parent company loans.

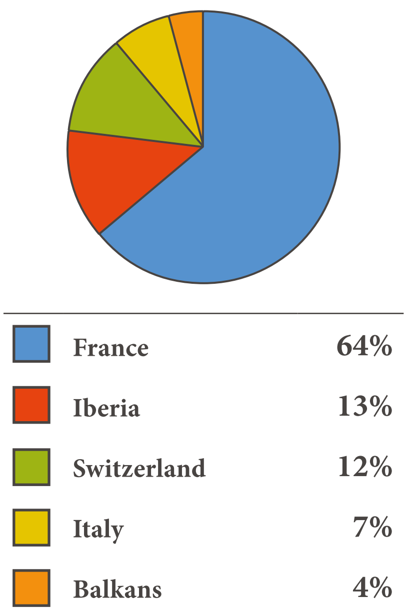
Conforama

(€M)	12M Sept 2017	15M Sept 2016	Change %	Annual change* %
Total revenue	3 472	4 379	(21)	(1)
Total EBITDA	145	225	(36)	(19)
Total operating profit	90	152	(41)	(26)

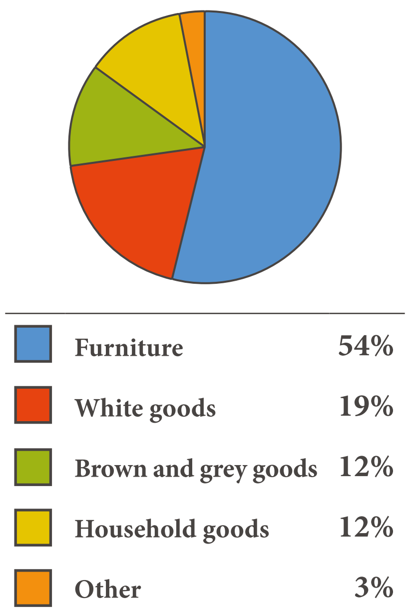
**Annual change is a mathematical calculation of the 15-month 2016 financial period results *12/15. This is not necessarily a true reflection of a 12-month growth rate as it will not take into account factors such as seasonality*

2017 REPORTING PERIOD

REVENUE BY REGION



REVENUE BY PRODUCT



During the Reporting Period, Conforama generated sales of €3.5 billion (15MFY16: €4.4 billion). Like-for-like sales for Conforama decreased by 3%, largely as a result of reduced television sales in France, where like-for-like sales decreased by 5%. The 2016 financial period benefitted from particularly high television sales on the back of the 2016 UEFA European Championship that was hosted in France. Core like-for-like sales (excluding low-margin brown and grey goods) were down by 1% for the Reporting Period.

Conforama experienced a good fourth quarter sales performance in the Reporting Period, driven by a successful 50th anniversary marketing campaign.

Sales momentum in Iberia continued to show good like-for-like growth. This was supported by three new store openings in the territory during the Reporting Period. The newly opened stores in Croatia and Serbia continued to perform well. Sales in Italy were marginally below the levels of the 2016 financial period.

Digital remains a major focus area for Conforama, and in France e-commerce accounted for 8% of sales during the Reporting Period.

Operating profit decreased in the Reporting Period, driven by reduced sales in France. Furthermore, the operating profit in the Reporting Period declined against the 2016 financial period as a consequence of an increased cost base in France, notably in marketing, stores and headquarter costs. The cost base was further impacted by the roll-out of new store concepts (such as Maison Depot) and several new projects being launched (for example significant store refurbishments, merchandising projects, supply chain and IT investments).

Please refer to the "*European financial Restructure – Conforama*" section in the Business Review for more details on the subsequent financial restructuring for Conforama in April 2019, following additional cash flow requirements.

ERM

REVENUE (€M)	12M Sept 2017	15M Sept 2016	Change %	Annual change* %
Comparable revenue **POCO included for full 12-month (2016: 15 months) reporting period**	**2 362**	**2 768**	**(15)**	**7**
POCO	1 300	1 521	(15)	7
kika-Leiner	898	1 109	(19)	1
ABRA	59	74	(20)	0
Extreme Digital	105	64	64	>100
Deduct POCO revenue for April 2017 to September 2017	(601)	–		
ERM reported revenue (POCO not included in full for the current reporting period)	1 761	2 768	(36)	(20)
EBITDA (€M)				
Comparable EBITDA **POCO included for full 12-month (2016: 15 months) reporting period**	**1**	**81**	**(99)**	**(98)**
POCO	70	95	(26)	(8)
kika-Leiner	(73)	(19)	(>100)	(>100)
ABRA	3	6	(50)	(38)
Extreme Digital	1	(1)	(>100)	(>100)
Deduct POCO EBITDA for April 2017 to September 2017	(18)	–		
ERM reported EBITDA (POCO not included in full for the current reporting period)	(17)	81	(>100)	(>100)
OPERATING PROFIT (€M)				
Comparable operating profit **POCO included for full 12-month (2016: 15 months) reporting period**	**(42)**	**33**	**(>100)**	**(>100)**
POCO	48	72	(33)	(17)
kika-Leiner	(92)	(43)	(>100)	(>100)
ABRA	1	5	(80)	(75)
Extreme Digital	1	(1)	>100	>100
Deduct POCO operating profit for April 2017 to September 2017	(8)	–		
ERM reported operating profit (POCO not included in full for the current reporting period)	(50)	33	(>100)	(>100)

**Annual change is a mathematical calculation of the 15-month 2016 financial period results *12/15. This is not necessarily a true reflection of a 12-month growth rate as it will not take into account factors such as seasonality.*

POCO

From April 2017, POCO's results no longer form part of the Group's operational results, as the controlling vote in the POCO joint venture expired in March 2017. Historically, this vote was cast after receiving Steinhoff's approval, thus effectively giving Steinhoff control. During March 2017, on expiry of the casting vote, for accounting purposes, POCO has been changed from a 50% controlling interest to a 50% equity-accounted interest. In line with the Group's equity accounting policy, POCO's revenue is not included in Group revenue after March 2017.

As explained in the Financial Review "*Other disposals and transactions*" section, the Group entered into a sale agreement on 4 September 2018 for a total consideration of €271 million. The sale was subject to competition and merger control provisions. Closing the POCO sale brought the German litigation proceedings with the entities owned by Seifert to an end.

kika-Leiner

In a challenging furniture market, like-for-like revenue decreased by 2% for the Reporting Period, while the Group continued to make losses. During the 2016 financial period, the kika-Leiner Group settled a number of derivative instruments on its finance leases, resulting in a one-off profit of €41 million being recognised in the 2016 financial period.

Effective 14 August 2018, the group sold the kika-Leiner operational and property companies, as explained in more detail in the "*kika-Leiner disposal*" paragraphs in the Financial Review.

ABRA

In a competitive market, like-for-like revenue declined by 6% while margin decreased.

Extreme Digital

Extreme Digital, the Group's online retail business in eastern Europe, was acquired in January 2016 and reported a solid performance in the Reporting Period.

The group disposed of Extreme Digital in January 2018.

All other segments

Excludes South African properties, which is disclosed in the properties segment of the Operational Review.

REVENUE (€M)	12M Sept 2017	15M Sept 2016	Change %	Annual change* %	Annual constant currency change** %
Total revenue	**895**	**1 243**	**(28)**	**(10)**	
Total revenue (Europe)	**895**	**1 181**	**(24)**	**(5)**	
UK household goods	711	969	(27)	(8)	4
Lipo	184	212	(13)	8	9
Africa (JD Financial Services)	–	62	(100)	(100)	(100)
EBITDA (€M)					
Total EBITDA	**(8)**	**(49)**	**(84)**	**(80)**	
Total EBITDA (Europe)	**(8)**	**(45)**	**(82)**	**(78)**	
UK household goods	(10)	(55)	(82)	(77)	(74)
Lipo	2	10	(80)	(75)	(75)
Africa (JD Financial Services)	–	(4)	100	100	100
OPERATING PROFIT (€M)					
Total operating profit	**(35)**	**(88)**	**60**	**50**	
Total operating profit (Europe)	**(35)**	**(84)**	**58**	**48**	
UK household goods	(33)	(87)	62	53	46
Lipo	(2)	3	(>100)	(>100)	(>100)
Africa (JD Financial Services)	–	(4)	100	100	100

* *Annual change is a mathematical calculation of the 15-month 2016 financial period results *12/15. This is not necessarily a true reflection of a 12-month growth rate as it will not take into account factors such as seasonality.*
** *Annual constant currency change is a mathematical calculation of the 15-month 2016 financial period results *12/15 in base currency. This is not necessarily a true reflection of a 12-month growth rate as it will not take into account factors such as seasonality.*

United Kingdom household goods

Reported results in the UK were impacted by a 13% devaluation of the pound. In a challenging furniture market, like-for-like revenue decreased by 3% for the Reporting Period while margin decreased.

The bedding division (Bensons for Beds, representing 57% of the UK Retail sales) reported a strong performance during the Reporting Period. However, this was offset by a decline in trading in the loss-making furniture business (Harveys). Harveys, a high fixed cost base business, continued to be under margin pressure and various cost reduction initiatives are being implemented in a market that is expected to remain very challenging.

Lipo

The Reporting Period was dominated by a strategic focus on gaining market share. This yielded strong like-for-like revenue growth rates of 3%. The aggressive pricing strategy resulted in a decreasing margin.

JD Financial Services

The Loan Book of JD Group was excluded from the JD operations that were included in the listing of Pepkor (previously STAR) in September 2017, and as such is reported as part of the "All other segments". The Loan Book was sold to Wands during January 2016 (refer to note 1.2.7 of the 2017 Consolidated Financial Statements for more details).

Properties

The property division consists of the Group's land and buildings held in the European (Hemisphere) property Group and South African property companies. These properties comprise a footprint of retail, warehouse and manufacturing properties.

REVENUE (€M)	12M Sept 2017	15M Sept 2016	Change %	Annual change* %	Annual constant currency change** %
External	**19**	**23**	**(17)**	**3**	
Europe	11	12	(8)	15	
Africa (Reported under "All other segments")	8	11	(27)	(9)	(16)
EBITDA (€M)					
Internal and external	**108**	**134**	**(19)**	**1**	
Europe	97	114	(15)	6	
Africa (Reported under "All other segments")	11	20	(45)	(31)	(37)
OPERATING PROFIT (€M)					
Internal and external	**63**	**81**	**(22)**	**(3)**	
Europe	53	61	(13)	9	
Africa (Reported under "All other segments")	10	20	(50)	(38)	(42)
ASSETS (€M)			**Change %**	**Constant currency change %**	
	1 218	**1 434**	**(15)**		
Europe	954	1 209	(21)		
Africa	264	225	17	22	

* *Annual change is a mathematical calculation of the 15-month 2016 financial period results *12/15. This is not necessarily a true reflection of a 12-month growth rate as it will not take into account factors such as seasonality.*
** *Annual constant currency change is a mathematical calculation of the 15-month 2016 financial period results *12/15 in base currency. This is not necessarily a true reflection of a 12-month growth rate as it will not take into account factors such as seasonality.*

The Conforama property portfolio does not form part of the property division and is included in the assets of the Conforama division.

In line with consolidation principles, rental received from Subsidiaries (the majority of the property division's earnings) is reversed in arriving at reported external revenue.

An independent valuation process, during the first half of 2018 Reporting Period, led to restatements and impairments of the European property portfolio. Full details are disclosed in note 1.2.1 and note 9 to the 2017 Consolidated Financial Statements. In June 2018, the Group announced the sale of the kika-Leiner operational and property companies. For more details refer to the "*kika-Leiner disposal*" paragraphs in the Financial Review.

Manufacturing, sourcing and logistics

The manufacturing, sourcing and logistics operations are not material to the Steinhoff Group.

(€M)	12M Sept 2017	15M Sept 2016	Change %	Annual change* %
Revenue (external)	333	385	(14)	8
EBITDA	12	14	(14)	7
Operating profit	2	5	(60)	(50)

**Annual change is a mathematical calculation of the 15-month 2016 financial year period *12/15. This is not necessarily a true reflection of a 12-month growth rate as it will not take into account factors such as seasonality.*

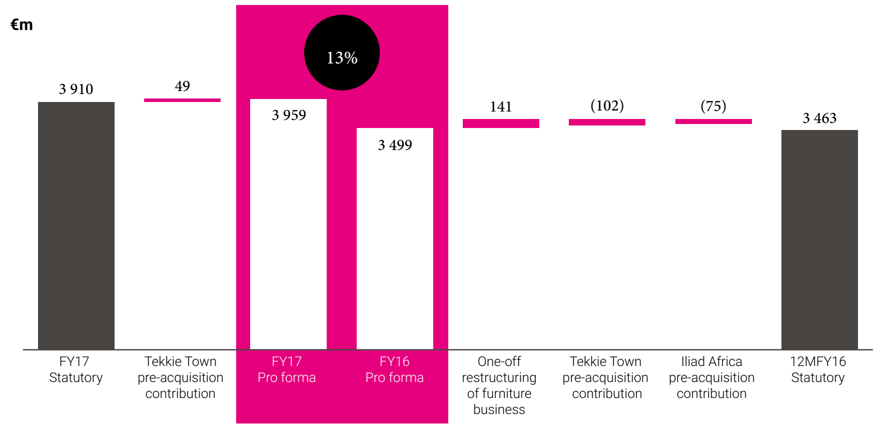
Given the limited sales made by the manufacturing operations (Puris, Impuls and Steinpol) to other members of the Group, the businesses were designated non-core to Steinhoff and sale transactions were concluded in September 2018 (Puris and Impuls) and March 2019 (Steinpol). The remaining operations consist of selected sourcing and logistics operations.

Africa

Pepkor

REVENUE (€M)	12M Sept 2017	15M Sept 2016	Change %	Constant currency change %
Total revenue	**3 910**	**3 816**	**2**	**(5)**
Pepkor	3 910	3 816		
EBITDA (€M)				
Total EBITDA	**466**	**324**	**44**	**33**
Pepkor	458	324	41	31
Steinhoff N.V. share-based payment reversal	8	–		
OPERATING PROFIT (€M)				
Total operating profit	**401**	**253**	**58**	**46**
Pepkor	393	253	55	44
Steinhoff N.V. share-based payment reversal	8	–		

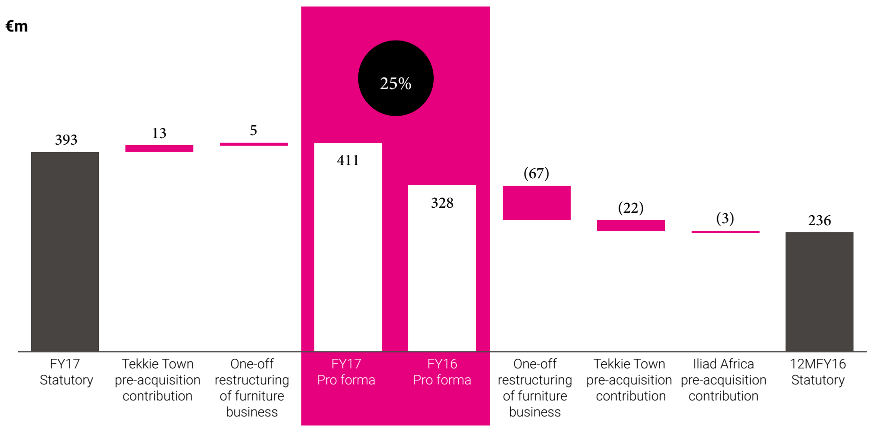
Comparable 12-month revenue in constant exchange rates



Good revenue momentum was maintained in the business, and the increased profitability achieved during the Reporting Period was most encouraging. All divisions contributed to improved pro forma operating profit compared with the 2016 financial period with Pepkor pro forma operating profit (before capital items) at ZAR6 078 million (FY16PF: ZAR4 855 million) representing growth of 25.2%.

During a Reporting Period characterised by downbeat consumer confidence and low growth, Pepkor delivered a solid operating performance. A continued focus on price leadership and value offerings across Pepkor's expanding store footprint drove

Comparable 12-month operating profit in constant exchange rates



market share gains in major retail brands. For the Reporting Period, pro forma revenue increased by 13.2% to ZAR58.6 billion (FY16PF: ZAR51.8 billion), and pro forma operating profit was up 25.2% to ZAR6.1 billion.

Notably, trading densities continued to rise above cost inflation while Pepkor expanded its retail presence through trading space growth of 5% to 2.3 million m^2. Pepkor opened 272 stores on a net basis, and the acquisition of Tekkie Town added 308 stores to Pepkor's footprint. As at 30 September 2017, Pepkor traded from 4 953 retail locations.

Pepkor's strategic focus on lowering the cost of doing business and accessing new products and services through existing infrastructure drove Pepkor's operating profit growth. The operating margin increased by 100 basis points to 10.4% of total sales. PEP and Ackermans were the main contributors to operating profit growth, in addition to the turnaround of the furniture and appliances business.

The discount and value division reported revenue of ZAR44.1 billion and operating margin strengthened. Revenue growth was largely attributable to PEP and Ackermans, which, in aggregate, account for 85% of divisional revenue. Like-for-like revenue growth of 6.5% was achieved by PEP and Ackermans in aggregate, influenced by a weaker fourth quarter. Within product categories, kids' wear and cellular delivered stand-out performances. Home, adult wear and FMCG also supported growth.

The FLASH technology business, servicing customers in informal communities, performed well, driven by a 23% increase in active traders with the number of devices exceeding 121 000 at year-end.

Following the closure of approximately 300 stores, the restructuring of the furniture and appliances business is complete. Despite closing uneconomic trading locations and the operational disruption caused by the restructuring, the business increased revenue on a comparable basis, reaching break-even at the operating profit level.

Africa, being countries other than South Africa, Botswana, Lesotho, Namibia and Swaziland (SA and BLNS), represents approximately 5% of Pepkor's revenue. A constrained economic environment and currency volatility in some of these countries continued to weigh on operations, resulting in reduced momentum in store openings. In addition, adjustment of product costing rates to manage exchange rate volatility slowed growth in Angola.

For more details on Pepkor results refer to its results announcement for the Reporting Period on the website www.pepkor.co.za.

Automotive

(€M)	12M Sept 2017	15M Sept 2016	Change %	Annual change* %	Annual constant currency change** %
Total revenue	1 351	1 527	(12)	11	2
Total EBITDA	59	60	(2)	23	13
Total operating profit	43	44	(2)	22	14

* *Annual change is a mathematical calculation of the 15-month 2016 financial period results *12/15. This is not necessarily a true reflection of a 12-month growth rate as it will not take into account factors such as seasonality.*
** *Annual constant currency change is a mathematical calculation of the 15-month 2016 financial period results *12/15 in base currency. This is not necessarily a true reflection of a 12-month growth rate as it will not take into account factors such as seasonality.*

In a challenging market where new vehicle sales and commercial vehicle sales volumes remain under pressure, the automotive retail division in southern Africa reported good results in the Reporting Period. Stronger pre-owned vehicle volumes, which operate counter-cyclical to that of new vehicles, supported performance.

Like-for-like revenue growth of 2% was achieved during the Reporting Period.

Despite the subdued economic environment, operating margins were largely maintained during the Reporting Period, remaining in line with its longstanding historic average of 3%.

United States of America

Mattress Firm

The Mattress Firm acquisition became unconditional in September 2016 and therefore its results were consolidated for the full 12 months of the Reporting Period.

REVENUE (€M)	12M Sept 2017	15M Sept 2016*
Total revenue	**2 994**	–
Mattress Firm	2 981	–
Sherwood	13	–
EBITDA (€M)		
Total EBITDA	**(71)**	–
Mattress Firm	(73)	–
Sherwood	2	–
OPERATING PROFIT (€M)		
Total operating profit	**(162)**	–
Mattress Firm	(163)	–
Sherwood	1	–

**The Mattress Firm acquisition became unconditional on 30 September 2016. Previously, Mattress Firm had a different fiscal year-end, and as a result no pro forma audited comparative is available for the 2016 period. Sherwood results are reported from acquisition date July 2017.*

During the Reporting Period, Mattress Firm reported disappointing results with like-for-like revenue declining by 11% and a large operating profit loss. Mattress Firm's performance was impacted by several strategic and structural issues. The most significant structural challenge was the large number of unprofitable stores and related costs. At the same time, the costs and consequences of strategic decisions had a negative effect on the customer proposition and the operational execution resulted in the operating loss.

These strategic decisions included:

- aggressive rebranding of more than 1 300 stores in an effort to capitalise on the benefits of a national chain, including national advertising; and
- termination of the relationship with its largest supplier (purchases stopped in early April 2017).

The Group continued to report losses into the 2018 Reporting Period when a turnaround plan was implemented, supported by new senior appointments. This plan included successfully completing its restructuring in November 2018, 48 days after the initial Chapter 11 filing (refer to the "*Mattress Firm financial restructuring*" section in the Business Review). The Chapter 11 process was conducted to allow Mattress Firm to restructure its balance sheet, secure additional new funding, and optimise its retail store portfolio by exiting 640 economically inefficient retail store locations.

Trading conditions during the Reporting Period were also negatively impacted by:

- a shift in the US market structure, where the mattress online channel continues to gain market share; and
- adverse weather conditions (including the Texas and Florida hurricanes in the Reporting Period).

In an effort to obtain the benefits of vertical integration, the Group acquired an 80% interest in Sherwood Bedding Company, a US mattress manufacturer, in July 2017. Sherwood produces private label mattresses for Mattress Firm and other retailers.

At the date of this report, Mattress Firm remains the largest speciality mattress retailer in the US with over 2 500 store locations.

Australasia

Greenlit Brands

REVENUE (€M)	12M Sept 2017	15M Sept 2016	Change %	Annual change* %	Annual constant currency change** %
Total revenue	**1 285**	**1 175**	**9**	**37**	**31**
Household goods	608	413	47	84	76
General merchandise	677	762	(11)	11	6
EBITDA (€M)					
Total EBITDA	**54**	**12**	**>100**	**>100**	**>100**
Household goods	36	12	>100	>100	>100
General merchandise	18	–			
OPERATING PROFIT (€M)					
Total operating profit	**30**	**(13)**	**>100**	**>100**	**>100**
Household goods	23	4	>100	>100	>100
General merchandise	7	(17)	>100	>100	>100

* *Annual change is a mathematical calculation of the 15-month 2016 financial period results *12/15. This is not necessarily a true reflection of a 12-month growth rate as it will not take into account factors such as seasonality.*
** *Annual constant currency change is a mathematical calculation of the 15-month 2016 financial period results *12/15 in base currency. This is not necessarily a true reflection of a 12-month growth rate as it will not take into account factors such as seasonality.*

The acquisition of Fantastic Furniture (Fantastic) became effective on 1 January 2017 and added revenue of €289 million for the nine months that the business was part of the Group during the Reporting Period.

During the Reporting Period the middle market household goods brands experienced more challenging trading conditions (with like-for-like sales trading in negative territory). This was offset by the performance of Fantastic, illustrating the resilience of the value price segment where Fantastic is positioned. The Australasia household goods division reported a pro forma like-for-like sales increase of 1% (assuming Fantastic was included for the comparative nine-month period), while margin increased on the back of the Fantastic acquisition.

POCO Australia was closed in the Reporting Period and incurred losses of €13 million (15MFY16: €9 million loss).

The general merchandise division reported pleasing results for the Reporting Period, with like-for-like increasing by 2%. The division managed to turnaround from an operating loss position reported in the 2016 financial period to profitability in the Reporting Period.

Refer to the "*Australasian refinancing*" section in the Business Review for more details regarding Greenlit refinancing.

Steinhoff Group services

Segmental Group services do not include one-off or exceptional items (largely consisting of impairments) that are described in more detail in note 4.2. of the 2017 Consolidated Financial Statements.

A breakdown of segmental Group services is provided below:

GROUP SERVICES COSTS (€M)	12M Sept 2017	15M Sept 2016	Change %
	(231)	**(4)**	**(>100)**
Head office costs	(97)	(78)	(24)
Foreign exchange (losses)/gains	(63)	53	(>100)
Legal provisions	(53)	–	
PSG derivative(losses)/gains	(18)	12	(>100)
Triton contributions	–	9	(100)

Head office costs

Operating costs consist of head office costs such as salaries, rent, travel and consultancy fees.

These costs do not include additional audit and forensic investigation costs, which were incurred after 30 September 2017.

Increase in legal provisions

The largest portion of the legal provision movement relates to a dispute regarding POCO (refer to note 1.2.3b in the 2017 Consolidated Financial Statements for further details).

PSG derivative contract

In 2015, the Group made a strategic decision to increase its PSG shareholding to above 25%. In order to facilitate this increase in the PSG shareholding, it agreed with certain PSG investors to swap their PSG shares for Steinhoff shares. In two separate transactions, two of the PSG investors that took part in the swap, entered into derivative agreements with Steinhoff in which they would retain economic exposure to PSG (therefore, should the Steinhoff share price underperform to the PSG share price, Steinhoff would pay out the difference in value, and should the Steinhoff share price outperform the PSG share price, Steinhoff would receive the difference in value).

During the Reporting Period one derivative contract was cash-settled for €0.7 million. At 30 September 2017, the balance sheet included a cumulative €13 million liability for the second PSG derivative contract.

Triton contributions

Refer to note 1.2.4 of the 2017 Consolidated Financial Statements for further details.

STORE NETWORK DEVELOPMENT

		30 Sept 2016	STORE Openings	STORE Closings	30 Sept 2017	Retail m² ('000)
PEPKOR EUROPE		1 938	**285**	(129)	**2 094**	937
Pepco	Poland, Slovakia, Czech Republic, Romania, Hungary, Croatia, Slovenia	975	**238**	–	**1 213**	471
Poundland, Dealz*	United Kingdom, Republic of Ireland	885	**36**	(80)	**841**	453
PEP&CO, GHM!	United Kingdom	54	**11**	(25)	**40**	13
MacDan	France	24	–	(24)	–	–
PEPKOR (AFRICA)		4 373	**707**	(127)	**4 953**	2 307
PEP	Southern Africa	1 990	**132**	(9)	**2 113**	770
Ackermans	Southern Africa	577	**81**	(3)	**655**	413
Dunns, John Craig, Shoe City, Refinery	Southern Africa	514	**20**	(3)	**531**	139
Tekkie Town	Southern Africa	–	**350**	(5)	**345**	79
POCO	Southern Africa	1	**1**	–	**2**	11
Bradlows, Rochester, Russells, Sleepmasters, Incredible Connection, HiFi Corp	Southern Africa	862	**86**	(84)	**864**	427
The Building Company	Southern Africa	137	**1**	(17)	**121**	340
PEP, Powersales	Rest of Africa	292	**36**	(6)	**322**	128
CONFORAMA		287	**8**	(2)	**293**	1 212
	France	205	**1**	0	**206**	744
	Iberia	38	**3**	0	**41**	172
	Switzerland	21	**0**	(2)	**19**	82
	Italy	15	**1**	0	**16**	130
	Croatia	7	**2**	0	**9**	69
	Serbia	1	**1**	0	**2**	15
ERM		305	**30**	(12)	**323**	1 436
POCO		116	**4**	(1)	**119**	696
	Germany	114	**4**	(1)	**117**	685
	Netherlands	1	**0**	0	**1**	6
	Poland	1	**0**	0	**1**	5
kika		71	**5**	(3)	**73**	658
	Austria**	50	**2**	(2)	**50**	506
	Czech Republic	8	**0**	0	**8**	55
	Hungary***	8	**2**	(1)	**9**	60
	Romania	1	**0**	0	**1**	11
	Slovakia	4	**1**	0	**5**	26
ABRA	Poland	103	**18**	(7)	**114**	80
Extreme Digital	Hungary	15	**3**	(1)	**17**	2

ANNEXURES TO OPERATIONAL REVIEW
STORE NETWORK DEVELOPMENT
continued

		30 Sept 2016	STORE Openings	STORE Closings	30 Sept 2017	Retail m^2 ('000)
OTHER		459	**11**	(20)	**450**	376
Bensons for Beds	UK	278	**4**	(15)	**267**	156
Harveys	UK	160	**5**	(4)	**161**	143
Lipo	Switzerland	21	**2**	(1)	**22**	77
MATTRESS FIRM	United States of America	3 505	**111**	(193)	**3 423**	1 631
GREENLIT BRANDS		472	**182**	(39)	**615**	809
Fantastic Furniture ^	Australia	–	**141**	–	**141**	240
POCO	Australia	2	–	(2)	–	–
Snooze	Australia	82	**6**	(1)	**87**	91
Freedom	Australia and New Zealand	63	**2**	(1)	**64**	128
Best&Less, Harris Scarfe, Postie	Australia and New Zealand	325	**33**	(35)	**323**	350
AUTOMOTIVE		141	**10**	(2)	**149**	385
Unitrans	Southern Africa	91	**8**	(1)	**98**	360
Hertz	Southern Africa	50	**2**	(1)	**51**	25
TOTAL		11 480	**1 344**	(524)	**12 300**	9 093

* *Dealz represents nine stores in Spain and seven stores in France*
** *Including Lipo stores*
*** *Including ABRA stores*
^ *Fantastic Furniture was acquired on 1 January 2017 and includes Plush and OMF stores*

EXCHANGE RATES

	AVERAGE TRANSLATION RATE			CLOSING TRANSLATION RATE		
	12MFY17	15MFY16	% change	30 September 2017	30 September 2016	% change
EUR:ZAR	14.7906	16.0376	(7.8)	16.0296	15.4493	3.8
EUR:PLN	4.2934	4.3045	(0.3)	4.3042	4.3192	(0.3)
EUR:GBP	0.8722	0.7693	13.4	0.8818	0.8610	2.4
EUR:AUD	1.4500	1.5137	(4.2)	1.5075	1.4657	2.9
EUR:USD	1.1053	1.1111	(0.5)	1.1806	1.1161	5.8
EUR:CHF	1.0913	1.0875	0.3	1.1457	1.0876	5.3

SECTION 4: RISK MANAGEMENT

The Management Board is responsible for managing the risks associated with the Group's activities and report related developments to and discusses the risk management and control systems with the Audit and Risk Committee and the Supervisory Board.

INDEX

Significant risk events

It is important at the outset to acknowledge that there were failures in the Group's risk management framework that applied during the Reporting Period arising from historic events. Accounting irregularities and the failure of Corporate Governance had a significant impact on the Group, affecting the results after the Reporting Date. The impact of the December 2017 events indicated that the Group had inadequate controls in place to mitigate against the irregularities uncovered in the investigations and was unprepared for a sequence of events of this nature. This has resulted in a re-evaluation of risks, which were previously regarded as adequately mitigated, to be rerated in terms of effectiveness of controls, severity of impact and likelihood of occurrence. In turn this has resulted in the Remediation Plan being designed and drawn up aimed at identifying and addressing all the issues highlighted during the investigation. The outcome indicated that our internal control environment was not aligned to our risk appetite and tolerance thresholds. In hindsight, the Group's risk tolerance thresholds were severely underestimated.

The risk management report provides an overview of the following:

(i) Key risk management and internal control components;

(ii) Material risks and controls identified during the Reporting Period;

(iii) Interconnectivity and re-evaluation of risk;

(iv) Material risks and controls identified post the Reporting Period; and

(v) The Remediation Plan.

Risk management and internal control environment

An overview of the risk management and internal control environment during the Reporting Period includes a summary of the Group's internal control framework, the risk management framework of responsibility, risk appetite and concludes with a summary of internal risk management assurance.

Internal control framework

The Group draws on global standard *ISO 31000 - Risk management* and the DCGC to formulate its risk management policy and framework, and to facilitate the timeous identification, measurement, analysis, evaluation and treatment of risk. Risk management responsibility remains with management of individual operational entities and the processes established by the risk management policy and framework have been designed to allow each operational entity to identify, evaluate and treat risk appropriately to ensure effective risk control mechanisms are implemented to mitigate residual risk exposure. Risks which are considered material, are to be escalated to the Management Board and the Audit and Risk Committee, who in turn are to report such risks to the Supervisory Board for consideration. The risk management framework is reviewed and monitored by the Audit and Risk committee to safeguard ongoing risk management maturity. Each of the Group's operational entities is required to have an individual risk management plan in place which is tailored to the specific risks of the relevant entity, together with an up-to-date risk register detailing, quantifying and prioritising risks, as well as action plans for improvement both to mitigate risks and to exploit identified opportunities.

The internal control and risk management systems and processes are to take the following into account:

(i) strategic direction and objectives of the business;

(ii) nature and extent of risks facing the business;

(iii) extent and categories of risks regarded as acceptable;

(iv) likelihood of identified risks materialising and their impacts;

(v) ability of the business to reduce the incidence and impact on the business if risks materialise;

(vi) effectiveness of the implemented risk response plans; and

(vii) cost of risk response plans and processes relative to the exposure and benefits obtained.

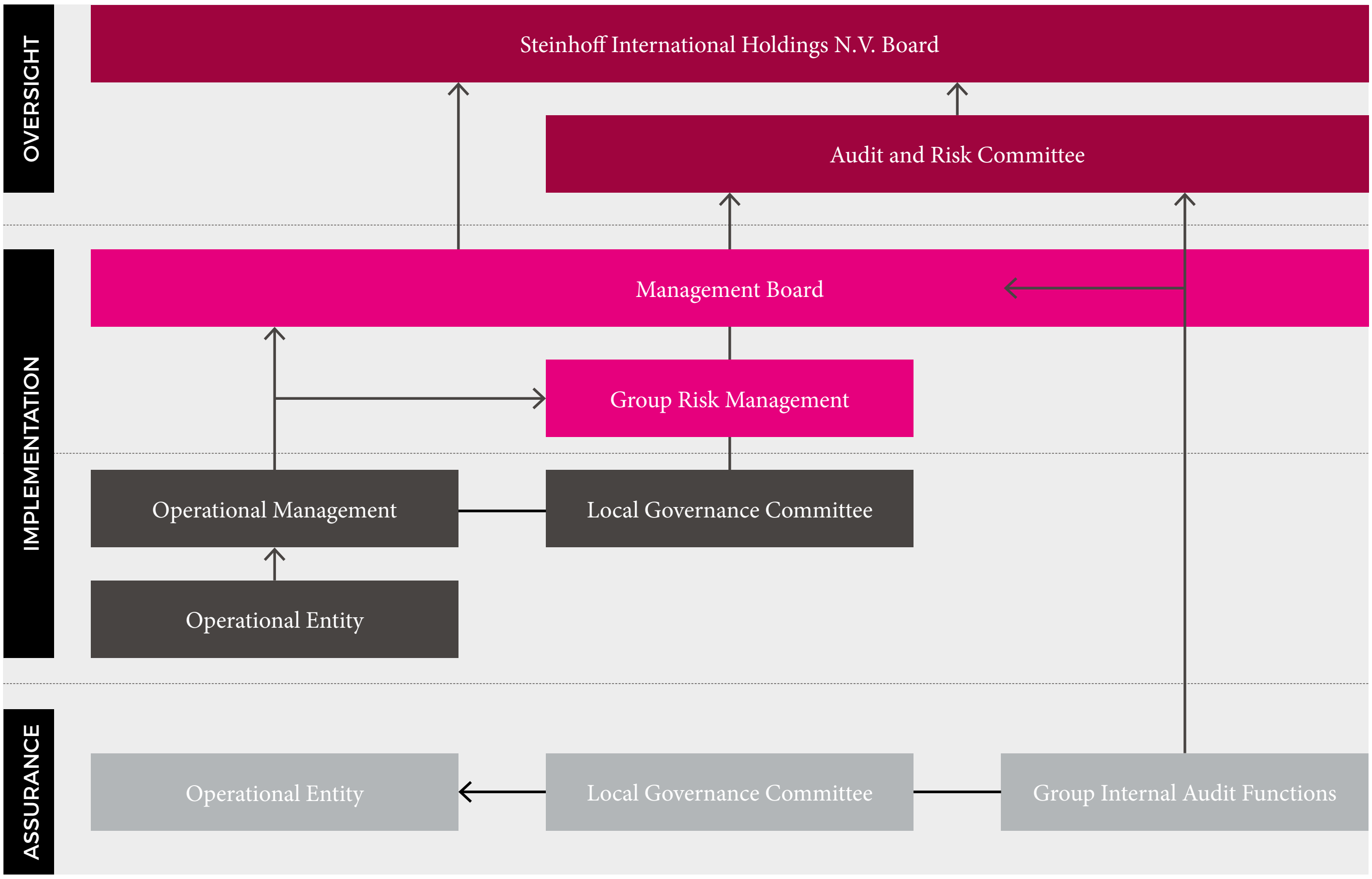
The purpose of the internal control and risk management systems and processes, is to ensure that uncertainties originating from the internal and external environment, and which could potentially have a material impact on the Group, are adequately managed to ensure objectives are reached by mitigating threats and/or realising opportunities. The internal control and 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, while optimising the opportunities or positive impacts of all risks.

The Group risk management and internal control framework has been designed to allow each operational entity to set their risk tolerances through analyses of the operational and financial objectives of the relevant entity, strategy evaluation based on objectives, the Code of Conduct, delegation of authority, annually approved budgets, policies concerning financial reports and the procedures, as well as a system of monitoring and reporting. The risk management objective is to ensure that uncertainties are responsibly managed with consideration of stakeholder interests to ensure that both risks and opportunities are optimally managed.

Developments in relation to risk assessments, internal control and risk reviews and measures proposed in view of assessed risks are subjects of regular discussions within the Audit and Risk Committee. The Internal Auditor is present during such discussions, during which follow-up measures are also considered and reviewed. The Supervisory Board is informed of these discussions and evaluations on a regular basis.

Risk management framework of responsibility

The Audit and Risk Committee, which reports to the Supervisory Board, oversees among other aspects, the Management Board's activities with respect to the operation of the Group's risk management and control systems. The risk management framework of responsibility is presented below.



Risk appetite and risk tolerance

Guidance was provided during the Reporting Period to operational management teams on how to assess their risk appetite and tolerance as part of the Group risk management methodology. Risk thresholds were set with reference to operational strategy, the Code of Conduct, core principles and values, authority schedules, policies and corporate directives. The Group's risk appetite during the Reporting Period differed per objective area and type of risk but has reduced substantially post December 2017:

(i) strategic risks: uncertainties that impact the achievement of strategic plans of the Group and influence the achievement of long-term goals. In pursuing the Group's strategy, the Group was prepared to take calculated risk related to achieving its performance and sustainability objectives;

(ii) operational risks: uncertainties that affect the effectiveness and efficiency of the Group's current businesses and operations and influence the short-term goals. With respect to operational risks, the Group sought to minimise the downside risk from the impact of unforeseen operational failures within the businesses;

(iii) financial risks: uncertainties with respect to the Group's financial position, for example: withdrawal of facilities, price risk, liquidity risk, exchange risk and interest rate risk. With respect to financial risks, the Group professed to have a prudent financing strategy and a strict cash management policy in place.

(iv) IT risks: uncertainties that the information technologies used in the organisation (a) are not operating as intended; (b) are compromising the integrity and reliability of data and information; (c) are exposing significant assets to potential loss or misuse; or (d) are exposing the Group's ability to sustain the operation of critical processes. The Group aimed to meet the highest standards of IT governance to ensure both its own systems and customer information was well protected;

(v) legal and compliance risks: uncertainties with respect to laws and regulations that have a direct impact on the Group's organisation and/or business processes and operations. The Group professed a "no tolerance" approach to compliance risk and would take appropriate measures in the event of reported breaches of the Group's Code of Conduct;

(vi) information for decision making risks: uncertainties that information used to support the execution of the business model, the internal and external reporting on performance and the continuous evaluation of the effectiveness of the Group's business model is not relevant or reliable. These risks relate to every aspect of the Group's value creation activities and the Group professed to ensure that information reported was as accurate and up to date as possible through effective assurance mechanisms and management feedback.

The risk appetite for the legal and compliance risk remains unchanged: non-compliance to any legal and compliance requirements is not acceptable. The tolerance for fraud risk, in particular, exceeded the Group's desired risk thresholds and resulted in catastrophic losses. Considerable measures have been introduced by both the Management Board and the Supervisory Board to improve the controls around legal and compliance risk, in order to ensure that fraud risk is effectively mitigated to the prescribed threshold. The Remediation Plan provides detailed internal control improvements required to assist with the prevention, monitoring and remediation of the breaches in the internal control environment.

Risk management assurance

Operational management is responsible for managing risk and ensuring effective controls are in place. Risk management facilitates and supports the Management Board in the design and execution of the risk management plan. It also supports the Management Board by providing assurance on risk management and internal control practices throughout operating entities.

Internal audit provides independent assurance and operates under the responsibility of the Management Board to examine, evaluate, report and make recommendations to the Management Board and the Audit and Risk Committee and, if appropriate, to the Supervisory Board regarding the adequacy and efficacy of the Group's risk management and internal control processes.

The appointment of a Chief Compliance and Risk Officer with effect from 1 July 2019 and the implementation of the Remediation Plan are key focus areas in the year ahead to ensure an improvement in the Group's risk management process.

The following section illustrates the reported risks that materially affected the organisation during the Reporting Period.

Material risks identified during the Reporting Period

A summary of the material risks identified during the Reporting Period are presented in the table below. The Management Board in place during the 2017 Reporting Period determined that the Group's business, its financial condition and/or the results of operations could have been materially and adversely affected by the material risks identified below. The mitigating actions and context of the risks are based on the Reporting Period and the information available during that period.

No	MATERIAL GROUP RISKS (2017)	RISK CLASSIFICATION	RISK RATING*
1	**Economic slowdown/slow recovery**	External: strategic risk	**Medium**
2	**Failure to execute acquisition growth plans**	Internal: strategic risk	**High**
3	**Loss of leadership/ attracting and retaining quality of skills**	Internal: operational risk	**Low**
4	**Regulatory/legislative changes**	External: compliance risk	**Medium**
5	**Liquidity, financing and cash flow risk**	External: financial risk	**Low**
6	**Increasing competition**	External: strategic risk	**Low**
7	**Technology failure/cyber threat**	External: information technology risk	**Medium**
8	**Damage to reputation and brand**	External: operational risk	**Low**
9	**Failure to innovate and meet customer needs**	External: strategic risk	**Medium**
10	**Supply chain risk**	External and internal: operational risk	**Low**

**The Risk Rating is an indication of the residual risk remaining after mitigating controls are taken into account.*

Strategic risks

Economic slowdown/slow recovery

During the Reporting Period, the Group identified that its ability to increase sales, maintain or increase prices and/or to recover fixed costs may have been adversely affected by volatile economic conditions. Historically, the household goods, general merchandise and automotive industries have been cyclical, fluctuating with economic cycles and conditions. Demand was deemed to be 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 household goods, general merchandise and automotive 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 affected not only the ultimate consumer, but also impacted 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.

Low-growth consumer markets existed despite growth in the world economy. A low-demand growth environment remained prevalent in the developed world and retailing in Europe was viewed as a zero-sum game where one player's gain is another's loss. Similarly, economic growth forecasts remained weak and were below 1% and 2% respectively for Southern African countries.

Risk mitigation activities during the Reporting Period:

(i) Achieving efficiencies and reducing costs by optimising operations without compromising quality of goods or service delivery. Ongoing initiatives include standardising processes, centralising procurement, and efficiently deploying staff.

(ii) Leveraging the Group integrated supply chain activities to accelerate productivity, efficiency and innovation including the automation of key administrative and financial processes.

(iii) Regular supplier negotiations in order to leverage Group buying power and achieve economies of scale.

The medium risk rating has been adversely affected by the events of December 2017. The risk remains significant and continues to impact operating companies post the Reporting Period.

Failure to execute acquisition growth plans
The Group identified that its growth objectives could have been adversely affected if it was unable to execute and integrate acquisitions effectively.

The Group completed several strategic acquisitions and joint-venture arrangements over the preceding years, which have historically contributed to the expansion of its business and operations. During the Reporting Period, the Group identified that its ability to continue to grow in new markets was dependent on its success in identifying and concluding appropriate acquisitions and joint-venture arrangements. Moreover, the Group's future operating results were deemed to be largely dependent upon its ability to manage and integrate acquisitions effectively. The inability to successfully integrate acquisitions could have negatively impacted the profitability of the acquired businesses, as well as resulted in the impairment of the Group's intangible assets, including goodwill.

Successfully integrating new acquisitions was deemed to be critical to the Group's brand and reputation and if unsuccessful, the Group may not have been able to manage the continuing expansion of its business effectively. The Group's management structures, systems, procedures or controls may not have been adequate or sufficiently developed to support the continued expansion of its operations. Furthermore, management may not have been able to allocate the time and resources necessary to effectively manage this expansion.

Risk mitigation activities during the Reporting Period:

(i) Implementation of an effective business growth strategy and leveraging best practices to ensure optimised operational process for efficiency and cost management.

(ii) Performance delivery plans that cover growth across all divisions / territories.

(iii) Regular review of divisional development plans.

(iv) Investing in capital projects focused on new revenue generation.

The control environment has been highlighted as poor by the events of December 2017. This risk is significant and continues to impact operating companies post the Reporting Period.

Increasing competition
The household goods, general merchandise and automotive retail markets are generally 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. Notwithstanding the Group's own sourcing abilities, the added competition and flexibility of competitors (and customers) that are able to supply a mix of sourced and manufactured products placed, additional pressure on the Group's operations and competitive advantages. The Group also faced intensified competition in the e-commerce sector due to lower barriers of 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 competed with a limited number of large companies that may have greater financial and other resources at their disposal. Additionally, the Group also faced competition in the multiple geographic markets it competes in including the general merchandise, household goods and automotive retail. The Group identified that its success in these markets, and across these product categories, depended largely on its ability to identify customer preferences and translate such demand into appropriately priced, saleable merchandise in a timely manner. If the Group did not correctly interpret trends and respond appropriately, there was a risk of losing its target customers to competing retailers. As a result, the Group may have been exposed to a loss of market share or be left with excess or slow-moving inventory, in which case it would have been forced to rely on markdowns or promotional sales, thereby reducing its revenue and margins.

Risk mitigation activities during the Reporting Period:

(i) Expanding core businesses into areas where there is increased demand and less competition.

(ii) Attract the appropriate merchandisers

(iii) Store expansion plans.

(iv) E-commerce growth initiatives.

(v) Factors that influence decisions to invest include population demographics, existing competitors, return on investment.

The low Risk Rating has been adversely affected by the events of December 2017. The risk has increased significantly and will continues to impact operating companies post the Reporting Period.

Failure to innovate/meet customer needs
Failure to innovate and/or meet customer needs was deemed to be a significant risk due to the changes in consumer behaviour, and constant innovation of products and service offerings required from retailers. Emerging trends indicated that there was an increasing use of mobile technology among the emerging generation of people who would rather browse products on a mobile device than visit traditional brick and mortar stores. Distribution channels and volume sales are required to make this alternative business model profitable. During the Reporting Period, consumers reduced consumption, cut back on spending, and increasingly used online price-comparison sites. Despite the urgency and massive investment of time and money, innovation remained a frustrating pursuit.

Innovation initiatives often fail but successful innovations can lead to competitive advantages, allowing for unique brand positioning and differentiation, establishing brand reputation equity, and increased profitability.

Risk mitigation activities during the Reporting Period:

(i) Constant review of the competitor landscape to identify trends and possible acquisitions.

(ii) Active investment in IT to remain aligned with consumer requirements.

(iii) Investment by operations into a multichannel approach to sales that seeks to provide customers with a seamless shopping experience, whether they are shopping online from a desktop or mobile device, by telephone, or in a brick-and-mortar store.

The medium risk rating has been adversely affected by the events of December 2017. This risk remains significant and continues to impact operating companies post the Reporting Period.

Operational risks

Loss of leadership/attracting and retaining quality of skills

The CEO, executive management and management of operational entities were regarded as key to the long-term sustainability of the business. A lack of clear succession planning and training could have adversely impacted on investor confidence in the short term and disrupted strategic initiatives in the long term. The Group depended on the skills and experience of the CEO and the senior executive officers. The Group identified that its strategic development depended, in part, on the continued contributions of the CEO who was experienced in the markets and business in which the Group operates. The loss of the services of the CEO and/or certain senior executive officers would negatively impact the Group's operations and its ability to develop the business.

The Group's success was identified as being dependent on its ability to manage, attract and retain skilled and qualified personnel as management worked to continue the development and expansion of the business. Competition for skilled employees in the industries in which the Group operates is intense, and the Group could not be certain that it would have been successful in managing, attracting and retaining the personnel required to successfully conduct its operations. The Group determined that competition for available skills will continue to intensify.

Risk mitigation activities during the Reporting Period:

(i) Identifying succession candidates and ensuring effective knowledge transfer to future leadership candidates.

(ii) Competitively and appropriately remunerating employees, including appropriate incentive and award schemes.

(iii) Motivating employees through training, talent management and career development.

The risk rating has been adversely affected by the events of December 2017. This is a significant risk and continues to impact operating companies post the Reporting Period.

Damage to reputation / brand

Unforeseen disasters, circumstances or actions of directors, officers, employees or peripheral parties, such as suppliers or joint venture partners was identified as a risk that could do untold damage to the Group's reputation.

From occurrences such as fraud, product recall or supply issues, public perception can cause a company's value to drop dramatically. The Group determined that it operates in highly competitive markets and may have been unable to conclude transactions to expand its business with a damaged reputation. Investor confidence and the ability to secure lending facilities may have been impacted by a significant damage to reputation. A damaged brand/reputation could have resulted in the Group facing increased competition from other leading retailers for market share growth opportunities, and an inability to take advantage of perceived consolidation opportunities. Either event would have adversely affect the Group's ability to successfully maintain and grow its market share.

The Group considered its potential exposure to product liability claims that could have result in loss of reputation. The packaging, marketing, distribution and sale of the Group's products entail 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 identified its exposure to product liability claims. If a product liability claim was successful, the Group's insurance may not have been adequate to cover all liabilities that it may have incurred and the Group may not have been able to continue to maintain such insurance or obtain comparable insurance cover at a reasonable cost, if at all. In addition, even if a product liability claim was unsuccessful or not fully pursued, the negative publicity surrounding any assertion that the Group's products caused injury could have adversely affect the Group's reputation and, consequently, its business, results of operations or financial condition.

Risk mitigation activities during the Reporting Period:

(i) Proactive management of issues that arise, with key managers providing accurate and balanced responses to adverse press coverage.

(ii) Development of plans which focus on the Group's responses to specific incidents.

The low risk rating has been adversely affected by the events of December 2017. This risk is significant and continues to impact operating companies post the Reporting Period.

Supply chain risk

The failure of the supply chain was deemed to be a significant risk due to the Group's dependency 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 following supply chain risks were specifically highlighted:

(i) The primary means by which the Group transports its goods is via ocean-borne containers and road transport. 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 has increased in frequency. The occurrence of these events could have a material adverse impact on the Group's cost of operations.

(ii) Damage to central warehouse and distribution centres could have resulted in business interruptions and loss of income which was a significant risk to the Group.

(iii) Despite ongoing investment in the Group's logistics network, the Group remained vulnerable to external risks 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 that could be caused by disruption to the Group's distribution networks. The risk of delay in the delivery of goods was deemed to be particularly significant in instances where large amounts of goods were shipped ahead of peak trading seasons, a prolonged delay in delivery could significantly impact the Group's profitability for that period. The delivery of goods from suppliers may be delayed by customs, labour issues, changes in political, economic and social conditions, laws and regulations. Unfavourable fluctuations in the availability of products could negatively affect the Group's ability to meet the demands of its customers and have a negative impact on product margin. Moreover, while the Group strategically targeted its investment in its own warehousing and logistics technologies, no assurances could have been given that the Group's focused investment would earn a sufficient return on such investments in its fulfilment facilities.

(iv) The Group sourced 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 were deemed to be 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 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.

(v) The Group's suppliers of raw materials and finished goods could have chosen to discontinue business with the Group or 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 used in manufacturing its products or (ii) the products it sourced could have resulted in a negative impact 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 have been able to locate alternative sources at an acceptable price or in a timely manner. In addition, if the price of raw materials increased, the Group determined that it may not have been able to pass on to customers all or a portion of the higher costs, due to competitive and market pressures.

Risk mitigation activities during the Reporting Period:

(i) Vertical and horizontal supply chain integration.

(ii) Strict service delivery agreements with suppliers.

(iii) Use of multiple suppliers in multijurisdictional parts of the world.

(iv) Adequate insurance coverage for marine transit globally.

(v) Adequate insurance coverage for business interruption.

The low risk rating has been adversely affected by the events of December 2017. This risk rating has increased significantly and continues to impact operating companies post the Reporting Period.

Compliance risks

Regulatory Compliance

During the Reporting Period, the Group's operations remained subject to various laws and regulations in the jurisdictions in which it operated, relating to inter alia such matters as health and safety, employment and environmental issues. Historically, compliance with these laws and regulations has been high as it has not resulted in material costs or had any material adverse effect on the Group's operations. However, if the Group failed to comply with any such laws or regulations, it could have resulted in exposure to liability, including, but not limited to, mandatory shutdowns, damages, criminal prosecutions, and financial penalties, loss of trade agreements and contracts, and injunctive action.

Changes to the industry legislative landscape and compliance environment could have an adverse impact on operations and, in severe cases, result in prosecution due to non-compliance. Potential anti-competitive conduct was considered as a risk due to the risk of broader enforcement action by multiple authorities and the risk of follow-on damages claims in any number of jurisdictions. The Group's operations were subject to certain anti-competition legislation and regulatory oversight.

Expansions of its operations 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.

Tax Compliance - 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 place 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 considered 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, Australia 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 inappropriate, 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.

Risk mitigation activities during the Reporting Period:

(i) Dedicated internal and external resources that continuously monitor the regulatory environment with concerns escalated to executive management and divisional boards.

(ii) Actively engaging with regulators on policy decisions, which enables us to proactively amend our strategy and business model when required.

(iii) Policies and internal legal specialist advisors provide additional support.

(iv) An integrated audit plan which includes compliance monitoring.

(v) Scheduled regulatory training for staff.

The medium risk rating has been adversely impacted by the events of December 2017. This risk rating has increased significantly.

IT risks

Technology/Cyber risk

During the Reporting Period, the Group identified that there was a distinct rise of cyber dependency due to increasing digital interconnection of people, things and organisations. The possibility of cyber risks affecting global operations was increasing every year with data fraud/ theft and large-scale cyber-attacks listed as critical risks. A massive incident in data fraud/theft could have resulted in wrongful exploitation of private data that takes place on an unprecedented scale, whereas a large-scale cyberattack or malware causing large economic damages, geopolitical tensions or widespread loss of trust in the internet could have a major impact on future plans of the Group. This cyber dependency further increased vulnerability to outage of critical information infrastructure (e.g. internet, satellites, etc.) and networks, causing widespread disruption. This risk used to be more prevalent in developed economies, with North America having the greatest exposure. The increasing global cyber dependency has created an environment where a cyber event can originate from any point infecting the global network and infrastructure.

The Group completed a cyber security survey via an independent third party in 2016 to determine the cyber security resilience and readiness within the Group. The survey highlighted the current maturity of the Group cyber security and indicated that the Group remains dependent on the permanent and uninterrupted availability of its IT systems and IT infrastructure provided by third parties. Telecommunication problems, software errors, inadequate capacity at IT centres, threat of fire, large-scale electricity outages and cyber-attacks by third parties were identified as significant risks and additional controls were required to effectively mitigate these risks. Prolonged or recurring breaches to the network and damage to technical systems which interrupt the contractual provision of services to customers was also identified as a risk that could lead to contractual claims for non-performance and/or penalties resulting in the loss of customer's revenues.

The transformation of administrative systems and processes remains a priority throughout the Group. This transformation must be achieved while ensuring that IT systems remained stable and the Group companies are rapidly able to restore system functionality in the event of a systems failure. Cyber security featured more prominently in board, audit and senior management discussions.

Risk mitigation activities during this Reporting Period:

Existing control mechanisms included operational cyber security systems, IT security policy, data protection, physical access security, access protection, user administration and IT planning. However, loss of data or an extended failure of the network will have significant impacts on short-term operational activities. The systemic, intangible and constantly evolving nature of cyber threats presented significant challenges for gathering the data required to achieve accurate quantification of the risk that could trigger a wide range of economic losses on a global basis.

(i) The enterprise resource platform enables accelerated resource delivery, productivity, efficiency and innovation.

(ii) Continually investing in IT infrastructure to optimise facilities management by facilitating accurate record keeping and removing duplication and processes that add unnecessary costs.

(iii) Digitising aspects of our operations to free up support staff.

(iv) Disaster recovery plans to mitigate IT risk, and rapidly restore system functionality, prevent or minimise data loss and re-establish normal business operations in the event of major IT system failure.

(v) Cyber insurance programme.

(vi) Maintaining strong relationship with third-party IT service providers that play an integral part in IT performance and system stability and assist in identifying potential areas of concern and enhancement.

(vii) Continuous maturing and enhancing IT security measures.

(viii) Increased focus by regional operational Boards to ensure compliance with regulatory requirements.

(ix) Ensuring that cyber security and IT risk features more prominently in strategic business plans and Senior Management discussions.

The control environment has not been affected by the events of December 2017.

Information, communication and technology (ICT) risk management

ICT is managed at an operational level and reported as part of the wider management reporting process. Internal audit assists the Management Board and the Supervisory Board in identifying ICT risks by performing ICT audits during its operational audits. Certain ICT risks of a specialised nature are audited on a co-sourced basis, utilising external resources.

Financial risks

Liquidity, Financing and Cash Flow Risk

Although the Group operated a decentralised management and business strategy during the Reporting Period, liquidity risk for the Group was controlled and monitored centrally through the Group executive management by tracking the development of the actual cash flow position for the Group and used input from a number of sources in order to ensure an acceptable overall liquidity position on both short and long-term basis.

During the Reporting Period a significant level of available facilities for draw down was maintained to ensure that sufficient liquidity was available to meet liabilities when due. Group treasury maintained the relationships and engaged with the multiple financial institutions to source funding from a diversified Group of funders inter alia, banks, and investment and asset managers. The Group established commercial paper programme in South Africa and has successfully issued bonds in Europe, German loan notes (Schuldschein), redeemable preference shares as well as perpetual preference shares.

There was a risk that the rating of the Company's debt, by major rating services, may have improved or deteriorated. As a result, the future borrowing capacity may have been influenced, and the financing costs may have fluctuated. During the Reporting Period cash from subsidiaries was pooled to the extent legally and economically feasible. Cash flow from operations depended on the performance of the individual businesses and may have been influenced by external factors such as the economic and socio-political environment.

The Group determined that it was exposed to fluctuations in currency exchange rates. The Group identified its exposure to foreign exchange risk as a result of its business model, which includes the strategy of sourcing finished products and raw materials from 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 had a negative impact on the Group's operating margins. While the Group's sourcing and manufacturing costs were incurred principally in Chinese yuan, Hungarian forint, Polish zloty, South African rand and US dollar, the Group's revenues derived outside Africa were earned principally in Australian dollar, euro, Polish zloty, Swiss franc, US dollar and UK pound 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, the Group reports 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 had 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.

The Group was exposed to fluctuations in interest rates. The interest rate associated with variable rate financial instruments during the Reporting Period was based on a number of different benchmarks, including EURIBOR, JIBAR and the South African prime rate. 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 would therefore have had an adverse effect on the Group's business, financial condition or results of operations.

Changes in the Group's creditworthiness affected its ability to meet future liquidity requirements and to retain and access new funding. In the course of its operations, the Group faced liquidity risks arising from potential inabilities to meet contractual obligations on their due dates and fund assets. These obligations were funded through the proceeds of the Group's operations as well as periodic borrowings and funding arrangements, which the Group entered into from time to time. The Group's creditworthiness for new funding arrangements depended on many factors, including its reputation, its gearing position, its cash free cash flow, the retail environment in general, the state of the economy and the level of drawn debt. Certain of these factors were beyond the Group's control. Deterioration in any of these factors could potentially impact the cost and accessibility of new funding or other credit arrangements, thereby having an adverse impact on the Group's business, financial condition or operational results.

Risk mitigation activities during the Reporting Period:

(i) Centralised control of all funding activities.

(ii) Standard financial and other covenants.

(iii) Diversification of funding sources from a diverse group of funders.

(iv) Maintaining sufficient facilities available for drawdown.

(v) Maintaining an appropriate debt maturity profile.

(vi) Maintaining an appropriate mix of fixed and variable interest rates on debt.

(vii) Regular and proactive interaction with the Group's funders (both existing and potential funders).

(viii) Regular review of liquidity and outstanding debt.

(ix) Timely cash forecast to manage the business.

(x) Policies to manage the appropriate management of cash.

(xi) Strong relationships with lenders.

(xii) In accordance with the policies, all underlying currency exposures are hedged with structured, strict periods in order to mitigate risk.

The low Risk Rating has been adversely affected by the events of December 2017. This risk remains significant and continues to impact operating companies post the Reporting Period.

Pursuant to art. 2:391 sub 3 of the Dutch Civil Code, the policy regarding risk control of financial instruments and the extent that this is of significance for the assessment of assets, liabilities, financial condition and results is presented in more detail below.

Financial risk management during the Reporting Period

The financial risk management of the Group has changed considerably post the Reporting Period. During the Reporting Period, the Group utilised the risk mitigation tools available to manage its financial risks. The Group's financial instruments are listed in the 2017 Consolidated Financial Statements. During 2017, such instruments included forward exchange and currency option contracts. The Group did not speculate in trading derivative or other financial instruments. Financial risks included, but were not limited to, capital risk, liquidity risk, exchange rate risk, market risk, interest rate risk and credit risk. Financial risks were controlled at operational level with guidance from the Group to ensure optimal risk mitigation.

Liquidity risk management

The Group's policy in 2017 was to spread debt maturities over a wide range of periods to manage excessive refinancing risk in any one-year period. The Group further managed liquidity risk by monitoring forecasted cash flows and maintaining adequate unused borrowing facilities. In addition, the Group used various sources and instruments to fund its activities in order to reduce any concentration risk and to mitigate liquidity risk.

Currency risk management

The principal objective of the Group's currency risk management and hedging strategy during the Reporting Period remained to mitigate exposure to movements in foreign exchange rates for the currencies the Group is exposed to. It was the Group policy to hedge exposure to operational cash transactions in foreign currencies other than the reporting currency of the underlying operation for a range of forward periods, but not to hedge exposure for the translation of reported profits in the different jurisdictions. In addition, currency assets were hedged by way of currency borrowing where practicable. The responsibility for monitoring and managing these risks was that of operational management, in conjunction with the central treasury and foreign exchange support functions.

Interest rate risk management

During 2017, the Group continued to manage its interest rate exposure by maintaining a mix of fixed and floating interest rates. As part of the process of managing the Group's borrowing mix, the interest rate characteristics of new borrowings and the refinancing of existing borrowings were positioned according to expected movements in interest rates.

Credit risk management

Trade accounts receivable and short-term cash investments posed a potential credit risk to the Group. The role of the Group's credit function at operational level is to set consistent standards for assessing, quantifying (scoring), monitoring, mitigating and controlling the credit risk introduced by contractual obligations of trading partners and commercial clients. The granting of credit is controlled at operational level by application procedures and setting account limits. Provision is made for both specific and general bad debts at operational level. In the prevailing economic climate, a high level of attention was paid to analysing the creditworthiness of existing and potential customers.

During the Reporting Period, the Group controlled its cash surpluses and short-term financing through its African, European, USA and Australasian central offices, which invested net cash reserves on the financial markets, mainly in short-term instruments indexed to variable rates. More information on the current financial risk controls are provided in the material risks identified and/or re-evaluated post the Reporting Period.

Risk interconnectivity and re-evaluation

The events in December 2017 resulted in risks that had previously been rated as well managed proving to be high risk areas that need specific attention to bring them under control.

In this regard the following risks need to be highlighted, in particular the financial risks, loss of leadership, regulatory compliance, damage to reputation and litigation risks. During the Reporting Period, these risks had all been rated as well mitigated and under control. Post the December 2017 announcement each was found to be poorly controlled and the interdependency of these risks increased the impact on the organisation exponentially.

The aforementioned overview of material risks identified during the Reporting Period has been re-evaluated and post the event having occurred, and a revised risk framework has been drawn up, which is tabled below. This revised risk rating should be used when evaluating the Group's business, its prospects and the forward-looking statements contained in this Annual Report.

Material Group risks post the Reporting Period

This section includes those material risks and uncertainties that are relevant to the Group for the period after December 2017. The Management Board is responsible for establishing and maintaining adequate internal risk management and control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve important business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Based on the criteria set out in ISO 31000 and our internal control framework, the principal risk factors that may impede the achievement of the Group's objectives with respect to strategy, operations, financial and compliance matters are described in this section.

The risks described below should be read together with the risks already dealt with above but represent the key risks facing the Management Board arising from the catastrophic events in December 2017. They are not the only risks the Group faces. There may be additional risks of which the Management Board is currently unaware of, or risks that management believes are immaterial or otherwise common to most companies, but which may in the future have a material adverse effect on the Group's financial position, results of operations, liquidity and the actual outcome of matters referred to in the forward-looking statements contained in this Annual Report. A summary of the material risks identified post the Reporting Period are presented in the table below.

No	MATERIAL GROUP RISKS IDENTIFIED POST THE REPORTING PERIOD	RISK CLASSIFICATION	RISK RATING
1	**Financial instability**	Internal: financial risk	**High**
2	**Failure to execute acquisition growth plans**	Internal: strategic risk	**High**
3	**Loss of leadership/ attracting and retaining quality of skills**	Internal: operational risk	**High**
4	**Regulatory/legislative changes**	External: compliance risk	**High**
5	**Damage to reputation and brand**	External: operational risk	**High**
6	**Litigation risk**	External: Legal risk	**High**
7	**Uncertain Tax Position and Tax Management**	External: Financial risk	**High**
8	**Supply Chain Failure**	External: Operational Risk	**High**

**The Risk Rating is an indication of the residual risk remaining after mitigating controls are taken into account.*

Financial instability

The ongoing management of both the solvency and liquidity risk remains a primary concern and focus for the Group. Due to the uncertainties surrounding the extent of the irregularities, the lack of current financial statements and the outcome of the PwC forensic investigation and further investigative work, financial creditors withdrew all available banking facilities and/or removed credit facilities. The effects include, but are not limited to, limited ability to maintain/open banking facilities, limited and in most instances no hedging facilities, cancellation of supplier's credit insurance resulting in a dramatic decrease in supplier credit facilities and in some instances demand for pre-payments.

Risk mitigation activities post the Reporting Period:

(i) Appoint appropriately qualified advisors to help the Group engage with its stakeholders.

(ii) Termination of the cash pooling arrangements to limit the contagion impact.

(iii) Identify non-core assets and commence sale process of these assets to reduce debt and support liquidity.

(iv) Arrange independent financing facilities at operational level to reduce dependency on Group financial support and to improve the liquidity of the Group.

(v) Engage with financial creditors to start the restructuring process.

(vi) Extract detailed operational information for financial creditors.

(vii) Introduce detailed cash management procedures based on a 26 week rolling forecast.

(viii) Enter into rollover agreements with financial creditors.

(ix) With the help of our advisors develop the restructuring plan.

(x) With the help of our advisors engage with financial creditors.

(xi) Repay debt at Africa level.

(xii) Negotiate and enter into the Lock-Up Agreement.

(xiii) COMI shift SEAG and SFHG to the UK.

(xiv) Negotiate and enter into the 3 year agreement with the Hemisphere financial creditors.

(xv) Negotiate the CVA agreements with the financial creditors of both SEAG and SFHG.

(xvi) Ensure limited contagion impact on the Group by selling the kika-Leiner group.

(xvii) Obtain additional finding for Mattress Firm by agreeing to a Chapter 11 process and a scheme of arrangement.

(xviii) Launch the CVA process for both SEAH and SFHG and obtain the requisite approvals.

(ixx) Engage with and provide support for Conforama to arrange additional funding to finance their restructure plan.

(xx) Engage with all stakeholders and continue to provide market information in the form of quarterly updates and the interim financial results for 2018.

(xxi) Support all ongoing investigations including the PwC forensic investigation to ensure that they were completed as expeditiously as possible.

(xxii) Ensuring that all the conditions precedent are delivered before 31 May to ensure both CVA's are completed.

(xxiii) Finalisation of the 2017 Consolidated Financial Statements followed by the 2018 Annual Financial Statements.

Failure to execute acquisition growth plans

It is clear from what has transpired that the Group did not effectively manage its acquisition policy. The Group's management structures, systems, procedures and controls were inadequate to support the continued expansion of its operations. The planned growth and synergistic benefits were not delivered upon, and the underlying performance of various subgroups was effectively masked by the accounting irregularities. The Group's future operating results will depend upon the ability of each operating subgroup generating its budgeted results on a standalone basis with no or limited synergistic benefits. The costs to achieve these plans may be greater than anticipated and key suppliers or business partners may choose to change or terminate their relationship with the Group. It is unlikely that the Group will execute any acquisition growth plans and growth will be limited to organic growth with each operating segment. This has had a dramatic impact on the net asset value of the Group as it has been forced to impair substantial intangible assets.

Risk mitigation activities post the Reporting Period:

(i) It is unlikely that the Group will execute any acquisition growth activities in the foreseeable future.

(ii) Operating entities that were unlikely to be cash generative in the foreseeable future have been disposed of.

(iii) Certain operations require funding to enable them to restructure their operations to become cash generative in the near future. In these instances, the Management Board has engaged with financial creditors and agreed entity specific revised funding arrangements (Mattress Firm and Conforama). Operational management will be held to account to deliver on the revised plans tabled.

(iv) Remaining businesses will be managed on a standalone basis and operational management will be motivated to deliver on the current plans tabled.

Loss of leadership/attracting and retaining talent

The loss of the former CEO and former CFO and certain senior staff has had an impact on the business. This has for the reasons already clearly articulated had a significant impact on investor/lender confidence and disrupted strategic initiatives in the long term. The reputational damage surrounding the Group has impaired the Group's ability to retain talented staff and attract personnel in the short term due to fears arising from the long-term sustainability of the Group. The Group's future success will depend on its ability to manage, attract and retain skilled and qualified personnel. The risk of losing organisational knowledge is high and this places stress on an already limited Group resource. The Group's previous long-term incentive is no longer relevant which creates barriers for motivating existing staff and attracting new staff.

Risk mitigation activities post the Reporting Period:

(i) New Managing Directors have been appointed.

(ii) New Supervisory Directors have been appointed.

(iii) Two new Supervisory Directors have been nominated and will be proposed to be appointed at the 2019 AGM.

(iv) New directors are been recruited for the SEAG board.

(v) New directors have been recruited for both the Mattress Firm and Conforama boards.

(vi) New directors have been recruited for the Hemisphere board.

(vii) LTI schemes are being introduced at operational entity level to replace the ESRS.

(viii) Variable short term incentive schemes are designed as standalone schemes and linked to operational performance.

(ix) Salaries have been reviewed to ensure that employees are competitively and appropriately remunerated, including incentive schemes.

Regulatory compliance

It is clear from what has transpired that there is a substantial risk of failure to comply with laws or regulations, specifically in relation to incorrect financial statements and not publishing financial statements on a timely basis. This risk extends across multiple operating geographies, is significant which could result in liability, including, but not limited to, mandatory shutdowns, damages, criminal prosecutions, and financial penalties, loss of trade agreements and contracts, and injunctive action.

Risk mitigation activities post the Reporting Period:

(i) Dedicated resource has been allocated to manage this specific risk area.

(ii) There has been ongoing engagement with all major regulators.

(iii) Most external auditors have refused to sign single entity audited financial accounts until such time as the PwC investigation was finalised. This therefore represented a major milestone in the preparation of single entity accounts. This has now been addressed and our teams are engaging with external auditors to complete the task expeditiously.

(iv) External legal specialists have been engaged to provide additional support.

(v) This risk area forms a key part of the Remediation Plan. With the first phase of the internal investigation having been completed the newly appointed CCRO has been tasked to engage with all operational entities to ensure that all local laws and regulations have been complied with and if not, corrected.

(vi) Going forward this risk area will remain a key focus area of both the CCRO and the internal audit teams and it will form part of an integrated audit plan covering compliance of global divisions

Compliance risk management

The Company has adopted the Code of Conduct that sets out general policies and guidance as to how the Group and its Managing Directors, Supervisory Directors, officers and employees should conduct business. This Code of Conduct provides a framework for what the Company considers as responsible and ethical conduct, but is not exhaustive.

The Company has furthermore adopted a whistleblower policy, which sets out the procedure for handing reportable concerns of suspected criminal or unethical conduct by or within the Group. The scope of this policy extends not only to concerns involving Managing Directors, Supervisory Directors, officers and employees, but also to matters involving Shareholders, consultants, vendors, contractors, outside agencies and/or any other parties with a business relationship with the Group. A confidential third party operated whistle-blowing facility, utilising dedicated hotlines for the reporting of suspected frauds or irregularities, remains in place across most of the Group.

Compliance reports are reviewed by internal audit and reported to the Management Board and the Audit and Risk Committee on a quarterly basis, as well as to the GS Committee. The Company has detailed policies in place governing ownership of and transactions in securities by Managing Directors, Supervisory Directors, closely associated persons and employees.

The Code of Conduct, the whistleblower policy and its policy on inside information, managers' transactions and insider lists are all available on the Company's website www.steinhoffinternational.com.

In respect of compliance risk management, reference is also made to the Remediation Plan described in this Annual Report.

Damage to reputation and brand

Following the announcement in December 2017, the Group experienced significant reputational damage. This announcement also impacted the various operational brands negatively with competitors capitalising on the Group's misfortune. The lack of stability and uncertainty has impacted negatively on supplier and other infrastructural relationships. The reputational damage has in instances made it difficult to recruit senior staff. The Group operates in highly competitive markets and has therefore suffered financially as a result of its damaged reputation.

Risk mitigation activities post the Reporting Period:

(i) The finalisation of the CVA's are key steps in stabilising the Group and reducing the uncertainty impacting the operational entities.

(ii) The operating entities are focusing on building their own brands which are not linked to the Steinhoff brand.

(iii) The operating entities have raised their own capital independent from Steinhoff and are therefore building up their own resources.

(iv) Operating entities are engaging directly with credit insurers to tell their own story.

(v) Operating entities are engaging with their stakeholders directly.

(vi) The Management Board is currently considering various options at Group level including a name change.

Litigation risk

The risk of substantial litigation action against the Group is high. The fact that multiple actions, including class actions, have been filed by and on behalf of individuals and institutional investors in various countries adds additional complexity to this risk.

Risk mitigation activities post the Reporting Period:

(i) A litigation sub-committee has been established in order to oversee and manage litigation arising from the events of December 2017. There are several legal matters currently in various stages of the legal process as mentioned in the Financial Review of this Annual Report. More information is available on the Company's website www.steinhoffinternational.com.

(ii) Legal representation (Werksmans Inc. and Linklaters LLP) has been appointed.

(iii) The litigation committee will monitor and defend against any litigation claims brought against the Group and identifying and pursue recoveries where appropriate.

(iv) The litigation committee will together with the Group's legal advisors assess the merits of, and respond to, these claims.

(v) The litigation committee will also continue to explore ways of resolving the claims.

(vi) Outstanding legal matters are closely monitored by the Management Board, the Audit and Risk Committee and the Supervisory Board.

Uncertain tax position and tax management

The tax rules and regulations in the various jurisdictions that the Group operates in vary considerably and require an in depth knowledge and understanding to ensure ongoing compliance. As a result of the restatement of financial statements there may be both short term liquidity implications and long term implications which have not yet been considered. Local audits by tax authorities are severely backlogged and the impacts of any potential fines, penalties and/or refunds is unknown. Loss of people in key business areas further increase the risk as the rationale for past decisions and past transactions will be lost and the Group Companies may be unable to answer questions relating to tax enquiries from regulators.

The Group income is subject to taxation in different jurisdictions and at differing tax rates. The Group seeks to organise its affairs in a sustainable manner, taking into account the applicable regulations of the jurisdictions in which it operates. As a result, the Group is exposed to a number of different tax risks including, but not limited to, changes in tax laws or interpretations of such tax laws. The authorities in the jurisdictions where the Group operates may review the Group's tax returns and may disagree with the positions taken in those returns. An adverse outcome resulting from any settlement or future examination of the Group's tax returns may result in additional tax liabilities and may adversely affect its effective tax rate, which could have a material adverse effect on the Group's financial position, results of operations and liquidity. In addition, any review by the authorities could cause the Group to incur significant legal expenses and divert management's attention from the operation of our businesses.

Risk mitigation activities post the Reporting Period:

(i) Central tax monitoring and reporting.

(ii) Retention of the detailed information accumulated during the various investigations.

(iii) Appointment of appropriate tax specialists to assist the Group.

Supply chain failure

The risk of failure of the supply chain in the form of a loss of supplier confidence or cancellation of contracts has increased significantly for the operations. Several suppliers of raw materials and finished goods have discontinued business with the Group or changed 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.

Risk mitigation activities post the Reporting Period:

(i) Strict service delivery agreements with suppliers.

(ii) Alternative suppliers

(iii) Development of vertical integration model especially in beds and furniture.

(iv) Key supplier relationships.

Risk financing – insurance programme

Risk appetite and tolerance levels drive the risk retention and transfer strategy which is based on the organisation's risk profile and loss history experience. Where possible, predicable risk is retained within divisional operations to ensure the cost of risk transfer is optimal. The Management Board and the Audit and Risk Committee review and considers unpredictable risks identified by management, and defensive strategies are adopted where appropriate. Internal and external risk factors are monitored in order to identify current and emerging risks.

The Group pursues a strategy to mitigate its insurable risks through a combination of self-insurance and commercial insurance coverage. During the Reporting Period a large part of its operations were self-insured through its cell-captive facility. The Group take measures to assess and monitor the financial strength and credit-worthiness of the commercial insurers from which it purchases insurance. The Group however remains exposed to a degree of counterparty credit risk with respect to these insurers.

Remediation Plan

The current Management Board has prepared a Remediation Plan which contains measures that it believes are appropriate to limit the possible reoccurrence of irregularities and instances of non-compliance with Laws and Regulators in the future. An analysis of the PwC report identified several key areas of focus, including but not limited to non-compliance with laws and regulations, profit creation and asset overstatement, misappropriation of assets and irregular entity support and contributions. This analysis formed a key input into the Remediation Plan. A further phase of investigative work (phase II) has been requested in respect of certain issues identified that the Group envisages will not be material to its financial statements but which may be significant for other reasons and will require further investigation, conclusion and resolution. The Remediation Plan will be implemented by the recently appointed Chief Compliance and Risk Officer under the responsibility of the Management Board. The CCRO reports directly to the Chief Executive Officer, with a secondary line to the Audit and Risk Committee. The Supervisory Board will oversee the implementation of the Remediation Plan and will receive regular updates from both the Management Board and Audit and Risk Committee on the progress of the implementation of the Remediation Plan.

As part of his remit he will also be responsible for the risk management program of the Group and as such his responsibilities will include:

(i) the development and implementation of a detailed enterprise risk management and regulatory compliance framework incorporating all types of risk;

(ii) act in an advisory capacity to the Group on corporate governance and best practices in risk management and regulatory compliance;

(iii) ensuring that the Group's risk portfolio is within set risk appetite and tolerance limits;

(iv) facilitating, coordinating and overseeing the implementation of the Group's risk strategy and enterprise risk management disciplines; and

(v) fulfil a second line risk function to provide oversight, challenge and assurance on risk management of credit, market, interest rate, liquidity risk, and IT security, as well as other operational, legal, regulatory, conduct, strategic and reputational risks.

A key focus area of the Remediation Plan is to improve the compliance risk management specifically as regards fraud detection and fraud response management as well as continued education and awareness around fraud and ethics. In terms of current practice operational management are required to manage all fraud and ethics violations as well as report any fraud and ethics violations to the Management Board and the Audit and Risk Committee with associated remedial action plans.

SECTION 5: MANAGEMENT BOARD STATEMENTS

INDEX

In-control statement

In respect of the In-control statements, reference is made to the DCGC compliance section in the Corporate Governance Report.

Responsibility statements

As required pursuant to section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act, each of the Managing Directors hereby confirms that as far each of them is aware:

(i) the 2017 Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the enterprises jointly included in the consolidation; and

(ii) the Annual Report gives a true and fair view of the position as at the Reporting Date, state of affairs during the Reporting Period and of the enterprises connected with it whose data are included in the 2017 Consolidated Financial Statements and that the Annual Report describes the substantial risks with which the Company has been confronted.

Non-financial performance indicators

Diversity

On the date of this Annual Report, the Management Board consisted of male Managing Directors only. In line with its commitment to gender diversity, the Group has several female senior executives in its employ who are engaged in a broad spectrum of disciplines and responsibilities. As part of the Group's development initiatives and succession planning, due consideration of gender diversity is given when filling vacancies that may arise at Senior Management level and to the progress being made by female senior executives in satisfying the relevant criteria for such positions. On 30 August 2018, the Supervisory Board adopted a diversity policy. The diversity policy and the profile of the Supervisory Board can be viewed on the Company's website www.steinhoffinternational.com.

During the Reporting Period, two out of twelve Supervisory Directors were female (16.67%). However, a further three female Supervisory Directors were nominated by the Supervisory Board and appointed by the General Meeting on 20 April 2018, bringing the number of female Supervisory Directors to five out of eight (62.5%) on the date of this Annual Report. In addition, and in accordance with the objective to strive to nominate Supervisory Directors from the regions where the Group operates and that no nationality should count for more than 75% of the Supervisory Directors, the Supervisory Board nominated Paul Copley (with British nationality) and David Pauker (with United States nationality) for appointment to the Supervisory Board.

Black Economic Empowerment

Steinhoff supports the aims of the B-BBEE legislation in South Africa and focusses on enhancing the South African operating companies compliance with the relevant laws and scorecards.

Governance and sustainability

To assist the Supervisory Board with the oversight of social and ethics matters relating to the Company and the Group, a Governance and Sustainability Committee was established as a voluntary committee of the Supervisory Board. During the Reporting Period, this committee – amongst other matters – addressed the focus of the Group's socio-economic development initiatives on children, childcare, education, health and nutrition in selected areas where intervention is needed to augment governmental initiatives.

Statutory provision regarding the allocation of profits

Articles 35.1 through 35.3 of the Articles stipulate:

"35.1 Distribution of profit shall be made after adoption of the annual accounts if permissible under the laws of the Netherlands given the contents of the annual accounts.

35.2 The Management Board may, with the approval of the Supervisory Board, resolve that the profit realised during a financial year will fully or partially be appropriated to increase and/or form reserves.

35.3 The allocation of profit remaining after application of article 35.2 shall be determined by the General Meeting, provided that such resolution to allocate the remaining profits can only be adopted on a proposal of the Management Board, with the approval of the Supervisory Board. The Management Board shall make, with the approval of the Supervisory Board, a proposal for that purpose with due observance of the provisions of articles 35.4 and 35.5. A proposal to allocate profit shall be dealt with as a separate agenda item at the General Meeting."

The Management Board
7 May 2019

L.J. (Louis) du Preez
Chief Executive Officer

P.J. (Philip) Dieperink
Chief Financial Officer

T.L. (Theodore) de Klerk
Operations Director

ANNUAL REPORT 2017
PART II

STEINHOFF
INTERNATIONAL HOLDINGS N.V.

CORPORATE GOVERNANCE REPORT

Corporate governance in Steinhoff involves the set of relationships that have been established between the company's Management Board, its Supervisory Board, shareholders and other stakeholders. Corporate governance also provides the structure through which the company's objectives are set and the means of attaining those objectives and of monitoring performance are determined.

Introduction

This report provides an outline of the corporate governance structure of the Company and covers corporate governance matters relevant to the Company during the Reporting Period.

The Company has its statutory seat in the Netherlands and its head office in South Africa. The Company is registered with the Trade Register in Amsterdam, the Netherlands under number 63570173 and has its primary listing on the FSE in Germany. It has a secondary listing on the JSE in South Africa.

The Company has a two-tier board structure, consisting of the Management Board and the Supervisory Board. The Management Board and the Supervisory Board are accountable to the General Meeting. The Company's corporate governance structure is based on the Articles, the Regulations of the Management Board, the Regulations of the Supervisory Board and its committees, as well as the applicable laws and regulations, including the DCGC. The Articles, the Regulations of the Management Board, the Regulations of the Supervisory Board and its committees, together with the Supervisory Board's rotation schedule and the Supervisory Board profile, can be viewed on the Company's website at www.steinhoffinternational.com.

The full text of the DCGC is available at www.mccg.nl.

Management Board

The role of the Management Board is to manage the Company. This means, among other things, that it is responsible for managing the Company to try and achieve the Company's objectives, its strategy and remain within its associated risk profile. It is also responsible for the development of corporate social responsibility issues that are relevant to Group's business. In discharging its role, the Management Board is guided by the interests of the Company and the business connected with it, taking into consideration the interests of the Company's stakeholders. The Management Board is obliged to provide the Supervisory Board timeously all information necessary for the exercise of the duties of the Supervisory Board. The Management Board is responsible for ensuring that the Company complies with all relevant primary and secondary legislation.

Duties and powers of the Management Board

The Management Board derives its powers and duties from Dutch law and the Articles. When discharging its duties, the Management Board shall act in accordance with the interests of the Company and the business connected with it, taking into consideration the interests of the Company's stakeholders. The Management Board is primarily responsible for:

(i) drafting proposals regarding the short- and long term strategy of the Company;

(ii) communicating the Company's financial strategy;

(iii) drafting the annual budget of the Company, as well as – after adoption by the Management Board – the implementation thereof;

(iv) the appointment and dismissal of members of the executive committees and managers who report to the Management Board;

(v) determining the remuneration of managers who report to the Management Board;

(vi) the financial reporting of the Company; and

(vii) overseeing and ensuring the integrity of the Company's financial statement..

The Regulations of the Management Board became effective on 1 December 2015. The Regulations of the Management Board describe the powers, duties, as well as working methods and the decision-making process of the Management Board. These Regulations of the Management Board can be viewed on the Company's website www.steinhoffinternational.com.

Pursuant to the Regulations of the Management Board, certain significant resolutions of the Management Board are subject to the approval of the Supervisory Board and the General Meeting. These resolutions are detailed in schedules 2 and 3 of the Regulations of Management Board.

Composition, appointment, removal, suspension and other positions of Managing Directors

General

Pursuant to the Articles, the Management Board shall consist of at least two Managing Directors, with the number of Managing Directors to be determined by the Supervisory Board. Following a non-binding nomination by the Supervisory Board, with due observation of the provisions under the Articles, the Managing Directors are appointed by the General Meeting.

The General Meeting may, at any time, by a majority of at least two-thirds of the votes cast representing more than one-third of the Company's issued capital, upon a proposal by the Supervisory Board, suspend or remove a Managing Director. Pursuant to the DCGC, a Managing Director is appointed for a maximum period of four years and a Managing Director may be reappointed for a term of not more than four years at a time. A Managing Director may be suspended or removed by the General Meeting at any time. Suspension and removal shall be made upon proposal by the Supervisory Board. A Managing Director cannot be suspended by the Supervisory Board. A resolution by the General Meeting to remove or suspend a Managing Director not proposed by the Supervisory Board may only be adopted by at least two-thirds majority of the votes cast, provided that such majority represents more than one-third of the Company's issued capital. If the quorum is not met, a second General Meeting cannot be convened. Any suspension may be extended one or more times but may not last longer than three months in the aggregate. If, at the end of that period, no decision has been taken on the termination of the suspension or on removal, the suspension shall end.

Managing Directors may not be a member of the Supervisory Board or a non-executive director of more than two listed companies.

A Managing Director may not concurrently serve as chairman of a Supervisory Board or a one-tier board of a listed company. Membership of the Supervisory Board or one-tier board of an affiliated company, being a legal entity belonging to the same group as the Company or in which the Company has a direct or indirect equity interest of more than ten 10% does not count for this purpose.

Composition of the Management Board
As at the Reporting Date, the Management Board consisted of Markus Jooste, Danie van der Merwe and Ben la Grange. As at the date of this Annual Report, the Management Board consisted of Louis du Preez, Philip Dieperink and Theodore de Klerk.

Details of the Managing Directors in office during the Reporting Period.

Markus Johannes (Markus) Jooste
South African, Male
(date of birth: 22 January 1961)
BAcc, CA (SA)

During the Reporting Period, Markus Jooste served as the Company's Chief Executive Officer. He completed a B Accounting degree at the University of Stellenbosch in 1982 and a certificate in the Theory of Accounting at the University of Cape Town in 1983 before qualifying as a Chartered Accountant in 1986. In 1988, Markus Jooste joined Gommagomma Holdings Proprietary Limited (now Steinhoff Africa) 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 Jooste was appointed chief executive officer of Steinhoff Limited and chairman of Steinhoff Africa and, in 2013, was appointed Chief Executive Officer for the Steinhoff Group's operations. He previously served on the boards of various unlisted Steinhoff group companies, including Conforama and the following companies listed on the JSE: PSG, Pepkor and Phumelela Gaming and Leisure Limited, and also served as a member of the remuneration committees of these listed entities.

Markus Jooste was appointed on 30 November 2015. On 4 December 2017, Markus Jooste offered to resign as Chief Executive Officer and Managing Director of the Company, which offer was accepted by the Supervisory Board on 5 December 2017.

Daniel Maree (Danie) van der Merwe
South African, Male
(date of birth: 21 May 1958)
BCom, LLB

During the Reporting Period, Danie van der Merwe served as the Company's Chief Operating Officer. In early 1998, following the merger of Roadway Transport group with Steinhoff Africa, he joined the Group and in 1999, was appointed as a director of SIHPL. He previously acted as chief executive officer for Steinhoff's southern hemisphere operations and was appointed as chief operating officer in 2013. Danie van der Merwe holds several other appointments within the Group. He also served as a non-executive director of Pepkor and KAP.

Danie van der Merwe was appointed on 30 November 2015. He was designated as the Company's acting CEO on 19 December 2018. He resigned as acting CEO and Managing Director of the Company effective 31 December 2018.

Andries Benjamin (Ben) la Grange
South African, Male
(date of birth: 19 September 1974)
BCom (Law), CA (SA)

During the Reporting Period, Ben la Grange was the Company's Chief Financial Officer. He completed his articles with PwC and spent two and a half years in their international and corporate tax division. He joined the Group in 2003 as manager of the corporate tax division, where after he moved to the corporate finance division of the Group 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 SIHPL board and was subsequently appointed as the chief financial officer in March 2013. He served as an alternate director of PSG until 1 October 2017. He served as chief executive officer of Pepkor from 18 Augustus 2017 until his resignation on 6 December 2017.

Ben la Grange was appointed on 30 November 2015. On 4 January 2018, Ben la Grange resigned as Chief Financial Officer and Managing Director of the Company.

Positions of Managing Directors on boards of listed companies which are considered Affiliated Companies

During the Reporting Period, Danie van der Merwe served as a non-executive director on the board of KAP. On 1 October 2017, Markus Jooste and Ben la Grange relinquished their positions as non-executive directors of KAP in order to focus on their broader roles and responsibilities within the Group. Furthermore, Markus Jooste and Danie van der Merwe served as non-executive directors on the board of Pepkor (previously named Steinhoff Africa Retail Limited), with Ben la Grange serving as chief executive officer of Pepkor. Markus Jooste resigned from the Pepkor board on 5 December 2017. Ben la Grange resigned from the Pepkor board on 24 January 2018. In addition, Markus Jooste served as a non-executive director on the boards of Phumelela Gaming and Leisure Limited and PSG Group Limited ("PSG"). Ben la Grange served as an alternate director to Markus Jooste on the board of PSG prior to his resignation from this position effective as at 2 October 2017. At that time Theodore de Klerk became alternate director to Markus Jooste on the board of PSG. Upon resignation of Markus Jooste from the board of PSG, Theodore de Klerk became a director of PSG. On 1 October 2017, Louis du Preez and Theordore de Klerk were appointed to the board of KAP. They subsequently resigned on 3 April 2019.

As at the date of this Annual Report, Louis du Preez is an executive director of SINVH. Louis du Preez and Philip Dieperink are non-executive directors of Pepkor.

The main elements of the contracts with the Managing Directors are available on the Company's website www.steinhoffinternational.com.

Management Board meetings, attendance and resolutions

Pursuant to the Articles, the Management Board shall meet as often as deemed necessary for the proper functioning of the Management Board. Under the Regulations of the Management Board, the Management Board shall meet at least once per two months. Meetings shall, as much as possible, be scheduled annually as much as possible in advance. The Management Board shall also meet earlier than scheduled if this is deemed necessary by the Chief Executive Officer or the Company Secretary. Meetings of the Management Board are in principle called by the Chief Executive Officer or the Company Secretary, in consultation with the Chief Executive Officer. With due observance of the Regulations of the Management Board, each Managing Director has the right to request that a meeting of the Management Board be called and/or that an item be placed on the agenda for a Management Board meeting. The Company Secretary shall assist in relation thereto. A Managing Director may be represented at Management Board meetings by another Managing Director holding a proxy in writing.

Pursuant to the Articles, each Managing Director has the right to cast one vote. Under the Regulations of the Management Board, the Managing Directors shall endeavour to achieve that resolutions are, as much as possible, adopted unanimously.

When determining how many votes are cast by Managing Directors or how many Managing Directors are present or represented, no account shall be taken of Managing Directors that are not allowed to take part in the discussions and decision-making by the Management Board pursuant to the laws of the Netherlands, the Articles or the Regulations of the Management Board. Management Board resolutions may at all times be adopted in writing, provided the proposal concerned is submitted to all Managing Directors then in office in respect of whom no conflict of interest exists and none of them objects to this manner of adopting resolutions, evidenced by written statements from all relevant Managing Directors then in office.

During the Reporting Period, no separate meetings of the Management Board were held. However, the Management Board met with the Executive Committee on a regular basis. The Managing Directors attended all regular Supervisory Board meetings, which were held on 6 December 2016, 27 February 2017, 6 June 2017 and 30 August 2017.

The current Management Board has a regular meeting schedule. During the 12 months ended December 2018, these meetings were held at least weekly. Post December 2018 meetings are held every other week.

Authority to represent the Company

The Company is represented by the Management Board jointly and each Managing Director also has the individual authority to represent the Company. The Management Board may appoint officers with general or limited power to represent the Company. Each officer shall be authorised to represent the Company, subject to the restrictions imposed on him or her.

Executive Committee

General

Pursuant to the Articles, the Management Board may, as it deems necessary, establish committees pertaining to the Management Board and the performance of its duties. The Management Board appoints the members of each committee and determines the tasks of each committee and may establish rules regarding its working methods and decision-making process. Such rules shall be put in writing. The Management Board may, at any time, change the duties and the composition of each committee.

During the Reporting Period, the Management Board was assisted by the Executive Committee in the fulfilment of its duties. No formal rules regarding the Executive Committee's working methods and decision-making process appear to have been established. However, the Executive Committee was involved with:

(i) 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 Group, prioritising the allocation of capital, technical and human resources and establishing best management practices.

(ii) Monitoring the performance of the Group and assisting the Chief Executive Officer and Chief Financial Officer in preparing the annual budget for review and approval by the Management Board.

(iii) Reviewing and monitoring the Company's system of internal control and ensuring an effective risk management process.

(iv) Reviewing merger and acquisition opportunities.

Following the events of December 2017, the Executive Committee had no further meetings and was dissolved.

Composition of Executive Committee

During the Reporting Period, the Executive Committee consisted of:

Markus Jooste - CEO
Danie van der Merwe - COO
Ben la Grange - CFO
J.N.S. du Plessis – executive: legal services
Stéhan Grobler – executive: treasury and financing
K.J. Grové – executive deputy chairman: KAP
F.J. Nel – finance executive
M. Nel – executive: corporate services
H. Odendaal – group audit executive
P. Pohlmann – chairman, Supervisory Board: European Retail Market
D. Schreiber – Steinhoff Europe: chief financial officer
S. Summers – chief executive officer: UK retail
H.J.K. Ferreira* - executive: mergers and acquisitions
P. Erasmus – group managing director: Pepkor

During the Reporting Period, the following Supervisory Directors and Group executives regularly attended the Executive Committee meetings as invitees:

Christo Wiese - Chairman of the Supervisory Board
Len Konar - Deputy Chairman
Bruno Steinhoff - Supervisory Director
Jacob Wiese - Supervisory Director
P. Griffiths - chief executive officer: JD Group Limited
Alexandre Nodale - chief executive officer: Conforama
N. Pohlmann - representing P. Pohlmann (chairman, Supervisory Board: European Retail Management
S. Stagner – chief executive officer: Mattress Firm
A.B. van Huysteen - Group executive

Furthermore, various other senior executives, designated staff members and divisional directors regularly attended meetings of the Executive Committee as invitees.

Remuneration of Managing Directors

The General Meeting approved the Remuneration Policy for the Management Board on 1 December 2015. A description of the Remuneration Policy and its implementation during the Reporting Period are included in the Remuneration Report. The Remuneration Policy can be viewed on the Company's website www.steinhoffinternational.com.

Evaluations

With the exception of an evaluation of the chief financial officer role and the functioning of Mr. La Grange as Chief Financial Officer, which was undertaken at the Audit and Risk Committee, no other evaluations of the Management Board or of the individual Managing Directors were undertaken during the Reporting Period. Reference in this regard is made to the DCGC Compliance section of this Corporate Governance Report.

Company Secretary

The Company's Secretary is appointed and replaced by the Management Board, subject to the approval of the Supervisory Board.

All Managing Directors, Supervisory Directors and committees have access to the advice and services of the Company Secretary. The Company Secretary sees to it that correct Supervisory Board and Management Board procedures are followed and that the obligations of the Supervisory Board and the Management Board under applicable laws, as well as the Regulations of the Supervisory Board, the Regulations of the Management Board and/or the Articles are complied with. The Company Secretary assists the chairperson of the Supervisory Board and the Chief Executive Officer of the Management Board in the organisation of the affairs of the Supervisory Board and the Management Board, respectively.

During the Reporting Period, the Company Secretary was a legal entity, Steinhoff Secretarial Services Proprietary Limited, a South African registered company within the Group.

Since December 2017, Ewoud van Gellicum acted as Company Secretary. With effect from 3 September 2018, Ewoud van Gellicum was formally appointed as Company Secretary of the Company.

Ewoud van Gellicum

Ewoud van Gellicum joined Steinhoff on 1 April 2017. In 2005, he became general counsel of the Group, Company Secretary and compliance officer of TomTom N.V., a Dutch company listed on Euronext Amsterdam. In 2009, he was appointed general counsel and compliance officer of Atrium European Real Estate Limited, a Jersey company, with its primary listing in Vienna and a secondary listing on Euronext Amsterdam. Ewoud van Gellicum started his career as a corporate lawyer for eight years with the Dutch law firm Stibbe and worked in their Amsterdam and London offices.

Chief Compliance and Risk Officer

To ensure that the Remediation Plan is complied with, the Company has appointed a Chief Compliance and Risk Officer (CCRO), Louis Strydom, who will be responsible for the plan and will report directly to the CEO and have reporting responsibility to the Audit and Risk Committee. The CCRO will join the Group on 1 July 2019. Louis Strydom is well versed in the issues facing the Steinhoff Group as he has been heading up the PwC forensic team responsible for the PwC Steinhoff investigation.

Louis Strydom

Louis Strydom, a chartered accountant, is the leader of PwC's African Forensic Services practice which includes risk & compliance advisory services. He is also a member of the PwC African Advisory leadership team and boasts more than 32 years' experience in the profession. Louis Strydom has been a partner at PwC for more than 20 years and has also been awarded Extraordinary Professorship by the University of The North West in South Africa. After he matriculated in 1982, he studied towards a B Comm Accountancy degree at the University of Pretoria which he completed in 1985. He obtained a B Compt Hons degree at the University of South Africa in 1986. Louis Strydom qualified as a chartered accountant in 1989 and advanced to a senior audit manager in 1992. He spent a period of 2 years with the Office For Serious Economic Offences in order to specialise in forensic accounting. Louis Strydom launched the Forensic Services Division within the PwC Southern African Legacy firm in 1997 and was admitted as a partner of PwC in 1998.

His experience includes inter alia high profile corporate fraud investigations, risk advisory & compliance consulting, appointments in various matters on behalf of the South African Reserve Bank on contraventions of the Banks Act, curatorship appointments by the South African Revenue Services, Department of Justice, and the Financial Services Conduct Authority. These curatorship appointments include assuming control and management of underlying businesses and assets, expert litigation support, US Foreign Corrupt Practices Act investigations, remediation services in respect of corporate governance failures and accounting irregularities with the focus on risk, governance & compliance. His experience includes numerous international, cross border, multi-jurisdictional investigations and remediation services. Louis Strydom has been the Lead Partner on phase one of the PwC investigation.

Supervisory Board

Introduction

The role of the Supervisory Board is to supervise the policies of the Management Board and the general affairs of the Company and the business connected with it, as well as to assist the Management Board by providing advice. In discharging its role, the Supervisory Board shall be guided by the interests of the Company and the business connected with it and shall take into account the relevant interests of the Company's stakeholders.

Duties and powers of the Supervisory Board

The Supervisory Board derives its powers and duties from Dutch law and the Articles. The Supervisory Board is charged with the supervision of the performance of duties by the Management Board as well as the general course of affairs of the Company and the business connected with it. The Supervisory Board is responsible for the corporate governance structure of the Company and is accountable for these matters to the General Meeting.

The supervision of the Management Board by the Supervisory Board includes:

(i) achievement of the Company's objectives;

(ii) the corporate strategy and risks inherent in the business activities;

(iii) the structure, effectiveness and operation of the internal risk management and control systems;

(iv) the financial reporting process;

(v) compliance with applicable laws and regulations;

(vi) the relations with the Shareholders of the Company;

(vii) the corporate social responsibility issues that are relevant to the Company; and

(viii) handling and deciding on reported (potential) conflicts of interests.

The Supervisory Board established regulations became effective on 1 December 2015. These regulations describe the powers, duties, as well as working methods and the decision-making process of the Supervisory Board. The Regulations of the Supervisory Board were revised during the financial year 2018 and can be viewed on the Company's website www.steinhoffinternational.com.

Composition, appointment, removal and suspension of Supervisory Directors

Pursuant to the Articles, the Supervisory Board shall consist of at least five Supervisory Directors. Only individuals can be Supervisory Directors. If the number of Supervisory Directors in office is less than five, the authorities of the Supervisory Board and of the remaining Supervisory Directors or Supervisory Director shall continue to apply in full. The Supervisory Board will then forthwith take measures to increase the number of Supervisory Directors. The Supervisory Board shall determine the exact number of Supervisory Directors. Pursuant to the DCGC, a Supervisory Director is appointed for a maximum period of three four year terms, with due observance of the rotation schedule and the profile of the Supervisory Board, both of which can be viewed on the Company's website www.steinhoffinternational.com.

Supervisory Directors are appointed by the General Meeting. Appointment shall be made upon a non-binding nomination by the Supervisory Board. The Supervisory Board shall make its non-binding nomination within one month of the date that the Management Board has in writing invited the Supervisory Board to do so. The right of the Supervisory Board to make a non-binding nomination shall not be affected in the event that such written invitation of the Management Board remains forthcoming. The Supervisory Board shall take account of the profile of the Supervisory Board, when it makes its non-binding nomination. A non-binding nomination shall be included as an item in the notice of the General Meeting at which the appointment shall be considered. At the General Meeting only candidates whose names are stated on the agenda of the meeting can be voted on for appointment as Supervisory Director.

A resolution by the General Meeting to appoint a Supervisory Director not nominated by the Supervisory Board shall be adopted by at least two-thirds majority of the votes cast, if such majority represents more than one-third of the Company's issued capital. A second General Meeting may not be convened.

A resolution by the General Meeting to remove or suspend a Supervisory Director not proposed by the Supervisory Board shall be adopted by at least two-thirds majority of the votes cast, provided that such majority represents more than one-third of the Company's issued capital. A second General Meeting may not be convened. Any suspension may be extended one or more times, but may not last longer than three months in the aggregate. If, at the end of that period, no decision has been taken on termination of the suspension or on removal, the suspension shall end.

As per the Reporting Date, the Supervisory Board consisted of 12 members.

Curricula Vitae of those Supervisory Directors are given below.

Dr. Christoffel Hendrik (Christo) Wiese
(South African) (Male)
(date of birth: 10 September 1941)

BA, LLB, DCom (hc)

Christo Wiese was appointed as a Supervisory Director of the Company on 30 November 2015 and as chairman of the Supervisory Board in May 2016. He previously served as a non-executive director to the board of SIHPL, having first been appointed on 5 March 2013. He practiced at the Cape Bar in the 1970s before joining Pepkor. 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. has served on the boards of many listed companies over the years and is a past director of the South African Reserve Bank, Sanlam Group Limited and Sasol Limited.

Christo Wiese resigned from the Supervisory Board on 14 December 2017.

Dr. Deenadayalen (Len) Konar
(South African) (Male)
(date of birth: 19 February 1954)

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

Len Konar was the Deputy Chairman of the Supervisory Board of the Company, having been appointed as a Supervisory Director on 30 November 2015.

Len Konar was first appointed to the SIHPL board in 1998, and later appointed chairman of this board in September 2008. He held various committee positions during his term as independent non-executive director of this board, including chairman of the Audit and Risk Committee. He acted as chairman of the Supervisory Board for the period 30 November 2015 to 31 May 2016 and was the chairman of the Nomination Committee and the GS Committee and a member of the Audit and Risk Committee and Human Resources and Remuneration Committee. Len 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.

Len Konar retired from the Supervisory Board effective 28 February 2018.

Dr. Stefanes Francois (Steve) Booysen
(South African) (Male)
(date of birth: 17 June 1962)

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

Dr. Steve Booysen was appointed to the Steinhoff Limited board as an independent non-executive director in September 2009 and as a Supervisory Director of the Company on 30 November 2015. He completed his articles with Ernst & Young LLP and acted as lecturer at the University of South Africa. Steve 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. Steve Booysen serves as an independent non-executive director on the board of SINVH and is the chairman of the Audit and Risk Committee and a member the GS Committee.

On 20 April 2018, the General Meeting reappointed Steve Booysen to the Supervisory Board for a term of 4 years.

Claas Edmund (Claas) Daun
(German) (Male)
(date of birth: 26 January 1943)

BAcc, CA

Claas Daun was appointed as a Supervisory Director of the Company on 30 November 2015, having first been appointed as an independent non-executive director of Steinhoff Limited in 1998. He served as Deputy Chairman of the Supervisory Board for the period 30 November 2015 to 31 May 2016, after which he continued to serve as a Supervisory Director. He was a member of the Nomination Committee. Claas Daun has extensive experience in management and investments worldwide and is a corporate investor in several industries. He was instrumental in developing the KAP businesses and acted as chairman of KAP for many years. Claas Daun resigned from the KAP board on 25 June 2012. He is currently chairman of the Daun et Cie group. Claas 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.

Claas Daun retired from the Supervisory Board effective 28 February 2018.

Thierry Louis Joseph (Thierry) Guibert
(French) (Male)
(date of birth: 26 November 1970)

MBA (FR)

Thierry Guibert was appointed as a Supervisory Director of the Company on 30 November 2015. After graduating from the Reims Business School, Thierry Guibert began his career in 1995 as an auditor at KPMG. In 1999, he joined the previous holding company of Conforama, the French listed PPR Group (now known as Kering). Following various financial positions held within PPR, Thierry Guibert was appointed as chief financial officer and chief operating officer of FNAC, a European retailer within the same group. Since 2008, Thierry Guibert held the position of chairman and chief executive officer of Conforama, which was acquired by Steinhoff 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 that board as a non-executive director.

Thierry Guibert resigned from the Supervisory Board on 2 February 2018.

Marthinus Theunis (Theunie) Lategan
(South African) (Male)
(date of birth: 26 February 1957)

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

Theunie Lategan was appointed as a Supervisory Director of the Company on 30 November 2015, having previously served as an independent non-executive director on the SIHPL board since September 2011. Theunie Lategan, who retired from the Supervisory Board effective 28 February 2018, was the chairman of the Human Resources and Remuneration Committee and a member of the Audit and Risk Committee. After qualifying as a chartered accountant in 1983, Theunie Lategan lectured in accounting and taxation at the University of Johannesburg until 1987 before returning to the auditing practice at Price Waterhouse MeyerNel. He joined Rand Merchant Bank in 1994 and later became head of its 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, Theunie 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 2004, Theunie Lategan has served as a member of the council of the University of the Witwatersrand, Johannesburg and chairs its Finance and Investment committees. He served as non-executive vice-chairman for Absa Corporate Bank from 2013 to 2018. In 2016, Theunie Lategan joined the board of Astral Foods as an Independent non-executive director. Theunie Lategan resigned from the Supervisory Board effective 28 February 2018.

Jayendra Naidoo
(South African) (Male)
(date of birth: 5 September 1960)

B Proc

Jayendra Naidoo was appointed by the General Meeting as a Supervisory Director on 14 March 2017.

Prior to entering the world of business, as a national trade union leader, he led the joint delegation of the African National Congress and its alliance partners at the negotiations of the National Peace Accord in 1991. He was thereafter part of the multi-party National Peace Secretariat that established regional and local Peace Committees throughout South Africa. He was at the forefront of establishing the government, business and labour forum known as the National Economic Forum in 1992, and in 1995 became the first executive director of the newly established National Economic Development and Labour Council (NEDLAC). In 1999, he served as chief negotiator representing the Office of the President in a strategic government procurement programme. In 2000, he co-founded the J&J Group, an investment company currently focused on infrastructure assets. Jayendra Naidoo is the founder of the Lancaster Group, an investment holding company. He has served on several committees and boards, including the selection panel appointed by President Mandela in 1995 to interview and shortlist candidates for South Africa's Truth and Reconciliation Commission. In 1997, Jayendra Naidoo was nominated by the World Economic Forum as a Global Leader of Tomorrow. On the Reporting Date, he was independent non-executive chairperson to, and served as a member of the human resources and remuneration, and nominations committees of STAR.

Jayendra Naidoo resigned from the Supervisory Board on 18 January 2018.

Angela Krüger-Steinhoff
(German) (Female)
(date of birth: 16 July 1971)

BCom (Economic Science)

Angela Krüger-Steinhoff was appointed as a Supervisory Director of the Company on 30 November 2015, having previously been appointed as an alternate non-executive director of the Steinhoff Limited board in December 2007. She obtained a degree in Economic Science in 1997 at the European business school, Oestrichwinkel, Germany. She joined the 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. On the Reporting Date, Angela Krüger-Steinhoff also held a position on the advisory committees of Oldenburgische Landesbank AG, HSH Nordbank AG and Commerzbank AG in Germany.

On 20 April 2018, the General Meeting reappointed Angela Krüger-Steinhoff to the Supervisory Board for a term of 4 years. She is a member of the Nomination Committee.

Heather Joan (Heather) Sonn
(South African) (Female)
(date of birth: 20 October 1971)

BA (Political Science), MSc (International Affairs - Business)

Heather Sonn was appointed as a Supervisory Director of the Company on 30 November 2015, having previously served as an independent non-executive director of Steinhoff Limited since December 2013. On completion of her studies in 1997, she 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. Heather 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. On the Reporting Date, she was as an independent non-executive director on the boards of Pepkor (member of the social and ethics committee), SINVH, Gamiro Investment Group, Blake & Associates and Reinsurance Group of America SA. On the Reporting Date, she also served on the Board of non-profit organisations like the Cornerstone Institute and GreenCape as a board member and was a fellow and moderator of the Aspen Institute's Global Leadership Network.

On 14 December 2017, the Supervisory Board designated Heather Sonn as chairperson of the Supervisory Board. Her term in office as Supervisory Director expired on 1 March 2018. She was appointed by the Supervisory Board to chair the annual General Meeting held on 20 April 2018. Heather Sonn was reappointed to the Supervisory Board by the General Meeting on 20 April 2018 for a term of four years. She also serves as chairperson of the Nomination Committee.

Bruno Ewald (Bruno) Steinhoff
(German) (Male)
(date of birth: 26 November 1937)

Bruno Steinhoff is the founder of the Group and was chairman of Steinhoff Limited until the end of September 2008. He was appointed as a Supervisory Director of the Company on 30 November 2015. He relinquished executive duties with effect from 1 April 2008, and continued serving as a non-executive director, assisting with special projects for the Group. After studying industrial business, Bruno 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. He 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. Bruno Steinhoff developed the import business from Asian countries, especially from the Philippines, Taiwan and China. During the 1990s, he acquired interests in a joint venture in South Africa with Claas Daun involving Gommagomma Holdings.

Bruno Steinhoff retired from the Supervisory Board effective 28 February 2018.

Dr. Johan van Zyl
(South African) (Male)
(date of birth: 19 June 1956)

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

Johan van Zyl was appointed as a Supervisory Director of the Company on 30 May 2016.

He 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 2015 and remains a non-executive director, also serving on the boards of Sanlam Life Insurance Limited (he is currently the chairman of both companies). Johan van Zyl also serves as a Council Member of the University of Pretoria, is chairman of the Vumelana Advisory Fund and a board member of the WWF. He is presently CEO of Ubuntu-Botho Investments and African Rainbow Capital, two empowerment entities.

He has also consulted and served as visiting 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 Southern African AABLA award as Business Leader of the Year in 2015.

Johan van Zyl resigned from the Supervisory Board on 17 April 2018.

Jacob Daniel (Jacob) Wiese
(South African) (Male)
(date of birth: 12 January 1981)

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

Jacob Wiese was appointed as a Supervisory Director of the Company on 30 May 2016.

After completing his LLB at UCT in 2008 and his pupillage at the Cape Bar, Jacob Wiese was admitted as an advocate of the High Court of South Africa in 2009. Jacob serves as a non-executive director on the board of Pepkor and as an alternate and/or non-executive director of Shoprite Holdings Limited, Invicta Holdings and Tradehold. He is also extensively involved in the management of Lourensford Wine Estate.

Jacob Wiese resigned from the Supervisory Board on 14 December 2017.

To strengthen the independence of the Supervisory Board, the following independent Supervisory Directors were appointed on 20 April 2018 and remain in office as at the date of this Annual Report:

Khanyisile Kweyama, Hugo Nelson, Alex Watson, Moira Moses and Peter Wakkie.

Supervisory Board meetings, attendance and decision making

Pursuant to the Articles, meetings of the Supervisory Board shall be held as often as a Supervisory Director or the Management Board deems necessary. Under the Regulations of the Supervisory Board, the Supervisory Board shall meet at least four times each financial year. A Supervisory Director may be represented at Supervisory Board meetings by another Supervisory Director holding a proxy in writing. Each Supervisory Director may cast one vote. All resolutions of the Supervisory Board shall be adopted by a simple majority of the votes cast. The Supervisory Board can only adopt valid resolutions in a meeting where the majority of the Supervisory Directors then in office is present or represented.

When determining how many votes are cast by Supervisory Directors, how many

Supervisory Directors are present or represented, no account shall be taken of Supervisory Directors that are not allowed to take part in the discussions and decision-making by the Supervisory Board pursuant to the laws of the Netherlands, the Articles or the Regulations of the Supervisory Board. Supervisory Board resolutions may at all times be adopted in writing, provided the proposal concerned is submitted to all Supervisory Directors then in office in respect of whom no conflict of interest exists and none of them objects to this manner of adopting resolutions, evidenced by written statements from all relevant Supervisory Directors then in office.

Committees of the Supervisory Board

In compliance with the Articles, the Supervisory Board has an Audit and Risk Committee, a Human Resources and Remuneration Committee and a Nomination Committee. The function of the committees is to prepare the decision-making of the Supervisory Board. The Supervisory Board appoints the members of each committee, its chairperson and determines the tasks of each committee and as well as the rules regarding its working methods and decision-making process. The Supervisory Board may, at any time, change the duties and the composition of each committee. Only Supervisory Directors can be a member of the committees. The Supervisory Board remains collectively responsible for decisions prepared by its committees. The Company Secretary acts as secretary to the Supervisory Board's committees. An additional committee namely the Governance and Sustainability Committee was established as a voluntary committee of the Supervisory Board.

During the 2018 Reporting Period, the Regulations of the Supervisory Board and its committees were revised to comply with the Revised DCGC. The revised Regulations of the Supervisory Board and its committees can be viewed on the Company's website www.steinhoffinternational.com.

Audit and Risk Committee

At least one member of the Audit and Risk Committee must have relevant knowledge and experience of financial administration and accounting for listed companies or other large companies. The Audit and Risk Committee may not be chaired by the chairman of the Supervisory Board or by a former Managing Director. The Audit and Risk Committee meets at least four times each financial year and meets at least once each financial year with the External Auditor without the Managing Directors being present.

The Audit and Risk Committee is responsible for advising the Supervisory Board and, where applicable, the Management Board, as well as preparing the decision-making of the Supervisory Board and is specifically tasked with supervising and monitoring the activities of the Management Board with respect to:

(i) the operation of the internal risk management and control systems, including supervision of the enforcement of the applicable laws and regulations, and to supervise the operation of codes of conduct;

(ii) the provision of financial information by the Company (including but not limited to the choice of accounting policies, application and assessment of the effects of new rules, information about the treatment of estimated items in the annual accounts, forecasts, work of the internal audit department and the External Auditor, etc.);

(iii) compliance with recommendations and observations of the internal audit department and the External Auditor;

(iv) the role and functioning of the internal audit department;

(v) if designated, the role and functioning of the Chief Financial Officer;

(vi) the policy of the Company on tax planning;

(vii) relations with the External Auditor, including, in particular, his independence and remuneration;

(viii) the financing of the Company; and

(ix) the application of information and communication technology.

The Supervisory Board established regulations for the Audit and Risk Committee effective 1 December 2015, which describe the powers, duties, as well as working methods and the decision-making process of the Audit and Risk Committee. These regulations can be viewed on the Company's website www.steinhoffinternational.com. The regulations of the Audit and Risk Committee were revised during the 2018 Reporting Period to reflect the Revised DCGC and can be viewed on the Company's website www.steinhoffinternational.com.

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee may not be chaired by the chairman of the Supervisory Board or by a former Managing Director of the Company or by a Supervisory Director who is a member of the Management Board of another listed company. The Human Resources and Remuneration Committee meets at least twice each financial year.

The Human Resources and Remuneration Committee is responsible for advising the Supervisory Board as well as preparing the decision-making of the Supervisory Board and is specifically tasked with:

(i) drafting proposals to the Supervisory Board for the Remuneration Policy;
(ii) drafting a proposal for a framework regarding the remuneration of the Managing Directors and members of the Executive Committee in the form of Ordinary Shares, or rights to subscribe for Ordinary Shares, for submission by the Supervisory Board to the General Meeting;
(iii) drafting proposals for the remuneration of the individual Senior Managers or changes or additions thereto, for submission to the Supervisory Board and preparation of the remuneration report regarding the Remuneration Policy of the Company;
(iv) 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;
(v) approving the appointments and promotions of Senior Managers and their terms of employment or service, other than remuneration of Senior Managers, and the terms and conditions of severance of employment or service of those persons;
(vi) reviewing incidents of unethical behaviour by Senior Managers and key and senior executives of Group companies;
(vii) annually reviewing the Company's Code of Conduct and proposing amendments to the Management Board;
(viii) 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;
(ix) annually reviewing the regulations of the Company's significant subsidiaries' remuneration committees and the committees' compliance with such regulations;
(x) undertake an annually assessment of the functioning of the committee and report the findings to the Supervisory Board; and
(xi) 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.

The Supervisory Board established regulations for the Human Resources and Remuneration Committee effective as per 1 December 2015, which describe the powers, duties, as well as working methods and the decision-making process of the Human Resources and Remuneration Committee. The regulations of the Human Resources and Remuneration Committee were revised during the 2018 Reporting Period to reflect the Revised DCGC and can be viewed on the Company's website www.steinhoffinternational.com.

Nomination Committee

Pursuant to the regulations of the Nomination Committee, the Nomination Committee meets at least once each financial year and is responsible for advising the Supervisory Board as well as preparing the decision-making of the Supervisory Board and is specifically tasked with:

i) drafting selection criteria and appointment procedures for Supervisory Directors and Managing Directors;
ii) assessing at least once per year the size and composition of the Supervisory Board and the Management Board, and to make proposals for the rotation schedule and profile of the Supervisory Board and the Management Board;
iii) assessing at least once per year the functioning of individual Supervisory Directors and Managing Directors, and to report its findings to the Supervisory Board;
iv) as applicable, making non-binding nominations for the (re) appointment of Managing Directors or Supervisory Directors or proposals for the suspension of dismissal of managing Directors or Supervisory Directors; and
v) undertaking an annual assessment of the functioning of the Nomination Committee and report its findings to the Supervisory Board.

The Supervisory Board established regulations for the Nomination Committee effective as per 1 December 2015, which describe the powers, duties, as well as working methods and the decision-making process of the Nomination Committee. The regulations of the Nomination Committee were revised during the 2018 Reporting Period to reflect the Revised DCGC and can be viewed on the Company's website www.steinhoffinternational.com.

Governance and Sustainability Committee

To assist the Supervisory Board with the oversight of social and ethics matters relating to the Company and the Group, the GS Committee was established as a voluntary committee of the Supervisory Board and terms of reference for the committee were adopted.

The terms of reference of the GS committee require that at least two members to be appointed by the Supervisory Board to the committee, should be directors of any company within the Group. The duties of the GS committee are to act as an oversight committee aimed at monitoring the activities of the Company and the Group having regard to relevant legislation, legal requirements and codes of best practice concerning:

(i) social and economic development, including the Company's and the Group's standing in terms of the goals and purposes of the principles set out in the United Nations Global Compact Principles, the Organisation for Economic Co-operation and Development recommendations regarding corruption, the codes of good practice and legislation relating to employment equity and workplace diversity across the Group;

(ii) good corporate citizenship;

(iii) consumer relations;

(iv) labour relations and employment matters including the Company or the Group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions and employment relationships and contributions to the educational development of its employees;

(v) drawing matters within its mandate to the attention of the Supervisory Board or relevant Supervisory Board committee(s); and

(vi) monitoring the activities of the Company or the Group having due regard to applicable legislation, other legal requirements or prevailing codes of best practice relating to social and economic development, progress and initiatives in relation to corporate social responsibility, the environment, health and public safety matters and ensuring the effective management, monitoring and reporting of the Company's Code of Conduct.

Diversity policy and Dutch gender diversity requirement

In accordance with the Dutch Act on Management and Supervision (*Wet bestuur en toezicht*), the profile of the Supervisory Board states that the Supervisory Board shall strive to ensure that at least 30% of the seats shall be held by men and at least 30% by women. With respect to appointments and nominations, the Company is obliged to take into account, to the extent practicable, a balanced composition of male and female members of the Management Board and Supervisory Board. The Company remains mindful of its obligations to ensure required gender representation in both the Management Board and the Supervisory Board.

On the date of this Annual Report, the Management Board consisted of male Managing Directors only. In line with its commitment to gender diversity, the Group has several female senior executives in its employ who are engaged in a broad spectrum of disciplines and responsibilities. As part of the Group's development initiatives and succession planning, due consideration of gender diversity is given when filling vacancies that may arise at Senior Management level and to the progress being made by female senior executives in satisfying the relevant criteria for such positions.

On 30 August 2018, the Supervisory Board adopted a diversity policy. The diversity policy and the profile of the Supervisory Board can be viewed on the Company's website www.steinhoffinternational.com.

During the Reporting Period, two out of twelve Supervisory Directors were female (16.67%). However, a further three female Supervisory Directors were nominated by the Supervisory Board and appointed by the General Meeting on 20 April 2018, bringing the number of female Supervisory Directors to five out of eight (62.5%) on the date of this Annual Report. In addition, and in accordance with the objective to strive to nominate Supervisory Directors from the regions where the Group operates and that no nationality should count for more than 75% of the Supervisory Directors, the Supervisory Board recently nominated Paul Copley (with British nationality) and David Pauker (with United States nationality) for appointment to the Supervisory Board.

In respect of the nomination of Paul Copley and David Pauker to the Supervisory Board, reference is made to the restructuring of the financial indebtedness of the Company, SEAG and SFHG, to the Lock-Up Agreement, to the SEAG CVA and the SFHG CVA, as well as the various "restructuring documents" referred to in the CVAs (a number of which the Company is party to) as announced on 19 November 2018 and subsequent announcements.

In accordance with the Lock-Up Agreement, the Nomination Committee has consulted with the creditors' governance working group in relation to the search process and the identification of candidates to be nominated to the Supervisory Board. Following that consultation and search process, the Supervisory Board nominated Paul Copley and David Pauker for appointment to the Supervisory Board.

Provision has also been made in the new finance documents by the Group's European external financial creditors that underscore their support for the appointment of Paul Copley and David Pauker. In particular, pursuant to the terms of the relevant restructuring documents (as mentioned in the CVAs), should the General Meeting not resolve to appoint Paul Copley or David Pauker (or none of them) to the Supervisory Board, the cost of the debt reconstituted pursuant to the restructuring will increase. Specifically: (i) the interest rate applicable to the reconstituted debt of SEAG and SFHG would be increased by 5 per cent. per annum (from between 7.875% and 10.75% PIK per annum (as applicable) to between 12.875% and 15.75% PIK per annum (as applicable)), with such increased interest rates also retrospectively applicable for the period that is specified in each relevant restructuring document; and (ii) the cap on recoveries against the Company will be increased from 5 per cent. per annum to 10 per cent. per annum in respect to the SEAG Contingent Payment Undertaking (as defined in the CVAs), and a cap of 10 per cent. per annum will be instated on recoveries against the Company in respect to the 2021/2022 Contingent Payment Undertaking, the 2023 Contingent Payment Undertaking and the SIHPL Contingent Payment Undertaking (as defined in the CVAs).

General Meeting

Amendment of the Articles

The General Meeting may resolve to amend the Articles, provided that such resolution can only be adopted on a proposal by the Management Board, with the approval of the Supervisory Board. When a proposal to amend the Articles is to be made to the General Meeting, the notice convening the General Meeting must state so and a copy of the proposal, including the verbatim text thereof, shall be deposited and kept available at the Company's office for inspection by the Shareholders and the other persons with Meeting Rights, until the conclusion of the meeting. From the day of deposit until the day of the meeting, a Shareholder or another person with Meeting Rights shall, on application, be provided with a copy of the proposal free of charge. An amendment of the Articles shall be laid down in a notarial deed.

General meetings

The Company's 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 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 or the Management Board, without prejudice to provisions of Dutch law concerning convening General Meetings.

Adoption of resolutions

Subject to certain exceptions provided by Dutch law or the Articles, resolutions of the General Meeting are passed 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. 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. It has become apparent to the Management Board that the equity of the Company has fallen below this threshold. The General Meeting to be held for this purpose will coincide with the 2019 annual General Meeting, as is permitted under the Dutch Civil Code.

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 forty two days.

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 sixty days prior to the date of the meeting.

Resolutions for approval or authorisation to be passed by the General Meeting shall be explained in writing.

Voting rights

Each Ordinary Share confers the right to cast one vote at a General Meeting, unless and for as long as Preference Shares are in issue, in which case each Ordinary Share confers the right to cast fifty votes and each Preference Share confers the right to cast one vote at a General Meeting. As at the date of this Annual Report, no Preference Shares are outstanding.

Dutch law prescribes a record date to be set twenty-eight 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.

Distributions

Distribution of profit shall be made after adoption of the annual financial statements, 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 may be fully or partially appropriated to increase reserves, with the allocation of profit then remaining to be at the disposal of the General Meeting. Proposals for the distribution of profit are shown on the General Meeting agenda as items for separate consideration. At the annual General Meeting of 14 March 2017, shareholders approved a final dividend of €0.03 per Ordinary Share, payable on 20 March 2017. An interim dividend of

€0.12 was paid to Shareholders on 6 December 2016 in respect of the twelve-month period ended 30 June 2016.

Dividends on Preference Shares, as and when such Shares are issued, will be paid in accordance with the relevant provisions contained in the Articles.

Issuance of Shares

Under the Articles, and with due observance of Dutch law, Shares may be issued pursuant to a resolution of the General Meeting or of the Management Board, if and insofar the Management Board has been designated for that purpose pursuant to a resolution of the General Meeting for a fixed period (this period may not exceed five years). A resolution by the General Meeting to issue Shares or to designate the Management Board as the body of the Company authorised to issue Shares may only be taken at the proposal of the Management Board, which proposal requires the approval of the Supervisory Board. On such designation, the number of Shares of each class which may be issued must be specified. The designation may be extended, each time for a period not exceeding five years. Unless the designation provides otherwise, it may not be withdrawn. The authority of the General Meeting to issue Shares shall be without prejudice to the authority of the Management Board to determine, with the approval of the Supervisory Board, the percentage of premium per Preference Share. The same applies by analogy to the granting of rights to subscribe for Shares, but does not apply to the issuance of Shares to a person exercising a right to subscribe for Shares previously granted.

Prior to (and in anticipation of) the Company's listing on FSE, in December 2015, certain authorisations were granted to the Management Board, details of which rights to issue Shares, to grant rights to subscribe for Shares and to limit or exclude pre-emption rights in relation thereto are contained in the prospectus to shareholders dated 19 November 2015 (available on the Company's website at www.steinhoffinternational.com).

At the General Meeting held on 14 March 2017, without prejudice to any of the other authorisations previously granted to the Management Board by the General Meeting, as referred to above, the General Meeting granted the Management Board the authority to issue Ordinary Shares and to grant rights to subscribe for Ordinary Shares:

i) up to 10% of the total nominal issued share capital of the Company as at 14 March 2017 for all purposes including the granting of stock options, the financing of mergers and acquisitions and the issue of new convertible bonds; plus

(ii) issue up to an additional 10% of the total nominal issued share capital of the Company as at 14 March 2017 to be used only in connection with or on the occasion of mergers and acquisitions and strategic alliances.

Each of the foregoing authorisations were valid for a period of up to eighteen months from 14 March 2017. If the Share Issue Authorisations were used during this eighteen month period, then the Management Board, subject to the approval of the Supervisory Board, shall propose to the General Meeting that the authorities granted be restored back to up to the 10% level for each of the approved purposes, as set out above.

The authorities granted by the General Meeting enabled the Company to comply with its obligations to issue Ordinary Shares and grant rights under the Group's various share incentive schemes and afforded the Management Board the flexibility to pursue commercial opportunities such as mergers, acquisitions and strategic partnerships.

The General Meeting on 14 March 2017 also authorised the Management Board, in accordance with article 2:96a, paragraph 6 of the Dutch Civil Code, to limit or exclude any pre-emption rights in relation to the issue of Ordinary Shares or the granting of rights to subscribe for Ordinary Shares; such authority being limited to the number of Shares authorised under the Share Issue Authorisations and to the 18 month period from 14 March 2017.

In addition, in accordance with article 2:98, paragraph 4 of the Dutch Civil Code, the General Meeting authorised the Management Board, for a period of eighteen months from 14 March 2017, to acquire fully paid-up Shares in the capital of the Company. Under this authority, Shares could be acquired at the stock exchange or otherwise, at a price per Ordinary Share between nominal value and 110% of the opening price on the FSE at the date of the acquisition, up to 20% of the issued share capital at the date of acquisition.

This authority, which replaced the authority to acquire Shares previously granted to the Management Board on 1 December 2015, afforded the Management Board the flexibility to repurchase Shares in the Company, to service share options granted or to cover obligations under share-based compensation plans or for other purposes. After the Reporting Date, the Company repurchased 70.6 million Ordinary Shares, representing 1.7% of its issued share capital. The Ordinary Shares acquired by the Company, or held by Subsidiaries, are being treated as treasury shares and the number of voting interests was accordingly reduced to 4 214 585 580 at the Reporting Date.

DCGC compliance

Introduction

During the Reporting Period, the Company was required to comply with the 2008 Dutch Corporate Governance Code (the "**DCGC**"). Pursuant to the DCGC, deviations from the DCGC require explanation in accordance with the DCGC's 'comply or explain' principle.

On 7 September 2017, the legislative proposal containing the relevant implementation resolutions for the enactment of the final version of the revised DCGC (the "**Revised DCGC**"), as presented by the Dutch Corporate Governance Code Monitoring Committee on 8 December 2016, was adopted by the Dutch government. The Revised DCGC applies for financial years commencing on or after 1 January 2017. As a consequence, the Revised DCGC only applies to the Company with effect from 1 October 2017 and the

Company will report on its compliance with the Revised DCGC in its Annual Report for the 2018 Reporting Period.

Compliance with the DCGC

During the Reporting Period, the Company was compliant with the relevant principles and best practice provisions of the DCGC, with the exception of the following:

II.1.5. This best practice provision provides that as regards financial reporting risks the Management Board states in the annual report that the internal risk management and control systems provide a reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly in the year under review. The Management Board shall provide clear substantiation of this.

In deviation of this best practice provision, the Management Board are of the view that they are not in a position to state that the internal risk management and control systems provided reasonable assurance that the financial reporting did not contain any errors of material importance and that the control systems worked properly during the Reporting Period. This is evidenced by the accounting irregularities that occurred. The Management Board is however of the opinion that the process that has been followed, subsequent to the announcement of 5 December 2017, has provided reasonable assurance that the 2017 Consolidated Financial Statements, do not contain any errors of material importance. The Management Board has designed the Remediation Plan, which includes measures aimed at ensuring that the risk management and control systems are effective going forward. The Remediation Plan is being implemented at present.

II.2.9. This best practice provision provides that a company may not grant its Management Board members any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the Supervisory Board. No remission of loans may be granted.

In deviation of this best practice provision, on 6 December 2016 Hachmer Beheer B.V., a subsidiary of Habufa until 29 December 2016 (at which date the Group held a 50% interest in Habufa), concluded a loan agreement for a loan of up to GBP50 million to Mayfair Holdings Proprietary Limited, whose ultimate shareholder was a family trust of the former CEO, Markus Jooste, (the "Hachmer-Mayfair Loan"). On the date of this Annual Report, it is unclear whether any funds under the loan agreement were transferred. This is the subject of further investigation.

For a more detailed description of the Hachmer-Mayfair Loan, reference is made to note 29.3 to the 2017 Consolidated Financial Statements.

II.3.1d), II.3.2 and II.3.4

II.3.1d) This best practice provision provides that a Management Board member shall not take advantage of business opportunities to which the relevant company is entitled for himself or for his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree as defined under Dutch law.

In deviation of this best practice provision, during the Reporting Period, several former Managing Directors and several other former Senior Managers acquired a property in Portugal from Conforama, a Subsidiary of the Company, in order to enable these Managing Directors and Senior Managers to obtain so-called golden visas for themselves and their families (the "Portuguese Real Estate Transaction"). Conforama received sale proceeds in the amount of €7 million. This value approximates the net book value of the property on the date of the sale. The price was determined by consulting with external valuation experts and is deemed to be market related. Following completion of the transaction, Conforama entered into a rental agreement with the new owners. The rental is considered to be below market for the benefit of Conforama.

For a more detailed description of the Portuguese Real Estate Transaction, reference is made to note 29.3.

II.3.2 This best practice provision provides that a Management Board member shall immediately report any conflict of interest or potential conflict of interest that is of material significance to the relevant company and/or to him, to the chairman of the Supervisory Board and to the other members of the Management Board and shall provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree as defined under Dutch law. The Supervisory Board shall decide, without the Management Board member concerned being present, whether there is a conflict of interest. A conflict of interest exists, in any event, if the company intends to enter into a transaction with a legal entity:

i) in which a Management Board member personally has a material financial interest;

ii) which has a Management Board member who is related under family law to a Management Board member of the company, or

iii) in which a Management Board member of the company has a management or supervisory position.

During the Reporting Period, the Hachmer-Mayfair Loan, Upington Loan (see below) and the Portuguese Real Estate Transaction were concluded.

It does not appear from the minutes of the meetings of the Supervisory Board that any of the Managing Directors involved in the above transactions reported their respective (potential) conflicts of interest in accordance with best practice provision II.3.2. The Management Board, nor the Supervisory Board express an opinion concerning this matter. It will be the subject of further investigation.

II.3.4 This best practice provision provides that decisions to enter into transactions in which there are conflicts of interest with Management Board members that are of material significance to the relevant company and/or to the relevant board members require the approval of the Supervisory Board. Such transactions shall be published in the annual report, together with a statement of the conflict of interest and a declaration that best practice provisions II.3.2 to II.3.4 inclusive have been complied with.

During the Reporting Period, the Hachmer-Mayfair Loan and the Portuguese Real Estate Transaction were concluded.

It does not appear from the minutes of the meetings of the Supervisory Board that these transactions were approved by the Supervisory Board. The Management Board, nor the Supervisory Board express and opinion concerning this matter. It will be the subject of further investigation.

For a more detailed description of the Hachmer-Mayfair Loan and the Portuguese Real Estate Transaction, reference is made to note 29.3.

III.1.7 Best practice provision III.1.7 provides that the Supervisory Board shall discuss at least once a year on its own, i.e. without the Management Board being present, its own functioning, the functioning of its committees and its individual members, and the conclusions that must be drawn on the basis thereof. The desired profile, composition and competence of the Supervisory Board shall also be discussed. Moreover, the Supervisory Board shall discuss at least once a year without the Management Board being present both the functioning of the Management Board as an organ of the company and the performance of its individual members, and the conclusions that must be drawn on the basis thereof. The report of the Supervisory Board shall state how the evaluation of the functioning of the Supervisory Board, the separate committees and the individual Supervisory Directors has been carried out.

It appears from the minutes of the Supervisory Board that it discussed the effectiveness of the Human Resources and Remuneration Committee and Audit Committee. It does not, however, appear from the minutes of the Supervisory Board that, in respect of this particular reporting period, the Supervisory Board discussed its own functioning, the functioning of the Nomination Committee or the individual Supervisory Directors or the functioning of the Management Board or the performance of the CEO or the COO. The functioning of the CFO was assessed by the Audit and Risk Committee.

III.2.1 Best practice provision III.2.1 provides that all Supervisory Board members, with the exception of not more than one person, shall be independent within the meaning of the DCGC.

During the Reporting Period, nine of the twelve Supervisory Directors qualified as independent within the meaning of the DCGC. However, the remaining non-independent Supervisory Directors (Christo Wiese, Jacob Wiese and Thierry Guibert), through their wider association with the Group and its operations over the years, brought experience and an informed dimension and continuity to Supervisory Board deliberations. This was of particular importance given the diversity and geographical spread of the Group's operations. The majority of the Supervisory Directors, however, satisfied the independence criteria of the DCGC. To strengthen the independence of the Supervisory Board, which was chaired by Christo Wiese, who classified as a non-independent Supervisory Director within the meaning of the DCGC, Len Konar, independent Supervisory Director and Deputy Chairman, was appointed as lead independent director. His role as Deputy Chairman and lead independent director was to serve as a sounding board for the chairman, to act, if necessary, as an intermediary between the chairman and other Supervisory Directors, to deal with any shareholders' concerns where contact through normal channels had failed to resolve concerns, or where such contact may be inappropriate, to chair discussions and decision-making by the Supervisory Board on matters where the chairman had a conflict of interest and to lead the performance appraisal of the chairman. As a consequence of this deviation, the Report of the Supervisory Board does not state that best practice provision III.2.1 has been fulfilled as provided by best practice provision III.2.3. On 14 December 2017, both Christo Wiese and Jacob Wiese resigned from the Supervisory Board and on 2 February 2018, Thierry Guibert resigned from the Supervisory Board.

All the current Supervisory Directors qualify as independent within the meaning of the Revised DCGC.

III.5.14 This best practice provision includes the main duties of the nomination committee. During the Reporting Period, however, the Nomination Committee did not hold any separate meetings. The nomination of Jayendra Naidoo to the Supervisory Board was approved by the Supervisory Board on 27 February 2017. The Remuneration and Human Resources Committee reviewed the succession plan.

In deviation of best practice provision III.5.14c), which provides that it is the duty of the nomination committee to assess periodically the functioning of individual Supervisory Board members and Management Board members, and report on this to the Supervisory Board, the Audit and Risk Committee evaluated the role and the functioning of the Chief Financial Officer. No other individual assessments were undertaken.

Best practice provision III.5.14e) 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.

Under the regulations of the Human Resources and Remuneration Committee, this responsibility was allocated to the Human Resources and Remuneration Committee, which was regarded as better positioned and resourced than the Nomination Committee to ensure this focus.

In the financial year 2018, the regulations of the Nomination Committee and the regulations of the Human Resources and Remuneration Committee were amended to comply with best practice provision 2.2.5(vi) of the Revised DCGC, which provides that it is duty of the Nomination Committee to supervise the policy of the Management Board regarding the selection criteria and appointment procedures for senior management.

III.6.2, III.6.2, III.6.3 and III.6.4

III.6.1

Best practice provision III.6.1 provides that a Supervisory Board member shall immediately report any conflict of interest or potential conflict of interest that is of material significance to the relevant company and/or to him, to the chairman of the Supervisory Board and shall provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree as defined under Dutch law. If the chairman of the Supervisory Board has a conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, he shall report this immediately to the vice-chairman of the Supervisory Board and shall provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree as defined under Dutch law. The Supervisory Board member concerned may not take part in the assessment by the Supervisory Board of whether a conflict of interest exists. A conflict of interest exists in any event if the company intends to enter into a transaction with a legal entity:

i) in which a Supervisory Board member personally has a material financial interest;

ii) which has a Management Board member who is related under family law to a member of the Supervisory Board of the company; or

iii) in which a member of the Supervisory Board of the company has a management or supervisory position.

During the Reporting Period, Delta Properties (a Subsidiary) was sold to Steinhoff Familienholding GmbH, the family office of former Supervisory Director Bruno Steinhoff and current Supervisory Board Director Angela Krüger-Steinhoff, for €2.7 million. The former CEO, Markus Jooste, and another Senior Manager, Dirk Schreiber, had approached Bruno Steinhoff with the request to purchase Delta Properties. It does not appear from the minutes of the meetings of the Supervisory Board that Bruno Steinhoff or Angela Krüger-Steinhoff reported their respective (potential) conflicts of interest in accordance with best practice provision III.6.1. The Management Board, nor the Supervisory Board express an opinion concerning this matter. It will be the subject of further investigation.

During the Reporting Period, Upington Investments Holding B.V., an entity controlled by former chairman Christo Wiese, granted a loan of €47.4 million to the Group, carrying an interest of 0.5% per annum (the "Upington Loan"). It does not appear from the minutes of the meetings of the Supervisory Board that the former chairman of the Supervisory Board, Christo Wiese reported his (potential) conflict of interest in accordance with best practice provision III.6.1. Neither the Management Board, nor the Supervisory Board express an opinion concerning this matter. It will be the subject of further investigation.

In respect of the Delta Transaction and the Upington Loan, reference is made to note 29.3 to the 2017 Consolidated Financial Statements.

III.6.3

Best practice provision III.6.3 provides that all transactions in which there are conflicts of interest with Supervisory Board members shall be agreed on terms that are customary in the sector concerned and that decisions to enter into transactions in which there are conflicts of interest with Supervisory Board members that are of material significance to the company and/or to the relevant Supervisory Board members require the approval of the Supervisory Board.

During the Reporting Period, the Delta Transaction and the Upington Loan were concluded.

It does not appear from the minutes of the Supervisory Board that these transactions were approved by the Supervisory Board.

The Management Board, nor the Supervisory Board express an opinion concerning these matters. They will be the subject of further investigation.

III.6.4

Best practice provision III.6.4 provides that all transactions between the relevant company and legal or natural persons who hold at least 10% of the shares in the company shall be agreed on terms that are customary in the sector concerned and that decisions to enter into transactions in which there are conflicts of interest with such persons that are of material significance to the company and/or to such persons require the approval of the Supervisory Board. Such transactions shall be published in the annual report, together with a declaration that best practice provision III.6.4 has been observed.

Former chairman of the Supervisory Board, Christo Wiese, through entities controlled by him, held more than 10% of the Ordinary Shares at that time. In deviation of best practice provision III.6.4, it does not appear from the minutes of the meetings of the Supervisory Board that the Upington Loan was approved by the Supervisory Board. Consequently, this Annual Report does not include a declaration that the best practice provision III.6.4 has been observed. This matter will be the subject of further investigation.

V.1.3 This best practice provision provides that the Management Board is responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Management Board, so that the timeliness, completeness and correctness of the external financial reporting are assured. For this purpose, the Management Board ensures that the financial information from business divisions and/or subsidiaries is reported directly to it and that the integrity of the information is not compromised. The Supervisory Board shall ensure that the internal procedures are established and maintained.

During the Reporting Period, certain identified former Managing Directors withheld key financial information. In close consultation with the Audit and Risk Committee and the Governance, Social and Ethics Committee, the current Management Board has reviewed the internal procedures and has put in place dual reporting line structures with management of its local businesses aimed at ensuring that the Management Board receives material financial information timeously.

Best practice provision V.1.3 ties in with the safeguards in art. 8.1 of the Code of Conduct, which provides that business transactions should be properly and accurately recorded. To the extent the aforementioned procedures were not in place, the deviation from the best practice was also a deviation from the Code of Conduct.

On a general note, best practice provisions II.2.9, II.3.2, II.3.4, and III.6.1 tie in with the provisions in art. 7.1 and 7.2 of the Code of Conduct, which provide that conflicts of interest should be avoided, and art. 7.3 of the Code of Conduct, which provides that business dealings on behalf of the Group must never be influenced by personal considerations or relationships and must be at arm's length. To the extent that the conduct mentioned in the sections relating to the aforementioned best practices also occurred, such conduct may have been in deviations from the Code of Conduct.

Disclosures pursuant to Dutch Decree implementing article 10 EU Takeover Directive

Pursuant to the Dutch Decree implementing article 10 EU Takeover Directive, the Company is required to report on the following:

Share capital structure

As at the Reporting Date, the structure of the Company's share capital was as follows:

Authorised share capital The authorised share capital of the Company amounted to:
17 500 000 000 Ordinary Shares with a nominal value of **€0.50 cents** each
20 000 000 000 Preference Shares with a nominal value of **€0.01 cents** each
Issued share capital The issued share capital of the Company amounted to
4 309 727 144 Ordinary Shares

As such, only Ordinary Shares were issued. No differentiation in class exists between Ordinary Shares. Therefore, the percentage of this issued ordinary share capital represented by each class of shares was 100%.

No Preference Shares were issued during the Reporting Period or in issue on the date of this Annual Report.

Restrictions on transfer of shares

Pursuant to article 12 of the Articles, for as long as Shares (or depository receipts thereof) are admitted to a listing on a regulated stock exchange, as referred to in section 2:86c of the Dutch Civil Code, the transfer of a Share shall require a private deed to that effect unless the Company itself is a party to such legal act, and the transfer is acknowledged in writing by the Company. The acknowledgement shall be made in the private deed or in a dated statement of acknowledgement on the private deed or on a true copy or extract thereof duly authenticated by a civil law notary or by the transferor. Official service of such private deed, true copy or extract on the Company is considered to have the same effects as an acknowledgement.

Substantial notifiable shareholdings

Shareholders, holding 3% or more in the issued share capital of the Company as at the Reporting Date:

Upington Investment Holding B.V.	24.7%
Public Investment Corporation	8.0%
Coronation Fund Managers Ltd	6.4%
Steinhoff Familienholding	4.5%
Oppenheimer Funds	3.3%

The percentages reflected above indicate the percentages of issued share capital and the respective voting rights held by these major Shareholders as at the Reporting Date.

Special voting attaching to shares

Each Ordinary Share confers the right to cast one vote at a General Meeting, unless and for so long as Preference Shares are in issue, in which case each Ordinary Share confers the right to cast fifty votes and each Preference Shares confers the right to cast one vote at a General Meeting. No Preference Shares were outstanding during the Reporting Period and none are outstanding as at the date of this Annual Report. As such, no Shares with special voting rights were outstanding at the time of this Annual Report.

The system of control of an employee share scheme

Share rights under the ESRS do not confer on participants any shareholder rights, until Shares are issued or delivered to participants, whereupon they will rank *pari passu* with the other issued Shares. Since March 2017, no rights under the ESRS have been granted and no further rights will be granted under the ESRS.

Restrictions on voting rights

Neither the Company 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. Pursuant to the Articles, for each General Meeting a statutory record date will be applied, in order to determine in which persons voting rights and meetings rights are vested. The record date and the manner in which Shareholders and other persons holding Meeting Rights can register and exercise their rights will be set out in the notice convening the meeting.

The Company is not aware of any restrictions on voting rights, save for the those referred to in the below section.

Agreements between shareholders which may result in restrictions of the transfer of securities or voting rights.
During the Reporting Period, *inter alia* the former chairman Christo Wiese (through several entities, including Titan and Thibault), former Supervisory Director Bruno Steinhoff (directly and indirectly through several entities, including BS Beteiligungs-und Verwaltungs GmbH and BS Vermögensverwaltungsgesellschaft GmbH), current Supervisory Director, several former Managing Directors and certain other Senior Managers and their respective associates (together, the Voting Pool Parties) collectively held or controlled approximately 33%. of the total voting share capital of the Company. As a result, the Voting Pool Parties were able to exercise significant influence over all matters requiring Shareholder approval.

The Voting Pool Parties were subject to certain informal arrangements which regulate the relationships among them. In particular, the Voting Pool Arrangements comprised matters in respect of which the Voting Pool Parties would vote their Shares together, based on the decision of a majority of the Voting Pool Parties.

As a result, the concentration of ownership among the Voting Pool Parties during the Reporting Period could have (i) deterred a third party from making a takeover offer for the Company and thereby have had the effect of delaying or deterring a change of control of the Company and (ii) affected the market price and liquidity of the Ordinary Shares.

The Voting Pool Parties agreed that if their combined voting interest in the Company fell below 30%, this would result in immediate and automatic termination of the relevant provisions of acting in concert.

In December 2017, the Voting Pool Arrangements were terminated because the combined voting pool interest in the Company fell below 30%.

Rules governing the appointment and removal of managing directors and supervisory directors and the amendment of the Articles

Reference is made to the relevant sections in this Corporate Governance Report, which are incorporated by reference.

The powers of the Management Board, in particular the power to issue and buy back shares

Reference is made to the relevant sections in this Corporate Governance Report , which are incorporated by reference.

Any significant agreements to which the Company is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid

The Scheme provides that if the Company or the company which employs the participant is taken over, delisted or becomes the subject of a merger which results in the listing of the Shares being suspended or terminated during a measurement period and/or prior to a measurement date, the vesting date will then automatically coincide with the effective date of the relevant Corporate Action. The Share rights will be adjusted on a time weighted basis and exchanged for equivalent valued rights in the Company's successor (as determined and approved by the Supervisory Board or the Management Board (as applicable) where necessary), provided however that all the measurement criteria have been met up to the effective date of the relevant Corporate Action.

Any agreement between the Company and its managing directors or employees providing for compensation if their employment ceases because of a takeover bid

There are no agreements with Managing Directors or employees which entitle any of them to compensation if their employment ceases because of a takeover bid.

ANNUAL REPORT 2017
PART III

STEINHOFF
INTERNATIONAL HOLDINGS N.V.

REPORT OF THE SUPERVISORY BOARD

The role of the Supervisory Board is to supervise the policies of the Management Board and the general affairs of the Company and the business connected with it, as well as to assist the Management Board by providing advice. In discharging its role, the Supervisory Board shall be guided by the interests of the Company and the business connected with it, and shall take into account the relevant interests of the Company's stakeholders.

Duties of the Supervisory Board

The Supervisory Board established the Regulations of the Supervisory Board, which concern its working methods and decision-making process (including its duties) effective as per 1 December 2015. These Regulations can be viewed on the Company's website www.steinhoffinternational.com. The supervision of the Management Board by the Supervisory Board shall include monitoring

(i) achievement of the Company's objectives;

(ii) the corporate strategy and risks inherent in the business activities;

(iii) the structure and operation of the internal risk management and control systems;

(iv) the financial reporting process;

(v) compliance with applicable laws and regulations;

(vi) the relations with the Shareholders of the Company;

(vii) the corporate social responsibility issues that are relevant to the Company; and

(viii) deciding on and handling reported (potential) conflicts of interests.

Composition, appointment, removal and suspension of Supervisory Directors

As per the Reporting Date, the Supervisory Board consisted of 12 members, which are reflected in the table below.

Name	Age	Position	Date of appointment	Date of resignation	Term	Independent	Committee member
Christo Wiese*	76	Chairman	30-10-2015	14-12-2017	2015-2017	No	Nomination Committee
Steve Booysen#	55	N/A	30-10-2015	N/A	2015-2018	Yes	Audit and Risk committee, Human Resources and Remuneration Committee
Claas Daun*	74	N/A	30-10-2015	28-02-2018	2015-2016	Yes	Nomination Committee
Thierry Guibert*	46	N/A	30-10-2015	02-02-2018	2015-2018	No	
Len Konar*#	63	Deputy Chairman	30-10-2015	28-02-2018	2015-2018	Yes	Audit and Risk committee, Human Resources and Remuneration Committee, Nomination Committee and the GS Committee
Angela Kruger-Steinhoff	46	N/A	30-10-2015	N/A	2015-2018	Yes	
Theunie Lategan*#	60	N/A	30-10-2015	28-02-2018	2015-2018	Yes	Audit and Risk Committee, Human Resources and Remuneration Committee
Jayendra Naidoo*	57	N/A	14-03-2017	18-01-2018	2017-2018	Yes	
Heather Sonn	45	Chairperson	30-10-2015	N/A	2015-2018	Yes	
Bruno Steinhoff*	79	N/A	30-10-2015	28-02-2018	2015-2018	Yes	
Johan van Zyl*#	61	N/A	30-05-2016	17-04-2018	2016-2018	Yes	
Jacob Wiese*	36	N/A	30-05-2016	14-12-2017	2016-2018	No	

**These Supervisory Directors resigned/retired post December 2017.*

On 20 April 2018, Khanyisile Kweyama, Hugo Nelson, Alex Watson, Moira Moses, Peter Wakkie were appointed to the Supervisory Board. These Supervisory Directors, together with re-appointed Supervisory Directors Heather Sonn, Steve Booysen and Angela Krüger-Steinhoff, remain in office as at the date of this Annual Report.

A Supervisory Director may be appointed for a maximum of three 4-year terms, with due observance of the profile and the rotation schedule of the Supervisory Board, both of which documents are available on the Company's website at www.steinhoffinternational.com. Supervisory Directors are appointed by the General Meeting upon a non-binding nomination made by the Supervisory Board with due observance of the provisions of the Articles.

The chairman and Deputy Chairman are Supervisory Directors designated by the Supervisory Board for a term as determined by the Supervisory Board.

As part of the induction programme, throughout the Reporting Period, the Supervisory Directors received reading material on various subjects relevant to their roles as Supervisory Directors.

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 taking into account the profile of the Supervisory Board.

A Supervisory Director may be suspended or removed by the General Meeting at any time on a proposal by the Supervisory Board. The General Meeting may, at any time, by a majority of at least two-thirds of the votes cast representing more than one-third of the Company's issued capital, upon a proposal by the Supervisory Board, suspend or remove a Supervisory Director. A Supervisory Director may not be suspended by the Supervisory Board. Any suspension may be extended but may not last longer than three months in the aggregate. Additional information regarding the Supervisory Directors (e.g. nationality and other positions) can be found in the Supervisory Board section of the Corporate Governance Report, which is incorporated by reference in this Report of the Supervisory Board..

Supervisory Board meetings, attendance and decision making

General

During the Reporting Period, Supervisory Board meetings were held on 6 December 2016, 27 February 2017, 6 June 2017 and 30 August 2017.bThe table below provides the attendance by each Supervisory Director at those meetings. All Managing Directors were present during all the meetings of the Supervisory Board.

Supervisory board attendees	6 December 2016	27 February 2017	6 June 2017	30 August 2017
Steve Booysen	✓	✓	✓	✓
Claas Daun	✓	✓	✓	✓
Thierry Guibert	✓	✓	✓	Apology
Len Konar	✓	✓	✓	✓
Angela Kruger-Steinhoff	✓	✓	✓	✓
Theunie Lategan	✓	✓	✓	✓
Jayendra Naidoo*	–	–	✓	✓
Heather Sonn	✓	✓	✓	✓
Bruno Steinhoff	✓	✓	✓	✓
Johan van Zyl	✓	✓	✓	✓
Christo Wiese	✓	✓	✓	✓
Jacob Wiese	✓	✓	✓	✓

**Appointed 14 March 2017*

During the Reporting Period, the Supervisory Board amongst other matters discussed or made resolutions concerning the following:

(i) reports from the Management Board on movements in shareholdings;

(ii) reports from the Management Board on the investigation by the German tax authorities;

(iii) reports from the Management Board on the progress on acquisitions and other corporate opportunities, including acquisitions, e-commerce opportunities and the listing of the Company's African retail assets;

(iv) the interim dividend proposal;

(v) reports from the meetings of the Audit and Risk Committee and the Human Resources and Remuneration Committee;

(vi) the declaration of a preference share dividend by SINVH, a Subsidiary of the Company;

(vii) reports on operational performance and the associated risks;

(viii) the annual and quarterly financial results and announcements;

(ix) the annual budget with key growth targets and margin targets for management;

(x) reports from the Management Board on IT, insurance matters and human resources;

(xi) the going concern review;

(xii) the financial assistance by the Company to Subsidiaries and related or inter-related companies;

(xiii) the annual General Meeting agenda, including the proposal for the fees for Supervisory Directors;

(xiv) the implementation of the risk management framework and the effectiveness of the combined assurance framework for the period ended 30 September 2016;

(xv) the nomination of Deloitte as the Company's External Auditor for the Reporting Period;

(xvi) international economic developments, including Brexit;

(xvii) material litigation;

(xviii) the Management Board's decentralised and entrepreneurial management style;

(xix) the Company's policy on inside information, managers' transactions and insider lists;

(xx) matters pertaining to black economic empowerment;

(xxi) the functioning and effectiveness of the Audit and Risk Committee members, taking into account the relevant requirements for consideration in relation to such assessment;

(xxii) the functioning of the Human Resources and Remuneration Committee;

(xxiii) the changes to accounting standards and their impact on the Group;

(xxiv) progress on the 2017 financial year audit and planning by the External Auditor;

All meetings of the Supervisory Board were attended by Stéhan Grobler on behalf of the Company Secretary.

Audit and Risk Committee

Members	Composition	Meetings
Steve Booysen (chairman) Theunie Lategan Len Konar	During the Reporting Period, the Audit and Risk Committee consisted of three members, all of whom were independent within the meaning of the DCGC.	All members of the Audit and Risk Committee and all Managing Directors attended all four meetings held on 2 December 2016, 24 February 2017, 2 June 2017, and 28 August 2017.
In addition to the Managing Directors, all meetings were attended by a number of Group executives, including the Steinhoff Africa group services risk manager, the Group audit executive and the Steinhoff Africa group services Internal Auditor.		

Activities of the Audit and Risk Committee during the Reporting Period

On 2 December 2016, the Audit and Risk Committee, in the presence of the External Auditor, amongst other matters discussed or made resolutions concerning the following:

(i) the annual financial results and the report of the External Auditor (with unqualified opinion) presented in the presence of the External Auditor;
(ii) the internal control environment;
(iii) IT and cyber risks;
(iv) the independence of each of the Group's External Auditors;
(v) the extent of non-audit services performed, the audit fees, as well as the non-audit fees and approval of the same;
(vi) the responsibility statement;
(vii) the external audit report and recommended the same to the Supervisory Board;
(viii) the Subsidiary audit reports and the implementation of prior findings;
(ix) the content of the representation letter;
(x) the going concern assumptions and statements;
(xi) the German tax investigation, the level of provisions and other litigation;
(xii) the internal control reports and the tax report;
(xiii) the internal audit plan for Steinhoff Asia Pacific;
(xiv) that appropriate combined assurances were received;
(xv) treasury, ethics hotline and accounting statement reports;
(xvi) the re-appointment of Deloitte as the Company's External Auditor; and
(xvii) the finance function and the CFO's performance.

On 24 February 2017, the Audit and Risk Committee, in the presence of the External Auditor, amongst other matters discussed or made resolutions concerning the following:

(i) the quarterly financial results and their announcement for approval by the Supervisory Board;
(ii) the German tax investigation and other litigation;
(iii) internal control reports, the tax reports, the treasury reports, the fraud reports and the ethics hotline report; and
(iv) the engagement letter of Deloitte.

On 2 June 2017, the Audit and Risk Committee, in the presence of the External Auditor, amongst other matters discussed or made resolutions concerning the following:

(i) the minutes of the previous meeting and covered matters arising;
(ii) the interim financial results and their announcement for approval by the Supervisory Board;
(iii) the German tax investigation and other litigation;
(iv) the 2017 external audit plan;
(v) internal control reports, the tax reports, the treasury reports, the risk reports; the fraud reports and the ethics hotline report.

On 28 August 2017, the Audit and Risk Committee, in the presence of the External Auditor, amongst other matters discussed or made resolutions concerning the following:

(i) the German tax and other litigation;
(ii) internal control reports, the tax report, the risk report, the treasury report, the fraud reports and the ethics hotline report;
(iii) the internal audit charter;
(iv) the internal audit plans for the financial year ending 30 September 2018;
(v) the quarterly financial results.

Activities of the Audit and Risk Committee from September through December 2017

The former CEO received a letter from the External Auditor (with a copy the chairman of the Audit and Risk Committee) dated 15 September 2017 that reports of accounting irregularities had come to their attention through the media and was furthermore based on information received on 14 September 2017 in connection with the Enterprise Chamber proceedings initiated by Seifert. The chairman of the Audit and Risk Committee then called a special meeting to discuss the letter. At the special meeting, the Managing Directors stated that the allegations were untrue and that they would be cooperating to clear the issue. In the days and weeks that followed the meeting, the Audit and Risk Committee and its members had various meetings with and without members of the Management Board, advisers to the Company, and with the External Auditor in order to gain insight on whether the allegations of accounting irregularities were valid. The Audit and Risk Committee was informed by the CEO that he needed time to assemble information and supporting documentation in order to provide answers and evidence to the External Auditor's queries. This culminated in a further special meeting of the Audit and Risk Committee on 20 November 2017, with the External Auditor and Company advisers present, to discuss the External Auditor's concerns and the advisers' response that they had not found any evidence that would cause them to conclude that accounting irregularities had taken place and that, as such, the External Auditor's concerns were unwarranted. In light of the issues raised by the External Auditor, the Audit and Risk Committee members attend the European audit close-out meeting. In the week following that meeting, a meeting was held on 29 November 2017 between the chairman of the Audit and Risk Committee, the Chairman of the Supervisory Board and the External Auditor to discuss the audit and the issues raised by the External Auditor, including the validity and recoverability of certain assets.

On 30 November 2017, the External Auditor again informed the chairman of the Supervisory Board that it still required a forensic investigation into the suspected accounting irregularities. The former CEO advised that he would obtain the audit evidence that would refute the allegations of irregularities and would present the same at the scheduled meeting of the Audit and Risk Committee on 4 December 2017. At a special meeting on 3 December 2017, the Supervisory Board discussed a draft ad-hoc announcement concerning the publication of unaudited financial statements and delegated finalisation of the same to as special committee. The former CEO did not appear at the scheduled meeting of the Audit and Risk Committee on 4 December 2017 and in the evening of 4 December, through one of his legal representatives, he offered his resignation.

Activities of the Audit and Risk Committee in respect of the 2017 Consolidated Financial Statements

Immediately following the events of early December 2017, the Audit and Risk Committee held meetings on a weekly basis. Thereafter, and in addition to its scheduled meetings, the Audit and Risk Committee met regularly to discuss matters such as the PwC investigation, liquidity, solvency, correspondence received from regulators, the External Auditor and to provide advice to the Management Board. Where relevant Deloitte, in its capacity as External Auditor, and PwC, in its capacity as forensic auditors, attended these meetings.

Following the resignation/retirement of Supervisory Directors and appointment of new Supervisory Directors in 2018, the Audit and Risk Committee was reconstituted and as at the date of this Annual Report comprises Steve Booysen (Chairman), Moira Moses, Hugo Nelson and Alexandra Watson.

Given the complexity of the 2017 Consolidated Financial Statements, a member of the Audit and Risk Committee with financial reporting expertise (Alexandra Watson) has been involved on a regular basis with the Group's finance team, forensic auditors and IFRS technical advisors to monitor the process followed, to exercise judgments made in respect of the financial reporting conclusions reached in the detailed analyses performed. In connection with the finalisation of the audit of the 2017 Consolidated Financial Statements and the Group's financial statements for the financial year 2018, on 22 August 2018 a sub-committee was formed to identify and address any challenges encountered in the preparation and audit of these financial statements. The sub-committee consists of Supervisory Directors (Heather Sonn as Chairperson of the Supervisory Board, Steve Booysen as Chairman of the Audit and Risk Committee, and Alexandra Watson as financial reporting expert), the CFO (Philip Dieperink), members of the Group staff, representatives of the External Auditor, representatives of PwC's forensic team and PwC's IFRS technical team. Since its formation, the sub-committee has met every week. The purpose of the formations of the sub-committee was to:

(i) Hold regular meetings to ensure that all parties concerned are kept up to date;
(ii) Record actions and allocate the responsible persons;
(iii) Raise issues, technical or otherwise, and to raise those timeously with the required corrective actions;
(iv) Monitor completion of actions with agreed timelines; and
(v) Ensure that proper process is followed and proper communication between the various parties.

The weekly meetings where chaired by a member of the Supervisory Board and were all well attended and the purpose of the sub-committee was achieved.

In addition to regular Audit and Risk Committee meetings, additional Audit and Risk Committee meetings were scheduled to receive regular updates from the External Auditor and to discuss the progress in respect of the preparation of the 2017 Consolidated Financial Statements, with particular emphasis on the restatements and areas where judgement was required.

After receiving advice from the Audit and Risk Committee and the Management Board, the Supervisory Board nominated Deloitte for re-appointment as the Company's External Auditor for the Reporting Period, with Patrick Seinstra as the nominated audit partner. This nomination was approved by General Meeting on 14 March 2017. As from 6 December 2017, Johan Hopmans succeeded Patrick Seinstra as the lead audit partner. On 20 April 2018, the General Meeting re-appointed Deloitte as the Company's External Auditor for the financial year ended 30 September 2018, with Johan Hopmans as the nominated audit partner.

In 2018, the Management Board, with the approval of the Supervisory Board and the recommendation of the Audit and Risk Committee, appointed Jan Opperman, previously the Internal Auditor of SAH Group Services, as the most senior Internal Auditor of the Group within the meaning of the DCGC.

Human Resources and Remuneration Committee

Members	Composition	Meetings
Theunie Lategan (chairman) Steve Booysen Len Konar	During the Reporting Period, the Human Resources and Remuneration Committee consisted of three members, all of whom were independent within the meaning of the DCGC.	The Human Resources and Remuneration Committee held two meetings during the Reporting Period. These were held on 31 January 2017 and 29 August 2017 and were attended by all committee members.

The Management Board was invited to attend both meetings. The CEO and the CFO attended both meetings, the COO attended one meeting, as did the chairman of the Supervisory Board. In addition, the Company's corporate services director, Ms. Nel, attended both meetings.

Divisional remuneration committees were established to address management remuneration at all operating divisions. These committees comprised of the regional chief executive, the divisional managing director and the Group's human resource executive. The divisional committees reported directly to the Human Resources and Remuneration Committee.

Activities of the Human Resources and Remuneration Committee during the Reporting Period

During the Reporting Period, the Human Resources and Remuneration Committee amongst other matters discussed or made resolutions concerning the following:

(vi) proposals for the remuneration of the individual Managing Directors and members of the Executive Committee for approval by the Supervisory Board.;

(vii) the Remuneration Report;

(viii) the remuneration and share rights allocations for Senior Managers, other than members of the Management Board, these included: Senior Management of Pepkor, Tekkie Town, Mattress Firm, Poundland and KAP;

(ix) to synchronise the remuneration cycle with the financial reporting cycle, with the effect that future share grants would vest only in March of each year, and that salary reviews would be effected from 1 October onwards;

(x) the remuneration for Managing Directors and Senior Managers taking into account inflation, the minimum and maximum opportunity of remuneration for the Reporting Period and a peer group benchmark analysis consisting of: Metro AG, Inditex SA, Kingfisher Plc, Carrefour SA, Adidas AG, Volkswagen Group AG, GrandVision N.V., Royal Bam N.V., Bidvest Group Ltd, Shoprite Holdings Ltd and Woolworths Ltd. The analysis focussed on comparing remuneration components such as base salary, annual bonus, long-term incentives and benefits;

(xi) in respect of LTI's allocations, vesting criteria and vesting measurements. The participant list and the proposed new additions against the eligibility criteria of the Remuneration Policy. The proposal for new grant allocations together with the relevant vesting measurement criteria, based on the new financial reporting period, for approval by the Supervisory Board;

(xii) a self-assessment and the results of the same;

(xiii) the Supervisory Board fees based on a peer group benchmark analysis, consisting of: Metro AG, Inditex SA, Kingfisher Plc, Carrefour SA, Adidas AG, Volkswagen Group AG, GrandVision N.V., Royal Bam N.V. Bidvest Group Ltd, and Shoprite Holdings Ltd;

(xiv) the remuneration components of executive staff from newly acquired businesses Mattress Firm, Poundland and Tekkie Town, to ensure that the appropriate alignment strategy was implemented to align those executives with the components of the Remuneration Policy with a 3-year phased-in approach;

(xv) the succession plan on key positions within all operations and Senior Management, with exception of the Management Board;

(xvi) with a focus on South African divisions: the 2017 employment equity reports with priority on the analysis of remuneration disparities, development programmes feeding into the succession plan and the transformation strategy implementation through the employment equity and skills development plans; and

(xvii) the remuneration components of the Managing Directors. The proposal to the Supervisory Board aimed to ensure an appropriate balance between fixed, variable and performance-related remuneration elements.

The Human Resources and Remuneration Committee was reconstituted in 2018 and, as at the date of this Annual Report, consists of: Moira Moses (Chairperson), Hugo Nelson, and Khanyisile Kweyama.

Nomination Committee

Members	Composition	Meetings
Christo Wiese (chairman)* Len Konar** Claas Daun**	During the Reporting Period, the Nomination Committee consisted of the following three members: Christo Wiese (Chairman), who was not independent within the meaning of the DCGC, Len Konar and Claas Daun, who were both independent within the meaning of the DCGC.	During the Reporting Period, the Nomination Committee did not hold any meetings. In this regard, reference is made to the DCGC Compliance section in the Corporate Governance Report. The nomination of Jayendra Naidoo to the Supervisory Board was approved by the Supervisory Board and subsequently approved by the General Meeting on 14 March 2017.

The Nomination Committee was reconstituted in 2018 and, as at the date of this Annual Report, is comprised of: Heather Sonn (Chairperson), Angela Krüger-Steinhoff and Alex Watson.

Governance and Sustainability Committee

Members	Composition	Meetings
Len Konar (Chairman) Stéhan Grobler Mr. Siyolo Ms. Nel	To assist the Supervisory Board with the oversight of social and ethics matters relating to the Company and the Group, the GS Committee was established as a voluntary committee of the Supervisory Board and terms of reference for the committee were adopted.	During the Reporting Period, the GS committee met twice. All members of the GS committee, with the exception of Ms. Nel (from whom apologies were received), attended the meetings held on 18 November 2016 and 16 May 2017.

Activities of the GS Committee during the Reporting Period

During the Reporting Period, the GS committee amongst other matters discussed and made resolutions concerning the following:

(i) the oversight role that the GS Committee was to play and the topics for particular consideration to be placed on the agenda for the ensuing meeting;

(ii) amendments to the Company's corporate social investment policy, communications policy and social media policy, which amended policies were adopted by the Supervisory Board;

(iii) the Code of Conduct, which can be viewed on the Company's website www.steinhoffinternational.com;

(iv) the focus of the Group's socio-economic development initiatives on children, childcare, education, health and nutrition in selected areas where intervention is needed to augment governmental initiatives; and

(v) reports including an overview of the approach adopted to monitor the Company's activities regarding consumer relationships. An overview of the controls in place to monitor the impact of the Group's operations and products on the environment, health and public safety matters. Actions and controls implemented to maintain an ethical corporate culture including a review of whistle-blowing statements reported via the Group's hotline facilities. An overview of the approach in place to monitor the activities of the Group in the areas of labour and employment.

In 2018, the name of the GS Committee was changed to Governance Social and Ethics Committee and its composition was changed. At the date of this Annual Report, the committee consists of: Peter Wakkie (Chairman), Alex Watson, Steve Booysen and Khanyisile Kweyama. The duties and responsibilities of the committee were revised to include:

(i) the monitoring of the activities of the Group, relating to:
   (a) social & economic development;
   (b) good corporate citizenship;
   (c) the environment, health and public safety;
   (d) consumer relationships; and
   (e) labour and employment;

(ii) the monitoring of reporting lines within the Group;

(iii) receipt and review the whistleblowing reports;

(iv) the monitoring of the implementation of and compliance with the Code of Conduct;

(v) the monitoring of the Group's corporate social responsibility; and

(vi) the monitoring of ethical behaviour within the Group's supply chain.

REMUNERATION REPORT

Our remuneration philosophy 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.

INDEX

THIS REMUNERATION REPORT CONSISTS OF THE FOLLOWING PARTS:

Part 1: Description of the Remuneration Policy

Part 2: Application of the Remuneration Policy

Part 3: Any modification of the Remuneration Policy

Part 1: Description of the Remuneration Policy

Key principles and remuneration elements

The Group is an international business with revenue earned in many countries and expects its Senior Management to be internationally mobile and to have knowledge and experience across borders. As a result, the Group competes for skills and talent in a global marketplace and its approach to remuneration needs to be flexible and competitive in all countries it operates in.

The objective of the Remuneration Policy is therefore to provide remuneration in a form which will attract, retain and motivate Senior Management, while protecting and promoting the objectives of the Group. The Remuneration Policy caters for a variable component, which is linked to pre-determined, assessable and influenceable targets aligned to the company strategy. The variable components are predominantly structured to incentivise Senior Management throughout the business cycle but drive the long-term sustainability of the business, in keeping with its risk profile.

The Remuneration Policy is based on the following five key principles:

(i) To pay fairly and competitively relative to the specific industry and market in support of the business strategy.

(ii) To attract and retain key and critical skills at the required level.

(iii) To pay for performance; where incentive-based awards are paid for achieving demanding performance targets over the short, medium and long term.

(iv) To ensure that incentive plans, performance measures and targets are structured to operate effectively throughout the business seasonal cycle.

(v) To ensure, by regular review, that the design of long term incentives is prudent, aligned with the corporate strategy aimed at achieving long term goals and at the same time does not expose stakeholders to a position where the sustainability of the Group is placed at risk.

In line with the Remuneration Policy, the Supervisory Board seeks to ensure an appropriate balance between the fixed, variable and performance-related elements of the remuneration of the Senior Management. The Supervisory Board also seek to ensure an appropriate balance between those aspects of the package linked to short-term financial performance and those linked to longer-term sustainable stakeholder value creation.

The four elements of remuneration consist of a base salary, annual bonus, LTI's, and benefits. The Supervisory Board has the discretionary power to adjust any variable remuneration component rewarded to a Senior Manager, with respect to a previous financial year, if the Supervisory Board feels that the outcome is unreasonable due to exceptional circumstances during the relevant performance period. In addition, the Supervisory Board shall have the right to recover any bonus awarded to a Senior Manager on the basis of incorrect information on whether or not the financial performance targets or other qualifying criteria have been met or other circumstances the bonus was dependent on.

Base salary

The fixed element of remuneration is referred to as the base salary. Its purpose is to provide a competitive level of remuneration. In determining base salaries, the Supervisory Board takes into consideration the Company performance, individual performance and changes in responsibilities, and in addition the Supervisory Board will take into account the impact of the base salary on the pay differentials within the Company. The Supervisory Board determines an appropriate level for the base salary with the aid of external reference data issued by independent remuneration experts.

Annual bonus

Senior Managers are entitled to an annual performance related bonus payment. The objective of the annual performance related bonus is to incentivise and reward strong short term financial and personal performance, the implementation of strategic initiatives, such as meeting growth targets, while continuing to be focused on sustainable results which are aligned with the long term strategy of the Group. The Remuneration Policy requires the Supervisory Board to set performance conditions on an individual basis on or before the beginning of the relevant financial year. The annual bonus is based on a percentage of the annual base salary.

The financial, operational and transformation targets, represent in excess of 80% of the potential annual bonus. Where performance criteria are supplemented by personal performance objectives, such personal performance objectives represent on average less than 20% of the potential bonus that can be achieved.

The Supervisory Board has the discretion to defer all or part of the annual bonus payment to Senior Managers on terms to be agreed on an annual basis, dependent on the performance criteria applicable to such bonuses and the longer-term measurement that could be implied by such performance criteria.

LTI's

The Senior Managers participate in the ESRS, which was approved by the shareholders of the Company's legal predecessor during its annual General Meeting of 6 December 2010 and amended and adopted during the General Meeting of 1 December 2015.

The allocation of LTI's is based on the following key eligibility criteria: individuals who are key to driving the Group's long-term business strategy; retention of key talent/scarce skills; and talent management strategy and succession plans.

The allocation of LTI's is based on the following key eligibility criteria: individuals who are key to driving the group's long-term business strategy; retention of key talent/ scarce skills; and talent management strategy and succession plans.

The Remuneration Policy provides that the targets for LTI's 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.

Benefits

Benefits include membership of retirement funds and medical aid schemes, to which contributions are made by a Senior Manager and the relevant Group Company where the Senior Manager is employed. In addition, the Senior Managers are entitled to expense allowances required for the proper performance of their duties. The contracts with Senior Managers do not contain any 'golden parachute' provisions.

The individual may elect how much the retirement savings portion should be and the relevant contributions, based on his election, are paid by the individual. Depending on the terms of the particular medical aid schemes, the member can elect the level of medical cover of their choice and the same is paid by the individual. Due to the individual choices in the level of retirement and medical benefits, the Company has no liability in this regard.

Part 2: Application of the Remuneration Policy

Base salary

During the Reporting Period, the Human Resources and Remuneration Committee compared the Management Board's performance to their targets, based on the audited 2016 Annual Financial Statements. The outcome of the review was an approval by the Supervisory Board of an increase of the base of 13.6% for both the CEO and the COO, and an increase of 17.6% for the CFO.

Annual bonus

General

During the Reporting Period, the Supervisory Board, on the recommendation of the Human Resources and Remuneration Committee, after determining that the performance criteria were met, approved the annual bonus for the Managing Directors and other Senior Managers. In addition, strategic project bonuses were awarded to the Managing Directors and other Senior Managers for their work on specific strategic projects such as the listing of Pepkor on the JSE. The payment of these bonuses was deferred over three equal payments, over a three year period, and was conditional on the individual being in active employment at the time of the payment date.

In awarding the annual bonuses, the Supervisory Board ensured that the relationship between the chosen performance criteria and the strategic objectives applied, as well as the relationship between remuneration and performance, were properly reviewed and accounted for both retrospectively at the end of a financial period and prospectively for future financial periods.

The Supervisory Board evaluated earning scenarios per individual Managing Director, in compliance with best practice provision II.2.1 of the DCGC.

Both the current Management Board and Supervisory Board confirm their respective commitment to make use of their clawback rights where appropriate.

Bonus payments made to Markus Jooste

During the Reporting Period, a bonus payment of €2 071 008 in aggregate was made to Markus Jooste, as follows:

(i) Payment on 1 March 2017 – €500 000

(ii) Payment on 31 May 2017 – €1 571 008

The payment of the €500 000 was neither proposed by the Human Resources and Remuneration Committee nor approved by the Supervisory Board.

The awarding of the €1 571 008 was approved by the Supervisory Board in line with the strategic bonuses awarded in the financial years ending 30 September 2015 and 30 September 2016 respectively. In accordance with the Remuneration Policy, payment of the amount was deferred by the Supervisory Board and was scheduled to take place in in three payment tranches of €561 074 (ZAR8 333 333) in October 2017, €448 859 (ZAR6 666 666) in November 2017 and €561 074 (ZAR8 333 333) in October 2018. However, the accelerated payment of this amount on 31 May 2017 before it was due was not approved.

LTI's

The allocation of LTI's was based on the following key eligibility criteria:

(i) Involving individuals who are key to driving the Group's business strategy

(ii) Aimed at the retention of key talent/ scarce skills

(iii) Aimed at talent management strategy and succession plans

Participants in the ESRS are employees, in managerial and leadership roles, recommended annually by the relevant employer companies and approved by, the Supervisory Board upon recommendation by the Human Resources and Remuneration Committee (in respect of Senior Managers), or the Management Board (in respect of senior employees). Share rights are granted to qualifying participants on an annual basis. Such share rights vest on the third anniversary of the allocation date, provided the performance criteria, set for the specific annual allocation, are achieved.

The performance criteria set by the Management Board for share rights granted to senior employees took into account targets relating to growth, cash generation, returns and sustainability of the relevant employer companies and the Group. The Supervisory Board set performance criteria for the Managing Directors and other Senior Managers with reference to industry and market benchmark performance. The benchmark was determined by measuring the operational performance against those of peer group companies in comparable industries and markets. The peer group consisted of: Metro AG, Inditex SA, Kingfisher Plc, Carrefour SA, Adidas AG, Volkswagen Group AG, GrandVision N.V., Royal Bam N.V., Bidvest Group Ltd, Shoprite Holdings Ltd and Woolworths Ltd.

The performance criteria for the Managing Directors and other Senior Managers were aligned with the following long-term strategic objectives of the Group:

(i) Integrated retail: to create a solid European and African footprint of household and apparel goods businesses; to develop those brands that outperform local competitors; sustainably raise the operating margins; leverage of the Group's global scale and knowledge; exert sufficient influence over the entire supply chain; having due regard for long term sustainability of the business of the Group, its environment and social impact and governance matters.

(ii) Other Investments: to exert influence on the Group's associate and other investments to manage appropriate returns on investments and long term sustainability.

Vesting of 2013 financial year grant

Under the ESRS, 14 837 420 share rights were granted to a total of 77 participants during the Reporting Period. These share rights were subject to certain vesting conditions being met. Following the recommendations made by the Human Resources and Remuneration Committee the Supervisory Board determined that these vesting conditions had been met. This resulted in the vesting of 14 366 887 share rights.

In terms of the Supervisory Board's discretion on vesting conditions under the Scheme with respect to Managing Directors and other Senior Managers, the following conditions were taken into account in determining the vesting of the grant:

(i) ***Growth:*** the Supervisory Board concluded that growth in headline earnings per Share would be an appropriate measure of growth. The calculation of the headline earnings per Share was determined in terms of JSE listing requirements and was subject to external assurance by way of the annual external audit of the Group's financial statements. It was determined that Steinhoff's growth in headline earnings per Share should outperform, cumulatively over the relevant three-year measurement criteria, those of peer group of companies in comparable industries and markets. .

(ii) ***Cash generation:*** in accordance with the Remuneration Policy, 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.

(iii) ***Returns:*** an appropriate returns-based criterion remained challenging for the Group 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 was recommended by the Human Resources and Remuneration Committee and approved by the Supervisory Board. A minimum return of 7% needed to be achieved by operations in developed markets and 15% by emerging market operations over the vesting period. The return on equity was calculated as headline earnings based on average shareholders' equity and is adjusted for currency fluctuations.

(v) ***Qualification for annual bonus:*** in addition to the above-mentioned group performance criteria, share scheme participants must have qualified for participation in their respective divisions' annual incentive bonus schemes, which include meeting their respective key performance indicators. This requirement is evaluated and applied by the Human Resources and Remuneration Committee on an individual basis. As a result of the Group satisfying vesting conditions, as outlined in (i) through (iii) above, the 2013 financial year share allocation vested subject to the fourth vesting condition which was evaluated on an individual basis.

Based on the rules of the ESRS, vesting can only occur at 0% or 100%, subject to the participant maintaining a minimum shareholding in the Company.

LTI's: 2017 financial year grant

Under the ESRS, in March 2017 330 participants were granted 15 622 745 share rights in aggregate. There were no changes in the performance criteria and the performance period ran from October 2016 through September 2019 with potential vesting to take place in March 2020.

2017 Managing Directors' remuneration

Base Salary, Pension and Bonuses

The table below summarises the Managing Directors' remuneration that became unconditional per the Reporting Date.

REMUNERATION OF THE MANAGEMENT BOARD	Base salary[1] €'000	Pension contributions €'000	Annual bonus €'000	Strategic bonus[2] €'000	Deferred bonus[2] €'000	Total remuneration and fees €'000	IFRS 2 share-based payment expense €'000
Twelve months ended 30 September 2017							
Markus Jooste*	2 469	24	2 700	563	2 479	8 235	237
Ben la Grange*	976	24	850	563	901	3 314	69
Danie van der Merwe	1 226	24	1 100	563	338	3 251	122
Fifteen months ended 30 September 2016							
Markus Jooste	2 691	62	1 980	476	416	5 625	1 897
Ben la Grange	1 074	26	484	416	416	2 416	564
Danie van der Merwe	1 295	60	1 000	312	156	2 823	975

[1] *Directors' fees were paid with base salary.*
* *Neither Ben La Grange nor Markus Jooste received severance payments upon their exit from the Company.*

Performance share rights scheme[1]

In relation to the below overview, it is noted that, during the Reporting Period a total number of 1 116 367 Ordinary Shares were bought back for the benefit of the ESRS, and a total number of 13 175 893 Ordinary Shares were issued in relation to the ESRS.

SHARE RIGHTS MANAGEMENT BOARD	Offer date	Conditional vesting date	Number of rights as at 30 Sept 2016	Number of rights exercised during the year	Number of rights awarded during the year	Number of rights as at 30 Sept 2017	Value of rights exercised during the year [1] €m	Value of rights awarded during the year[2] €m
Markus Jooste	December 2013	March 2017	1 669 183	(1 669 183)	-	-	8 429 374	-
	December 2014	March 2018	869 301	-	-	869 301	-	-
	March 2016	March 2019	671 017	-	-	671 017	-	-
	March 2017	March 2020	-	-	980 968	980 968	-	4 610 550
			3 209 501	**(1 669 183)**	**980 968**	**2 521 286**	**8 429 374**	**4 610 550**
Ben la Grange	December 2013	March 2017	487 490	(487 490)	-	-	2 461 825	-
	December 2014	March 2018	233 499	-	-	233 499	-	-
	March 2016	March 2019	259 257	-	-	259 257	-	-
	March 2017	March 2020	-	-	392 387	392 387	-	1 844 219
			980 246	**(487 490)**	**392 387**	**885 143**	**2 461 825**	**1 844 219**
Danie van der Merwe	December 2013	March 2017	858 437	(858 437)	-	-	4 335 107	-
	December 2014	March 2018	439 041	-	-	439 041	-	-
	March 2016	March 2019	335 509	-	-	335 509	-	-
	March 2017	March 2020	-	-	490 484	490 484	-	2 305 275
			1 632 987	**(858 437)**	**490 484**	**1 265 034**	**4 335 107**	**2 305 275**

No share rights were forfeited during the Reporting Period.

[1] *The fair value at date of vesting was €5.05 per Share.*
[2] *The fair value at date of grant was €4.70 per Share.*

[1] *Based on the rules of the ESRS, vesting can only occur at 0% or 100%, subject to the participant maintaining a minimum shareholding in the Company.*

For more details on the ESRS reference is made to note 31of the 2017 Consolidated Financial Statements.

The CEO, CFO and COO, as well as certain Senior Managers had service or employment contracts with Subsidiaries.

Clawbacks
During the Reporting Period, no clawbacks were made. Both the current Management Board and Supervisory Board confirm their respective commitment to make use of their clawback rights where appropriate.

2017 Supervisory Directors' remuneration

Supervisory Board Remuneration
During the Reporting Period, the Management Board had the Supervisory Board remuneration reviewed by an independent consultant, with reference to market and industry norms as well as retention and attraction of high-caliber individuals as supervisory directors.

REMUNERATION OF THE SUPERVISORY DIRECTORS	Remuneration during the Reporting Period €'000
Steve Booysen	170
Claas Daun	110
Thierry Guibert	100
Len Konar	200
Theunie Lategan	155
Jayendra Naidoo[1]	54
Heather Sonn	100
Angela Krüger-Steinhoff	100
Bruno Steinhoff	100
Johan van Zyl	100
Christo Wiese	300
Jacob Wiese	100

[1] *Appointed on 14 March 2017*

Loans, advance payments or guarantees to Managing Directors and Supervisory Directors
With the exception of the Hachmer-Mayfair Loan for which reference is made to the DCGC Compliance section in the Corporate Governance Report, no loans, advance payments or guarantees were made to Managing Directors or Supervisory Directors (or entities controlled by any of them) during the Reporting Period.

Contracts with entities under the control of Supervisory Directors
During the Reporting Period, Steinhoff Europe Group Services GmbH had a contract with Bruno Steinhoff Beratungsgeselschaft mbH & Ko KG, an entity under the control of Bruno Steinhoff, for the provision of business management consultancy services with a monthly fee of €37 500. During the Reporting Period, a consultancy fee of €350 000 was paid under the contract. This was in addition to Bruno Steinhoff's Supervisory Director fee of €100 000 for the Reporting Period. Steinhoff Europe Group Services GmbH terminated the contract on 1 June 2018.

During the Reporting Period, the Company had a contract with Grene Properties (Proprietary) Limited, an entity under the control of Christo Wiese, for the provision of directors services to the Company, including the provision of services of Christo Wiese as chairman of the Supervisory Board. During the Reporting period, a total of €300 000 was paid under the contract, which is equal to the amount of Christo Wiese's Supervisory Director fee for the Reporting Period. The contract terminated on 14 December 2017, the date of Christo Wiese's resignation from the Supervisory Board.

During the Reporting Period, Steinhoff at Work (Proprietary) Limited concluded a contract with Titan, an entity under the control of Christo Wiese, for the provision of secretarial, administrative and office management services to the Company as well as the use of a portion of Titan's premises and infrastructure, all in connection with the performance of Christo Wiese's duties as chairman of the Supervisory Board. A total of €150 000 was paid during the contract during the Reporting Period. The contract terminated per 14 December 2017, the date of Christo Wiese's resignation from the Supervisory Board. In addition, an amount of €497 237 was paid to Chaircorp Proprietary Limited in respect of management services provided by Christo Wiese.

During the Reporting Period, Steinhoff at Work (Proprietary) Limited concluded a contract with Toerama Proprietary Limited, an entity under the control of Mr. C.H. Wiese, pursuant to which Toerama made an aircraft available to Managing Directors and other Senior Managers for business travel with the intention that all amount charged to Steinhoff at Work were to cover costs for usage of the aircraft and not for Toerama to profit from the contract. A total of €800 000 was paid under the contract during the Reporting Period. The contract terminated per 14 December 2017, the date of Mr. C.H. Wiese's resignation from the Supervisory Board.

The total amount paid to Christo Wiese and entities controlled by him during the Reporting Period was €1 764 259.

The total amount paid to Bruno Steinhoff and Bruno Steinhoff Beratungsgeselschaft mbH & Ko KG during the Reporting Period was €450 000.

Part 3: Any modification of the Remuneration Policy

The Human Resources and Remuneration Committee did not propose any modifications to the Remuneration Policy for the Reporting Period and subsequent years.

The current Human Resources and Remuneration Committee is reviewing the Remuneration Policy, taking into account the Group's strategy as well as the implementation of the Revised Shareholders' Rights Directive (2017/828/EU), which came into effect on 9 June 2017, and its implementation in to Dutch law.

Reference is made to notes 31 of the 2017 Consolidated Financial Statements for further information on remuneration earned by the Managing and Supervisory Directors for the Reporting Period. The Remuneration Policy can be viewed on the Company's website www.steinhoffinternational.com.

ANNUAL REPORT 2017 – PART III

ANNEXURES

INDEX

ANNEXURE A
INVESTOR INFORMATION

SHARE STATISTICS

STOCK EXCHANGE	FSE	JSE
Stock symbol	**SNH Xetra**	**SNH SJ**
Listing type	**Primary**	**Secondary**
ISIN	**NL0011375019**	**NL0011375019**
Initial listing	**December 2015**	**September 1998**
Opening share price	**€5.11**	**R78.55**
Closing share price	**€3.77**	**R60.03**
Highest share price during Reporting Period	**€5.20**	**R77.80**
Lowest share price during Reporting Period	**€3.71**	**R59.22**
Volume traded during Reporting Period (million)	**1 021**	**2 685**
Value traded during Reporting Period (million)	**€4 627**	**R180 549**
Market capitalisation (billion)[1]	**€16**	**R256**
Number of shares in issue (million)[1]	**4 215**	**4 215**

[1] *As at 30 September 2017, net of treasury shares.*

SIGNIFICANT SHAREHOLDERS

Significant shareholders – shareholders holding in excess of 3% at 30 September 2017

SHAREHOLDER	NUMBER OF SHARES	%[1]
CH Wiese	**1 064 347 806**	**24.7**
Public Investment Corporation	**343 799 829**	**8.0**
Coronation	**274 895 612**	**6.4**
BE Steinhoff	**195 653 808**	**4.5**
Oppenheimer Funds	**141 969 442**	**3.3**

[1] *Percentage based on total issued shares at year-end.*

FINANCIAL CALENDAR

Financial year 2018 – Publication of results	**Tuesday, 18 June 2019**

CORPORATE AND CONTACT INFORMATION

Registration number

63570173

Registered office

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

Ewoud van Gellicum

South African sponsor

PSG Capital Proprietary Limited
(Registration number 2006/015817/07)
1st Floor
Ou Kollege Building
35 Kerk Street
Stellenbosch
7600
(PO Box 7403, 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

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.

CAUTIONARY NOTICE

This Annual Report contains forward-looking statements, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those included in such statements.

Many of these risks and uncertainties relate to factors that are beyond Steinhoff's ability to control or estimate precisely, including but not limited to, Steinhoff's ability to successfully implement and complete its plans and strategies and to meet its targets, the benefits from Steinhoff's plans and strategies being less than anticipated, the effect of general economic or political conditions, Steinhoff's ability to retain and attract employees who are integral to the success of the business, business and IT continuity, collective bargaining, distinctiveness, competitive advantage and economic conditions, information security, legislative and regulatory environment and litigation risks, product safety, pension plan funding, strategic initiatives, responsible retailing, insurance, other financial risks, unforeseen tax liabilities and other factors discussed in this Annual Report, in particular the paragraphs on how we manage risk and in Steinhoff's other public filings and disclosures.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. Steinhoff does not assume any obligation to update any public information or forward-looking statement in this Annual Report to reflect events or circumstances after the date of this Annual Report, except as may be required by applicable laws.

ANNEXURE B
LIST OF BRANCHES

The table below lists all branches of the Company as well as all Subsidiaries whose results were consolidated during the Reporting Period.

BRANCH	Place of branch	Country of branch	Register of branch
Standard Propterties sp. z o.o.	Westerstede	Germany	HRB 205133 Oldenbrug
Retail Holdings sarl	Zug	Switzerland	CHE-110.261.548
Steinhoff UK Retail Ltd	Dublin	Ireland	906518
Poundland Ltd	Dublin	Ireland	906668
Steinhoff International Sourcing Ltd. India Liason Office	Gurgaon, New Delhi	India	F04370
Steinhoff International Sourcing Ltd. – Liason Office	Karachi	Pakistan	0073941
Steinhoff International Sourcing Ltd. – Indonesia Representative Office	Jakarta	Indonesia	28/1/IUP3A-T/P-4/Nas/2017
The Representative Office Of Steinhoff International Sourcing Limited in Ho Chi Minh City	Ho Chi Minh City	Vietnam	79-02944-01
Fully Sun China Ltd. India Liason Office	Gurugram, Haryana	India	F04915
Fully Sun China Ltd.	Tainan	Taiwan	53665194
Fully Sun China Ltd.	Dhaka	Bangladesh	393120132180

ANNEXURE B
LIST OF BRANCHES
continued

IC-Code	Origin Entity	Country of origin entity
046	Standard Propterties sp. z o.o.	Poland
376	Retail Holdings sarl	Luxemburg
174	Steinhoff UK Retail Ltd	UK
503	Poundland Ltd	UK
222	Steinhoff International Sourcing Ltd.	Hong Kong
222	Steinhoff International Sourcing Ltd.	Hong Kong
222	Steinhoff International Sourcing Ltd.	Hong Kong
222	Steinhoff International Sourcing Ltd.	Hong Kong
380	Fully Sun China Ltd.	Hong Kong
380	Fully Sun China Ltd.	Hong Kong
380	Fully Sun China Ltd.	Hong Kong

ANNUAL REPORT 2017

STEINHOFF INTERNATIONAL HOLDINGS N.V.

Consolidated and separate financial statements for the period ended 30 September 2017

INDEX

STEINHOFF INTERNATIONAL HOLDINGS N.V.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the period ended 30 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *for the period ended 30 September 2017*	Notes	Twelve months ended 30 September 2017 €m	Restated[1] Fifteen months ended 30 September 2016 €m
Revenue	3	**18 818**	16 130
Cost of sales[2]		**(11 155)**	(10 184)
Gross profit		**7 663**	5 946
Other income	4.1	**276**	279
Distribution expenses	4.3	**(928)**	(385)
Administration expenses	4.3	**(6 692)**	(5 320)
Other expenses	4.2	**(3 995)**	(242)
Operating (loss)/profit		**(3 676)**	278
Finance costs	5	**(440)**	(452)
Income from investments	5	**55**	61
Share of profit of equity accounted companies	10	**107**	89
Impairment of equity accounted companies	10	**(175)**	–
Loss before taxation		**(4 129)**	(24)
Taxation	6	**135**	(213)
Loss for the period		**(3 994)**	(237)
Loss attributable to:			
Owners of Steinhoff N.V.		**(4 036)**	(279)
Non-controlling interests	28	**42**	42
Loss for the period		**(3 994)**	(237)
Basic loss per share (cents)	7	**(95.9)**	(7.6)

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

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

The accompanying notes are an integral part of the Consolidated Financial Statements.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 September 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *for the period ended 30 September 2017*	Notes	Twelve months ended 30 September 2017 €m	Restated[1] Fifteen months ended 30 September 2016 €m
Loss for the period		**(3 994)**	(237)
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement adjustments on defined benefit plans		**27**	(38)
Income tax on remeasurement adjustments on defined benefit plans		**(10)**	6
		17	(32)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(172)**	(750)
Income tax on exchange differences on translation of foreign operations		**(7)**	22
Foreign currency translation reserve reclassified to profit or loss on disposal of investments		**–**	(4)
Net fair value loss on cash flow hedges and other assets and liabilities measured at fair value through other comprehensive income		**(31)**	(53)
Income tax on fair value loss on cash flow hedges and other fair value reserves		**8**	11
Other comprehensive loss of equity accounted companies	10.3	**(3)**	–
		(205)	(774)
Total other comprehensive loss for the period		**(188)**	(806)
Total comprehensive loss for the period		**(4 182)**	(1 043)
Total comprehensive loss attributable to:			
Owners of Steinhoff N.V.		**(4 224)**	(1 075)
Non-controlling interests		**42**	32
Total comprehensive loss for the period		**(4 182)**	(1 043)

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

The accompanying notes are an integral part of the Consolidated Financial Statements.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 September 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *for the period ended 30 September 2017*	Ordinary share capital €m	Share premium €m	Treasury share capital €m	Treasury share premium €m
Total equity at 1 July 2015 as previously published	1 831	6 650	(5)	(9)
Correction of errors (note 1.2)	–	–	(10)	(40)
Restated total equity at 1 July 2015	1 831	6 650	(15)	(49)
Loss for the period	–	–	–	–
Other comprehensive loss for the period	–	–	–	–
Total comprehensive loss for the period	–	–	–	–
Transactions with the owners in their capacity as owners				–
Ordinary shares issued, net of transaction costs (note 26.4)	296	1 965	–	–
Treasury shares purchased, attributed and including capitalisation award (note 26.5)	–	–	(76)	(761)
Treasury shares sold (note 26.5)	–	–	76	754
Preference dividends	–	–	–	–
Ordinary dividends	–	–	–	–
Acquisition of subsidiaries with non-controlling interests (note 24.5, 28)	–	–	–	–
Transactions with non-controlling interests without change in control (note 28)	–	–	–	–
Attributable share of other reserves relating to equity accounting (note 10.3)	–	–	–	–
Convertible bonds issued - equity portion net of deferred taxation (note 16.5)	–	–	–	–
Transfer to accumulated losses upon conversion and settlement of bonds (note 16.5)	–	–	–	–
Share-based payments (note 32.1)	–	–	–	–
Transfers due to share vesting (note 32.1)	–	–	–	–
Reversal of profit or loss items directly into equity (note 1.2.5a)	–	–	–	–
Transfers between accumulated losses and other reserves	–	–	–	–
Restated total equity at 30 September 2016	**2 127**	**8 615**	**(15)**	**(56)**
Loss for the period	–	–	–	–
Other comprehensive loss for the period	–	–	–	–
Total comprehensive loss for the period	–	–	–	–
Transactions with the owners in their capacity as owners				–
Ordinary shares issued, net of transaction costs (note 26.4)	**28**	**186**	–	–
Treasury shares purchased and attributed (note 26.5)	–	–	**(33)**	**(151)**
Treasury shares sold (note 26.5)	–	–	–	–
Preference dividends	–	–	–	–
Ordinary dividends	–	–	–	–
Acquisition of subsidiaries with non-controlling interests (note 24.1, 28)	–	–	–	–
Derecognition of subsidiaries with non-controlling interests (note 28)	–	–	–	–
Transactions with non-controlling interests without change in control (note 28)	–	–	–	–
Attributable share of other reserves relating to equity accounting (note 10.3)	–	–	–	–
Share-based payments (note 32.1)	–	–	–	–
Transfers due to share vesting (note 32.1)	–	–	–	–
Total equity at 30 September 2017	**2 155**	**8 801**	**(48)**	**(207)**

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

The value of the main components of other reserves are: Actuarial gains reserve (2017: €46 million 2016; €63 million).

The accompanying notes are an integral part of the Consolidated Financial Statements.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
continued

Retained income/ (accumulated losses) €m	Equity component of convertible bonds €m	Foreign currency translation reserve €m	Share-based payment reserve €m	Excess of consideration (paid to)/ received from non-controlling interests €m	Other reserves €m	Total ordinary equity attributable to owners of Steinhoff N.V. €m	Non-controlling interests €m	Total €m
4 877	93	(287)	129	(355)	(14)	12 910	518	13 428
(8 357)	–	34	(91)	–	22	(8 442)	148	(8 294)
(3 480)	93	(253)	38	(355)	8	4 468	666	5 134
(279)	–	–	–	–	–	(279)	42	(237)
–	–	(722)	–	–	(74)	(796)	(10)	(806)
(279)	–	(722)	–	–	(74)	(1 075)	32	(1 043)
–	–	–	–	–	–	2 261	33	2 294
–	–	–	–	–	–	(837)	–	(837)
–	–	–	–	–	–	830	–	830
–	–	–	–	–	–	–	(19)	(19)
(131)	–	–	–	–	–	(131)	(5)	(136)
–	–	–	–	–	–	–	37	37
–	–	–	–	(171)	–	(171)	(154)	(325)
–	–	–	–	–	6	6	–	6
–	78	–	–	–	–	78	–	78
27	(27)	–	–	–	–	–	–	–
–	–	–	57	–	–	57	–	57
58	–	–	(58)	–	–	–	–	–
14	–	–	–	–	–	14	–	14
(4)	–	–	–	–	4	–	–	–
(3 795)	**144**	**(975)**	**37**	**(526)**	**(56)**	**5 500**	**590**	**6 090**
(4 036)	**–**	**–**	**–**	**–**	**–**	**(4 036)**	**42**	**(3 994)**
–	**–**	**(179)**	**–**	**–**	**(9)**	**(188)**	**–**	**(188)**
(4 036)	**–**	**(179)**	**–**	**–**	**(9)**	**(4 224)**	**42**	**(4 182)**
–	**–**	**–**	**–**	**–**	**–**	**214**	**–**	**214**
–	**–**	**–**	**–**	**–**	**–**	**(184)**	**–**	**(184)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**	**(14)**	**(14)**
(628)	**–**	**–**	**–**	**–**	**–**	**(628)**	**(9)**	**(637)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**7**	**7**
(115)	**–**	**–**	**–**	**115**	**3**	**3**	**(209)**	**(206)**
–	**–**	**–**	**–**	**225**	**–**	**225**	**759**	**984**
–	**–**	**–**	**–**	**–**	**14**	**14**	**–**	**14**
–	**–**	**–**	**4**	**–**	**–**	**4**	**–**	**4**
34	**–**	**–**	**(34)**	**–**	**–**	**–**	**–**	**–**
(8 540)	**144**	**(1 154)**	**7**	**(186)**	**(48)**	**924**	**1 166**	**2 090**

STEINHOFF INTERNATIONAL HOLDINGS N.V.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *as at 30 September 2017*	Notes	30 September 2017 €m	Restated[1] 30 September 2016 €m	Restated[1] 1 July 2015 €m
ASSETS				
Non-current assets				
Goodwill	8	**4 593**	7 178	4 053
Intangible assets	8	**2 657**	3 544	2 184
Property, plant and equipment	9	**3 302**	3 773	3 238
Investment property	9	**128**	87	96
Investments in equity accounted companies	10.1	**2 055**	1 379	1 184
Investments and loans	11	**106**	198	111
Deferred taxation assets	6.3	**221**	287	229
Trade and other receivables	12	**2**	20	11
		13 064	16 466	11 106
Current assets				
Inventories	14.1	**2 556**	2 594	2 036
Trade and other receivables	12	**1 055**	1 075	785
Investments and loans	11	**107**	202	221
Cash and cash equivalents	15	**723**	687	517
		4 441	4 558	3 559
Assets and disposal groups classified as held-for-sale		**–**	–	248
		4 441	4 558	3 807
Total assets		**17 505**	21 024	14 913
EQUITY AND LIABILITIES				
Capital and reserves				
Ordinary share capital (net of treasury shares)	26	**2 107**	2 112	1 816
Share premium (net of treasury shares)	26	**8 594**	8 559	6 601
Other reserves	25	**(1 237)**	(1 376)	(469)
Accumulated losses	25	**(8 540)**	(3 795)	(3 480)
Total equity attributable to owners of Steinhoff N.V.		**924**	5 500	4 468
Non-controlling interests	28	**1 166**	590	666
Total equity		**2 090**	6 090	5 134
Non-current liabilities				
Employee benefits	20	**205**	184	139
Deferred taxation liabilities	6.3	**752**	1 195	741
Provisions	21	**338**	502	236
Trade and other payables	17	**92**	86	71
		1 387	1 967	1 187
Current liabilities				
Trade and other payables	17	**3 965**	4 135	3 074
Employee benefits	20	**145**	141	101
Provisions	21	**365**	488	263
Interest-bearing loans and borrowings	16	**8 609**	7 570	5 010
Bank overdrafts and short-term facilities	16	**944**	633	144
		14 028	12 967	8 592
Total equity and liabilities		**17 505**	21 024	14 913

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

The accompanying notes are an integral part of the Consolidated Financial Statements.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 30 September 2017

CONSOLIDATED STATEMENT OF CASH FLOWS *for the period ended 30 September 2017*	Notes	Twelve months ended 30 September 2017 €m	Restated[1] Fifteen months ended 30 September 2016 €m
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	23.1	**404**	998
Dividends received	5, 10 & 29	**67**	23
Ordinary dividends paid		**(638)**	(136)
Preference dividends paid		**(14)**	(19)
Interest received	5	**34**	53
Interest paid	5	**(422)**	(440)
Taxation paid		**(223)**	(222)
Net cash (outflow)/inflow from operating activities		**(792)**	257
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and investment property[2]	9	**(708)**	(575)
Additions to intangible assets	8	**(54)**	(34)
Proceeds on disposal of property, plant and equipment and intangible assets		**18**	25
Acquisition of subsidiaries and businesses, net of cash on hand at acquisition	24	**(483)**	(2 938)
Disposal of businesses		**(10)**	–
Payments for available-for-sale assets	11.1	**(3)**	(324)
Proceeds received from sale of available-for-sale financial assets	11.1	**–**	262
Loans to affiliated parties	1.2	**(19)**	(300)
Repayments of loans by affiliated parties	1.2	**62**	99
Payments for other investments and loans		**(11)**	(52)
Proceeds from sale or maturity of other investments or repayments of other loans		**30**	101
Payments for investments in equity accounted companies	10.3	**(544)**	(221)
Net cash outflow from investing activities		**(1 722)**	(3 957)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of ordinary shares issued		**1**	1 688
Share issue expenses		**–**	(14)
Proceeds from disposal of treasury shares , net of transaction costs		**–**	754
Increase in treasury shares, net of transaction costs		**(97)**	(945)
Shares bought from non-controlling interests		**(2)**	(118)
Shares sold to non-controlling interests	28.2	**1 014**	–
Proceeds of preference shares issued		**–**	33
Increase in bank overdrafts and short-term facilities	16	**307**	483
Repayments of borrowings	16	**(721)**	(545)
Proceeds from borrowings	16	**2 073**	367
Proceeds from issue of convertible bonds, net of transaction costs	16	**–**	2 202
Net cash inflow from financing activities		**2 575**	3 905
NET INCREASE IN CASH AND CASH EQUIVALENTS		**61**	205
Effects of exchange rate translations on cash and cash equivalents		**(25)**	(35)
Cash and cash equivalents at beginning of the period	15	**687**	517
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**723**	687

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

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

The accompanying notes are an integral part of the Consolidated Financial Statements.

Basis of preparation

Reporting entity

Steinhoff N.V., is a company registered with the Trade Register in Amsterdam, the Netherlands under number 63570173, and with tax residency in South Africa. The consolidated financial statements of Steinhoff N.V. for the period ended 30 September 2017 comprise the Group and the Group's interest in equity accounted companies. The Group is primarily involved in the retailing of general merchandise, household goods and operates a number of motor dealerships. The Group operates in Africa, Australasia, Europe, Asia, United Kingdom and in the United States of America.

On 5 December 2017, Steinhoff announced that its 2017 consolidated financial statements could not be released when expected as its external auditor, Deloitte, had identified potential accounting irregularities and questionable transactions. As a result of these concerns, PwC was upon the instructions of the Supervisory Board, retained by the Group's legal advisors to conduct an independent forensic investigation (the "Investigation"). The audited 2016 consolidated financial statements were withdrawn and publication of the 2017 consolidated financial statements was postponed. Pursuant to the investigation a report ("the Investigation Report") was produced on 11 March 2019. The Investigation Report is confidential and legal professional privilege inheres therein. Consequently, the Investigation Report will not be published. Reference to the investigation and the Investigation Report in these consolidated and separate financial statements and notes thereto is made without waiving the privileged nature of the Investigation Report.

Refer to note 1 for the restatements.

Refer to the Annexure 1: Glossary of terms applicable to this report.

Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS, as endorsed by the EU, and also comply with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code. All standards and interpretations issued by the IASB and the IFRIC, effective for periods starting on 1 October 2016, have been endorsed by the EU. Where necessary, adjustments have been made to the financial results of all Group entities to ensure compliance with Group accounting policies.

Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- available-for-sale financial assets and financial assets and liabilities (including derivative instruments) measured at fair value;
- assets held-for-sale – measured at fair value less cost of disposal; and
- defined benefit pension plans – plan assets measured at fair value.

Comparative periods

The comparative period represents a 15 month period as a result of the change in year-end during that period.

Going concern

In determining the appropriate basis of preparation of the 2017 Consolidated Financial Statements, the Management Board is required to consider whether the Group and Company can continue in operational existence for the foreseeable future.

The Group and Company's cash flow forecast indicate that both the Group and the Company can, based on certain critical assumptions, continue in operational existence for the foreseeable future, namely for 12 months after the date of authorisation.

The Management Board draw attention to the following critical assumptions that are key in arriving at the cash flows, namely:

Litigation

The Group and Company has received several shareholder and vendor claims and notices of regulatory investigation. A key assumption in both the Group and Company cash flows is that no material claims or fines are awarded against the Group or Company and will become payable during the next twelve months. As stated previously, these legal proceedings and regulatory investigations have been initiated against the Group and Company during the past seventeen months. The Supervisory Board and the Management Board, assisted by a newly constituted litigation committee, and in consultation with the Group's attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the regulatory bodies. Several initial defences have already been filed by Steinhoff in these legal proceedings. However, litigation remains a material uncertainty as to its ultimate impact on the liquidity of the Group.

Tax

Tax remains a material uncertainty as the tax impact of the accounting irregularities identified and the consequential effects thereof remains uncertain. This is exacerbated by the fact that these irregularities impact multiple jurisdictions, the finalisation of which will require substantial analysis and negotiation with various Tax Authorities in the respective jurisdictions. A key assumption is therefore that the tax assumptions built into the current cash forecast, for both the Group and Company, continue to apply and that no unexpected material assessments are received.

CVA process

The restructuring of the Group's existing financial indebtedness continues. The full implementation of the CVA is critical to the liquidity of the Group. Should the implementation of the CVA fail for any reason, this would have a materially negative impact on the liquidity of the Group and the Company.

CVA and Hemisphere Arrangements

That there is no event of default in the future, once the CVA has been fully implemented or under the existing agreement with the Hemisphere lenders, that threatens the current standstill agreements.

Conclusion

The Management Board draws attention to the following facts:

- that in both the Group and Company's financial statements current liabilities exceed current assets, and

- that these material uncertainties extend beyond the foreseeable future.

These facts therefore cast significant doubt upon the Company and Group's ability to continue as a going concern beyond the foreseeable future. If the Group and Company is to continue as a going concern, the Management Board and operational management require sufficient time to stabilise the Group and re-establish value at operational level. This will enable the Group and Company to realise assets in a non-distressed fashion and thus maximise value to repay or reduce debt to manageable levels. This will also maximise the return to all stakeholders. At the same time a solution for the potential litigation will need to be sought and implemented.

Presentation and functional currency
Unless otherwise indicated, the consolidated and separate financial statements are prepared on the accrual basis in millions of Euro (€m). The Euro is the Group's presentation currency and the Company's functional currency.

Critical accounting estimates and judgements
The preparation of consolidated financial statements requires management to make judgements and estimates that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

Actual results may differ from estimates, and judgements have been made after taking into account all currently available information, but could change if additional relevant information comes to light.

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

Areas of critical judgements and estimates

Judgements

Judgements	Note reference
Going concern assumption	**Basis of preparation**
Consolidation decisions	

i) The Group considered whether it controls or controlled entities involved in various transactions with the Group.
Management's assessment of whether the Group control/controlled the following entities included significant judgements.

Main Group	Entities related to/subsidiaries of the Main Group	Treated as controlled	Note reference
Talgarth Group		No	Note 1
	Top Global	No	Note 1
	Triton B	No	Note 1
	Triton V	Yes	Note 1
	GIH	Yes	Note 1
Campion Group		No	Note 1
	Wands, including its subsidiaries Cencap and FGI	No	Note 1
	Sunnyside and Sutherland UK	No	Note 1, 30
	Plum Tree	No	Note 1
	GT Branding	Yes	Note 29
	Town Investments	No	Note 30
Fihag Group		No	Note 30
	Geros B	No	Note 30
	Geros FS	No	Note 30
Other	Hemisphere	Yes	Note 1
Other	POCO (until March 2017)	Yes	Note 1, 10 and 28
Other	BVI	Yes	Note 1

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

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

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

Areas of critical judgements and estimates *(continued)*

Judgements (continued)	Note reference
Classification and completeness of related parties and affiliated parties	**Notes 1 & 29 & 30**

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

Recoverability of financial and other assets

Financial assets

The recoverability of loans and assets with counterparties have been assessed and where they have been alleged to have entered into non-arm's length transactions, where there is no security on the loans in the entity with the liability or where the Group does not have sufficient information to perform a recoverability test, management has deemed it appropriate to impair these assets. Refer to note 1.2.3, note 11 and note 30.

The determination of the amount and timing of the impairment losses necessitate a number of judgements and estimates. These include determination of value-in-use calculations based on revised information and selection of the appropriate discount rate given the significantly changed risk profile. Only where impairment tests were required to be done or there was a clear indication of an impairment indicator, were impairment losses included as a prior period error.

Management has also deemed it appropriate to impair loans if there is no security on such loans.

Individually material impaired financial assets	Note reference
• Brait/Fulcrum UK	Notes 1 & 4.2.2
• Top Global	Notes 1 & 4.2.2
• Fulcrum Group	Notes 1 & 4.2.2 & 11 & 19

Other assets

Impairment of investment in equity accounted private companies	Note 10

Linkage and economic substance of transactions

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

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

Treatment of transactions involving Steinhoff shares funded by the Group

Substance of transaction akin to an option

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

Exercise date of options

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

The details of funded share purchase arrangements are referenced below:

Transaction	Financial year	Note reference
SSUK	2016	Note 1
	2017	Note 32
Town Investments	2017	Note 32

Areas of critical judgements and estimates *(continued)*

Judgements (continued)	Note reference
Presentation of liabilities	**Note 16**
In terms of presentation requirements of IFRS, a liability should be classified as current if the entity does not have an unconditional right to defer settlement of that liability for at least 12 months after the reporting date. As the Group is in technical breach of the majority of its covenants, relating to loans that are payable in future years, until a restructuring plan had been put in place, the financial creditors were not obligated to condone covenant breaches and these liabilities are required to be presented as current liabilities. As a consequenece of restating prior period consolidated financial statements, the Group was also in technical breach in prior periods and management has restated the prior periods' position to reflect these as current liabilities.	
Recognition and measurement of provisions	**Note 21**
Correct classification and completeness of contingent liabilities	**Note 22**
Correct classification and completeness of liabilities and events occurring after the reporting period	**Note 22 & 34**
Derecognition of financial assets	**Note 1**
Recognition of investment as equity accounted companies	**Notes 1 & 10**

Estimates	Note reference
Estimation of uncertain tax positions	**Note 6**
Estimation of future taxable profits in support of recognition of deferred taxation assets	**Note 6**
Estimation of inputs into discounted cash flow models relating to the impairment of goodwill	**Notes 1 & 8**
Estimation of inputs into discounted cash flow models relating to the impairment of intangible assets	**Notes 1 & 8**
Estimation of the useful life of intangible assets	**Note 1 & 8**
Estimation of the recoverable amount and fair value of properties	**Note 9**
Estimation of the useful life and residual values of buildings	**Note 9**
Estimation of fair value of identifiable assets and liabilities impacting the measurement of goodwill in a business combination	**Note 1**
Estimation of vesting conditions relating to share-based payments	**Note 1**

Accounting policy elections

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

Area	Details
Statement of profit or loss	
Income from investments	The Group has elected to present income from investments separately on the face of the statement of profit or loss. Income from investments comprise finance income and dividend income.
Statement of financial position	
Investment properties	The Group has elected to measure all investment properties using the cost model.
Owner-occupied properties	The Group has elected to measure all owner-occupied properties using the cost model.
Intangible assets	The Group has elected to measure all intangible assets using the cost model.
Statement of cash flows	
Interest paid and received	The Group views interest paid and received as operating activities as these are largely incurred in the funding of operations.
Dividends paid and received	The Group discloses dividends paid and received as operating acitivites as this demonstrates the Group's ability to pay dividends out of operating cash flows.

Approval

The consolidated financial statements were prepared under the supervision of the Management Board of the Company and were authorised for issue on 7 May 2019.

1. Restatements

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

- Adjustments to the provisional amounts recognised for prior year business combinations (note 1.1)
- Correction of prior period errors and disclosure deficiencies (note 1.2)
- Change in reportable segment information (note 2)

1.1 Initial accounting for business combination

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

2016

In the prior period, the accounting for the business combinations of Mattress Firm and Poundland was prepared using provisional amounts as allowed in terms of IFRS 3 due to the September 2016 effective date of both acquisitions. The restatement of the statement of financial position as at 30 September 2016 resulted from retrospective adjustments to the previous initial accounting in light of the updated information relating to the fair value of the identifiable assets and liabilities as measured at the date of acquisition. The adjustments to the provisional amounts are recognised as if the accounting for the business combination had been completed at the acquisition date. These restatements are not as a result of the prior period errors.

The post-combination accounting of these acquisitions was finalised and the affected assets and liabilities were retrospectively restated at 30 September 2016 for:

	Mattress Firm	Poundland
Effective consolidation date	30 September 2016	30 September 2016
Acquisition date	19 September 2016	16 September 2016
Functional currency	USD	GBP

Intial accounting adjustments at 30 September 2016:	€m	€m	Total €m	Rationale for intial accounting adjustments
Intangible assets	24	(1)	23	Franchise rights and trademarks remeasured to final valuation amounts for which provisional valuation amounts were obtained in 2016.
Store fittings and leasehold improvements	(29)	(17)	(46)	Further impairments of fixed assets as a result of impairment assessments performed on store fittings in loss-making stores.
Inventories	5	(26)	(21)	Adjustments to stock obsolescence and shrinkage provision as a result of a comprehensive stock analysis performed during the measurement period.
Other assets	(4)	(2)	(6)	Adjustments relating mainly to an increase in provision for doubtful debts due to additional testing carried out in respect of recoverability of other assets and reclassification of credit balances included in debit balances.
Onerous lease provisions	(172)	(29)	(201)	Onerous lease provisions recognised in respect of stores that are loss-making, dilapidated or pay above-market related rentals.
Other liabilities	(74)	–	(74)	Further warranty, deferred revenue and other provisions were identified.
Deferred taxation asset	–	6	6	Deferred taxation impact relating to the adjustments to provisional purchase price allocation.
Increase to goodwill*	(250)	(69)	(319)	

** Finalisation of provisional amounts relating to immaterial business combinations resulted in additional goodwill of €4 million*

Refer note 8 for details regarding the 2017 impairment of the Mattress Firm and partial impairments of Poundland goodwill.

Refer note 24.5 for details regarding the business combinations and the fair values of assets and liabilities acquired.

1. Restatements *(continued)*

1.2 Correction of prior period errors and disclosure deficiencies

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

As a result of these concerns, PwC was upon the instruction of the Supervisory Board, retained by the Group's legal advisors to conduct an independent forensic investigation. The audited 2016 consolidated financial statements were withdrawn and publication of the 2017 consolidated financial statements was postponed.

The Investigation Report was produced on 11 March 2019. The investigation is ongoing. The Investigation Report is confidential and legal professional privilege inheres therein. Consequently, the Investigation Report will not be published. Reference to the investigation and the Investigation Report in these consolidated and separate financial statements and notes thereto is made without waiving the privileged nature of the Investigation Report.

A number of accounting irregularities were identified by management:

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

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

Management identified a number of transactions with four principal groups of corporate entities which were not necessarily on an arm's length basis. The four principal groups are: Campion and/or Fulcrum Group, Talgarth Group, TG and/or TG Management Group and Fihag Group and certain individuals; Schmidt, Evans, Pasquier were purportedly independent, but were in substance closely related and/or controlled by the Group or its employees and certain key management.

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

1. Restatements *(continued)*

1.2 Correction of prior period errors (continued)

Extracted from the Management Board Report:

The entities linked to these groups at some point in time have been summarised below:

Campion and/or Fulcrum Group

- Campion Capital
- Fulcrum UK Group
- Fulcrum FS Group
- GT Branding Group
- SSUK

TG or TG Management Group

Fihag Group

- Geros B
- Geros FS

Talgarth Group

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

The transactions entered into between the Group and entities within the Campion Group and Talgarth Group included, amongst others, the facilitation of business acquisitions and transactions that involved the trading of Steinhoff shares. Funding in respect of such transactions was mostly provided for by the Group. It appears that all or the majority of these transactions were concluded on a non-arm's length basis. Management considered whether the Group controls the Campion Group, Talgarth Group, TG Group and Fihag Group. Certain of the Group's former executives and other non-Steinhoff executives, who have subsequently resigned, were assessed to have a degree of influence over the structure of the entities and the outcome of these transactions and the Group is exposed to variable returns resulting from the recoverability of the funding provided and the manner in which the transactions were structured for the benefit of the Group. However, although there are some indicators suggesting that Steinhoff might control the Talgarth, Campion, TG and Fihag Groups, no conclusive information exists to confirm that Steinhoff does in fact control any of these Groups. In addition, management does not have access to the financial information of either the Talgarth, Campion, TG or Fihag Groups to be able to consolidate these entities. Management therefore accounted for the transactions with the respective entities on a transaction by transaction basis to reflect the substance of the underlying transactions and the Group's exposure. The Group did not identify any direct transactions with Fihag or direct loans outstanding during the period from 1 July 2015. Where transactions were entered into within specific entities in the respective groups it was considered whether the Group controlled the specific entity it was transacting with, which has led to the consolidation of certain entities within those groups. The recoverability of any loans and assets with such counterparties has been assessed and where there is no security on the loans in the entity with the liability or where the Group does not have sufficient information to perform a recoverability test, management has deemed it appropriate to impair these assets.

1. *Restatements* *(continued)*

1.2 Correction of prior period errors (continued)

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

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

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

The 2016 consolidated financial statements and its statement of financial position as at 1 July 2015 have been restated to correct prior period errors. As a result of the extent and complexity of the restatements required to correct these errors, management has grouped the restated transactions according to type and impact on the consolidated financial statements. A brief explanation of each grouping is discussed below with the detail of the restatements contained in this note and the relevant section of the consolidated financial statements.

Categories of restatements:

1. Property transactions

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

2. Intangible asset transactions

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

3. Accounting for Group or related entities

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

1. Restatements *(continued)*

1.2 Correction of prior period errors (continued)

4. Contributions and 'cash equivalents'

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

5. Share transactions

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

6. Consequential effects of accounting irregularities

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

The following table summarises the effect of restatements recognised by the Group in order to correct prior period errors in respect of the 15 months ended 30 September 2016 and at 1 July 2015. Details relating to the nature and amount of the restatements are provided below.

		Financial impact: 30 September 2016					Financial impact: 1 July 2015	
				Equity				
Categories of restatement	Note reference	Asset decrease	Liability decrease	Decrease in profit	Other equity move-ments (increase)/ decrease	Opening balance (increase)/ decrease	Asset decrease	Liability (increase) decrease
Property transactions	1.2.1	(429)	–	41	(18)	406	(406)	–
Intangible asset transactions	1.2.2	(5 801)	703	1 013	(19)	4 104	(3 778)	(326)
Accounting for Group or related entities	1.2.3	(1 376)	802	240	153	181	(348)	167
Contributions and 'cash equivalents'	1.2.4	(1 179)	11	288	35	845	(845)	–
Share transactions	1.2.5	(241)	–	62	(40)	219	(219)	–
Consequential effects of accounting irregularities	1.2.6	(2 406)	41	35	(209)	2 539	(2 600)	61
Total impact relating to accounting irregularities		**(11 432)**	**1 557**	**1 679**	**(98)**	**8 294**	**(8 196)**	**(98)**

1. Restatements *(continued)*

1.2 Correction of prior period errors (continued)

1.2.1 Property transactions

Material property transactions are detailed below:

a) Hemisphere property portfolio

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

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

The restatement resulted in a reversal of the inflated property values to original carrying values. As such, a net decrease in net assets at 30 September 2016 and 1 July 2015 of €324 million and €319 million, respectively. There were no material adjustments to profit or loss during 2016.

Critical judgements

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

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

b) Alvaglen property portfolio

During the 2014 financial year, in another series of transactions, Hemisphere acquired a United Kingdom property portfolio through a company, Alvaglen. Management identified a potential conflict of interest involving certain key management personnel. It would have been appropriate to test these properties for impairment based on the substance of the transaction at the acquisition date to determine whether the acquisition values were inflated. The acquisition price was settled by issuing Steinhoff shares. The Group obtained a third party property fair valuation at 1 July 2015 for these properties and as a consequence impaired the properties. As such a net decrease in net assets at 30 September 2016 and 1 July 2015 of, respectively, €55 million and €64 million was recorded.

1. Restatements *(continued)*

1.2 Correction of prior period errors (continued)

1.2.1 Property transactions (continued)

c) Useful lives and residual values

Management reconsidered the residual values and useful lives of the material property portfolios within the Group during the extensive valuation process that was carried out. Management has corrected the residual values and the useful lives of certain of the properties. The assessment of residual values and useful lives is a critical estimate as in some instances reliable external information is unavailable and the practicality of applying consistent judgement is limited. The revision of the depreciable amounts of certain properties have resulted in a further net decrease in net assets at 30 September 2016 and 1 July 2015 of €41 million and €23 million respectively.

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

1.2.2. Intangible asset transactions

a) GT Branding:

Over a number of years, the Group entered into a series of transactions relating to the sale and repurchase of certain of its brands and trademarks at inflated values. Both internally generated and purchased brands and trademarks were sold to and repurchased from companies inside and outside the Group over this period of time. These brands and trademarks continued to be used exclusively by Group companies. On 1 July 2015 the Group held a 45% equity interest in the GT Branding Group, which legally owned the brands and trademarks. The Group recognised this as an equity accounted investment, which included a loan receivable from the GT Branding Group. As a result of this series of transactions, the Group historically recognised profits relating to the disposal of these brands and trademarks with an eventual corresponding increase in assets being the equity accounted investment and loan receivable. Throughout this period the Group recognised royalties paid for the use of the brands and trademarks and also recognised income from GT Branding for marketing support it provided in turn.

Critical judgements

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

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

The total impact of reversing royalties paid and historical profit recognised on the disposal of internally generated brands and trademarks, together with the continued recognition of the GT Branding Group led to a reduction in net assets at 30 September 2016 of €845 million and €819 million at 1 July 2015. The profit for the period ended 30 September 2016 was reduced by €42 million.

1. Restatements *(continued)*

1.2 Correction of prior period errors (continued)

1.2.2. Intangible asset transactions (continued)

b) Know-how:

From 2009 the Group recognised income relating to the sale of Know-how which pertains to commercial knowledge, finance, logistics, wholesale, IT, sourcing, manufacturing, as well as the development and implementation of retail trade concepts on loan account to the Talgarth Group. The Talgarth Group therefore held the rights to use, license, develop and exploit such Know-how concepts. During 2016 and 2017, the Group entered into a settlement agreement with Talgarth and paid Talgarth a fee of €19.8 million.

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

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

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

The impact of reversing the Know-how transactions led to a reduction in net assets at 30 September 2016 of €4.3 billion and €3.3 billion at 1 July 2015. The profit for the period ended 30 September 2016 was reduced by €971 million.

Critical judgements

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

1. *Restatements* *(continued)*

1.2 Correction of prior period errors (continued)

1.2.3. Accounting for group or related entities

a) kika-Leiner

During November 2013 subsidiaries of GIH, not consolidated by the Group at that time, acquired a controlling interest in kika-Leiner, including its retail business and properties. The acquisition was facilitated and largely funded by the Group.

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

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

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

The statement of financial position at 1 July 2015 has been restated to include the consolidation of GIH and kika-Leiner from November 2013, accordingly the accounting by the Group of the property acquisition in 2014 and the retail business acquisition in 2016 have been reversed.

The restatement resulted in a decrease in total equity at 30 September 2016 of €86 million and €197 million at 1 July 2015. The revenue for the period ended 30 September 2016 increased by €356 million. The net impact to profit after tax for the same period was not material.

Critical judgements

Control of GIH

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

1. Restatements *(continued)*

1.2 Correction of prior period errors (continued)

1.2.3. Accounting for group or related entities (continued)

Fair value of identifiable assets and liabilities

In order to account for the business combination in November 2013 management has applied reasoned judgement in estimating the fair values of identifiable assets and liabilities based on available information. The purchase price of €591 million was allocated as follows:

- Brands operating in central and eastern Europe of €29 million. The brands were valued using restated revenue forecasts for an indefinite period (five years plus a terminal period) at a royalty rate of 1.25% which management deemed appropriate taking into account the period that the brand had generated revenue at that point, the brand's profitability and the country risk. Deferred taxation of 25% was recognised on the brand.
- A fair value adjustment to property of €249 million and 25% deferred taxation thereon based on an agreed property value between the Group and the sellers at the time. Management could not find evidence of formal external valuations to support the purchase price allocation. A valuation performed, as at November 2013, as part of the preparation of these restated financials resulted in €79.5 million being allocated to one property, Mariahilfestrasse.
- The resulting excess of the purchase price paid over the acquired net asset value of kika-Leiner and the fair value adjustments described above, resulted in goodwill of €82 million being recognised initially. This goodwill was fully impaired at 30 June 2014 as a result of the declining performance of the kika-Leiner business.

The Group performed its first detailed external property valuation of the entire property portfolio as at 30 September 2017. Impairments on this property portfolio of €351 million is included in note 4 and note 9. It is likely the indicators that lead to these impairments already existed in prior periods, but the lack of formal independent valuations performed in prior periods resulted in management recognising the full impairment during the 2017 financial year.

Refer to note 9 for the impairment assessment.

Control of a special purpose entity linked to GIH

Triton V is a special purpose entity in which the Group initially had a limited interest equity ownership. Triton V is the immediate parent of GIH and received €375 million of the funding required for the kika-Leiner transaction from the Group. Without insight into all the relevant activities of the entity, management has applied reasoned judgement in concluding that Triton V was created in connection with the acquisition of kika-Leiner . Despite another entity holding a 51% voting interest in Triton V, transactions entered into were for the benefit of the Group and it emerged that the Group was managing the activities of Triton V. The Group also entered into a management contract with Triton V to provide Triton V with funding, accounting, supervisory board mandates, central treasury, consulting and services of business executives. Without access to the financial information of Triton V, management believe that Triton V was wholly funded and/or guaranteed by the Group due to the nature of the entity being a limited interest company. Management deemed it appropriate to consolidate Triton V from the date the initial investment was made as it was exposed to variable returns through its funding provided and exercised power over the entity's relevant activities as it appeared to have been set up solely for the purposes of the Group. The consolidation of Triton V however, has no impact on the results of the Group as the known net asset value consolidated in the opening balances as at 1 July 2015 is negligible following a capital reduction by Triton V during 2014. It is assumed based on the limited interest nature of Triton V, that Triton V did not enter into any activities unrelated to the Group.

Reverse acquisition reserve

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

Steinhoff N.V. was introduced as a new holding company and, as a result of the earlier consolidation of GIH, there was no change to the underlying assets of the Group when Steinhoff N.V. was incorporated as the ultimate holding company. The issued share capital of the new holding company, Steinhoff N.V., differed to the existing issued share capital of SIHPL and previously, the Group accounted for the difference as a reverse acquisition reserve. The €10.3 billion previously recognised as a reverse acquisition reserve has been netted off against share premium as at 30 September 2016.

1. Restatements *(continued)*

1.2 Correction of prior period errors (continued)

1.2.3. Accounting for group or related entities (continued)

b) POCO

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

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

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

On 30 September 2015 Steinhoff's effective interest in POCO increased from 25% to 50% as the majority of Pohlmann's interest in LiVest was swapped for Steinhoff shares. It is noted that in September 2018 Pohlmann has instituted legal proceedings to have the share swap set aside. A confidential settlement agreement was reached during the 2019 financial year and an amount was provided for in the 2017 financial year as this was considered to be an adjusting subsequent event. Refer to note 21 for details regarding the provision.

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

The restatement at 1 July 2015 consists of the recognition of a 75% non-controlling interest in POCO and the reversal of the liability and goodwill recognised in respect of the squeeze out and earlier transactions. The restatement at 30 September 2016 consists of the recognition of a 75% non-controlling interest up until 30 September 2015 and a 50% non-controlling interest up until 31 March 2017 and the reversal of the liability and goodwill recognised in respect of the squeeze out and earlier transactions. The reduction in the non-controlling interest is as a result of Pohlmann swapping his interest in LiVest for Steinhoff shares on 30 September 2015.

The original investment in POCO and the subsequent additional investments in POCO were incorrectly accounted for resulting in the incorrect recognition of goodwill of €638 million, property step ups of €118 million and brand names of €115 million recognised for discontinued brands. Management believe no third party valuations were performed at the time of the initial acquisition, and therefore reversed all step-ups in value. These reversals had an impact on the profit recognised on derecognition of POCO as a subsidiary in March 2017.

The reversals of these balances together with the recognition of a non-controlling interest of €195 million and €286 million as at 30 September 2016 and 1 July 2015, respectively resulted in a decrease in total equity of €302 million as at 30 September 2016 and €81 million as at 1 July 2015. There is no material impact to profit or loss for the period ended 30 September 2016.

Critical judgements

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

1. Restatements *(continued)*

1.2 Correction of prior period errors (continued)

1.2.3. Accounting for group or related entities (continued)

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

c) Conforama

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

The total funding required to purchase Conforama (March 2011) and to provide Conforama with working capital facilities, increased from €1.2 billion to €2 billion by 2014, with Seifert funding €299.9 million and the Group funding the remainder.

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

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

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

It is management's view that Seifert's interest was similar to a equity ownership interest in Conforama. As a result the Group has recognised a provision equal to 23.6% of Conforama's equity value on 19 January 2015 for the termination settlement amount.

The restatement resulted in an increase in net assets at 30 September 2016 and 1 July 2015 of €138 million for each restated period. There was no impact to profit or loss for the period ended 30 September 2016.

Critical judgements

The participation rights of Seifert in Conforama are part of ongoing lawsuits and are still subject to uncertainty. On the basis of information available and actions taken to date, management has concluded that a liability should be attributed to Seifert from the date of termination taking into consideration the following:

- the contribution made by Seifert in respect of the total purchase consideration of Conforama,
- the share purchase agreement implemented by the parties in 2014 that Seifert would receive a 23.6% interest in Conforama based on his contribution,
- the date of termination and therefore the settlement valuation, being January 2015 (as opposed to the date of payment in December 2016) as this is the date of cancellation of the partnership agreements where all rights attributable to Seifert would revert to the Group,
- the payment of €147 million was made by the Group for Seifert's interest in December 2016, which was based on an independent valuation of an interest of 23.6%, which reduces the financial liability, and which Seifert has recognised as a reduction in his loan receivable.

1. Restatements *(continued)*

1.2 Correction of prior period errors (continued)

1.2.3. Accounting for group or related entities (continued)

d) Brait

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

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

Critical judgement

Determination of the date when control of the shares was transferred:
Management has concluded that the sale of the shares should have been recognised in the 2017 consolidated financial statements as the sale of share agreement between the Group and Plum Tree was only signed during the 2017 financial year and the transfer of shares was during the 2017 year.

The 2016 consolidated financial statements have therefore been restated to recognise fair value adjustments in other comprehensive income rather than profit or loss, and for the full financial year eliminating the impact of the sale recognised in the 2016 financial period. As a result of a significant decline in the share price between the date on which the sale transaction had previously been recognised and the financial year-end, there has been a reduction in net assets of €96 million as at 30 September 2016. The change in classification resulted in a reduction in other income of €84 million for the period ended 30 September 2016.

Refer to note 4.2.2a in respect of the loan receivable arising from the sale of the shares.

e) BVI

Business Venture Investments 1449 (RF) Proprietary Limited ("BVI") was founded in 2011 by the senior management of Pepkor with the objective of enabling senior employees of Pepkor to share in the growth of the company over a long term by indirectly owning shares in Pepkor through the BVI structure. Pepkor granted loans to certain senior employees to enable them to buy their allocated BVI shares, but a number of employees also funded their own investments. The structure also received funding from Rand Merchant Bank ("RMB"). Companies in the Pepkor Group guaranteed the RMB funding.

BVI shares not allocated to employees were taken up by a Pepkor company with the purpose of later allocating these shares to employees joining the scheme. The Group holds a 17% (2016: 6%) shareholding in BVI.

On 20 April 2015, following the acquisition of Pepkor by the Group, the Pepkor shares held by BVI were swapped for Steinhoff shares. From 2016 when an employee wanted to exit the BVI structure, the Group would also provide a loan to BVI to fund the repurchase of its BVI shares from the employer as opposed to BVI having to sell Steinhoff shares to fund the settlement.

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

1. Restatements *(continued)*

1.2 Correction of prior period errors (continued)

1.2.3. Accounting for group or related entities (continued)

Critical judgements

Consolidation of BVI

BVI was set up solely on behalf of the employee shareholders who would benefit from the growth of the Pepkor Group and later the Steinhoff share value and allowed the employees the discretion of when to exit the structure. Since the Group's acquisition of Pepkor, it continued to act as guarantor to the RMB funding, and also facilitated the exit of employees by either providing the necessary funding to BVI or by permitting BVI to dispose of shares in order to fund the share repurchase from the employee.

Although the Group's voting rights were limited to their equity interests, management has concluded that the Group had de facto control over BVI or as a result of its exposure to variable returns linked to the funding and guarantees provided.

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

Upon consolidation, the Group recognised the Steinhoff shares held by BVI as treasury shares.

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

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

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

The impact of the consolidation of BVI has led to a reduction in net assets at 30 September 2016 of €56 million and €32 million at 1 July 2015. Non-controlling interests of €8 million and €18 million were recognised at 30 September 2016 and 1 July 2015 respectively. There is no material impact to profit or loss for the period ended 30 September 2016.

Share-based payment expense related to BVI

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

1. Restatements *(continued)*

1.2 Correction of prior period errors (continued)

1.2.3. Accounting for group or related entities (continued)

f) Habufa

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

The impact of consolidating has been reversed on a line by line basis and an equity accounted investment of €17 million (1 July 2015: €15 million) was recognised as at 30 September 2016. The restatement led to a net reduction of total assets as at 30 September 2016 of €45 million (1 July 2015: €47 million) and liabilities of €28 million (1 July 2015: €33 million).

g) JD Loan Book impairment

At 30 September 2016 an impairment of €150 million was recognised in profit or loss against the loans receivable from Fulcrum. Refer to note 1.2.7 and 4.2.2c.

1.2.4. Contributions and cash equivalents

a) TG contributions

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

Critical judgement

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

Management therefore reversed all the contributions received. The restatement resulted in a decrease in net assets at 30 September 2016 and 1 July 2015 of €1.2 billion and €845 million respectively. The profit or loss for the period decreased with €248 million.

b) Cash and cash equivalents

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

Cash and cash equivalents were overstated by €2.2 billion at 30 September 2016 and €2.3 billion at 1 July 2015. The impact of the restatements to cash and cash equivalents on the net assets is included in the reversal of contributions and transactions related to Know-how.

1. Restatements *(continued)*

1.2 Correction of prior period errors (continued)

1.2.4. Contributions and cash equivalents (continued)

c) Triton contributions

The Group recognised three annual contributions from Triton B. Also see note 1.2.5c where Triton B has been identified as a party to which a loan was provided to purchase Steinhoff shares.

The following contributions were paid in cash to the Group: €11 million in 2014, €21 million in 2015, €9 million in 2016.

Critical judgement

The contributions received in 2014 and 2015 had no impact on the restated total equity at 1 July 2015 as the contributions were received in cash with no obligation to refund these amounts. Management expects that the contributions were funded either through profits on disposal of Steinhoff shares or indirectly through loans provided by other Group entities to outside parties, which have already been impaired elsewhere by the Group. There does not appear to be any business rationale for the payment of the contributions, but as it appears as if the Group provided the necessary funding by means of loans which have already been impaired, the contributions of €9 million received in 2016 was recognised in expenses to offset against impairments recognised.

1.2.5. Share transactions

a) SSUK

Sunnyside and Sutherland UK are two entities (collectively referred to as the "SSUK") which purchased 150 million Steinhoff shares from Brait for cash during October 2015 by obtaining loan funding from the Group. The loan agreement (which was only reduced to writing in November 2016) included an option for the Group to repurchase the Steinhoff shares, which was exercised on 29 September 2016. The Steinhoff shares were sold on the same day by the Group to Upington for cash. The Group recognised the funding advanced to SSUK as a debit to treasury shares in the 2016 consolidated financial statements.

Critical judgements

There remains uncertainty with respect to the relevant activities of the SSUK entities, which are part of the Campion Group, which could extend beyond transactions with the Group, although it appears that the purpose of the entities was to hold Steinhoff shares. There is not sufficient evidence to suggest that the Group can control the activities of the entities in the absence of holding voting rights and since the repayment of the loan to the Group is dependent on the performance of the underlying Steinhoff shares, the Group is exposed to negative returns from SSUK. Management has concluded that the Group did not control these entities. The third party shareholders of SSUK are only exposed to possible upside to the extent that the value of the Steinhoff shares exceeds the funding provided by the Group. In substance, such a structure is akin to the Group issuing a call option on its own shares, and an equity-settled share-based payment expense should therefore have been recognised in the 2016 financial period. In addition, the funding advanced to SSUK should remain recognised as a debit to treasury shares until such time as the loans are repaid by exercising the in-substance option. The 2016 financial results have therefore been restated by recognising the share-based payment expense amounting to €29.7 million. Refer to note 32.2 with specific reference to SSUK1 and SSUK2. The in substance option relating to SSUK1 was exercised by 30 September 2016.

1. *Restatements* *(continued)*

1.2 Correction of prior period errors (continued)

1.2.5. Share transactions (continued)

Critical judgements (continued)

Refer to note 29.3 for details regarding the underwriting fee paid to Upington for the subscription of the SSUK shares and note 32.2a (SSUK1 and SSUK2) for more detail on the valuation methodology and assumptions applied in determining the share-based payment expense.

Interest income and commission expense were recognised in profit or loss relating to the loans granted to SSUK during 2016. Management deemed these items to have no economic substance. As the loan was settled by 30 September 2016, the interest income of €22 million and the commission expense of €8 million was reversed and recognised directly in equity.

b) Top Global

In March 2011 the Group acquired a 99.98% interest in Conforama for €1.2 billion to be settled in cash and the issue of 131.9 million Steinhoff shares. The seller renounced its rights to the Steinhoff shares to a third party, for cash.

Consequently Aureum, a wholly-owned subsidiary of Top Global, a subsidiary of the Talgarth Group, acquired the 131.9 million Steinhoff shares for €300 million. This was funded by the Group by means of a loan to Top Global.

Critical judgements

Management assumed that the repayment of the loan to Top Global was dependent on the performance of the underlying Steinhoff shares as these seemed to be the only significant assets held by Aureum. The Group was therefore exposed to negative returns from Top Global in respect of the funding it had provided, and Top Global was exposed to the possible upside to the extent the value of the Steinhoff shares exceeded the funding provided by the Group. In substance, such a structure is akin to the Group having issued a call option on its own shares. A share-based payment expense should therefore have been recognised in the period ending 30 June 2012. Accordingly, the shares held by Top Global should have been recognised as treasury shares until such time as the loan was repaid by exercising the in-substance option. As at 1 July 2015 Top Global had made a number of payments to the Group which management has allocated to the initial loan advance. As such there is no impact to the opening balance on 1 July 2015 as the option is considered to be exercised resulting from the majority settlement of the loan. This is because the share-based payment expenses recognised in retained income would have been offset by the amounts transferred from the share-based payment reserve when the options were deemed to be exercised.

Additional loan advances, unrelated to the original share purchase transaction, were made to Top Global by the Group and recognised as loan receivables, together with interest thereon. Management has concluded the receivable balance as at 30 September 2016 and 1 July 2015 were irrecoverable due to an inability to enforce repayment and an absence of guarantees. The restatement resulted in a decrease in net assets at 30 September 2016 and 1 July 2015 of €237 million and €219 million respectively.

1. *Restatements* *(continued)*

1.2 Correction of prior period errors (continued)

1.2.5. Share transactions (continued)

Critical judgements (continued)

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

c) Triton

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

- Steinhoff N.V. issued 120 million shares to Triton B for €369.6 million during the 2014 financial year, which was funded by the Group,
- Standard Bank provided a loan to Triton B of ZAR2.2 billion (€150 million), using 50 million Steinhoff shares as security,
- Standard Bank entered into a monetised collar with Triton B for these 50 million Steinhoff shares whereby Triton B would achieve price protection by selling a call option and buying a put option, in exchange Triton B ceded its rights to dividends on the Steinhoff shares over the contract term.

Critical judgements

Repayment of the loan provided by the Group for the purchase of Steinhoff shares by Triton B was dependent on the performance of the underlying shares. The Group was therefore exposed to negative returns from Triton B, whereas the third party shareholders of Triton B were only exposed to possible upside to the extent that the value of the Steinhoff shares exceeded the funding provided by the Group. In substance, such a structure is akin to the Group issuing a call option on its own shares, and an equity-settled share-based payment expense should therefore have been recognised in the 2014 financial period. In addition, the shares held by Triton B should have remained recognised as treasury shares until such time as the loan was repaid. As at 1 July 2015, Triton B has substantially settled the loan through repayments or cessions. As such there is no impact to the opening balance on 1 July 2015 as the option is considered to be exercised resulting from the majority settlement of the loan. This is because the share-based payment expenses recognised in retained income would have been offset by the amounts transferred from the share-based payment reserve when the options were deemed to be exercised.

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

1. *Restatements* *(continued)*

1.2 Correction of prior period errors (continued)

1.2.6. Consequential effects of accounting irregularities

Goodwill and brand impairment

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

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

Conforama's goodwill and brands suffered the most material impairments. Conforama's goodwill and brands were valued using a pre-tax discount rate of 10%, a 6% medium-term growth rate and a 1% long-term growth rate. A pre-tax royalty rate of 1% was applied. This led to a goodwill impairment of €803 million and a brand impairment of €775 million for Conforama at 1 July 2015.

Other impairments of goodwill related primarily to United Kingdom household goods and Australasia household goods. Goodwill was impaired by €1.2 billion in total as at 1 July 2015 with no further impact to profit or loss in the 2016 financial period.

Cumulative other impairments to brands and trademarks were primarily due to United Kingdom household goods and Lipo, and, together with Conforama, totalled €1.3 billion as at 30 September 2016 and 1 July 2015.

Reclassifications

Items included in profit or loss:

Management determined certain items included in profit or loss were incorrectly classified based on their nature. The classification corrections to the statement of profit or loss for the period ended 30 September 2016 are: Decrease to cost of sales of €452 million, decrease to distribution expenses of €378 million and an increase to administration expenses of €830 million. The net impact on the profit or loss for the period ended 30 September 2016 is zero.

Classification of debt as current

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

Netting of deferred tax

Deferred tax assets and deferred tax liabilities have been offset in the statement of financial position where the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time. This resulted in a reclassification between deferred tax liabilities and deferred tax assets of €40 million as at 30 September 2016 and €42 million as at 1 July 2015, increasing deferred tax liabilities and increasing deferred tax assets by the same amount in each period.

1. *Restatements* *(continued)*

1.2 Correction of prior period errors (continued)

1.2.6. Consequential effects of accounting irregularities (continued)

Classification and measurement of Preference Shares issued by the Group

The classification of certain preference shares previously classified as equity by the Group were reassessed based on current information available and accordingly management has classified the preference shares as a current liability as at 1 July 2015 and 30 September 2016.

The impact of reclassifying the preference shares at 30 September 2016 and 1 July 2015 is a €145.6 million decrease in preference shares classified as equity and an increase in borrowings of €135 million at 30 September 2016 and €151 million at 1 July 2015.

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

The impact of accruing unpaid and/or undeclared preference dividends at 30 September 2016 and 1 July 2015 resulted in an increase to non-controlling interests of €6 million in each period.

Taxation

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

Foreign Currency Translation Reserve ("FCTR")

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

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

Share-based payments

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

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

1. Restatements *(continued)*

1.2 Correction of prior period errors (continued)

1.2.6. Consequential effects of accounting irregularities (continued)

Share-based payments (continued)

The reversal through profit or loss for the period ended 30 September 2016 amounted to a decrease in administration expenses relating to share-based payments of €17 million and an increase in the related income tax expense of €5 million.

The reversal has no impact on the Group's net assets as 30 September 2016 or 1 July 2015.

Critical estimate

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

1.2.7 Disclosure deficiencies

a) Continuing involvement with the JD Financial Services Loan Book

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

Critical judgements

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

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

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

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

At 30 September 2016 an impairment of €150 million was recognised against the loans receivable (note 4.2.2c) and is included as part of the restatements in note 1.2.3g.

1. *Restatements* *(continued)*

1.2 Correction of prior period errors (continued)

1.2.7 Disclosure deficiencies (continued)

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

As the Group did not achieve derecognition of the financial asset, discontinued operations presented in the 2016 financial year have been represented as part of continuing operations. The impact of this is not considered material to the Group and have been grouped with the restatements in note 1.2.3.

As at 1 July 2015, the Group presented the JD Financial Services business (excluding the insurance businesses) as held-for-sale on the statement of financial position. No adjustments are made to the presentation as held-for-sale as a deal had been concluded with BNP Paribas, an external third party, for which Competition Commission approval had been obtained. Certain conditions imposed by the Competition Commission could not be fulfilled and the deal with BNP Paribas was cancelled during 2016 and replaced by the disposal to the Campion Group.

b) Related and affiliated party disclosures

Refer to notes 29 and 30 for disclosures regarding related and affiliated parties.

1. Restatements *(continued)*

IMPACT OF THE RESTATEMENTS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *as at 1 July 2015*	Previously reported 1 July 2015	Property transactions
€m		**Note 1.2.1**
ASSETS		
Non-current assets		
Goodwill	5 933	–
Intangible assets	4 022	–
Property, plant and equipment	4 224	(406)
Investment property	72	–
Investments in equity accounted companies	1 170	–
Investments and loans	493	–
Deferred taxation assets	198	–
Trade and other receivables	11	–
	16 123	(406)
Current assets		
Inventories	1 945	–
Trade and other receivables	1 343	–
Investments and loans	656	–
Cash and cash equivalents	2 794	–
	6 738	–
Assets and disposal groups held-for-sale	248	–
Total assets	23 109	(406)
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary share capital	1 826	–
Ordinary share premium	6 641	–
Other reserves	(434)	(4)
Retained income/(accumulated loss)	4 877	(402)
Total equity attributable to owners of Steinhoff N.V.	12 910	(406)
Non-controlling interests	518	–
Total equity	13 428	(406)
Non-current liabilities		
Interest-bearing loans and borrowings	4 152	–
Employee benefits	78	–
Deferred taxation liabilities	1 001	–
Provisions	216	–
Trade and other payables	68	–
	5 515	–
Current liabilities		
Trade and other payables	3 416	–
Employee benefits	86	–
Provisions	96	–
Interest-bearing loans and borrowings	431	–
Bank overdrafts and short-term facilities	137	–
	4 166	–
Total equity and liabilities	23 109	(406)

Intangible asset transactions	Accounting for Group or related entities	Contributions and 'cash equivalents'	Share transactions	Consequential effects of accounting irregularities	Restated 1 July 2015
Note 1.2.2	Note 1.2.3	Note 1.2.4	Note 1.2.5	Note 1.2.6	
–	(638)	–	–	(1 242)	**4 053**
(532)	36	–	–	(1 342)	**2 184**
(820)	214	–	–	26	**3 238**
–	–	–	–	24	**96**
–	14	–	–	–	**1 184**
(350)	(32)	–	–	–	**111**
–	(11)	–	–	42	**229**
–	–	–	–	–	**11**
(1 702)	(417)	–	–	(2 492)	**11 106**
–	155	–	–	(64)	**2 036**
(101)	55	(468)	–	(44)	**785**
(39)	(177)	–	(219)	–	**221**
(1 936)	36	(377)	–	–	**517**
(2 076)	69	(845)	(219)	(108)	**3 559**
–	–	–	–	–	**248**
(3 778)	(348)	(845)	(219)	(2 600)	**14 913**
–	(10)	–	–	–	**1 816**
–	(40)	–	–	–	**6 601**
2	34	–	–	(67)	**(469)**
(4 106)	(454)	(845)	(219)	(2 331)	**(3 480)**
(4 104)	(470)	(845)	(219)	(2 398)	**4 468**
–	289	–	–	(141)	**666**
(4 104)	(181)	(845)	(219)	(2 539)	**5 134**
–	231	–	–	(4 383)	**–**
–	61	–	–	–	**139**
–	17	–	–	(277)	**741**
–	8	–	–	12	**236**
–	11	–	–	(8)	**71**
–	328	–	–	(4 656)	**1 187**
326	(733)	–	–	65	**3 074**
–	15	–	–	–	**101**
–	164	–	–	3	**263**
–	52	–	–	4 527	**5 010**
–	7	–	–	–	**144**
326	(495)	–	–	4 595	**8 592**
(3 778)	(348)	(845)	(219)	(2 600)	**14 913**

1. Restatements *(continued)*

IMPACT OF THE RESTATEMENTS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *as at 30 September 2016*	Previously reported 30 September 2016	Initial accounting for business combination
€m		Note 1.1
ASSETS		
Non-current assets		
Goodwill	**9 157**	323
Intangible assets	**7 351**	23
Property, plant and equipment	**5 074**	(46)
Investment property	**62**	–
Investments in equity accounted companies	**1 744**	–
Investments and loans	**267**	–
Deferred taxation assets	**226**	7
Trade and other receivables	**21**	–
	23 902	307
Current assets		
Inventories and vehicle rental fleet	**2 715**	(20)
Trade and other receivables	**1 714**	(12)
Investments and loans	**989**	–
Cash and cash equivalents	**2 861**	–
	8 279	(32)
Total assets	**32 181**	275
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary share capital	**2 122**	–
Ordinary share premium	**18 931**	–
Other reserves	**(11 917)**	(2)
Retained income/(accumulated loss)	**6 286**	–
Total equity attributable to owners of Steinhoff N.V.	**15 422**	(2)
Non-controlling interests	**545**	–
Total equity	**15 967**	(2)
Non-current liabilities		
Interest-bearing loans and borrowings	**7 142**	–
Employee benefits	**184**	–
Deferred taxation liabilities	**2 094**	(2)
Provisions	**491**	186
Trade and other payables	**86**	–
	9 997	184
Current liabilities		
Trade and other payables	**4 894**	32
Employee benefits	**140**	1
Provisions	**263**	60
Interest-bearing loans and borrowings	**274**	–
Bank overdrafts and short-term facilities	**646**	–
	6 217	93
Total equity and liabilities	**32 181**	275

Property transactions	Intangible asset transactions	Accounting for Group or related entities	Contributions and 'cash equivalents'	Share transactions	Consequential effects of accounting irregularities	Restated 30 September 2016
Note 1.2.1	Note 1.2.2	Note 1.2.3	Note 1.2.4	Note 1.2.5	Note 1.2.6	
–	(558)	(636)	–	–	(1 108)	**7 178**
–	(2 168)	(347)	–	–	(1 315)	**3 544**
(429)	(820)	(53)	–	–	47	**3 773**
–	–	–	–	–	25	**87**
–	(384)	17	–	–	2	**1 379**
–	–	(69)	–	–	–	**198**
–	–	–	–	–	54	**287**
–	–	–	–	–	(1)	**20**
(429)	(3 930)	(1 088)	–	–	(2 296)	**16 466**
–	–	(28)	–	–	(73)	**2 594**
–	(36)	(55)	(499)	–	(37)	**1 075**
–	(341)	(205)	–	(241)	–	**202**
–	(1 494)	–	(680)	–	–	**687**
–	(1 871)	(288)	(1 179)	(241)	(110)	**4 558**
(429)	(5 801)	(1 376)	(1 179)	(241)	(2 406)	**21 024**
–	–	(10)	–	–	–	**2 112**
–	–	(10 368)	–	(4)	–	**8 559**
10	21	10 281	–	2	229	**(1 376)**
(439)	(5 119)	(663)	(1 168)	(239)	(2 453)	**(3 795)**
(429)	(5 098)	(760)	(1 168)	(241)	(2 224)	**5 500**
–	–	186	–	–	(141)	**590**
(429)	(5 098)	(574)	(1 168)	(241)	(2 365)	**6 090**
–	–	–	–	–	(7 142)	**–**
–	–	–	–	–	–	**184**
–	(617)	(18)	–	–	(262)	**1 195**
–	–	(190)	–	–	15	**502**
–	–	–	–	–	–	**86**
–	(617)	(208)	–	–	(7 389)	**1 967**
–	(86)	(770)	(11)	–	76	**4 135**
–	–	–	–	–	–	**141**
–	–	162	–	–	3	**488**
–	–	27	–	–	7 269	**7 570**
–	–	(13)	–	–	–	**633**
–	(86)	(594)	(11)	–	7 348	**12 967**
(429)	(5 801)	(1 376)	(1 179)	(241)	(2 406)	**21 024**

1. Restatements *(continued)*

IMPACT OF THE RESTATEMENTS ON THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *for the period ended 30 September 2016*	Previously reported Fifteen months ended 30 September 2016	Property transactions
€m		Note 1.2.1
Revenue	16 439	–
Cost of sales	(10 486)	–
Gross profit	5 953	–
Operating income	441	–
Distribution expenses	(770)	–
Administration expenses	(3 821)	(26)
Other expenses	(10)	(15)
Operating profit	1 793	(41)
Finance costs	(443)	–
Income from investments	248	–
Share of profit of equity accounted companies	87	–
Profit/(loss) before taxation	1 685	(41)
Taxation	(238)	–
Profit/(loss) for the period	1 447	(41)
Loss from discontinued operations	(5)	–
Profit/(loss) for the period	1 442	(41)
Profit/(loss) attributable to:		
Owners of Steinhoff N.V.	1 437	(41)
Non-controlling interests	5	–
Profit/(loss) for the period	1 442	(41)
Impact on earnings/(loss) per share (cents)	Cents	Cents
Basic earnings/(loss) per share	37.8	(1.1)
	Million	Million
Impact on weighted average number of shares		
Weighted average number of shares for basic earnings per share	3 726	–

STEINHOFF INTERNATIONAL HOLDINGS N.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2017
continued

Intangible asset transactions	Accounting for Group or related entities	Contributions and 'cash equivalents'	Share transactions	Consequential effects of accounting irregularities	Restated Fifteen months ended 30 September 2016
Note 1.2.2	Note 1.2.3	Note 1.2.4	Note 1.2.5	Note 1.2.6	
(534)	249	(24)	–	–	**16 130**
–	(86)	(64)	–	452	**(10 184)**
(534)	163	(88)	–	452	**5 946**
(25)	(16)	(56)	(9)	(56)	**279**
–	7	–	–	378	**(385)**
(393)	(236)	(144)	17	(717)	**(5 320)**
13	(176)	–	(32)	(22)	**(242)**
(939)	(258)	(288)	(24)	35	**278**
–	4	–	–	(13)	**(452)**
(89)	(1)	(13)	(38)	(46)	**61**
–	2	–	–	–	**89**
(1 028)	(253)	(301)	(62)	(24)	**(24)**
15	8	13	–	(11)	**(213)**
(1 013)	(245)	(288)	(62)	(35)	**(237)**
–	5	–	–	–	**–**
(1 013)	(240)	(288)	(62)	(35)	**(237)**
(1 013)	(259)	(288)	(62)	(53)	**(279)**
–	19	–	–	18	**42**
(1 013)	(240)	(288)	(62)	(35)	**(237)**
Cents	Cents	Cents	Cents	Cents	Cents
(27.5)	(5.9)	(7.8)	(1.7)	(1.4)	**(7.6)**
Million	Million	Million	Million	Million	Million
–	(48)	–	–	–	**3 678**

1. Restatements *(continued)*

IMPACT OF THE RESTATEMENTS ON THE CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE LOSS *for the period ended 30 September 2016*	Previously reported Fifteen months ended 30 September 2016	Property transactions
€m		**Note 1.2.1**
Profit/(loss) for the period	**1 442**	(41)
Other comprehensive loss		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains on defined benefit plans	**(37)**	–
Deferred taxation	**6**	–
	(31)	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(924)**	13
Income tax on exchange differences on translation of foreign operations	**–**	–
Net fair value loss on cash flow hedges and other fair value reserves	**(48)**	–
Income tax on fair value loss on cash flow hedges and other fair value reserves	**11**	–
Release of foreign currency translation reserve to profit or loss on disposal of investment	**(4)**	–
Other comprehensive income/(loss) of equity accounted companies, net of deferred taxation	**–**	–
	(965)	13
Total other comprehensive loss for the period	**(996)**	13
Total comprehensive income/(loss) for the period	**446**	(28)
Total comprehensive income/(loss) attributable to:		
Owners of Steinhoff N.V.	**440**	(28)
Non-controlling interests	**6**	–
Total comprehensive income/(loss) for the period	**446**	(28)

Where management could allocate restatements to other comprehensive income, these have been included in the relevant restatement categories, otherwise such restatements to other comprehensive income, have been allocated in the restatement category "Consequential effects of accounting irregularities". (Note 1.2.6)

Intangible asset transactions	Accounting for Group or related entities	Contributions and 'cash equivalents'	Share transactions	Consequential effects of accounting irregularities	Restated Fifteen months ended 30 September 2016
Note 1.2.2	Note 1.2.3	Note 1.2.4	Note 1.2.5	Note 1.2.6	
(1 013)	(240)	(288)	(62)	(35)	**(237)**
–	(1)	–	–	–	**(38)**
–	–	–	–	–	**6**
–	(1)	–	–	–	**(32)**
18	40	–	–	103	**(750)**
–	–	–	–	22	**22**
–	(5)	–	–	–	**(53)**
–	–	–	–	–	**11**
–	–	–	–	–	**(4)**
–	–	–	–	–	**–**
18	35	–	–	125	**(774)**
18	34	–	–	125	**(806)**
(995)	(206)	(288)	(62)	90	**(1 043)**
(995)	(226)	(288)	(62)	84	**(1 075)**
–	20	–	–	6	**32**
(995)	(206)	(288)	(62)	90	**(1 043)**

1. Restatements *(continued)*

IMPACT OF THE RESTATEMENTS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS *for the period ended 30 September 2016*	Previously reported Fifteen months ended 30 September 2016 €m	Impact of restatements on cash flow €m	Restated Fifteen months ended 30 September 2016 €m
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**2 035**	(1 037)	**998**
Net movements in instalment sale and loan receivables	**(24)**	24	**–**
Dividends received	**23**	–	**23**
Ordinary dividends paid	**(141)**	5	**(136)**
Preference dividends paid	**(24)**	5	**(19)**
Interest received	**244**	(191)	**53**
Interest paid	**(430)**	(10)	**(440)**
Taxation paid	**(208)**	(14)	**(222)**
Net cash inflow from operating activities	**1 475**	(1 218)	**257**
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	**(520)**	(55)	**(575)**
Additions to intangible assets	**(167)**	133	**(34)**
Proceeds on disposal of property, plant and equipment and intangible assets	**47**	(22)	**25**
Acquisition of subsidiaries and businesses, net of cash on hand at acquisition	**(2 926)**	(12)	**(2 938)**
Net movement in investments and loans	**(398)**	184	**(214)**
Net increase in investments in equity accounted companies	**(221)**	–	**(221)**
Net cash outflow from investing activities	**(4 185)**	228	**(3 957)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of ordinary shares issued	**1 683**	5	**1 688**
Share issue expenses	**(14)**	–	**(14)**
Proceeds from disposal of treasury shares	**–**	754	**754**
Increase in treasury shares	**(3)**	(942)	**(945)**
Shares bought from non-controlling interests	**(76)**	(42)	**(118)**
Proceeds of preference shares issued	**33**	–	**33**
Increase in bank overdrafts and shot-term facilities	**489**	(6)	**483**
Net movements in borrowings	**(1 416)**	1 238	**(178)**
Proceeds from issue of convertible bonds, net of transaction costs	**2 202**	–	**2 202**
Net cash inflow from financing activities	**2 898**	1 007	**3 905**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**188**	17	**205**
Effects of exchange rate translations on cash and cash equivalents	**(121)**	86	**(35)**
Cash and cash equivalents at beginning of the period	**2 794**	(2 277)	**517**
Impact of the restatements on the cash and cash equivalents balances:			
Intangible asset transactions (note 1.2.2)		(1 936)	
Accounting for Group or related entities (note 1.2.3)		36	
Contributions and cash equivalents (note 1.2.4)		(377)	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2 861**	(2 174)	**687**

2. *Segment information*

The Group determined the Management Board to be the chief operating decision-maker ("CODM") for all periods under review.

As a result of restatements arising from the correction of prior period errors, the Group had to reconsider the presentation of its segments since the quantitative thresholds in respect of IFRS 8: Operating Segments were no longer met. The aggregation of certain operating segments would not provide meaningful disclosures and therefore the Group has disclosed the following reportable segments in respect of 2017 and has restated the segment disclosures of 2016 accordingly:

The CODM examines the Group's performance, both from a product and geographical perspective, and has identified the following 11 reportable segments of its business based on how information is accumulated and reported to the CODM:

- Conforama
  Conforama operates furniture retail stores across Europe with the majority of its stores in France, Switzerland, Italy and Iberica. This segment includes the Conforama property portfolio. The CODM monitors the performance of Conforama on a consolidated basis.
- European Retail Management ("ERM")
  The ERM segment comprises the retail stores of kika-Leiner, Abra, POCO (prior to the deconsolidation of POCO) and the online retailer, Extreme Digital. The retail stores are mainly located in Austria, Germany, Poland and central and eastern Europe. The CODM reviews the performance of these entities on a consolidated basis due to the similarity in their target markets and the similarities in furniture type, geographical proximity and forming part of the discount retail market.
- Mattress Firm
  This segment includes the retail stores of Mattress Firm located in the United States of America, America's largest mattress retailer, as well as the vertically integrated bedding manufacturer Sherwood. Sherwood is an American manufacturer which sells the majority of its manufactured stock to Mattress Firm. The CODM monitors the performance of Mattress Firm and Sherwood on a consolidated basis.
- European Manufacturing, Sourcing and Logistics
  This segment includes the European (excluding the UK) manufacturing, sourcing and logistics businesses of the group. These businesses manufacture furniture, kitchen and bathroom fittings and are primarily based in Poland and Germany. The CODM reviews the performance of the more material manufacturing, sourcing and logistics business but these have been aggregated, as none are individually material, and aggregation is appropriate due to the similar nature of their operations (business-to-business) and their role in the Group's supply chain.
- European Properties (Hemisphere)
  The European property portfolio comprises office, retail and warehouse space. A large part of the portfolio relates to the kika-Leiner properties situated in Austria. The majority of the properties are occupied by Group companies. This segment excludes the Conforama property portfolio.

2. *Segment information* *(continued)*

- Pepkor Europe
  This segment comprises the general merchandise retail business of Pepco (operating in Poland and central and eastern Europe) and Poundland (operating mostly in the United Kingdom and Republic of Ireland). Performance of these businesses are reviewed together as Pepkor Europe by the CODM.
- Australasia (Greenlit Brands)
  The Australasia segment comprises the household goods and general merchandise retailers based in Australasia (majority of the retail stores are in Australia). Major brands include Fantastic, Freedom and Best and Less.
- Pepkor (previously STAR)
  The Pepkor Group (previously STAR group) successfully listed on the JSE on 20 September 2017. Revenue in Pepkor is derived from a portfolio of retail chains focused on selling predominantly clothing, footwear, textiles, cell phones, airtime and fast moving consumer goods ("FMCG"). Pepkor also operates Building Supplies and Furniture divisions, where revenue is derived from sales of DIY ("do-it-yourself") building supplies and materials and furniture and appliances. The Pepkor Group operates within Africa and the majority of its revenue is derived from South Africa. The CODM monitors the performance of this listed group on a consolidated basis.
- Automotive
  Automotive business comprises sales of vehicles through dealership networks as well as car rental services. Automotive operates in Southern Africa but predominantly within South Africa. The CODM reviews the performance of the Automotive group as a whole and not on a regional basis or business unit basis.
- Corporate and treasury services
  Steinhoff N.V.'s various global corporate offices provide strategic direction and services to the decentralised operations globally. Activities include management of regulator and stakeholder engagement processes, negotiating funding and identifying and implementing corporate activities. The majority of related and affiliated party funding was granted from the corporate offices, resulting in material impairments in the period under review.
- All other segments
  Included in 'All other segments' are operating segments that did not meet the requirements of a reportable segment per IFRS 8 as they are neither material in size nor unique in their location or product line. Included in this category are the businesses of Lipo (operating from Switzerland), Africa Properties and the UK retail and manufacturing businesses.

Disposals and restructurings of material subsidiaries took place during the 2018 and 2019 financial reporting periods impacting the ERM, Automotive, Mattress Firm, Conforama, European properties and European manufacturing segments. Refer to note 34 for further details.

Measures reported to the CODM

Revenue
Segment revenue excludes value added taxation. Intersegment revenue is eliminated in the segment from which it was sold. Sales between segments are made on an arm's length basis.

Segment revenue has been restated for the effects of TG contributions and intangible asset transactions. Refer to note 1.2.

Conforama, ERM and the UK (included in All other segments) were materially impacted by the TG contribution restatements. The European Manufacturing, Sourcing and Logistics segment was impacted by the intangible asset transaction restatements.

2. Segment information *(continued)*

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

	Twelve months ended 30 September 2017			Restated Fifteen months ended 30 September 2016		
Segment revenue	**Total segment revenue €m**	**Intersegment revenue €m**	**Revenue from external customers €m**	**Total segment revenue €m**	**Intersegment revenue €m**	**Revenue from external customers €m**
Conforama	**3 472**	**–**	**3 472**	4 379	–	4 379
ERM	**1 858**	**97**	**1 761**	2 817	49	2 768
Mattress Firm	**2 994**	**–**	**2 994**	–	–	–
European Manufacturing, Sourcing and Logistics	**560**	**227**	**333**	612	227	385
European Properties (Hemisphere)	**120**	**109**	**11**	156	144	12
Pepkor Europe	**2 796**	**–**	**2 796**	813	–	813
Australasia (Greenlit Brands)	**1 297**	**12**	**1 285**	1 175	–	1 175
Pepkor (previously STAR)	**3 910**	**–**	**3 910**	3 816	–	3 816
Automotive	**1 376**	**25**	**1 351**	1 531	4	1 527
Corporate and treasury services	**50**	**48**	**2**	12	11	1
All other segments	**939**	**36**	**903**	1 350	96	1 254
	19 372	**554**	**18 818**	16 661	531	16 130

Revenues from external customers – by geography	**Twelve months ended 30 September 2017 €m**	**Restated Fifteen months ended 30 September 2016 €m**
The entity is domiciled in the Netherlands. Negligible revenues are generated by the Group's Netherlands operations and therefore none are disclosed. The Group is a global retailer and operates within many geographies. The amount of its revenue from external customers is presented below based on the geographies that contribute materially to the Group's revenue.		
USA	**2 994**	–
France	**2 255**	2 986
Poland	**655**	606
United Kingdom	**2 346**	1 009
Australasia	**1 285**	1 175
South Africa	**5 115**	5 187
Rest of Europe	**4 013**	4 937
Rest of Africa	**155**	230
	18 818	16 130

2. *Segment information* *(continued)*

Operating performance measures

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

Operating profit or loss before depreciation and amortisation adjusted for one-off or exceptional items ("EBITDA")

Segment performance is measured on operating profit before depreciation, amortisation and one-off and exceptional items as included in note 4.2.

Segment expenses include distribution expenses and administration expenses.

EBITDA reconciles to the operating (loss)/profit per statement of profit or loss as follows:	Notes	Twelve months ended 30 September 2017 €m	Restated Fifteen months ended 30 September 2016 €m
Operating (loss)/profit per statement of profit or loss		**(3 676)**	278
Depreciation and amortisation	4.3.1	**419**	355
Other expenses considered one-off or exceptional	4.2	**3 995**	242
EBITDA per segment reporting		**738**	875
EBITDA per segment:			
Conforama		**145**	225
ERM		**(17)**	81
Mattress Firm		**(71)**	–
European Manufacturing, Sourcing and Logistics		**12**	14
European Properties (Hemisphere)		**97**	114
Pepkor Europe		**219**	79
Australasia (Greenlit Brands)		**54**	12
Pepkor (previously STAR)		**466**	324
Automotive		**59**	60
Corporate and treasury services		**(229)**	(5)
All other segments		**3**	(29)
		738	875

2. Segment information *(continued)*

Operating profit or loss adjusted for one-off or exceptional items ("EBIT")

Segment performance is measured on operating profit before one-off and exceptional items and represents segment revenue less segment expenses, excluding one-off and exceptional items included in note 4.2.

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

EBIT reconciles to the operating (loss)/profit per statement of profit or loss as follows:	Note	Twelve months ended 30 September 2017 €m	Restated Fifteen months ended 30 September 2016 €m
Operating (loss)/profit per statement of profit or loss		**(3 676)**	278
Other expenses considered one-off or exceptional	4.2	**3 995**	242
EBIT per segment reporting		**319**	520
EBIT per segment:			
Conforama		**90**	152
ERM		**(50)**	33
Mattress Firm		**(162)**	–
European Manufacturing, Sourcing and Logistics		**2**	5
European Properties (Hemisphere)		**53**	61
Pepkor Europe		**168**	57
Australasia (Greenlit Brands)		**30**	(13)
Pepkor (previously STAR)		**401**	253
Automotive		**43**	44
Corporate and treasury services		**(231)**	(4)
All other segments		**(25)**	(68)
		319	520

Segmental assets

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

Debt is primarily raised through certain Group companies that function as treasury companies for the Group. The purpose of the debt or the company in which the debt is raised determines the debt cluster to which the debt, cash and cash equivalents and related finance costs and investment income is allocated. These debt clusters are then reviewed by the CODM. Debt clusters are not consistent with reportable segments.

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

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

2. Segment information *(continued)*

Reconciliation between total assets per statement of financial position and segmental assets	30 September 2017 €m	Restated 30 September 2016 €m
Total assets per statement of financial position	**17 501**	21 024
Less: Cash and cash equivalents	**(723)**	(687)
Less: Investments in equity accounted companies	**(2 055)**	(1 379)
Less: Long-term investments and loans	**(106)**	(198)
Less: Short-term investments and loans	**(107)**	(202)
Segmental assets	**14 510**	18 558
Segmental assets:		
Conforama	**2 019**	2 145
ERM	**360**	1 031
Mattress Firm	**1 336**	4 699
European Manufacturing, Sourcing and Logistics	**153**	138
European Properties (Hemisphere)	**954**	1 209
Pepkor Europe	**2 658**	2 641
Australasia (Greenlit Brands)	**816**	600
Pepkor (previously STAR)	**5 168**	5 005
Automotive	**415**	408
Corporate and treasury services	**81**	140
All other segment	**550**	542
	14 510	18 558

2. *Segment information* *(continued)*

Segmental non-current assets

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

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

Reconciliation between non-current assets per statement of financial position and segmental assets	30 September 2017 €m	Restated 30 September 2016 €m
Total non-current assets per statement of financial position	**13 060**	16 466
Less: Deferred taxation assets	**(221)**	(287)
Less: Long-term investments and loans (financial assets)	**(106)**	(198)
Less: Derivative financial instruments	–	(19)
Segmental non-current assets	**12 733**	15 962

	30 September 2017 Segmental non-current assets €m	30 September 2016 Segmental non-current assets €m
Africa	**5 833**	5 674
Europe (including the United Kingdom and Australasia)	**5 896**	5 987
USA	**1 004**	4 301
	12 733	15 962

3. Revenue

The group derives the following types of revenue:	Twelve months ended 30 September 2017 €m	Restated Fifteen months ended 30 September 2016 €m
Merchandise sales	**17 160**	14 266
Vehicle, part and service sales and vehicle rental (Automotive only)	**1 340**	1 514
Financial services revenue (Finance charges, initiation fees, insurance income)	**219**	266
Other revenue	**99**	84
Total revenue	**18 818**	16 130

Recognising revenue from major business activities

Revenue comprises the fair value of the consideration received or receivable for the sale of merchandise from ordinary operating activities of the Group, net of value added tax, rebates and discounts and after eliminating sales within the Group.

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

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

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

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

Merchandise sales

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

Vehicle, part and service sales and vehicle rental

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

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

Financial services revenue

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

4. *Material items included in profit or loss and breakdown of expenses by nature*

	Note	Twelve months ended 30 September 2017 €m	Restated Fifteen months ended 30 September 2016 €m
4.1 Other income			
The material items included in other income relate mainly to commissions received on ancillary services provided by the Automotive segment and Pepkor.			
4.2 Other expenses			
The Group has identified a number of one-off or exceptional items, which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.			
4.2.1 Impairment			
Goodwill	8	**2 736**	17
Intangible assets	8	**673**	25
Property, plant and equipment	9	**521**	26
Impairment losses on held-for-sale assets	1.2.7	**–**	8
Other		**–**	1
		3 930	77
4.2.2 Impairment of individually material financial assets			
a) Brait/Fulcrum UK		**91**	–
Refer to note 1.2.3 d for details regarding the origin of this transaction. The sale of Brait shares to Plum Tree was funded by the Group via a loan to Fulcrum UK (both companies are part of the Campion Group). The Brait share price has declined significantly since the sale of the shares and the outstanding loan was without security and granted to a different entity than the one holding the Brait shares. Management is aware of a loan arrangement between Fulcrum UK and Plum Tree, and as such the Group considered the recovery of the loan to be linked to the value of the Brait shares held by Plum Tree. The carrying amount of the loan granted has therefore been impaired to the value of the Brait shares held by Plum Tree. (note 11.1)			
b) Top Global		**12**	2
Refer to note 1.2.5 b for details regarding the origin of this loan balance. This loan was advanced without any form of security. Insufficient information is available to perform a recoverability test. Management has deemed it appropriate to reverse any interest income recognised as income from investments in profit or loss relating to these loans and to fully impair the loan receivable.			
c) Fulcrum (Wands) look through		**–**	150
Refer to note 1.2.7 for details regarding the origins of this loan balance. The impairment assessment for this balance has been based on a look-through principle to the Loan Book, considering the provisions/write-offs on the Loan Book, the potential of the other operations of the purchaser to contribute to the settlement of the loan and the fact that the loan is unsecured.			
		103	152
4.2.3 Foreign currency translation reserve reclassified to profit or loss on disposal of investment		**–**	(4)
4.2.4 Share-based payments – equity-settled relating to loans granted	32.1	**13**	30
Refer to note 32 for details regarding the share-based payment expense recognised in relation to loans granted to third parties to purchase Steinhoff shares.			

4. *Material items included in profit or loss and breakdown of expenses by nature* (continued)

	Note	Twelve months ended 30 September 2017 €m	Restated Fifteen months ended 30 September 2016 €m
4.2 Other expenses (continued)			
4.2.5 Loss on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet		43	57
4.2.6 (Gain)/loss on sale and partial sale of investments			
Fair value gains on available-for-sale assets reclassified to profit upon disposal		(11)	(37)
During the period POCO was derecognised as an investment in subsidiary and the remaining interest in POCO was recognised at fair value of €302 million. Refer to note 10. A profit of €89 million was recognised on the step down from a subsidiary to an equity accounted investment.		(89)	–
Other		6	(12)
		(94)	(49)
4.2.7 Gain on bargain purchase		–	(21)
In the prior period the purchase of 25% of the Bud Group (previously IEP Group) resulted in a gain on bargain purchase recognised in profit or loss. Refer to note 10 for disclosure regarding the carrying amount of the equity accounted investment in the Bud Group.			
TOTAL OTHER EXPENSES		3 995	242

4.3 Operating expenses by nature

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

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

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

4.3.1 Depreciation and amortisation

	Note	Twelve months ended 30 September 2017 €m	Restated Fifteen months ended 30 September 2016 €m
Depreciation	9	371	329
Amortisation	8	48	26
		419	355
Included in distribution and administration expenses		402	336
Included in cost of sales		17	19
		419	355

4.3.2 Auditor's remuneration

	Note	Twelve months ended 30 September 2017 €m	Restated Fifteen months ended 30 September 2016 €m
Audit fees		14	11
Expenses and fees for other services		3	4
Overprovision in prior period		(1)	–
		16	15

Audit fees for 2017 includes accrual for normal audit fees expected at 30 September 2017. It does not include extraordinary fees incurred during the 2018 financial year to re-audit and complete the 2017 audit.

4. *Material items included in profit or loss and breakdown of expenses by nature* *(continued)*

	Note	Twelve months ended 30 September 2017 €m	Restated Fifteen months ended 30 September 2016 €m
4.3 Operating expenses by nature (continued)			
4.3.3 Employee benefit expenses			
Salaries and wages		**3 319**	2 383
Share-based payments – equity-settled	32	**–**	17
Share-based payments – cash-settled	20	**20**	–
Contributions to defined benefit plans (post-retirement benefit expenses)		**6**	2
Contributions to defined contribution plans (post-retirement benefit expenses)		**22**	28
		3 367	2 430
The Group's manufacturing entities do not comprise a material part of the business and any employee benefit expense included in cost of sales is not considered material.			
4.3.4 Net foreign exchange (gains)/losses			
Net (gain)/loss on forward exchange contracts		**(14)**	71
Net loss/(gain) on conversion of monetary assets – realised		**168**	(33)
Net gain on conversion of monetary assets – unrealised		**(156)**	(19)
		(2)	19
4.3.5 Fair value losses/(gains) (excluding forward exchange contracts)			
Fair value adjustment on financial assets through profit or loss	19	**20**	(45)
4.3.6 Operating lease charges – properties			
Rental of properties	22.2	**1 271**	861
4.3.7 Operating lease charges – other			
Leases of plant, equipment, vehicles and other	22.2	**47**	33
4.3.8 Other distribution and administration expenses		**2 499**	2 056
TOTAL DISTRIBUTION AND ADMINISTRATION EXPENSES		**7 620**	5 705

5. *Finance costs and income from investments*

	Costs €m	Income €m	Net income /(costs) €m
Twelve months ended 30 September 2017			
Dividends received	**–**	**8**	**8**
Finance costs and income			
(Bank overdrafts)/Cash and cash equivalents	**(87)**	**16**	**(71)**
Convertible bonds	**(76)**	**–**	**(76)**
Instalment sale agreements	**(23)**	**–**	**(23)**
Loans	**(172)**	**9**	**(163)**
Other*	**(82)**	**22**	**(60)**
	(440)	**55**	**(385)**
Restated fifteen months ended 30 September 2016			
Dividends received	–	2	2
Finance costs and income			
(Bank overdrafts)/Cash and cash equivalents	(40)	15	(25)
Convertible bonds	(94)	–	(94)
Instalment sale agreements	(29)	–	(29)
Loans	(177)	22	(155)
Other*	(112)	22	(90)
	(452)	61	(391)

** Included in 'Other' is interest of €6 million (2016: €4 million) on the loan receivable from Fulcrum. Refer to note 11 and note 30.*

Interest income, finance costs and other finance income and costs

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

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

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

6. Taxation

Steinhoff N.V. is a South African tax resident.

For periods ending 30 September 2017 and 30 September 2016 the corporate taxation rate in South Africa is 28%. Capital gains is taxed at 22.4% (changed from 18.6% to 22.4% in the prior period).

Current taxation

Included within the tax charge are charges relating to:

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

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

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

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

Deferred taxation

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

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

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

Temporary differences have arisen as a result of the translation of the consolidated financial statements of the Group's subsidiaries. A deferred tax liability has not been recognised as the liability will only crystallise in the event of disposal of the subsidiary and no such disposal was expected at the end of the reporting period.

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

Significant accounting estimate and judgements

Uncertain tax positions

There is uncertainty regarding the tax impact of the accounting irregularities given their nature. A comprehensive tax review of the consequences of these accounting irregularities across all the relevant jurisdictions remains in progress and has not been completed. This could result in further restatements.

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

The tax position of the single entities impacted by the restatement is still uncertain in multiple jurisdictions. Due to the uncertainty associated with such tax items, there is a possibility that the final outcome may differ significantly from the current estimate.

6. Taxation *(continued)*

Significant accounting estimate and judgments (continued)

Uncertain tax positions (continued)

The Group is currently subject to ongoing general transfer pricing investigation by tax authorities in various jurisdictions. 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 inappropriate or that income of a division of the Group should be taxed in that jurisdiction, the Group may incur increased tax liability, including accrual of interest and penalties which can cause the Group's tax expense to increase.

The Group operates in numerous jurisdictions, resulting in transfer pricing being an important consideration, both at a Group and entity level. The Group is currently in the process of performing a transfer pricing review.

Due to the number of jurisdictions in which the Group operates, there may be uncertainty in respect of the place of effective management of certain individual Group entities. Although the level of risk is difficult to assess this may result in a potential future outflow of resources. The Group is currently addressing this risk in consultation with advisors.

The Group is currently being investigated by Austrian and German tax authorities which may result in a potential outflow of resources. The Group is currently addressing this risk in consultation with its advisors.

Recoverability of deferred tax assets

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

6. Taxation *(continued)*

	Twelve months ended 30 September 2017 €m	Restated Fifteen months ended 30 September 2016 €m
6.1 Income tax expense recognised in profit or loss		
Major components of the tax expense:		
Current tax		
Income tax		
Current period	**162**	251
Prior period adjustments	**5**	9
Capital gains tax	**–**	21
Withholding tax	**8**	12
	175	293
Deferred taxation		
Originating and reversing temporary differences – current period	**(365)**	(118)
Changes in taxation rates	**54**	37
Adjustments relating to prior period	**1**	1
	(310)	(80)
Total taxation (income)/expense recognised in profit or loss	**(135)**	213
Reconciliation of rate of taxation		
Loss before income tax	**(4 129)**	(24)
South African standard rate of taxation at 28%	**1 156**	7
Effect of different statutory taxation rates of subsidiaries in other jurisdictions[1]	**161**	197
Withholding taxes	**(8)**	(12)
Effect of non-deductible expenses relating to one-off or exceptional items (prior year: restatements)[2]	**(1 137)**	(429)
Effect of non-deductible expenses and tax exempt income	**113**	137
Utilisation of previously unrecognised tax losses and temporary differences[3]	**54**	56
Unrecognised tax losses[4]	**(202)**	(152)
Effect of profit of equity accounted companies	**30**	24
Prior period adjustments	**(6)**	(10)
Change in rate adjustments	**(54)**	(37)
Previously unrecognised tax losses raised[5]	**38**	–
Other reconciling items	**(10)**	6
Total taxation income/(expense) recognised in profit or loss	**135**	(213)

[1] *The foreign tax rate differential relates predominantly to Mattress Firm and the corporate tax rate in the USA of 35%.*
[2] *Refer to note 4.2.1. This amount represents the tax effect of the one-off or exceptional items.*
[3] *Previously unrecognised tax losses were utilised by the Conforama group in Switzerland, Spain and Italy.*
[4] *The unrecognised tax losses relate predominantly to Mattress Firm, the Conforama group and Ainsley Holdings.*
[5] *Pekor Austalia recognised tax losses which were previously not recognised.*

6.2 Tax provisions

Tax provisions are included in the taxation payable balance in note 17. Taxation receivable balances are disclosed in note 12.

6. Taxation *(continued)*

6.3 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	30 September 2017 €m	Restated 30 September 2016 €m	30 September 2017 €m	Restated 30 September 2016 €m	30 September 2017 €m	Restated 30 September 2016 €m
Recognised deferred tax assets and liabilities attributable to the following categories:						
Intangible assets and goodwill	**(23)**	(6)	**(547)**	(920)	**(570)**	(926)
Property, plant and equipment	**23**	19	**(162)**	(231)	**(139)**	(212)
Provisions	**126**	104	**82**	17	**208**	121
Equity component of convertible bonds	**–**	–	**(32)**	(38)	**(32)**	(38)
Share-based payments	**–**	19	**–**	–	**–**	19
Taxation losses	**49**	122	**2**	1	**51**	123
Other	**46**	29	**(95)**	(24)	**(49)**	5
Balance at end of the period	**221**	287	**(752)**	(1 195)	**(531)**	(908)

	Notes	30 September 2017 €m	Restated 30 September 2016 €m
Reconciliation of movement in deferred tax (liability)/asset			
Balance at beginning of period		**(908)**	(512)
Deferred tax of businesses acquired	24.1 & 24.5	**(19)**	(479)
Deferred tax of subsidiaries derecognised	1.2.3b	**75**	–
Amounts charged directly to other comprehensive income:			
Cash flow hedging reserve and fair value reserves		**8**	11
Exchange differences on transaction of foreign operations		**(7)**	22
Amounts charged directly to equity:			
Convertible bond, actuarial gains reserve and share-based payment reserves		**(12)**	(24)
Current period charge		**310**	80
Exchange difference on translation of foreign operations		**22**	(6)
Balance at end of the period		**(531)**	(908)

Analysis of deferred tax balances

The impact of the impairment of the Mattress Firm goodwill and brands resulted in the release of a deferred tax liability of €359 million during the period. Refer to note 8 for details regarding these impairments.

During the period the Group derecognised POCO as a subsidiary (refer note 1.2.3b and note 10). This resulted in the derecognition of a deferred tax liability relating to POCO's brand of €72 million.

The decrease in the recognised tax losses during the period relates mainly to the utilisation of tax losses by Pepkor.

The deferred tax acquired in the previous period relates primarily to the deferred tax liabilities raised on brands, recognised with the aquisition of Mattress Firm and Poundland. Refer to note 24.

6. Taxation *(continued)*

	30 September 2017 €m	30 September 2016 €m
Unrecognised deferred taxation assets		
Deferred taxation assets have not been recognised in respect of the following items:		
Unrecognised taxation losses	**1 876**	1 001

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.

	30 September 2017 €m	30 September 2016 €m
Taxation losses		
Estimated recognised taxation losses available for offset against future taxable income	**182**	565

As stated above, there is uncertainty regarding the tax impact of the accounting irregularities and transfer pricing investigations. The comprehensive tax review of the consequences of the accounting irregularities and the investigation by tax authorities on transfer pricing could result in a restatement of unrecognised taxation losses.

6.4 Expiry profile of taxation losses

Majority of the unrecognised tax losses relate to operations in Europe where certain jurisdictions have expiry dates regarding utilisation. The remaining balance relates to other jurisdictions and do not have expiry dates regarding utilisation.

7. *Loss per share*

	Twelve months ended 30 September 2017 Cents	Restated Fifteen months ended 30 September 2016 Cents
The calculation of per share numbers uses the exact unrounded numbers, which may result in differences when compared to calculating the numbers using the rounded number of shares and loss as disclosed below.		
Basic loss per share	**(95.9)**	(7.6)
Headline loss per share		
Headline loss is an additional earnings/(loss) number that is permitted by IAS 33: Earnings per Share (IAS 33). The starting point is earnings/(loss) as determined in IAS 33, excluding separately identifiable remeasurements, net of related taxation (both current and deferred) and related non-controlling interests other than remeasurements specifically included in headline earnings/(loss). This number is required to be reported by the JSE, 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 earnings/(losses) (or components of these).		
Headline loss per share	**(11.7)**	(6.7)

All potential ordinary shares were anti-dilutive and therefore no diluted per share numbers are disclosed.

	Note	Twelve months ended 30 September 2017 Million	Restated Fifteen months ended 30 September 2016 Million
Reconciliations of denominator and numerator			
7.1 Weighted average number of ordinary shares			
Issued ordinary shares at beginning of the period	26.2	**4 254**	3 662
Effect of treasury shares held	26.3	**(78)**	(178)
Effect of capitalisation issue alternative	19.5	**–**	49
Effect of shares issued during the period	26.2	**35**	145
Weighted average number of ordinary shares at end of the period for the purpose of basic loss per share and headline loss per share		**4 211**	3 678
7.2 Basic loss and headline loss attributable to owners of Steinhoff N.V.			
Basic loss for the period attributable to owners of Steinhoff N.V.		**(4 036)**	(279)
Adjusted for remeasurement items	7.3	**3 552**	34
Adjusted for remeasurement items of equity accounted companies		**(8)**	(2)
Headline loss attributable to owners of Steinhoff N.V.		**(492)**	(247)

7. *Loss per share* *(continued)*

	Notes	Twelve months ended 30 September 2017 Gross of taxation and non-controlling interests €m	Twelve months ended 30 September 2017 Net of taxation and non-controlling interests €m	Restated Fifteen months ended 30 September 2016 Gross of taxation and non-controlling interests €m	Restated Fifteen months ended 30 September 2016 Net of taxation and non-controlling interests €m
Reconciliations of denominator and numerator (continued)					
7.3 Remeasurement items as defined by the JSE					
Remeasurement items reflect and affect the resources committed in producing operating/trading performance and are not the performance itself. These items deal with the platform/capital base of the entity.					
Impairment/(reversal of impairment)		**4 105**	**3 612**	77	64
Goodwill	4.2.1	**2 736**	**2 560**	17	17
Intangible assets	4.2.1	**673**	**373**	25	19
Property, plant and equipment	4.2.1	**521**	**504**	26	21
Investments in equity accounted companies	10.3	**175**	**175**	–	–
Other		**–**	**–**	9	7
Foreign currency translation reserve reclassified to profit or loss on disposal of investment	4.2.3	**–**	**–**	(4)	(4)
Loss on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet	4.2.5	**43**	**34**	57	45
Gain on sale and partial sale of investments	4.2.6	**(94)**	**(94)**	(49)	(50)
Gain on bargain purchase	4.2.7	**–**	**–**	(21)	(21)
		4 054	**3 552**	60	34

8. *Intangible assets*

Goodwill

Goodwill is measured as the excess of:

- the consideration transferred, plus
- the amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net assets acquired in a business combination.

Refer to note 24 for the accounting policy applied to business combinations.

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

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

Other intangible assets

Trade and brand names

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

Dealership agreements

Dealership agreements acquired in a business combination are recognised at fair value at the acquisition date. They have indefinite useful lives and are subsequently carried at cost less accumulated impairment losses.

Software and ERP systems

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

Other intangible assets

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

Amortisation of intangible assets with finite useful lives

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

Impairment of intangible assets

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

8. *Intangible assets* *(continued)*

Significant accounting estimates and judgements

Useful life of intangible assets

Software and ERP systems

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

Indefinite useful life intangible assets

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

Trade and brand names

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

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

Dealership agreements

OEM's ("Original Equipment Manufacturers") are expected to continue trading with the Group as there have been no major changes in the operating environment of the Group or the OEM's. 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.

8. *Intangible assets* (continued)

	Goodwill €m	Indefinite useful life: Trade and brand names €m	Indefinite useful life: Dealership agreements €m	Software and ERP systems €m	Other intangibles €m	Total €m
Restated balance at 1 July 2015	4 053	1 978	113	90	3	6 237
Additions	–	–	–	34	–	34
Amortisation (note 4.3.1)	–	–	–	(26)	–	(26)
Disposals	–	–	–	(1)	(2)	(3)
Acquired on acquisition of businesses (note 24.5)	3 526	1 490	–	43	23	5 082
Impairment (note 8.1)	(17)	(21)	–	(4)	–	(42)
Transfer from property, plant and equipment	–	–	–	1	–	1
Exchange differences on translation of foreign operations	(384)	(162)	(14)	(2)	1	(561)
Restated balance at 30 September 2016	**7 178**	**3 285**	**99**	**135**	**25**	**10 722**
Additions	**–**	**–**	**–**	**53**	**1**	**54**
Amortisation (note 4.3)	**–**	**–**	**–**	**(43)**	**(5)**	**(48)**
Disposals[1]	**–**	**(244)**	**–**	**(5)**	**–**	**(249)**
Acquired on acquisition of businesses (note 24.1)	**420**	**132**	**3**	**4**	**5**	**564**
Impairment (note 8.1)	**(2 736)**	**(661)**	**–**	**(11)**	**(1)**	**(3 409)**
Transfer from property, plant and equipment	**–**	**–**	**–**	**18**	**–**	**18**
Exchange differences on translation of foreign operations	**(269)**	**(124)**	**(4)**	**(4)**	**(1)**	**(402)**
Balance at 30 September 2017	**4 593**	**2 388**	**98**	**147**	**24**	**7 250**
Cost	**8 598**	**4 302**	**98**	**302**	**43**	**13 343**
Amortisation and impairment	**(4 005)**	**(1 914)**	**–**	**(155)**	**(19)**	**(6 093)**
Net book value at 30 September 2017	**4 593**	**2 388**	**98**	**147**	**24**	**7 250**
Cost	8 463	4 664	99	239	39	13 504
Amortisation and impairment	(1 285)	(1 379)	–	(104)	(14)	(2 782)
Restated net book value at 30 September 2016	7 178	3 285	99	135	25	10 722

[1] *The disposal of trade and brand names relates mainly to the derecognition of POCO as a subsidiary. POCO was included in the ERM segment. Refer to note 1.2.3 b) for details regarding this transaction.*

8. *Intangible assets* *(continued)*

	30 September 2017 €m	Restated 30 September 2016 €m
Summary of net carrying value:		
Goodwill	**4 593**	7 178
Indefinite useful life trade and brand names	**2 388**	3 285
Other intangible assets	**269**	259
	7 250	10 722

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

	30 September 2017 Goodwill €m	Restated 30 September 2016 Goodwill €m	30 September 2017 Indefinite useful life Brand and trade name €m	Restated 30 September 2016 Indefinite useful life Brand and trade name €m
Goodwill and trade and brand names are considered significant classes of intangible assets to the Group. The carrying amount per segment is presented below:				
Conforama	**–**	–	**200**	200
ERM	**–**	–	**67**	312
Mattress Firm	**52**	2 589	**581**	1 306
Pepkor Europe	**1 646**	1 780	**274**	278
Australasia (Greenlit Brands)	**189**	171	**108**	37
Pepkor (previously STAR)	**2 649**	2 583	**1 130**	1 123
European Manufacturing, Sourcing and Logistics	**18**	18	**–**	–
Automotive	**14**	10	**–**	–
All other segments	**25**	27	**28**	29
	4 593	7 178	**2 388**	3 285

Impairment tests

8.1 Significant accounting estimates and judgements

Key assumptions used for the value-in-use calculations

The Group tests whether goodwill and trade and brand names with indefinite useful lives have suffered any impairment at least on an annual basis. The recoverable amount of the CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use discounted cash flow projections based on financial budgets approved by management. Models were build over a five year period with terminal growth thereafter. The majority of the approved budgets cover a three year period, but some businesses also approved budgets covering a five year period.

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

8. *Intangible assets* *(continued)*

Impairment tests (continued)

8.1 Significant accounting estimates and judgements (continued)

WACC is a key factor in determining the pre-tax discount rate to be applied to the cash flow projections. The restatements have resulted in a decline in the Group's investment rating subsequent to the end of the reporting period. As such, the CGU specific WACC has been adjusted for what the Group estimates the cost of borrowing would have been, for each business, if the business borrowed at rates impacted by the lower investment rating of the Group. The cost of equity was adjusted to include additional risk factors, such as forecast risk, to incorporate the current uncertain trading conditions of the Group.

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

The additional key assumptions relating to the impairment testing of the trade names and brands are based on royalty rates applicable to the specific brand based on the industry in which the brand operates and the profitability of the unit. The same discount rate is applied in the royalty and value-in-use models.

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

	30 September 2017 Pre-tax discount rate	Restated 30 September 2016 Pre-tax discount rate	30 September 2017 Approved budget	Restated 30 September 2016 Approved budget	30 September 2017 Long term growth rate	Restated 30 September 2016 Long term growth rate
Mattress Firm (excluding Sherwood)	**10.4%**	N/A	**3 years**	N/A	**3.0%**	N/A
Pepkor Europe						
– Pepco	**9.3%**	8.2%	**3 years**	3 years	**2.0%**	3.0%
– Poundland	**8.5%**	N/A	**5 years**	N/A	**1.9%**	N/A
Pepkor[1]	**13.4% to 16.8%**	13.7%	**3 years**	3 years	**5.0% to 6.0%**	5.0%

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

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

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

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

Long term growth rate This is the weighted average growth rate used to extrapolate cash flows beyond the budget and forecast periods. The rates are consistent with the long term inflation outlook for the countries where the underlying businesses operate.

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

8. *Intangible assets* *(continued)*

8.1 Impairment tests (continued)

Material impairment charges

		Goodwill		Indefinite useful life trade and brand names	
	Note	30 September 2017 €m	30 September 2016 €m	30 September 2017 €m	30 September 2016 €m
The impairment charge during the period relates to the following CGUs:					
Mattress Firm (excluding Sherwood)	a	**(2 464)**	–	**(652)**	–
Poundland	b	**(119)**	–	**–**	–
Australasia General Merchandise	c	**(144)**	–	**(9)**	–
Other immaterial impairments		**(9)**	(17)	**–**	(21)
		(2 736)	(17)	**(661)**	(21)

a) Impairment charge on the Mattress Firm CGU (excluding Sherwood)

The goodwill impairment charge of €2.5 billion (2016: €nil) arose for this CGU. The integration of the Sleepy's acquisition resulted in too many store locations for this brand. Further, the rebranding of all Sleepy's and Sleep Train stores (comprising c. 40% of the store base) to Mattress Firm stores was accelerated and executed in areas where the brand was not as well known. The brand name included in this CGU was impaired by €652 million (2016: €nil). The major classes of assets impaired were; goodwill and brand names. Goodwill is fully impaired.

As at 30 September 2017, the carrying amount of the CGU, after the impairments, was similar to its recoverable amount. The recoverable amount was calculated at €487 million.

As this unit was significantly impaired during the reporting period, any changes to the key assumptions could result in further impairments of other assets. The recoverable amount of other assets may be tested using other valuation methods, as such the sensitivities below may not result in further impairment or reversals of impairments. Management calculated the following sensitivities by adjusting the inputs as shown below. The inputs were adjusted one at a time.

Key inputs	Changes in key inputs	Impact on recoverable amount €m
Pre-tax discount rate (CGU recoverable amount)	100 bps increase	(98)
	100 bps decrease	134
Long term growth rate (CGU recoverable amount)	100 bps increase	172
	100 bps decrease	(104)
Royalty rate of 2% (Brand recoverable amount)	10 bps increase	29
	10 bps increase	(29)

8. *Intangible assets* *(continued)*

8.1 Impairment tests (continued)

b) Impairment charge on the Poundland CGU

A goodwill impairment charge of €119 million (2016: €nil) arose for this CGU. The business plan for Poundland includes store roll-outs in new territories and head count reductions due to back office integrations and efficiencies. Based on IAS36, these initiatives cannot be taken into account in arriving at a value-in-use model. As such, approved forecasts were adjusted downward to exclude store growth and certain future cost saving strategies. The only asset impaired as a result of the valuation was the goodwill attributable to the CGU.

As at 30 September 2017, the carrying amount of the CGU, after the impairments, was equal to the recoverable amount of €744 million.

Management have considered reasonably possible changes in the key assumptions and have identified the following instances that could cause the carrying amount of the Poundland CGU to increase or decrease:

Key inputs	Changes in key inputs	Impact on recoverable amount €m
Pre-tax discount rate	100 bps increase	(125)
	100 bps decrease	175
Cash EBITDA	€5 million increase per annum	75
	€5 million decrease per annum	(75)

Cash EBITDA

Cash EBITDA is significantly impacted by product mix, shrinkage rates and future rent reductions.

- Product mix:
  The roll-out of the Pep&Co clothing range in Poundland stores, product mix improvements in general merchandise together with further buying efficiencies from increased intergroup trading is driving improvements in margin.
- Shrinkage rate:
  There was an increase in stock losses during the period subsequent to year-end compared to historical norms. The losses increased to 2.7% of net sales, compared to historical trends of 1.6% of net sales. Management identified the causes behind this increase and is implementing plans to address these losses. The business plan included a reduction in the shrinkage rate to 2.05% of net sales by 2021, which is below the current rate, but significantly above the historical trends.
- Rent reduction rate:
  There is an opportunity to re-negotiate lease costs to current market related rentals upon expiry of existing leases. Current leases are significantly above market rates. The majority of the lease portfolio comes up for renewal or termination by 2023. The plan includes substantial savings in this regard.

Sensitivities were calculated for cash EBITDA movements in the table above.

c) Impairment charge on the Australasia General Merchanise CGU

The goodwill impairment charge of €144 million (2016: €nil) and brand impairments of €9 million (2016: €nil) arose in the general merchandise unit of Australasia. This business was restructured to form part of the Group's Australian unit during 2016, and a new management team was introduced during 2017. This lead to a change in certain strategic initiatives and the discontinuance of certain brands. As at 30 September 2017 the carrying and recoverable amounts of this general merchandise Australasia unit are €168 million post impairment. The material remaining assets in this unit are property, inventory and brands. These assets have been separately tested and are deemed recoverable. Adjusting the key drivers of the value-in-use model is therefore not expected to result in material changes in asset values. No other class of assets except goodwill and specific brands were impaired.

8. *Intangible assets* *(continued)*

8.1 Impairment tests (continued)

d) Sensitivities for Pepco and Pepkor CGU's

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 CGU is impaired.

9. *Property, plant and equipment and investment property*

Significant accounting estimates

Residual value and useful life of buildings

Inflated property values in Europe and South African properties that were not previously subject to robust impairment testing induced increased residual values. Where necessary, management has aligned the useful life and the residual values of the properties to consider the most recent information regarding the estimated amount that an entity would currently obtain from disposal of the properties, after deducting the estimated costs of disposal, if these were already of the age and in the condition expected at the end of its useful life, in connection with the review of the depreciation so that it better reflects the expected pattern of consumption of the future economic benefits embodied in these assets.

South African properties have higher residual values than the European properties due to the impact of compound historical country specific inflation rates on the property values.

Impairment testing

The majority of the Group's properties are owner occupied. Management requested independent third party valuers to do their fair valuations in terms of IFRS. It should be noted that the properties were value on an individual basis and did not assume any portfolio effect.

Depreciation Policy

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

• Investment property	15 – 40 years
• Buildings	15 – 50 years
• Plant and machinery	3 – 10 years
• Vehicles	4 – 10 years
• Office equipment and furniture	3 –16 years
• Computer equipment	2 – 4 years
• Vehicle rental fleet	5 years

Vehicle rental fleet

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

Assets pledged as security for liabilities

Included in other assets are vehicles relating to the operations of Unitrans Automotive, which were subject to a lien of €132 million (30 September 2016: €130 million) in respect of the manufacturers' floorplan financing, comprising interest-bearing and interest-free amounts and which are included in trade and other payable (note 17).

Vehicle rental fleet with a book value of €65 million (30 September 2016: €33 million) have been pledged as security for liabilities as set out in note 16.2.

9. *Property, plant and equipment and investment property* *(continued)*

Impairment of property, plant and equipment

As a result of the earlier consolidation of kika-Leiner (refer note 1.2.3a), a detailed purchase price allocation was not performed at this acquisition date and the acquisition value of the kika-Leiner properties could not be established. The kika-Leiner properties were valued as at 30 September 2017 by an independent third party valuer. The fair values were compared to the local GAAP book values to determine the value of the impairment. An impairment of €351 million (2016: nil) was recognised during the current period. The kika-Leiner property portfolio was subsequently disposed of (refer note 34).

A full external valuation was carried out by property valuation experts on the Conforama property portfolio as at 30 September 2017. An impairment of €90 million (2016: nil) was recognised during the current period as a result of the carrying amounts exceeding their fair values. After these impairments the relevant properties' carrying values are equal to their recoverable amounts.

The Group is in the process of also doing a full external valuation of its South African properties. In 2017, impairment of €12 million (2016: nil) was recognised in profit or loss on this portfolio as a result of internal valuations performed. The South African properties are aggregated in the "All other" segment.

It is likely that the European and South African property impairments relate to prior periods, but as management did not previously identify impairment indicators and therefore did not perform valuations in prior periods, these impairments were recognised in the 2017 financial period.

Investment property

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

The Group has elected to measure all investment properties using the cost model.

Managements' estimate of residual values of investment properties

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

Managements estimate of fair value of investment property

At 30 September 2017, management's valuation approximated the carrying values. The valuation of the Group's investment has been carried out internally by the Group's own property division.

The fair value of investment property is classified as level 3, based on the fair value hierarchy.

No restrictions exist on the sale of investment property.

At 30 September 2017 there is an amount of €17 million contractually remaining on the development of an investment property expected to be completed in 2019. There are no other material contractual obligations to purchase, construct or develop investment property. There are service level agreements and building maintenance contracts in place with third-party contractors for security, repairs, maintenance and minor enhancements.

9. *Property, plant and equipment and investment property* *(continued)*

	Investment property €m	Land and buildings €m	Plant and machinery €m	Leasehold improvements €m	Furniture and fittings €m	Other assets €m	Total €m
Restated balance at 1 July 2015	96	2 301	208	408	127	194	3 334
Additions	4	111	125	125	64	220	649
Depreciation (note 4.3.1)	–	(73)	(68)	(85)	(61)	(42)	(329)
Disposals	–	(26)	(4)	(8)	(3)	(23)	(64)
Impairment (note 4.2.1)	–	(14)	(2)	(6)	(2)	(2)	(26)
Acquisition of businesses (note 24.5)	–	99	55	168	65	68	455
Reclassification	(4)	38	14	22	36	(106)	–
Transfer to intangible assets	–	–	–	–	–	(1)	(1)
Transfer to inventories	–	–	–	–	–	(54)	(54)
Exchange differences on translation of foreign operations	(9)	(34)	(25)	(17)	(8)	(11)	(104)
Restated balance at 30 September 2016	**87**	**2 402**	**303**	**607**	**218**	**243**	**3 860**
Additions	**28**	**155**	**95**	**135**	**136**	**254**	**803**
Depreciation (note 4.3.1)	**–**	**(60)**	**(49)**	**(109)**	**(93)**	**(60)**	**(371)**
Disposals	**(1)**	**(12)**	**(20)**	**(7)**	**(10)**	**(6)**	**(56)**
Impairment (note 4.2.1)	**–**	**(466)**	**(1)**	**(46)**	**(8)**	**–**	**(521)**
Acquisition of businesses (note 24.1)	**16**	**28**	**10**	**9**	**2**	**1**	**66**
Disposal of businesses	**–**	**(97)**	**–**	**(37)**	**(32)**	**(6)**	**(172)**
Reclassification	**2**	**4**	**(81)**	**(1)**	**88**	**(12)**	**–**
Transfer to intangible assets	**–**	**–**	**–**	**–**	**–**	**(18)**	**(18)**
Transfer to inventories	**–**	**–**	**–**	**–**	**(4)**	**(87)**	**(91)**
Exchange differences on translation of foreign operations	**(4)**	**(20)**	**(21)**	**(12)**	**(5)**	**(8)**	**(70)**
Balance at 30 September 2017	**128**	**1 934**	**236**	**539**	**292**	**301**	**3 430**
Cost	**143**	**2 379**	**558**	**1 008**	**575**	**458**	**5 121**
Accumulated depreciation and impairment	**(15)**	**(445)**	**(322)**	**(469)**	**(283)**	**(157)**	**(1 691)**
Net book value at 30 September 2017	**128**	**1 934**	**236**	**539**	**292**	**301**	**3 430**
Cost	100	2 676	654	1 056	435	337	5 258
Accumulated depreciation and impairment	(13)	(274)	(351)	(449)	(217)	(94)	(1 398)
Restated net book value at 30 September 2016	87	2 402	303	607	218	243	3 860

Carrying values of the main components of the other assets per category are; Capital-work-in-progress (2017: €86 million 2016: €79 million), vehicles (2017: €32 million 2016: €22 million), computer equipment (2017: €59 million 2016: €51 million) and vehicle rental fleet (2017: €66 million 2016: €75 million).

Leasehold improvements, land and buildings and plant and machinery are reclassified from capital-work-in-progress when the asset is finished and available-for-use.

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

10. Investments in equity accounted companies

Principles of equity accounting

Associates

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

Joint arrangements

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

Joint ventures

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

Long-term interests

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

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

Equity method

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

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

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

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

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

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

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

Where the financial year-end of the equity accounted entity differs by more than three months from the Group year-end, the Group will adjust the equity accounted carrying value by any known material transactions that took place between the Group year-end and that of the financial year-end of the equity accounted company.

10. *Investments in equity accounted companies* *(continued)*

Impairment of investments in equity accounted companies

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

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

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

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

	Place of business / country of incor-poration	Nature of business	30 September 2017 % holding	Restated 30 September 2016 % holding	30 September 2017 Quoted fair value[1] €m	Restated 30 September 2016 Quoted fair value[1] €m	30 September 2017 Carrying value €m	Restated 30 September 2016 Carrying value €m
10.1 Name of business								
Listed								
KAP[2]	South Africa	Diverse industrial and logistics business	**43.0**	43.0	**601**	505	**355**	315
PSG[2]	South Africa	Investment company	**25.5**	25.7	**847**	703	**747**	746
SRP[2]	France	Digital retailer	**17.0**	–	**107**	–	**79**	–
Unlisted								
Atterbury Europe[2]	Netherlands	Investment property	**50.0**	50.0	*	*	**373**	89
Cofel SAS	France	Manufac-turing	**50.0**	–	*	*	**6**	–
POCO[2,3]	Germany	Household good retailer and property	**50.0**	50.0	*	*	**285**	38
Bud Group Proprietary Limited[4]	South Africa	Investment company	**25.4**	25.0	*	*	**178**	167
Van den Bosch Beheer B.V[2]	Netherlands	Manufac-turing	**50.0**	50.0	*	*	**17**	17
Various other immaterial equity accounted companies	Various	Property, insurance, manufac-turing, retail, logistics and financial services	**24.5 – 50.0**	24.5 – 50.0	*	*	**15**	7
							2 055	1 379

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

[2] *Subsequently disposed – refer note 34 for transactions after the reporting period*

[3] *POCO was derecognised as a subsidiary and recognised as an equity-accounted investment on 31 March 2017. The POCO property entity, POCO-Domäne Immobilien Holding GmbH has been an equity accounted investment for all periods presented.*

[4] *Formerly IEP Proprietary Limited*

**Private equity – no quoted price available*

10. *Investments in equity accounted companies* (*continued*)

10.2. Significant judgements relating to recognition of investments as equity accounted investments

Accounting for the interest in SRP

The Group acquired a 17% strategic interest in SRP during July 2017 for €158.6 million. The Group entered into voting agreements with the founding shareholders and Steinhoff N.V. is also represented on the board of SRP. As such, the Group established it has significant influence over SRP and SRP is therefore equity accounted.

SRP is a separately listed entity with a December financial year-end. No equity accounted earnings for SRP are recognised by the Group in the 2017 results owing to the delay in obtaining December 2017 year-end financial information for SRP and then the fact that SRP was sold on 11 January 2018 (refer note 34). Management determined that any equity accounted earnings for this short period that the group held the investment in SRP would be immaterial.

Accounting for the interest in Atterbury Europe

The Group owns 50% of the ordinary shares in Atterbury Europe and 100% of the issued preference share capital of Atterbury Europe which did not hold any voting rights. The investment in the preference shares is classified as part of the Group's net investment in Atterbury Europe together with the 50% investment in the ordinary shares. The requirement to declare preference dividends is not mandatory, the preference shares have no fixed terms of repayment and are unsecured. The investment in the preference shares is therefore deemed akin to an equity investment.

	Notes	30 September 2017 €m	Restated 30 September 2016 €m
10.3 Reconciliation of the aggregate carrying values of equity accounted companies			
Balance at the beginning of the period		**1 379**	1 184
Additions	10.4	**846**	247
Impairments	10.5	**(175)**	–
Share of:			
Profit or loss		**107**	89
Other comprehensive loss		**(3)**	–
Other reserves		**14**	6
Dividends received	29.5	**(59)**	(20)
Other movements		**(2)**	2
Exchange differences on translation of equity accounted investments		**(52)**	(129)
Carrying values of equity accounted companies at the end of the period		**2 055**	1 379

10.4 Additional investments during the period

During the period the Group increased its preference share investment in Atterbury Europe by €278 million to support the expansion in central and eastern Europe. The SRP investment was acquired for €159 million in July 2017. Cofel SAS, a bedding manufacturer was subscribed for during the period for €51 million. POCO was recognised as an equity accounted investment on 31 March 2017 at fair value on initial recognition of €302 million (refer note 1.2.3b for judgements regarding the recognition of POCO as an equity accounted investment). The investment in POCO was not acquired for cash, but was recognised as a result of a loss of control.

As part of the KAP rights offer, the Group subscribed for a further 94 million KAP shares during the period for €45 million.

In the prior period the Group acquired its interest in the Bud Group for €132 million and increased their preference share investment in Atterbury Europe by €85 million.

10. *Investments in equity accounted companies* *(continued)*

10.5 Significant judgements relating to impairment of equity accounted investments

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

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

SRP

As at 30 September 2017, SRP's share price had declined significantly since the initial acquisition by the Group. The Group determined impairment indicators were present as a result of the decline in the share price driven by reduced profitability of SRP following several profit warnings by the Group. The Group considered the recoverable amount of its investment in SRP to be the fair value taking into account the listed share price, and recognised an impairment of €79 million during the period.

Cofel SAS and POCO

Cofel SAS and POCO showed impairment indicators of declining profitability together with Cofel SAS's inability to pay dividends to ordinary shareholders during the period.

As Cofel SAS and POCO are private entities, EBITDA multiples were applied based on available market information to determine a recoverable amount for both Cofel SAS and POCO.

An impairment of €46 million and €49 million was recognised during the period for Cofel SAS and POCO, respectively.

Atterbury Europe

The investment in Atterbury Europe was disposed of on a piecemeal basis during 2018 to alleviate funding requirements of the Group. A loss of €130 million was recognised on the disposal (refer to note 34). Management considered whether this loss recognised on disposal during 2018 was indicative of any impairment indicators that existed at the reporting date and concluded that an impairment at 30 September 2017 was not required. The Group invested in Atterbury Europe joint venture to expand the Group's property presence in Eastern Europe. A property portfolio of this size was intended to provide returns in the long-term. The underlying assets (properties) in the Atterbury Europe portfolio were not deemed to be impaired at 30 September 2017 and both joint venture partners had sufficient access to the funding required to support the operations and expansion as at 30 September 2017. Management concluded that the sale of a long-term property investment of this size on a piecemeal basis so soon after the initial investment was made resulted in the loss on disposal.

PSG

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

10.6 Commitments

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

The Group's had committed funding of €15.8 million to Atterbury Europe for development of properties during 2018. Subsequent to year-end, with the disposal of Atterbury Europe, the Group was released of this funding obligation.

10.7 Summarised information in respect of material equity accounted companies

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

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

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

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

10. *Investments in equity accounted companies* *(continued)*

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

	KAP		PSG		POCO[1]		Atterbury Europe[2]	
	Year ended 30 June 2017 €m	**Year ended 30 June 2016 €m**	**Year ended 31 August 2017 €m**	**Year ended 31 August 2016 €m**	**Period ended 30 September 2017 €m**	**Fifteen months ended 30 September 2016 €m**	**Eighteen months ended 31 December 2017 €m**	**Year ended 30 June 2016 €m**
Revenue	**1 337**	1 001	**972**	833	**1 319**	1 541	**1**	1
Investment income	**8**	3	**127**	92	**–**	1	**1**	2
Depreciation and amortisation	**(58)**	(50)	**(32)**	(26)	**(27)**	(23)	**–**	–
Interest expense	**(43)**	(22)	**(32)**	(30)	**(5)**	(9)	**(1)**	(1)
Income tax expense	**(17)**	(14)	**(28)**	(35)	**(19)**	(28)	**–**	–
Profit for the period from continuing operations	**98**	75	**189**	160	**36**	52	**15**	6
Loss for the period from discontinued operations	**(4)**	(1)	**–**	–	**–**	–	**–**	–
Profit for the period	**94**	74	**189**	160	**36**	52	**15**	6
Other comprehensive (loss)/income for the period	**(5)**	3	**(25)**	(9)	**–**	–	**2**	–
Total comprehensive income for the period	**89**	77	**164**	151	**36**	52	**17**	6

[1] *POCO has a December year-end but due to their prior consolidation, September numbers are available and have been presented.*

[2] *Atterbury Europe changed their year-end to 31 December 2017.*

10. *Investments in equity accounted companies* *(continued)*

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

	KAP		PSG		POCO[1]		Atterbury Europe[2]	
	As at 30 June 2017 €m	As at 30 June 2016 €m	As at 31 August 2017 €m	As at 31 August 2016 €m	As at 30 September 2017 €m	As at 30 September 2016 €m	As at 31 December 2017 €m	As at 30 June 2016 €m
Non-current assets	**1 210**	798	**3 198**	2 922	**659**	635	**402**	75
Current assets								
Cash and cash equivalents	**125**	168	**3**	3	**20**	13	**–**	1
Other current assets	**348**	259	**2 279**	2 040	**274**	279	**22**	–
Total current assets	**473**	427	**2 282**	2 043	**294**	292	**22**	1
Non-current liabilities:								
Non-current financial liabilities (excluding trade payables)	**(459)**	(272)	**(1 974)**	(1 853)	**(154)**	(162)	**(13)**	(71)
Other non-current liabilities	**(187)**	(94)	**(51)**	(49)	**(87)**	(86)	**–**	–
Total non-current liabilities	**(646)**	(366)	**(2 025)**	(1 902)	**(241)**	(248)	**(13)**	(71)
Current liabilities:								
Current financial liabilities (excluding trade payables)	**(30)**	(30)	**(1 475)**	(1 147)	**(23)**	(12)	**(25)**	–
Other current liabilities	**(300)**	(255)	**(275)**	(279)	**(188)**	(190)	**–**	–
Total current liabilities	**(330)**	(285)	**(1 750)**	(1 426)	**(211)**	(202)	**(25)**	–
Non-controlling interests	**(20)**	(13)	**(683)**	(709)	**(4)**	(4)	**–**	–
Net assets	**687**	561	**1 022**	928	**497**	473	**386**	5
% ownership by Group	**43.0%**	43.0%	**25.5%**	25.7%	**50.0%**	50.0%	**50.0%**	50.0%
Group's share of net assets	**295**	241	**261**	238	**249**	N/A	**193**	3
Adjustment for material transactions and foreign currency differences	**(6)**	7	**1**	3	**36**	N/A	**180**	86
Goodwill	**66**	67	**485**	505	**–**	–	**–**	–
Carrying amount of the Group's interest	**355**	315	**747**	746	**285**	38	**373**	89
						Note 10.7a	Note 10.7b	

[1] *POCO has a December year-end but due to their prior consolidation, September numbers are available and have been presented.*

[2] *Atterbury Europe changed their year-end to 31 December 2017.*

10.7a POCO

In the prior period the Group only held an equity accounted investment in the property company of POCO. Comparative information of POCO (retail and properties) has been presented for reference only and no material reconciling items are recognised.

10.7b Atterbury Europe

The Group held all the preference shares of Atterbury Europe amounting to €364 million as at 30 September 2017. This comprises the most material adjustment between the Group's share of the net assets and the carrying value of the Group's interest in Atterbury Europe.

11. Investments and loans

	Note	30 September 2017 €m	Restated 30 September 2016 €m
Non-current investments and loans			
Available-for-sale financial assets	11.1	**6**	23
At fair value through profit or loss		**6**	6
Loans at amortised cost	11.2	**94**	169
		106	198
Current investments and loans			
Available-for-sale financial assets	11.1	**12**	190
Loans at amortised cost	11.2	**95**	12
		107	202
Total investments and loans		**213**	400

At the point where the Group increases its investment in an available-for-sale financial asset to where it recognises an equity accounted investment or a subsidiary this is treated as a derecognition of the available-for-sale financial asset and any cumulative gains or losses recognised in other comprehensive income are reclassified to profit or loss. The equity accounted investment or subsidiary is recognised at fair value on the date of derecognition of the available-for-sale financial asset.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions refer to note 18.

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

11.1 Available-for-sale financial assets

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

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

Available-for-sale financial assets include the following classes of financial assets:	30 September 2017 €m	Restated 30 September 2016 €m
Listed equity securities	**6**	193
Unlisted equity securities	**12**	20
	18	213

Investment in Brait

Included in the listed equity securities as at 30 September 2016 is an amount of €190 million which relates to the Group's 4.9% equity interest in Brait. This was sold to Plum Tree, a subsidiary of the Campion Group during 2017 and a loan receivable carried at amortised cost was recognised for this amount. Refer to note 11.2.

Refer to note 1.2.3 d for the origin of this transaction and note 4.2.6 for details regarding the fair value gain reclassified to profit or loss on disposal.

Amounts recognised in other comprehensive income and profit or loss	30 September 2017 €m	Restated 30 September 2016 €m
Losses recognised in other comprehensive income	**(38)**	(2)
Gains recognised in profit or loss as other income, being reclassified from other comprehensive income on derecognition	**11**	37
	(27)	35

11. *Investments and loans* *(continued)*

	30 September 2017 €m	Restated 30 September 2016 €m

11.2 Loans 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.

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

	30 September 2017 €m	Restated 30 September 2016 €m
Loans at amortised cost include the following types of loans:		
Unlisted preference shares	**5**	5
Interest-bearing loans	**141**	135
Non-interest bearing loans	**43**	41
	189	181

The movement in the interest bearing loans is due to:

Loan to Plum Tree

Included in the balance of interest-bearing loans is a loan receivable from Plum Tree of €89 million as at 30 September 2017. Refer to note 11.1 for origin of this loan. This loan was impaired during 2017 and an impairment of €91 million was recognised in profit or loss. Refer to note 4.2.2a. The loan to Plum Tree does not have repayment terms, but was settled as part of the Campion Group settlement agreement in 2019 as described in note 34.

Loans relating to Fulcrum (Wands)

€12 million of the interest-bearing loans relate to loans granted to Fulcrum (see note 1.2.7)(2016: €60 million). These loans are carried at their recoverable amounts. No impairment was recognised in 2017 and €150 million impairment recognised in profit or loss in the prior period (refer note 4.2.2c).

€12 million of the loan is contractually repayable by November 2018 and bears interest at 1 month JIBAR + 3 % and the balance of the loan (fully impaired portion) is repayable on demand and bears interest at 6 month EURIBOR +2.75%.

These loans were settled as part of the Campion Group settlement agreement in 2019 as described in note 34.

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

12. *Trade and other receivables*

	30 September 2017 €m	Restated 30 September 2016 €m
Financial assets		
Non-current trade and other receivables		
Derivative financial assets (note 19.1)	–	19
Current trade and other receivables		
Trade receivables	**307**	288
Instalment sale and loan receivables	**137**	130
Less: Provision for impairments (note 19.3)	**(65)**	(59)
Net trade, instalment sale and loan receivables	**379**	359
Receivables due from equity accounted companies (note 29.5)	**18**	6
Supplier bonuses	**46**	59
Other amounts due	**189**	237
Derivative financial assets (note 19.1)	**17**	15
	649	676
Non-financial assets		
Non-current trade and other receivables		
Equalisation of operating lease payments	**2**	1
Current trade and other receivables		
Prepayments	**231**	220
Taxation receivable	**97**	85
Value added taxation receivable	**78**	94
	406	399
Total		
Non-current trade and other receivables	**2**	20
Current trade and other receivables	**1 055**	1 075
	1 057	1 095

12. *Trade and other receivables* *(continued)*

Classification of trade and other receivables

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

Supplier bonuses

Supplier bonuses are recognised as a reduction in expenses when certain targets are met. The bonuses are mostly contractual in nature and are dependent upon meeting certain volume targets.

Other receivables

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

Fair values of trade and other receivables

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

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

Derivatives

Refer to note 18 and 19 for details regarding the determination of their fair values and the types of derivatives, respectively.

Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 19.

13. *Financial assets and financial liabilities*

The Group holds the following financial assets and financial liabilities

	Notes	At fair value through profit or loss €m	Available-for-sale financial assets at fair value through other comprehensive income €m	Financial instruments at amortised cost €m	Total carrying values €m
13.1 Total financial assets and liabilities					
30 September 2017					
Investments and loans	11	**6**	**6**	**94**	**106**
Non-current financial assets		**6**	**6**	**94**	**106**
Trade and other receivables	12	**–**	**–**	**649**	**649**
Investments and loans	11	**–**	**12**	**95**	**107**
Cash and cash equivalents	15	**–**	**–**	**723**	**723**
Current financial assets		**–**	**12**	**1 467**	**1 479**
Trade and other payables	17	**(2)**	**–**	**–**	**(2)**
Non-current financial liabilities		**(2)**	**–**	**–**	**(2)**
Current borrowings	16	**–**	**–**	**(9 553)**	**(9 553)**
Trade and other payables	17	**(51)**	**–**	**(3 106)**	**(3 157)**
Current financial liabilities		**(51)**	**–**	**(12 659)**	**(12 710)**
		(47)	**18**	**(11 098)**	**(11 127)**
Restated 30 September 2016					
Investments and loans	11	6	23	169	198
Trade and other receivables	12	19	–	–	19
Non-current financial assets		25	23	169	217
Trade and other receivables	12	–	–	676	676
Investments and loans	11	–	190	12	202
Cash and cash equivalents	15	–	–	687	687
Current financial assets		–	190	1 375	1 565
Trade and other payables	17	(10)	–	–	(10)
Non-current financial liabilities		(10)	–	–	(10)
Current borrowings	16	–	–	(8 203)	(8 203)
Trade and other payables	17	(55)	–	(3 273)	(3 328)
Current financial liabilities		(55)	–	(11 476)	(11 531)
		(40)	213	(9 932)	(9 759)

The Group's exposure to various risks associated with the financial instruments is discussed in note 19. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

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

14. Inventories

		30 September 2017 €m	Restated 30 September 2016 €m
14.1	**Reconciliation of inventory**		
	Merchandise and finished goods	**2 626**	2 642
	Goods in transit	**63**	84
	Raw materials and other inventories	**43**	40
	Inventory before provision	**2 732**	2 766
	Less: provision for inventory write downs*	**(176)**	(172)
	Net inventories	**2 556**	2 594
	** Comprises mainly provisions against finished goods and merchandise*		
14.2	**Amount of write-down of inventories to net realisable value recognised in cost of sales as an expense during the period**	**(87)**	(58)

Merchandise and finished goods

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

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

Amounts recognised in profit or loss

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

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

15. *Cash and cash equivalents*

	Note	30 September 2017 €m	Restated 30 September 2016 €m
Current assets			
Cash at bank and in hand		**658**	687
Funds and deposits on call		**65**	–
	23.2	**723**	687

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

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

Restricted cash

The Group does not have material balances of cash and cash equivalents that are restricted.

16. *Interest-bearing loans and borrowings*

	Note	30 September 2017 €m	Restated 30 September 2016 €m
16.1 Analysis of closing balance			
Secured financing			
Mortgage and term loans		**81**	114
Capitalised finance lease and instalment sale agreements		**112**	206
		193	320
Unsecured financing			
Bank overdrafts and short-term facilities		**944**	633
Convertible bonds	16.5	**2 540**	2 511
Non-convertible European bond	16.6	**790**	–
German loan notes	16.7	**772**	732
US note purchase agreements		**–**	130
Steinhoff Services domestic medium-term note programme	16.8	**482**	360
Preference shares: Steinhoff Africa Holdings Proprietary Limited	27.2	**136**	151
Preference shares: Ainsley Holdings Proprietary Limited	27.2	**373**	394
Syndicated loan facilities and term loans	16.9	**3 202**	2 784
Other loans*		**121**	188
		9 360	7 883
Total interest-bearing loans and borrowings		**9 553**	8 203
Portion payable within 12 months included in current liabilities	16.3	**(9 553)**	(8 203)
Total non-current interest-bearing loans and borrowings		**–**	–

**Included in other loans is the outstanding balance of loans received from Abacus Life Limited and Abacus Insurance Limited, companies in the Campion Group, to the value of €12 million (2016: €22 million). Refer to note 30.*

16.2 Secured liabilities and assets pledged as security

The mortgages are secured by the Group's freehold land and buildings. The book value of the assets pledged as security for mortgage bonds amounts to €177.1 million (Refer note 9). Finance lease and instalment sale agreements are effectively secured as the rights to the leased assets recognised in the consolidated financial statements revert to the lessor in the event of default.

16.3 Compliance with loan covenants

The Group has not complied with the financial covenants of its borrowing facilities during the 2017 or 2016 reporting period. Refer to note 19.5 for details. As a result all loans are deemed repayable on demand and classified as current.

16. *Interest-bearing loans and borrowings* *(continued)*

16.4 Analysis of repayments

In terms of the proposed European restructuring detailed in the Lock-Up Agreement, dated 28 November 2018, the SEAG CVA and the SFHG CVA were filed with the English court. The SEAG CVA and the SFHG CVA seek to implement the restructuring plan outlined in the Lock-Up Agreement.

The total amount of such external European debt instruments under the CVA is approximately €7.9 billion, being approximately €5.2 billion of external SEAG debt and approximately €2.7 billion of external SFHG debt.

On 29 March 2019, the Company announced that the requisite majority of creditors of SEAG and SFHG had provided their consent to the extension of the CVA long-stop date to 31 May 2019. The approval consequently extended the long-stop date as defined in and as applicable to the Lock-Up Agreement to be the same as the extended CVA long-stop date.

The SEAG CVA and the SFHG CVA seek, amongst others, to revise the terms of the Group's principal European debt instruments, and the guarantees of such instruments, to provide a common set of covenants and security package and a maturity date set sufficiently in advance, being 31 December 2021. At the date of publication of the consolidated financial statements, not all of the remaining conditions in relation to the SEAG CVA and the SFHG CVA have been satisfied. Refer to note 34.

The Hemisphere Lock-Up Agreement was entered into by approximately 90% in value of the Hemisphere lenders and became effective on 26 July 2018. The restructuring of the financial indebtedness of Hemisphere was implemented on 5 September 2018. This resulted in a new, secured, three-year term loan facility of approximately €775 million at Hemisphere. Since then, following the sale of kika-Leiner property companies and certain other individual assets, approximately €473 million has been applied in repayment of interest and principal of this facility by Hemisphere leaving a balance owing of approximately €324 million. The Hemisphere property portfolio serve as security for this facility.

In anticipation of Mattress Firm filing for Chapter 11, Mattress Firm had access to approximately $250 million in debtor-in-possession financing to support its ongoing operations during the Chapter 11 cases. On emergence from Chapter 11, Mattress Firm had access to a four-year exit facility term loan in the original principal amount of $400 million, a portion of which was used to repay the debtor-in-possession facilities, and an exit asset backed lending facility in the amount of $125 million. In accordance with the terms of the exit facilities, the exit facility lenders received their pro rata share of 49.9% of the equity in SUSHI the owner of Mattress Firm. The Group retaining a 50.1% equity interest in SUSHI. These shareholdings are however in each case subject to dilution by a management incentive plan. As part of the restructuring, the Mattress Firm sub-group was moved within the Group structure from directly below the Company to become a subsidiary of SEAG. This move facilitated the restructuring of certain material intercompany loans owed by SUSHI and the Mattress Firm Group. In relation to their equity stake, the exit facility lenders and the Group executed a stockholders' agreement that governs, among other things, shareholder rights in relation to the governance of SUSHI and sales of their respective equity interests. The exit facility lenders also receive a $150 million payment-in-kind facility that has a five-year maturity.

Certain operating companies also raised their own external funding subsequent to year-end. Refer to note 34 for further details.

As such the Group's debt profile changed significantly since 30 September 2017, and disclosure of details around the 30 September 2017 debt balances is not considered relevant.

16. *Interest-bearing loans and borrowings* *(continued)*

	Contractual maturity date	Market implied interest rate* %	Interest rate %	Potential ordinary shares for conversion million	30 September 2017 Carrying value €m	Restated 30 September 2016 Carrying value €m
16.5 Convertible and redeemable bonds						
The convertible bonds are convertible into ordinary shares of Steinhoff N.V., at the option of the holder, or repayable at the dates set out below. The conversion rate for each note held, is based on the market price per share at the date of the issue of the notes, but subject to adjustments for reconstructions of equity.						
Convertible bond 2021[1]	30 January 2021	6.68	4.00	120.8	**433**	424
Convertible bond 2022[1]	11 August 2022	2.51	1.25	151.9	**1 055**	1 043
Convertible bond 2023[2]	21 October 2023	2.12	1.25	141.8	**1 052**	1 044
					2 540	2 511
The convertible bonds are presented in the statement of financial position as follows:						
Opening balance of liability					**2 511**	1 065
Face value of notes issued					–	2 216
Fair value adjustment to liability on initial recognition					–	(36)
Transaction costs capitalised					–	(13)
Net movement in equity component of convertible bonds					–	(51)
					2 511	3 181
Redemption of convertible bonds					–	(3)
Conversion of convertible bonds					–	(705)
Market implied interest *					**76**	94
Coupon interest paid					**(47)**	(56)
Liability at period end					**2 540**	2 511

[1] Guaranteed by SIHPL and Steinhoff N.V.
[2] Guaranteed by Steinhoff N.V.
**Market implied interest is calculated by applying the effective interest rate to the liability component*

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

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

	30 September 2017 Carrying value €m	Restated 30 September 2016 Carrying value €m
16.6 Non-convertible European bond		
The non-convertible bond was issued during 2017 and is redeemable on 1 January 2025. The bond bears interest at 1.875% per annum. Steinhoff N.V. stands as guarantor of this bond.	**790**	–

16. *Interest-bearing loans and borrowings* *(continued)*

	Contractual maturity date	Interest rate %	30 September 2017 Carrying value €m	Restated 30 September 2016 Carrying value €m
16.7 German loan notes				
The German loan notes comprise various fixed and floating rate notes with varying maturity dates. Details are set out below:				
Five-year floating rate note	17 July 2020	EURIBOR plus 1.25%	**430**	430
Five-year fixed rate note	Various maturities ranging from July 2020 to July 2022	0.90 % to 1.88%	**103**	63
Six-year floating rate note	19 July 2021	EURIBOR plus 1.35%	**50**	50
Seven-year floating rate note	18 July 2022	EURIBOR plus 1.50%	**107**	107
Seven-year fixed rate note	18 July 2022	2.46%	**77**	77
Ten-year fixed rate note	17 June 2025	3.08%	**5**	5
			772	732
The German loan notes are guaranteed by Steinhoff N.V.				
16.8 Steinhoff Services domestic medium-term note programme: senior unsecured[3]				
The Steinhoff Services medium-term note programme comprises listed notes of varying interest rates and maturities as set out below:				
Listed floating rate notes	Various maturities ranging from December 2017 to October 2022	JIBAR plus 1.60% to 2.20%	**466**	201
Listed fixed rate notes	June 2020	9.83%	**16**	17
Notes repaid during the period			**–**	142
			482	360

[3] *Steinhoff N.V., SINVH, Steinhoff Africa, Ainsley Holdings Proprietary Limited and Pepkor have committed themselves as guarantors in respect of the Steinhoff Services note programme. This programme was delisted and settled subsequent to year-end and all entities were released from the guarantees. Refer note 34.*

16. *Interest-bearing loans and borrowings* *(continued)*

		Contractual maturity date	Interest rate %	30 September 2017 Carrying value €m	Restated 30 September 2016 Carrying value €m
16.9	Syndicated loan facilities				
	Revolving multi-currency credit facility[1]	2 June 2021	EURIBOR plus 0.90%	**1 359**	532
	Revolving credit facility[1]	5 August 2019	LIBOR plus 1.00%	**140**	–
	Structured term loan	31 March 2031	Structured rate of 4.10% plus 1.00%	**20**	20
	Syndicated term loans[2]	Various maturities ranging from March 2018 to March 2020	JIBAR plus 1.65% to 2.00%	**385**	399
	Syndicated term loans[1]	Various maturities ranging from August 2018 to August 2021	LIBOR plus 1.20% to 1.45%	**1 260**	1 792
	Term loan[1]	31 December 2023	LIBOR plus 1.00%	**38**	41
				3 202	2 784

[1] Guaranteed by Steinhoff N.V.

[2] Guaranteed by Steinhoff N.V., SIHPL, SINVH, Steinhoff Africa, Steinhoff Services, Pepkor. Pepkor was released from the guarantee during 2018 as part of the refinancing process of the Pepkor Group. Refer note 34.

16.10 Fair value

The fair value of debt should take into account multiple factors relating specifically to the Group as at 30 September 2017, amongst others, risk factors, investment grading and available security. As a result of the events of December 2017, many of these inputs are not available and valuing the Group's debt requires significant judgement. The Group's debt had been restructured since 30 September 2017 as explained in more detail under note 16.4.

16.11 Risk exposures

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

17. *Trade and other payables*

	30 September 2017 €m	Restated 30 September 2016 €m
Financial liabilities		
Non-current trade and other payables		
Derivative financial liabilities (note 19.1)	**2**	10
Current trade and other payables		
Trade payables	**2 055**	2 339
Payables due to equity accounted companies (note 29.5)	**18**	14
Accruals	**466**	350
Floorplan creditors	**150**	148
Other payables and amounts due	**417**	422
Derivative financial liabilities (note 19.1)	**51**	55
	3 157	3 328
Non-financial liabilities		
Non-current trade and other payables		
Equalisation of operating lease payments	**90**	76
Current trade and other payables		
Equalisation of operating lease payments	**25**	4
Deferred income	**373**	364
Taxation payable	**276**	297
Value added taxation payable	**134**	142
	808	807
Total		
Non-current trade and other payables	**92**	86
Current trade and other payables	**3 965**	4 135
	4 057	4 221

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

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

Derivatives

Refer to note 18 and 19 for details regarding the determination of their fair values and the types of derivatives, respectively.

Deferred income

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

18. *Recognised fair value meausurements*

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

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

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

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

	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
18.1 Fair value hierarchy				
30 September 2017				
Financial assets				
Available-for-sale financial assets				
Listed equity securities (note 11.1)	6	–	–	6
Unlisted equity securities (note 11.1)	–	–	12	12
At fair value through profit or loss				
Unit trusts (note 11)	6	–	–	6
Trade and other receivables				
Derivative – foreign currency forward contracts (note 19.1)	–	17	–	17
Total financial assets	12	17	12	41
Financial liabilities				
Trade and other payables				
Derivative – interest rate swap (note 19.1)	–	(14)	–	(14)
Derivative – foreign currency forward contracts (note 19.1)	–	(39)	–	(39)
Total financial liabilities	–	(53)	–	(53)

18. *Recognised fair value meausurements* *(continued)*

	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
18.1 Fair value hierarchy (continued)				
30 September 2016				
Financial assets				
Available-for-sale financial assets				
Listed equity securities (note 11.1)	193	–	–	193
Unlisted equity securities (note 11.1)	–	–	20	20
At fair value through profit or loss				
Unit trusts (note 11)	6	–	–	6
Trade and other receivables				
Derivative – interest rate swap (note 19.1)	4	11	–	15
Derivative – foreign currency forward contracts (note 19.1)	–	19	–	19
Total financial assets	203	30	20	253
Financial liabilities				
Trade and other payables				
Derivative – interest rate swap (note 19.1)	–	(10)	–	(10)
Derivative – foreign currency forward contracts (note 19.1)	–	(55)	–	(55)
Total financial liabilities	–	(65)	–	(65)

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

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

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

18.2 Valuation techniques

Specific valuation techniques used to value financial instruments include:

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

18. *Recognised fair value meausurements* *(continued)*

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

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

This investment was realised subsequent to year-end. Refer note 34.

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

19. *Financial risk management*

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

However, the investigation revealed a number of short comings relating to the Group's overall financial risk management as a result of the override of the internal controls, by certain senior key management personnel of the Group.

The Management and Supervisory Boards are cognisant of the fact that the risk management processes in place did not address the financial risks faced by the Group as a result of the material irregularities and events that occurred in December 2017. The Management and Supervisory Boards have focused their attention on implementing more stringent internal controls and improved processes relating to the Group's financial risk management processes. Details of this is outlined in the Remediation Plan in the Management Board Report.

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

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	• Future commercial transactions	Cash flow forecasting	Forward foreign exchange and foreign currency option contracts
	• Recognised financial assets and liabilities not denominated in Steinhoff's functional currency	Sensitivity analysis	
Market risk – interest rate	• Borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Market risk – security prices	• Investments in equity securities	Sensitivity analysis	Portfolio diversification
Credit risk	Cash and cash equivalents, trade receivables and instalment sales, derivative financial instruments, loans receivable at amortised cost	• Aging analysis • Credit rating	• Diversification of bank deposits • Credit score card implementation and monitoring
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Management Board was responsible, during the Reporting Period, for implementing the risk management strategy, to ensure that an appropriate risk management framework was operating effectively across the Group. The Board and the Audit and Risk Committee were provided with a consolidated view of the risk profile of the Group, and any major exposures and relevant mitigating actions identified.

During the periods under review, the Group's risk management was carried out by a central treasury department (group treasury). Group treasury identified, evaluated and hedged financial risks in close co-operation with the Group's operating units. The Board and Group treasury had agreed policies, covering specific areas such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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

19. *Financial risk management* (continued)

The ongoing management of both solvency and liquidity risk remains a primary concern and focus for the Group. Due to the uncertainties surrounding the extent of the irregularities, the lack of the consolidated financial statements, and the outcome of the forensic investigation, financial creditors withdrew all available banking facilities and/or removed credit facilities subsequent to the reporting date. The effects include, but are not limited to, limited ability to maintain or open banking facilities, limited and, in most instances, no hedging facilities, and cancellation of suppliers' credit insurance resulting in a dramatic increase in supplier credit facilities.

	30 September 2017 €m	Restated 30 September 2016 €m
19.1 Derivatives		
The Group used forward exchange contracts to hedge its foreign currency risk against the functional currency of its various global operations. Most of the forward exchange contracts had maturities of less than one year after reporting date. The Group did not enter into derivative contracts for speculative purposes. The fair values of such contracts at year-end were:		
Non-current assets		
Trade and other receivables		
Interest rate swap contracts	–	15
Foreign exchange forward contracts	–	4
Total non-current derivative financial instrument assets	–	19
Current assets		
Trade and other receivables		
Foreign exchange forward contracts	**17**	15
Total current derivative financial instrument assets	**17**	15
Non-current liabilities		
Trade and other payables		
Interest rate swap contracts	**2**	10
Total non-current derivative financial instrument liaibilities	**2**	10
Current liabilities		
Trade and other payables		
Interest rate swap contracts	**12**	–
Foreign exchange forward contracts	**39**	55
Total current derivative financial instrument liaibilities	**51**	55

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

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

19. *Financial risk management* *(continued)*

19.2 Market Risk

19.2.1 Foreign currency risk

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

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

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 2017				
Trade and other receivables (financial assets excluding financial derivatives)	**14**	**3**	**–**	**20**
Cash and cash equivalents	**43**	**7**	**6**	**27**
Current borrowings	**(57)**	**–**	**(454)**	**(1 272)**
Trade and other payables (financial liabilities excluding financial derivatives)	**(41)**	**(11)**	**(3)**	**(121)**
Pre-derivative position	**(41)**	**(1)**	**(451)**	**(1 346)**
Derivative effect	**(2)**	**–**	**–**	**(27)**
Open position	**(43)**	**(1)**	**(451)**	**(1 373)**
Restated 30 September 2016				
Investments and loans	–	–	–	15
Trade and other receivables (financial assets excluding financial derivatives)	26	–	–	2
Cash and cash equivalents	19	–	9	15
Current borrowings	(86)	–	(540)	(1 847)
Trade and other payables (financial liabilities excluding financial derivatives)	(62)	(9)	(17)	(104)
Pre-derivative position	(103)	(9)	(548)	(1 919)
Derivative effect	(20)	–	–	(13)
Open position	(123)	(9)	(548)	(1 932)

19. *Financial risk management* *(continued)*

19.2 Market Risk (continued)

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

	Forecast rate[1] 30 September 2017	Forecast rate[1] 30 September 2016	Reporting date spot rate 30 September 2017	Reporting date spot rate 30 September 2016
Euro				
South African rand	**16.6900**	15.8527	**16.0296**	15.4493
UK pound	**0.8800**	0.7965	**0.8818**	0.8610
US dollar	**1.1300**	1.0863	**1.1806**	1.1161

[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 2016.

	30 September 2017 €m	30 September 2016 €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 4.1% (2016: weakening by 2.6%) to the euro	**–**	–
UK pound strengthening by 0.2% (2016: strengthening by 7.5%) to the euro	**1**	41
US dollar strengthening by 4.3% (2016: strengthening by 2.7%) to the euro	**59**	52

19. *Financial risk management* *(continued)*

19.2 Market Risk (continued)

19.2.1 Foreign currency risk (continued)

If the foreign currencies were to weaken/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.

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

The Group applies hyperinflation accounting in line with the requirements of IAS 29 for Pepkor Angola. The effects of this hyperinflation accounting on the consolidated financial statements of the Group are immaterial. The results of the Angolan branch represent an insignificant part of the Group's total assets or results. The results and the financial position of the Angolan branch are translated from Kwanza to Euro based on the closing exchange rate of 30 September 2017.

19.2.2 Cash flow and fair value interest rate risk

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

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

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

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

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

19. *Financial risk management* *(continued)*

19.2 Market risk (continued)

19.2.2 Cash flow and fair value interest rate risk (continued)

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 2017							
Non-current financial assets	**3**	**43**	**10**	**2**	**5**	**43**	**106**
Current financial assets	**33**	**388**	**12**	**152**	**35**	**859**	**1 479**
Current financial liabilities	**(2 896)**	**(1 428)**	**(1 452)**	**(328)**	**(3 611)**	**(3 050)**	**(12 765)**
	(2 860)	**(997)**	**(1 430)**	**(174)**	**(3 571)**	**(2 148)**	**(11 180)**
Restated 30 September 2016							
Non-current financial assets	1	94	7	2	20	78	202
Current financial assets	63	373	–	102	63	964	1 565
Current financial liabilities	(1 720)	(1 288)	(1 988)	(276)	(2 980)	(3 279)	(11 531)
	(1 656)	(821)	(1 981)	(172)	(2 897)	(2 237)	(9 764)
Effect of material interest rate swaps	(48)	–	–	–	53	–	5
	(1 704)	(821)	(1 981)	(172)	(2 844)	(2 237)	(9 759)

	Interest income €m	Interest expense €m
30 September 2017		
Financial assets at amortised cost	**47**	**–**
Financial liabilities not at fair value through profit or loss	**–**	**440**
	47	**440**
Restated 30 September 2016		
Financial assets at amortised cost	59	–
Financial liabilities not at fair value through profit or loss	–	452
	59	452

19. *Financial risk management* *(continued)*

19.2 Market risk (continued)

19.2.2 Cash flow and fair value interest rate risk (continued)

Cross-currency interest rate swap contracts

The Group entered into a number of cross-currency interest rate swap contracts to effectively convert fixed-interest US dollar borrowings into variable-interest euro borrowings. These cross-currency interest rate swaps were settled during the period due to the early settlement of the underlying senior notes (note 16). The related cash flow hedge reserve was reclassified to profit or loss.

Fixed for floating interest rate swap contracts

The Group 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 was 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 were matched with the interest payments on the underlying liabilities. The underlying loans have various maturity dates up to 30 June 2024.

Amounts recognised in profit or loss and other comprehensive income

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

	30 September 2017 €m	Restated 30 September 2016 €m
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.		
Through loss/(profit)		
EURIBOR – 100 basis point increase	**29**	16
JIBAR and SA prime – 100 basis point increase	**10**	8
LIBOR – 100 basis point increase	**14**	20

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

19. *Financial risk management* *(continued)*

19.2 Market risk (continued)

19.2.3 Other price risks

The Group is exposed to other price risks related to:

Brait share price – impact on loan receivable

Refer to note 1.2.3d for the origin of this loan. The Brait listed share price was used to determine the recoverability of a loan granted. A 1% movement in the 30 day VWAP used for Brait would result in an adjustment on the loan value to profit or loss of €1 million in 2017 (30 Day VWAP: ZAR56.24) and €1.8 million through other comprehensive income in 2016 (30 Day VWAP: ZAR115.28) on the available-for-sale financial asset.

19.3 Credit risk

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

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

	30 September 2017 €m	Restated 30 September 2016 €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	**94**	169
Current financial assets	**1 467**	1 375
	1 561	1 544
Less: Instalment sale and loan receivables[1]	**(137)**	(130)
	1 424	1 414

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

19. *Financial risk management* *(continued)*

19.3 Credit risk (continued)

			Restated	
	30 September 2017 €m	30 September 2017 %	30 September 2016 €m	30 September 2016 %
Ageing of financial assets, excluding instalment sales and loan receivables				
Not past due or impaired	**1 257**	**88.3**	1 279	90.5
Past due 1 to 30 days but not impaired	**68**	**4.8**	55	3.9
Past due 31 to 60 days but not impaired	**11**	**0.8**	17	1.2
Past due more than 60 days but not impaired	**24**	**1.7**	22	1.6
Past due and impaired	**64**	**4.4**	41	2.8
	1 424	**100.0**	1 414	100.0

	Secured €m	Unsecured €m	Total €m
Credit exposure by class to instalment sale and loans receivables			
30 September 2017			
Up to date	**2**	**101**	**103**
Performing	**5**	**17**	**22**
Non-performing	**2**	**10**	**12**
	9	**128**	**137**
30 September 2016 – Restated			
Up to date	2	98	100
Performing	1	18	19
Non-performing	1	10	11
	4	126	130

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

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

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

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

19. *Financial risk management* *(continued)*

19.3 Credit risk (continued)

	Secured €m	Unsecured €m	Total €m
Risk analysis for up to date accounts			
30 September 2017			
Low risk	**1**	**101**	**102**
Medium risk	**1**	**–**	**1**
	2	**101**	**103**
30 September 2016 – Restated			
Low risk	2	98	100

Impairment of assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

The Group considers that there is evidence of impairment if any of the following indicators are present:
- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

19. *Financial risk management* *(continued)*

19.3 Credit risk (continued)

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

	30 September 2017 €m	Restated 30 September 2016 €m
Movement in provision for bad debts		
Balance at beginning of the period	**(59)**	(62)
Provision raised	**(36)**	(40)
Amounts unused reversed	**6**	6
Amounts used during the period	**27**	43
Net acquisition of subsidiaries and businesses	**(4)**	(11)
Exchange differences on consolidation of foreign subsidiaries	**1**	5
Balance at end of the period	**(65)**	(59)

Impairment of assets carried at amortised cost

Past due but not impaired

As at 30 September 2017, trade receivables of €103 million (2016: €94 million) were past due but not impaired. Instalment sales receivables of €12 million (2016: €11 million) were considered non-performing. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	30 September 2017 €m	Restated 30 September 2016 €m
Trade receivables		
Up to 3 months	**85**	81
3 to 6 months	**18**	13
	103	94

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

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

19. *Financial risk management* *(continued)*

19.4 Liquidity risk

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

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

The Group is in technical breach of all its financial covenants and therefore no longer has access to any undrawn borrowing facilities. Refer to note 16.4 and 19.5.

19.5 Capital risk management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued ordinary share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

Loan covenants

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

– Net debt to EBITDA ≤ 3.2 times
– Interest cover ≥ 4.5 times
– Issue of consolidated financial statements of the Group and certain subsidiary companies within agreed periods.

The Group has recalculated its financial covenant calculations based on the restated results and financial position of the Group and have not complied with these covenants at 30 September 2017 or 30 September 2016.

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

Due to various guarantees and cross-guarantees issued by various companies within the Group, every borrowing listed in note 16 is immediately repayable as a result of the breach of the financial covenants and therefore classified as current.

No remedies or renegotiation of terms were finalised before the end of the reporting period. The Group renegotiated the terms of all the borrowings with financial creditors during 2018 and the terms of the Lock-Up Agreement were finalised after the end of the reporting period but before the consolidated financial statements were issued. Refer to note 34 for further details of this event after the reporting period.

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

19. *Financial risk management* *(continued)*

19.5 Capital risk management (continued)

	30 September 2017 Cents	30 September 2016 Cents
Distribution to shareholders		
Cash dividend to ordinary shareholders		
A dividend of 15.0 euro cents per Steinhoff N.V. ordinary share was approved by the Annual General Meeting held on 14 March 2017. An interim dividend of 12.0 euro cents per Steinhoff N.V. ordinary share was paid in cash, after withholding taxation deductions, on Tuesday, 6 December 2016 and the remaining 3 euro cents was paid in cash, after withholding taxation deductions on Monday, 20 March 2017.		
For the period ended 30 September 2016, the Dividend and Capitalisation Issue Alternative 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). For the period ended 30 September 2016, the Management Board declared a cash dividend from retained earnings of 10.3 euro cents (165 South African rand cents).	**15.0**	10.3
Distribution to Steinhoff Investment Holdings Limited preference shareholders		
A preference dividend of 436.68 South African rand cents per share (2016: 396 South African rand cents per share) in respect of the period 1 July 2016 to 31 December 2016 (2015: 1 July 2015 to 31 December 2015) was paid on 18 April 2017 (2016: 18 April 2016) to those preference shareholders recorded in the books of the company at the close of business on 13 April 2017 (2016: 15 April 2016).	**30.0**	25.0
A preference dividend of 429.56 South African rand cents per share (2016: 424 South African rand cents per share) in respect of the period 1 January 2017 to 30 June 2017 (2016: 1 January 2016 to 30 June 2016) was paid on 23 October 2017 (2016: 17 October 2016) to those preference shareholders recorded in the books of the company at the close of business on 20 October 2017 (2016: 14 October 2016).	**29.0**	26.0

	Number of shares	Number of shares
Capitalisation issue alternative to ordinary shareholders		
In the prior period, elections to receive the capitalisation share award of 1.9827 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.(note 26.2)	–	49 268 790

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

20. *Employee benefits*

		30 September 2017			30 September 2016		
	Note	Current €m	Non-current €m	Total €m	Current €m	Non-current €m	Total €m
Leave obligations	20.1	**60**	**4**	**64**	62	–	62
Post-retirement medical benefits		**5**	**1**	**6**	1	5	6
Performance-based bonus accrual	20.3	**34**	**41**	**75**	19	30	49
Indemnity provision	20.4	**–**	**48**	**48**	–	51	51
Other[1]		**41**	**45**	**86**	39	19	58
Defined pension benefits	20.2						
Conforama France Pension Fund	33.1	**–**	**48**	**48**	–	51	51
Homestyle Pension Fund	33.1	**–**	**6**	**6**	–	16	16
Other[2]		**5**	**12**	**17**	20	12	32
Total liability		**145**	**205**	**350**	141	184	325

[1] *Included in other are provisions relating to a cash settled employee share scheme at a subsidiary level as well as 13th cheque or holiday pay and severance pay.*

[2] *Other defined pension benefits comprises immaterial pension funds within the Group, majority of which relates to Conforama Italy.*

20.1 Leave obligations

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

The leave obligations relates to vesting leave pay to which employees may become entitled on leaving the employment of the Group. The accrual arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on an employee's total cost of employment. The accrual is utilised when employees become entitled to and are paid for the accumulated leave or utilise compensated leave due to them. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Leave that is expected to be taken or paid within the next 12 months amounted to €60 million (2016: €62 million).

20.2 Pension plans

Defined pension benefits

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

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 present value of funded obligations at period end amounted to €48 million (2016: €51 million). There are no plan assets in this fund.

The fund was valued on 30 September 2017, which is in line with Group policies. There are 7 362 (30 September 2016: 8 495) employees currently covered by the fund.

20. *Employee benefits* *(continued)*

20.2 Pension plans (continued)

Homestyle 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 Homestyle. No other post-retirement benefits are provided.

The present value of funded obligations at period end amounted to €79 million (2016: €93 million) and the fair value of the plan asset amounted to €73 million (2016: €77 million).

The fund was valued on 30 September 2017, which is in line with Group policies. The scheme was closed to new entrants.

Refer to note 33 for more detail regarding the present value of the pension fund.

Defined contribution plans

The Group also operates a number of defined contribution plans which receive fixed contributions from Group companies. The Group's legal or constructive obligation for these plans is limited to the contributions. The expense recognised in the current period in relation to these contributions was €22 million (2016: €28 million).

20.3 Performance-based bonus accrual

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

	€m
Balance at 1 July 2015	23
Accrual raised	50
Amounts unused reversed	(4)
Amounts utilised	(46)
Net acquisition and disposal of businesses	12
Exchange differences on consolidation of foreign subsidiaries	(6)
Reclassification from accruals	20
Balance at 30 September 2016	**49**
Accrual raised	**37**
Amounts unused reversed	**(3)**
Amounts utilised	**(9)**
Exchange differences on consolidation of foreign subsidiaries	**(1)**
Reclassification from accruals	**2**
Balance at 30 September 2017	**75**

20.4 Indemnity provision

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

21. Provisions

		30 September 2017			30 September 2016		
	Note	Current €m	Non-current €m	Total €m	Current €m	Non-current €m	Total €m
Dilapidation, onerous lease and onerous contract provisions	21.1	**227**	**190**	**417**	197	375	572
Warranty provisions	21.2	**25**	**35**	**60**	19	31	50
Legal claims	21.3	**31**	**61**	**92**	169	7	176
Contingent liability	21.4	**2**	**44**	**46**	8	60	68
Other	21.5	**80**	**8**	**88**	95	29	124
		365	**338**	**703**	488	502	990

	Dilapidation, onerous lease and onerous contract provisions €m	Warranty provisions €m	Legal claims €m	Contingent liability €m	Other €m	Total €m
Movement in provisions						
Restated balance at 1 July 2015	116	26	162	128	68	500
Provision raised	25	19	7	–	35	86
Amounts unused reversed	(3)	(1)	–	–	(35)	(39)
Amounts utilised	(41)	(17)	–	(44)	–	(102)
Acquisition of subsidiaries and businesses	477	23	7	–	59	566
Exchange differences on consolidation of foreign subsidiaries	(2)	–	–	(16)	(3)	(21)
Restated balance at 30 September 2016	**572**	**50**	**176**	**68**	**124**	**990**
Provision raised	**18**	**34**	**63**	**–**	**106**	**221**
Amounts unused reversed	**(13)**	**–**	**–**	**–**	**(42)**	**(55)**
Amounts utilised	**(153)**	**(20)**	**(147)**	**(21)**	**(92)**	**(433)**
Acquisition of subsidiaries and businesses	**–**	**–**	**–**	**–**	**13**	**13**
Derecognition of subsidiaries (note 1.2.3b)	**–**	**(5)**	**–**	**–**	**(4)**	**(9)**
Reclassification from/(to) accruals	**11**	**2**	**–**	**–**	**(10)**	**3**
Exchange differences on consolidation of foreign subsidiaries	**(18)**	**(1)**	**–**	**(1)**	**(7)**	**(27)**
Balance at 30 September 2017	**417**	**60**	**92**	**46**	**88**	**703**

21. Provisions *(continued)*

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

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

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

21.1 Dilapidation, onerous lease and onerous contract provisions

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

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

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

21.2 Warranty provisions

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

21.3 Legal claims

An agreement was reached during 2019 financial year relating to a legal dispute with Pohlmann (refer to note 1.2.3b for origins of the transaction). Management considered this to be an adjusting subsequent event and an amount under a confidential settlement and relevant withholding taxes have been provided for during the 2017 financial period.

A payment of €147 million made to Seifert in December 2016 relating to the Conforama dispute as detailed in note 1.2.3c.

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

21. *Provisions* *(continued)*

21.4 Contingent liabilities raised on business combinations

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

21.5 Other provisions

Other provisions include all amounts where there is a present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

22. *Commitments and contingencies*

	30 September 2017 €m	Restated 30 September 2016 €m
22.1 Capital expenditure		
Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:		
Contracts for capital expenditure authorised	**77**	141
Capital expenditure authorised but not contracted for	**277**	142

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

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

22.2 Non-cancellable operating leases

The Group leases various offices, warehouses and retail stores under non-cancellable operating leases mostly expiring within one to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Excess space is sub-let to third parties also under non-cancellable operating leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	30 September 2017 €m	Restated 30 September 2016 €m
Next year	**1 193**	1 313
Within two to five years	**3 194**	3 890
Thereafter	**1 369**	2 165
Total	**5 756**	7 368

Balances denominated in currencies other than euro were converted at the closing rates of exchange ruling at 30 September 2017 and 30 September 2016.

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

Rental expense recognised in profit or loss during the period relating to operating leases amounted to €1 271 million (2016: €861 million). Refer to note 4.3.6.

22.3 Contingent liabilities and other litigation

Taxation

There is uncertainty regarding future taxes as a result of the impact of the accounting irregularities as well as a number of ongoing tax audits and investigations. Details are provided in note 6.

22. Commitments and contingencies *(continued)*

22.3 Contingent liabilities and other litigation (continued)

Legal claims

The contractual claims discussed below were received by the relevant parties after the reporting period. They are all being defended. As these claims are based on the claimants' view that the financial reports provided to them were misleading it is deemed, in terms of IAS 10, to be an adjusting event. The base currency of the claims has been converted to the reporting currency by using the average exchange rates of the reporting period in which the claims were received.

No provisions have been made for these claims as it is not yet possible to determine the timing and outflow, if any, relating to these claims

Tekkie Claimants v Steinhoff N.V. and Town Investments

- AJVH Holdings Proprietary Limited, Full Team Sure Trande Proprietary Limited, Aquilam Holidings Proprietary Limited, Liber Decimus Proprietary Limited and Xando Trade and Invest 327 Proprietary Limited ("Tekkie Claimants") have instituted a claim against Steinhoff N.V. and Town Investments based on a written contract entered into between the parties on 29 August 2016 whereby Steinhoff N.V. purchased all the ordinary shares held in Tekkie Town for a purchase price of ZAR3.3 billion (€209.4 million) discharged by the allotment and issuing of 43 million Steinhoff shares. The Tekkie Claimants allege that they entered into the contract based on false and misleading representations made by Steinhoff N.V. and Markus Jooste and claim a return of the Tekkie Town equity or a payment of approximately ZAR1.85 billion (€119 million).
- The Tekkie Town Claimants have also instituted a claim against Pepkor, in relation to contractual earn-out payments of up to ZAR890 million (€57 million). Pepkor denies liability and is defending the action that has been instituted by the sellers.

Thibault Claimants v Steinhoff N.V. and SIHPL

- Thibault and Upington (subsequently substituted by Titan) ("Thibault Claimants") have instituted a claim against Steinhoff N.V. and SIHPL on 26 April 2018 for the cancellation of subscription agreements based on misrepresentation and restitution as follows:
  - i.) contractual claim by Thibault claimants against SIHPL for an amount of ZAR34.7 billion (€2.2 billion) based on the subscription agreement entered into between the parties on 25 November 2014, in terms of which Thibault subscribed for 609 million ordinary shares in SIHPL.
  - ii.) a claim by Thibault against Steinhoff N.V. for restitution of the assets distributed by SIHPL to Steinhoff N.V. in terms of the scheme of arrangement
  - iii.) a claim of damages by Upington, in the amount of €1.59 billion based on subscription agreements whereby Upington subscribed for a combined total of 314 million shares in Steinhoff N.V. for €1.59 billion. Upington was replaced by Titan as claimant after selling and ceding its claims to Titan.

Wiesfam v Steinhoff N.V. and SIHPL

- Wiesfam Trust Proprietary Limited ("Wiesfam") have instituted a claim against Steinhoff N.V. and SIHPL on 26 April 2018 for the cancellation of subscription agreements based on misrepresentation and restitution as follows:
  - i.) a contractual claim by Wiesfam against SIHPL for the return of 15.5 million PSG shares, alternatively payment of the amount of ZAR3.4 billion (€220.6 million) as damages. The claim is based on an oral share issue agreement entered into between the parties on 15 December 2011, in terms of which Wiesfam subscribed for 29.7 million ordinary shares in SIHPL for a consideration of 15.5 million PSG shares. Wiesfam alleges that it was induced to enter into the Share Issue Agreement based on certain fraudulent and/or negligent misrepresentations and non-disclosures made by SIHPL through Markus Jooste.
  - ii.) a claim by Wiesfam against Steinhoff N.V. for restitution of the assets distrubted by SIHPL to Steinhoff N.V. in terms of the scheme of arrangement.

GT Ferreira Claimants v Steinhoff N.V. and SIHPL

- GT Ferreira and the trustees of Tokara BEE Trust and the Tokara Employees Trust ("GT Ferreira Claimants") have instituted a claim on 1 June 2018 against Steinhoff N.V. and SIHPL, to have certain share swap agreements, entered into between the parties on or about 25 June 2015, declared *void ab initio*, alternatively declaring that such swap agreements were lawfully cancelled by the applicants on 10 May 2018 and ordering SIHPL to return to the applicants the PSG shares that formed part of the swap agreement, alternatively ordering SIHPL to pay the applicants the value of such PSG shares being in total ZAR 1.17 billion (€75.3 million).

22. *Commitments and contingencies (continued)*

22.3 Contingent liabilities and other litigation (continued)

Legal claims (continued)

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

- The Trustees of Le Toit trust ("Le Toit") have instituted a claim on 31 August 2018 against SIHPL, Steinhoff N.V., SINVH, Markus Jooste and Ben la Grange, for the cancellation of share exchange agreements, based on misrepresentations, and claims for damages against all of the defendants for payment of the amount of ZAR740 million (€47.6 million).

  The claims are based on written share exchange agreements entered into between SIHPL and Le Toit on 24 June 2015, in terms of which SIHPL transferred 10.2 million ordinary shares in SIHPL issued for a total consideration of 3.8 million PSG shares.

Enrico De Villers Greyling v SIHPL

- On 15 February 2019, Enrico De Villiers Greyling instituted a claim against SIHPL for the return of 500 000 shares in PSG, valued at ZAR196.18 per share, in exchange for 1.3 million shares in Steinhoff N.V. issued to him in terms of an exchange agreement entered into on our about 24 June 2015 (initially for shares in SIHPL which were converted at listing of Steinhoff N.V.) which Greyling now wishes to cancel on the basis of misrepresentation.

Lancaster 101 v Steinhoff N.V.

- On 18 April 2019, Lancaster 101 instituted proceedings against Steinhoff N.V. in the Western Cape High Court for the following claims resulting from a subscription agreement and sale agreement entered into between the parties as well as losses caused by entering into a loan agreement to fund the sale agreement:
  i.) Lancaster 101 claims rescission of the subscription agreement on the basis of misrepresentation in the Group's 2015 consolidated financial statements. Lancaster 101 seeks payment of ZAR4.6 billion (€283 million) against delivery of 60 million Steinhoff shares. Alternatively, Lancaster 101 claims loss arising on the basis of misrepresentation of the true value of the subscription shares, which it alleges to be ZAR1.00 per share. Lancaster 101 seeks payment of ZAR4.5 billion (€279.4 million) being the subscription price less what Lancaster 101 alleges to be the true value of the subscription shares.
  ii.) Lancaster 101 claims that but for the misrepresentations in the Group's 2015 consolidated financial statements, it would not have entered into the sale agreement. Lancaster seeks payment of ZAR5.0 billion (€311.6 million) being the sale price less what Lancaster alleges to be the true value of the subscription shares.
  iii.) Lancaster 101 claims that but for the misrepresentations in Group's 2015 consolidated financial statements, it would not have entered into the loan agreement. Lancaster 101 seeks payment of ZAR2.1 billion (€128.7 million) being finance charges payable on the relevant loan amount to February 2019.

HLSW and LSW v AIH

- HLSW GmbH ("HLSW") an entity owned and/or controlled by Seifert filed a complaint by which HLSW requests, inter alia, the transfer of a 50% shareholding in AIH Investment Holding GmbH ("AIH") to it. Steinhoff is contesting the relief requested by HLSW in its entirety. No witnesses have been heard thus far and the presiding judge has stated that he would interrupt these proceedings until June 2019 to await the further taking of testimony in the Loan Proceedings referred to below.

  LSW GmbH ("LSW"), owned and/or controlled by Seifert have filed a further complaint against AIH and SEAG with LSW requesting the repayment of a loan granted to SEAG and AIH in the amount of €299.9 million and interest in the amount of €29.4 million ("the Loan Proceedings"). SEAG and AIH have filed an answer to the complaint and contested the relief requested by LSW in its entirety. In addition, LSW requested solely from SEAG financing costs in the amount of €58.9 million as well as default interest on the amount of €388.3 million at a rate of 5.14% per annum above the 6-months-EURIBOR since 12 October 2015. LSW initially requested €388.3 million plus interest and the costs of the proceedings from SEAG and €329.3 million plus costs of the proceedings from AIH.

  On 21 December 2016, LSW received an amount of €146.7 million from Steinhoff entities. LSW reduced its claim on 17 February 2017 to €265.4 million (plus interest at a rate of 5.14% per annum above the 6-months-EURIBOR from 22 December 2016) vis-à-vis SEAG and €249.2 million vis-à-vis AIH, plus costs of the proceedings from both parties.

  On 20 July 2018 and again on 20 September 2018, LSW filed for a preliminary injunction against SEAG and AIH in order to secure its claim arising from the Loan Proceedings. The competent judge of the Loan Proceedings rejected LSW's application(s) for a preliminary injunction on all alleged grounds with his decision dated 1 October 2018.

  The Loan Proceedings are ongoing and SEAG and AIH continue to oppose the relief sought by LSW.

22. *Commitments and contingencies (continued)*

22.3 Contingent liabilities and other litigation (continued)

Shareholder claims

- D de Bruyn has instituted proceedings for the certification of a class action in South Africa involving 42 respondents and alleges that certain accounting irregularities and other financial transactions related to the Group caused investors significant financial losses. The certification application was issued on 8 August 2018.
- On 2 February 2018, the VEB has initiated a Dutch collective action against Steinhoff N.V. on behalf of all Steinhoff N.V. shareholders that have either bought or held Steinhoff shares during a specific timeframe. VEB claims that Steinhoff N.V. acted unlawfully towards its shareholders because of incorrect, incomplete and misleading public information presented by Steinhoff N.V.
- On 20 March 2019, Trevo Capital Limited, a shareholder having acquired SIHPL shares on the secondary market (which were subsequently swapped for Steinhoff shares pursuant to the listing of Steinhoff N.V.), instituted a damages claim against SIHPL for loss emanating from the reduction in value of its Steinhoff shares in the amount of c.ZAR2.16 billion (€134 million).
- On 25 March 2019, BVI, a shareholder, having acquired SIHPL shares from a company related to SIHPL and/or SIHPL itself (which were subsequently swapped for Steinhoff shares pursuant to the listing of Steinhoff N.V.), instituted a claim against SIHPL for loss emanating from the reduction in value of its Steinhoff shares in the amount of c.ZAR2.16 billion (€134 million). BVI has instituted a delictual claim based on false and misleading information, with an alternative statutory claim for breach of the South African Companies Act.
- On 29 March 2019, previous members of management at Pepkor, who had each entered into a share swap agreement with SIHPL whereby their shares in Pepkor were swapped for shares in SIHPL (which were subsequently swapped for Steinhoff shares shares pursuant to the listing of Steinhoff N.V.) instituted proceedings against SIHPL for loss emanating from the reduction in value of their Steinhoff shares in the aggregate amount of ZAR450 million (€28 million). The claimants have instituted a delictual claim based on false and misleading information, with an alternative statutory claim for breach of the South African Companies Act.
- On 22 January 2019, Deminor Recovery Services ("Deminor") and 84 other plaintiffs served a writ of summons on Steinhoff N.V. and three other co-defendants. The requested relief includes both claims of declaratory relief and damages. Steinhoff N.V. is held liable for damages in the amounts of €173.9 million and ZAR8.2 billion (€508.4 million), allegedly suffered by Steinhoff N.V investors as a result of the misleading information issued and disseminated by Steinhoff N.V.

There are various other claims by Steinhoff N.V. shareholders of which the amounts are immaterial.

Regulatory proceedings

- BaFin issued an administrative order on 3 March 2018, requiring Steinhoff N.V. to fulfil its publication obligations as set out in the German Securities Trading Act in relation to the financial report for the 2016 and 2017 financial years by 14 June 2018 and has threatened coercive fines in a total amount of €1 150 000. Steinhoff N.V. filed an objection against the administrative order. Steinhoff N.V.'s objection was officially rejected by BaFin on 14 December 2018. On 14 January 2019, Steinhoff N.V. filed an appeal against the administrative order and rejection of its objection.
- On 15 May 2018, the FSE initiated sanction proceedings against Steinhoff N.V. due to violations of the financial reporting requirements pursuant to the rules and regulations of the FSE in relation to the financial report for the financial year 2016/2017. On 12 September 2018 the FSE ordered Steinhoff N.V. to pay a fine of €98,400 plus cost of the proceeding €9,000. Steinhoff N.V. has appealed against the order.

23. *Cash flow information*

	Note	Twelve months ended 30 September 2017 €m	Restated Fifteen months ended 30 September 2016 €m
23.1 Cash generated from operations			
Operating (loss)/profit		**(3 676)**	278
Adjusted for:			
Profit or loss movement in provision for doubtful debt		**31**	73
Depreciation and amortisation	4.3.1	**419**	355
Net impairment of loans receivable and other related provisions	4.2.2	**103**	152
Fair value loss/(gain) on financial instruments	4.3.5	**20**	(45)
Unrealised foreign exchange gains	4.3.4	**(156)**	(19)
Impairments			
Goodwill	8	**2 736**	17
Intangible assets	8	**673**	25
Property, plant and equipment	9	**521**	26
Inventories written down to net realisable value and movement in provision for inventories	14	**87**	58
Net loss on disposal and scrapping of property, plant and equipment, vehicle rental fleet and intangible assets	4.2.5	**43**	57
Gain on disposal, part disposal and bargain purchase of investments	4.2.6 & 4.2.7	**(94)**	(59)
Share-based payment expense	32	**33**	47
Other non-cash adjustments		**34**	42
Cash generated before working capital changes		**774**	1 007
Working capital changes			
Increase in inventories		**(127)**	(250)
Increase in trade and other receivables		**(63)**	(46)
Decrease in assets held-for-sale		**–**	131
Movement in net derivative financial liabilities/assets		**(6)**	7
Decrease in liabilities held-for-sale		**–**	(62)
Decrease in non-current and current provisions		**(286)**	(74)
Increase in non-current and current employee benefits		**50**	40
Increase in trade and other payables		**62**	245
Net changes in working capital		**(370)**	(9)
Cash generated from operations		**404**	998

24. *Business combinations*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the acquired entity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition related costs are capitalised if it meets the requirements to be capitalised in terms of IFRS 3. Otherwise acquisition related costs are expensed as incurred in terms of IFRS 3.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recognised as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

24. Business combinations *(continued)*

	Fantastic Note 24.2 €m	Tekkie Town Note 24.3 €m	Other Note 24.4 €m	Total 30 September 2017 €m
24.1 The fair value of assets and liabilities assumed at date of acquisition				
Assets				
Intangible assets	86	52	6	144
Property, plant and equipment	17	5	44	66
Investments and loans	–	–	1	1
Deferred taxation assets	18	2	–	20
Other assets	4	–	–	4
Cash on hand	10	2	6	18
Liabilities				
Interest-bearing loans and borrowings	–	–	(2)	(2)
Deferred taxation liability	(27)	(10)	(2)	(39)
Bank overdraft and short-term facilities	–	(5)	(1)	(6)
Working capital	(14)	28	(14)	–
Existing non-controlling interests	–	–	(7)	(7)
Group's share of total assets and liabilities acquired	94	74	31	199
Goodwill attributable to acquisition	153	152	115	420
Total consideration	247	226	146	619
Cash on hand at date of acquisition	(10)	(2)	(6)	(18)
Purchase price settled through issue of shares	–	(118)	–	(118)
Net cash outflow on acquisition of subsidiaries	237	106	140	483

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

24.2 Acquisition of Fantastic

Effective 1 January 2017, Steinhoff acquired 100% of the voting rights of Fantastic for a purchase price of €247 million (AUD361 million) paid in cash. The acquisition has significantly increased the Group's market share in Australia and complements the Group's existing furniture retail business in Australia.

The material fair value adjustments relate to recognising the Fantastic Furniture, Plush and OMF Brands. The brands were assessed to have indefinite useful lives. Adjustments were also made to the warranty provisions, raising additional onerous lease provisions and providing for dilapidations. Deferred taxation was provided on all the relevant adjustments.

Revenue of €289 million and net profit after taxation of €16 million have been included in the consolidated statement of profit or loss as at 30 September 2017.

The revenue and profit or loss of Fantastic, calculated as though the acquisition date had been at the beginning of the Reporting Period would have been €394 million and €14.7 million respectively.

24. *Business combinations* *(continued)*

24.3 Acquisition of Tekkie Town

Effective 1 February 2017, Steinhoff acquired 100% of the voting rights of Tekkie Town for a purchase price of €226 million (ZAR3.4 billion). The acquisition has significantly increased the Group's market share in footwear in South Africa, and complements the Group's existing speciality business in the general merchandise retail sector.

The purchase price was partially settled by Steinhoff issuing approximately 25 million Steinhoff shares and a cash amount of €108 million. The fair value of the shares issued as part of the consideration paid for Tekkie Town (€118 million) was based on the 30 day VWAP on 31 January 2017 of ZAR69.39 per share. Refer to note 30 for details regarding the special purpose vehicle established to facilitate this transaction.

The material fair value adjustments relate to the recognition of the Tekkie Town brand. Deferred taxation was provided at capital rates as the brand was assessed to have an indefinite useful life.

Revenue of €61 million and net profit after taxation of €7 million have been included in the consolidated statement of profit or loss as at 30 September 2017.

The revenue and operating profit of Tekkie Town calculated as though the acquisition date had been at the beginning of the Reporting Period would have been €110 million and €21.7 million respectively.

The fair value of assets and liabilities assumed of Tekkie Town are provisional and were expected to be finalised within the twelve months after the date of the acquistions. The finalisation did not have a material impact on the reported numbers.

24.4 Other acquisitions during the year

Other immaterial acquisitions made during the period are set out below. The Capfin call center and Van As debt collectors business was purchased from Wands. See note 30.

The revenue and net profit of these operations have been included in the consolidated statement of profit or loss for the period ended 30 September 2017 from their dates of acquisition.

	Segment	Country of incorporation	Date of acquisition	Ownership %	Total purchase price paid €m
Capfin call center and Van As debt collectors	Pepkor	South Africa	October 2016	**100**	**32**
Sherwood Group Holdings, Inc.	Mattress Firm	United States of America	July 2017	**100**	**18**
Sherwood Acquisition Holdings, LLC	Mattress Firm	United States of America	July 2017	**80**	**46**
Other					**50**
					146

Acquisition-related costs, included in operating expenses in the Group's consolidated statement of profit or loss for the period ended 30 September 2017, amounted to €2 million (30 September 2016: €23 million).

24. *Business combinations* *(continued)*

	Poundland (Note 24.6) €m	Mattress Firm (Note 24.7) €m	Other (Note 24.8) €m	Restated Total 30 September 2016 €m
24.5 The fair value of assets and liabilities assumed at date of acquisition				
Assets				
Intangible assets	132	1 359	65	1 556
Property, plant and equipment	81	355	19	455
Investments and loans	–	11	–	11
Deferred taxation assets	28	–	4	32
Cash on hand	43	25	26	94
Liabilities				
Interest-bearing loans and borrowings	(107)	(1 244)	–	(1 351)
Deferred taxation liability	–	(504)	(7)	(511)
Bank overdraft and short-term facilities	–	(13)	–	(13)
Working capital	(335)	(371)	(24)	(730)
Existing non-controlling interests	–	(17)	(20)	(37)
Group's share of total assets and liabilities acquired	(158)	(399)	63	(494)
Goodwill attributable to acquisition	864	2 589	73	3 526
Total consideration	706	2 190	136	3 032
Cash on hand at date of acquisition	(43)	(25)	(26)	(94)
Net cash outflow on acquisition of subsidiaries	663	2 165	110	2 938

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

The fair value of assets and liabilities assumed of Poundland and Mattress Firm were provisional and were finalised within twelve months after the date of the acquistions. The restatements relating to the finalisation of the purchase price allocations are detailed in note 1.1.

24. *Business combinations* *(continued)*

24.6 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. The purchase price was paid in cash.

The remeasurement of the 23.6% interest held was reclassified to profit or loss at the date of control and amounted to €12 million (refer to note 4).

No revenue or net profit, other than the acquisition date fair value adjustments and transaction costs, have been included in the consolidated statement of profit or loss for the period ended 30 September 2016.

24.7 Acquisition of Mattress Firm

On 19 September 2016, Steinhoff acquired 100% of the voting rights of Mattress Firm for a total equity value of approximately US$2.4 billion. The purchase price was paid in cash.

No revenue or net profit, other than transaction costs, have been included in the consolidated statement of profit or loss as at 30 September 2016.

24.8 Other acquisitions during the period

Other immaterial acquisitions made during the prior period 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	Pepkor	South Africa	January 2016	**100**	**80**
Impuls Küchen	European Manufacturing	Germany	July 2015	**100**	**23**
Extreme Digital	ERM	Hungary	January 2016	**50.5**	**20**
Other					**13**
					136

Acquisition-related costs, included in operating expenses in the Group's consolidated statement of profit or loss for the period ended 30 September 2016, amounted to €23 million.

25. Nature and purpose of reserves

Share capital and share premium

The share capital and share premium reserve records the movements in the issued share capital of the Company.

Treasury shares

Treasury shares are recognised as equity when Group companies (including employee share trusts) purchase Steinhoff shares, when the Company reacquires its own shares, or when the Company shares are under the control of the Group through unconsolidated structured entities (refer note 1.2). 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 or accumulated losses.

Accumulated losses

Retained earnings/accumulated losses comprise distributable reserves accumulated through the consolidation of the profit or loss of consolidated companies and the share of profit or loss of equity accounted companies. Reclassifications and transfers to and from other reserves are also accumulated in this reserve. Ordinary dividends declared reduce this reserve. Preference dividends on preference shares, classified as equity, also reduce this reserve.

Equity component of convertible and redeemable bonds

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

Foreign currency translation reserve

Foreign exchange differences arising on translation are recognised in other comprehensive income and aggregated in the foreign currency translation reserve ("FCTR"). However, if the operation is not a wholly owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve, related to that foreign operation, is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR. They are released to profit or loss upon disposal of that foreign operation.

Share-based payment reserve relating to equity-settled share-based payment

The fair value of the deferred delivery shares and the share rights granted to employees is recognised as an employee expense with a corresponding increase in equity. Refer to note 32. Once a share scheme vests or becomes highly unlikely to vest, the relevant portion of the share-based payment reserve is transferred to accumulated losses.

Excess of consideration (paid to)/received from non-controlling interest

Any increases or decreases in ownership interest in subsidiaries, without a change in control, are recognised as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received are recognised, directly in equity and attributed to owners of the company.

Other reserves

Other reserves comprise fair valuations of available-for-sale financial assets, cash flow hedge reserves and actuarial gains or losses recognised on the measurement of the defined benefit plans. These reserves are not considered material by the Group.

26. *Ordinary share capital*

		30 September 2017 Number of shares	Restated 30 September 2016 Number of shares
26.1	**Authorised**		
	Ordinary shares of €0.50 each	**17 500 000 000**	17 500 000 000
26.2	**Issued**		
	Balance at beginning of the period	**4 253 551 251**	3 662 269 596
	Shares issued upon employee share scheme vesting (note 32.1)	**13 175 893**	8 709 966
	Shares issued to Town Investments (note 30 and 32.2b)	**17 939 979**	–
	Shares issued to acquire Tekkie Town (note 24.3)	**25 060 021**	–
	Shares issued upon conversion of bonds	**–**	201 302 899
	Shares issued relating to capitalisation award (note 19.5)	**–**	49 268 790
	Shares issued with capital raise	**–**	332 000 000
	Balance at the end of the period	**4 309 727 144**	4 253 551 251
26.3	**Treasury shares**		
	Balance at beginning of the period	**(58 005 829)**	(61 915 368)
	Purchases of Steinhoff N.V. shares by a subsidiary company	**(3 800 000)**	(770 123)
	Disposal of Steinhoff N.V. shares by a subsidiary company	**2 819 581**	5 653 712
	Net movement in shares held by the Steinhoff Share Trust relating to ESRS	**(2 086 671)**	–
	Treasury shares held by subsidiaries of the Group	**(61 072 919)**	(57 031 779)
	Steinhoff shares held by third parties and recognised as treasury shares		
	Shares issued to SSUK (note 1.2.5a and 32.2a)	**(16 128 666)**	(150 000 000)
	Capitalisation share award in respect of shares issued to SSUK (note 1.2.5a and 32.2a)	**–**	(2 974 050)
	Repurchase of shares from SSUK and immediate disposal to Upington (note 1.2.5a, note 29.3 and 32.2a)	**–**	152 000 000
	Shares issued to Town Investments (note 1 and 32.2c)	**(17 939 979)**	–
	Balance at the end of the period	**(95 141 564)**	(58 005 829)
	Total issued ordinary share capital	**4 214 585 580**	4 195 545 422

26. *Ordinary share capital* *(continued)*

	30 September 2017 Share capital €m	Restated 30 September 2016 Share capital €m	30 September 2017 Share premium €m	Restated 30 September 2016 Share premium €m
26.4 Issued				
Balance at beginning of the period	**2 127**	1 831	**8 615**	6 650
Shares issued during the period net of transaction costs	**28**	296	**186**	1 965
Balance at the end of the period	**2 155**	2 127	**8 801**	8 615
26.5 Treasury shares				
Balance at beginning of the period	**(15)**	(15)	**(56)**	(49)
Purchased and attributed shares during the period	**(33)**	(75)	**(151)**	(761)
Capitalisation share award	**–**	(1)	**–**	–
Disposal of shares	**–**	76	**–**	754
Balance at the end of the period	**(48)**	(15)	**(207)**	(56)
Total issued ordinary share capital and share premium	**2 107**	2 112	**8 594**	8 559

Refer to note 1.2.5 for significant judgements relating to classification of loans to third parties as treasury shares.

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 2017 Number of shares	Restated 30 September 2016 Number of shares
26.6 Unissued shares		
Reserved for bond holders	**414 522 268**	412 603 378
Shares reserved for future participation in share schemes*	**72 261 443**	89 053 656
Shares reserved for current participation in share schemes*	**33 569 687**	31 144 361
Shares under the control of the directors	**1 483 611 805**	677 842 269
Unissued shares	**11 186 307 653**	12 035 805 082
Total unissued shares	**13 190 272 856**	13 246 448 746

**Management assess it is unlikely that any Steinhoff shares will be issued to employees of the Group in future under any of the open grants of the ESRS. Refer to note 32.1.*

27. *Preference stated share capital*

	Classification of preference shares		
	Redemption	**Payment of dividends**	**Classification of instrument**
27.1 Authorised			
Steinhoff International Holdings N.V.			
Non-cumulative financing preference shares of €0.01	Non-redeemable	Discretionary	Equity
Steinhoff International Holdings Proprietary Limited			
Cumulative, non-participating preference shares of no par value	Non-redeemable	Discretionary	Equity
Steinhoff Investment Holdings Limited			
Variable rate, cumulative, non-participating preference shares of ZAR0.0001 each	Non-redeemable	Discretionary	Equity
Steinhoff Africa Holdings Proprietary Limited			
Class A perpetual preference shares (par value ZAR0.01)	Non-redeemable	Discretionary	Equity
Class B perpetual preference shares of no par value	Redeemable	Discretionary	Compound
Cumulative redeemable preference shares (par value ZAR0.01)	Redeemable	Discretionary	Financial liability
Stripes US Holding Inc.[1]			
Series A non-participating, non-redeemable preferred shares (par value $0.01)	Non-redeemable	Discretionary	Equity
Ainsley Holdings Proprietary Limited			
Cumulative, redeemable preference shares of no par value	Redeemable	Discretionary	Financial liability

[1] Certain senior executives of Mattress Firm Holdings Corporation hold the preference shares in SUSHI, the parent company of Mattress Firm Holdings Corporation.

**Amount less than €500 000.*

30 September 2017 Number of shares	30 September 2016 Number of shares	30 September 2017 €m	30 September 2016 €m
20 000 000 000	20 000 000 000	**200**	200
1 000 000 000	1 000 000 000	**–**	–
495 000 000	495 000 000	*****	*
2 000	2 000	*****	*
2 000	2 000	**–**	–
2 000	2 000	*****	*
215	215	*****	*
60 000	60 000	*****	*

27. *Preference stated share capital* *(continued)*

	30 September 2017 Number of shares	30 September 2016 Number of shares	30 September 2017 €m	Restated 30 September 2016 €m
27.2 Issued				
Classified as equity				
Steinhoff Investment Holdings Limited[1]				
In issue at the beginning and end of the period	**15 000 000**	15 000 000	**102**	102
Steinhoff Africa Holdings Proprietary Limited (class A perpetual preference shares)[2, 4]				
In issue at the beginning and end of the period	**1 000**	1 000	**196**	193
Stripes US Holding Inc.				
In issue at the beginning and end of the period	**202**	202	**33**	33
Total issued preference stated share capital classified as equity	**15 001 202**	15 001 202	**331**	328
Classified as liabilities				
Steinhoff Africa Holdings Proprietary Limited (class B perpetual preference shares)[2, 4]				
In issue at end of the period (note 16)	**2 000**	2 000	**136**	151
Ainsley Holdings Proprietary Limited[3, 5]				
In issue at end of the period (note 16)	**60 000**	60 000	**373**	394
Summary of preference shares in issue				
Non-controlling interest (note 28)			**331**	328
Liabilities			**509**	545
			840	873

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

[2] ***Terms of issued Steinhoff Africa Holdings Proprietary Limited preference shares***
The Class A preference shares earn dividends on the issue price at the rate of 70.5% of the SA prime lending rate and the Class B preference shares earn dividends on the issue price at the rate of 72% of the SA prime lending rate as quoted by Standard Bank Group Limited or its successor in title in South Africa. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the Board of directors of Steinhoff Africa.

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

[3] ***Terms of issued Ainsley Holdings Proprietary Limited preference shares***
The preference shares earn dividends on the issue price at the rate of 69% of the SA prime lending rate.

[4] ***Guaranteed by SIHPL until 13 February 2017 and by Steinhoff N.V. from 13 February 2017.***

[5] ***Guaranteesd by Steinhoff N.V., SIHPL and Pepkor.***

All the preferences shares issued by Steinhoff Africa and Ainsley Holding Propriety Limited were fully redeemed and all related guarantees were cancelled after the Reporting Period. Refer to the events after the reporting period, note 34.

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

28. *Non-controlling interests*

Non-controlling interest: Preference shares

Preference shares classified as equity are attributable to shareholders other than the Company shareholders. These preference shares are therefore attributable to non-controlling interests of the Group and are classified as a component of equity attributable to non-controlling interests.

The voting and participation rights of preference shareholders differ to those of non-controlling ordinary equity shareholders. Preference shareholders do not share in the underlying net asset value of the various businesses and have no voting rights except in certain instances.

Preference shares are therefore presented as a separate component of non-controlling interests within equity.

	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 2017 %	Restated 30 September 2016 %	30 September 2017 €m	Restated 30 September 2016 €m	30 September 2017 €m	Restated 30 September 2016 €m
28.1 Details of material non-controlling interests:						
Pepkor Holdings Limited (note 28.2)	**23.2**	–	**1**	–	**768**	2
POCO (note 28.2)	**–**	50.0	**13**	18	**–**	199
Individually immaterial subsidiaries with non-controlling interests			**14**	5	**67**	61
			28	23	**835**	262
Preference shares classified as equity (note 27.2)			**14**	19	**331**	328
Total non-controlling interests			**42**	42	**1 166**	590

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

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Subsequently, any losses applicable to the non-controlling interests are allocated to the non-controlling interests even if this results in the non-controlling interests having deficit balances.

Initial measurement of non-controlling interests

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Treatment of non-controlling interest upon loss of control

When the Group ceases to consolidate an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the Group retains no interest, the carrying value of the non-controlling interest is disposed and forms part of the net asset value of the investment upon disposal. The difference between the proceeds received and the net asset value disposed is recognised in profit or loss.

28. *Non-controlling interests* *(continued)*

28.1 Details of material non-controlling interests:

Changes in ownership interests

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

28.2 Material Transactions with non-controlling interests

Pepkor

Pepkor (previously STAR) was listed on the JSE on 20 September 2017 at which date the non-controlling interests were introduced. The Group did not lose control of Pepkor as a result of this transaction.

The carrying amount of net asset value sold to non-controlling interest amounted to €764 million and proceeds of €1 billion were recovered from the non-controlling interests. The excess of the proceeds received was recognised in equity.

Derecognition of POCO as a subsidiary

Control of POCO was lost on 31 March 2017. The remaining 50% equity interest was recognised as an equity accounted investment. Refer note 1.2.3b and note 10. The carrying value of the non-controlling interest of POCO of €199 million was derecognised on the date control was lost. The excess of the carrying value of the net asset value and the consideration paid in previous periods relating to POCO amounted to €115 million. The full balance was transferred to accumulated losses upon loss of control of POCO during the current period.

	30 September 2017 €m
28.3 Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests: The summarised financial information below represents amounts before intragroup eliminations and consolidation entries.	**Pepkor**
Non-current assets	4 193
Current assets	1 243
Non-current liabilities	(1 026)
Current liabilities	(1 108)
Revenue	3 911
Profit for the period	241
Profit attributable to owners of the parent	240
Profit attributable to the non-controlling interests	1
Profit for the period	241
Total comprehensive income attributable to owners of the parent	281
Total comprehensive income attributable to the non-controlling interests	1
Total comprehensive income for the period	282
Net inflow from operating activities	152
Net outflow from investing activities	(89)
Net inflow from financing activities	15
Net cash inflow	78

The non-controlling owners of Pepkor did not receive any dividends during the period.
For financial information relating to POCO refer to note 10.

29. *Related-party transactions*

Certain transactions were identified which were not entered into on an arms' length basis. The Group expanded its identification of related parties and any non-arms' length transactions identified were scrutinised to assess recoverability of related assets or disclosure deficiencies. Refer to note 1.2 for restatements. In instances where there is no security on the loans in the entity with the liability, or where the Group does not have sufficient information to perform a recoverability test, management has deemed it appropriate to impair these assets. Refer to note 4.2.2 and 19.3.

The Group assessed whether it controlled the following companies and whether these companies are related parties to the Group during the periods presented:

Critical judgements

GT Branding

Refer to note 1.2.2a for details regarding the origin of this transaction. Management assessed it controlled the GT Branding Group and therefore consolidated the GT Branding Group for all periods under review, as a result of the substance over form treatment of all the brands and trademarks owned by the GT Branding Group. The GT Branding Group is not considered a material subsidiary during either period presented.

The Group considered the various entities related and affiliated with certain key management personnel during the periods presented, to determine whether any material transactions were concluded between the Group and these entities.

The Group's considerations are explained in this note.

Christo Wiese

Christo Wiese was previously a non-independent, non-executive Supervisory Board director and Chairman of the Group and considered to be key management personnel of the Group up until December 2017. Due to the extent of the historical transactions entered into with entities under Christo Wiese's influence, management considered whether any of these entities should have been consolidated by the Group. Management has, however, concluded that the Group at no point controlled any of these entities because of its relationship with Christo Wiese. Instances of deficient disclosure in the Group's historical consolidated financial statements were identified, with relation to transactions entered into between the Group and Christo Wiese. These disclosure deficiencies are in terms of transactions entered into with Christo Wiese, that were not previously presented as transactions with a related party.

Based on information available and management's understanding of the various transactions entered into by the Group, management assessed the following entities, and their subsidiaries, to be material related entities to the Group by virtue of Christo Wiese or his close family member's involvement with or affiliation to the following entities:

- Brait S.E.
- Shoprite Holdings Limited and its subsidiaries
- Upington Investments Holdings B.V.
- Titan Premier Investments Proprietary Limited
- Titan Asset Management Proprietary Limited
- Thibault Square Financial Services Proprietary Limited
- Cream Magenta 140 Proprietary Limited
- Metcap 14 Proprietary Limited
- Toerama Proprietary Limited
- Invicta Holdings Limited

29. *Related-party transactions* *(continued)*

Markus Jooste related and affiliated entities

Markus Jooste was the Group's CEO, and therefore key management personnel of the Group, until December 2017.

Markus Jooste and his close family members have a large number of entities to which they are related or affiliated. The following were identified by the Group as being material related parties to the Group as a result of the transactions between the Group and these entities related or affiliated to Markus Jooste during the periods presented:

- Mayfair Holdings Proprietary Limited
- Mayfair Speculators Proprietary Limited
- Lodestone Brands Proprietary Limited (believed to be an indirect subsidiary of Mayfair Holdings Proprietary Limited)

Other entities were identified by management where Markus Jooste or his close family members are believed to have a direct or indirect or special relationship. Such entities are:

- Upington Investments Holdings B.V.
- Kluh Investments Proprietary Limited, a subsidiary of Fihag Finanz und Handels Aktiengesellschaft
- Erfvest Properties Proprietary Limited
- The Brood Proprietary Limited

Bruno Steinhoff and Angela Krüger-Steinhoff related and affiliated entities

Bruno Steinhoff was a Supervisory Board member until February 2018. Angela Krüger-Steinhoff remains a Supervisory Board member.

The following were identified by the Group as being material related parties to the Group as a result of the transactions between the Group and these entities related or affiliated to BE Steinhoff and/or Angela Krüger-Steinhoff during the periods presented:

- Bruno Steinhoff Beratungs- und Verwaltungs GmbH
- Steinhoff Familienholding GmbH

Jayendra Naidoo related and affiliated entities

Jayendra Naidoo was a Supervisory Board member from March 2017 until January 2018 and is therefore considered a key management personnel of the Group during 2017.

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

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

South African Properties

Certain sale transactions during 2007 relating to properties in South Africa with Erfvest Properties Proprietary Limited and The Brood Proprietary Limited that may have resulted in a conflict of interest involving key management of Steinhoff at the time which were not previously disclosed but which did not result in material adjustments to prior period numbers.

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

The transactions not adjusted as part of the restatements are concluded at arm's length in the normal course of business and include transactions as a result of the group-wide treasury management of foreign currency movements. All material intergroup transactions are eliminated on consolidation.

29. Related-party transactions *(continued)*

Upington

Upington Investments Holdings B.V.'s ownership at a point in time:

- Approximately 90% by Christo Wiese (indirectly through other wholly owned Christo Wiese companies); and
- The majority of the remaining 10% held indirectly by the following former Management Board members: Markus Jooste, Danie van der Merwe, Ben la Grange and the following former key management personnel: Stéhan Grobler and Mariza Nel.

Upington was part of the voting pool during the current and previous periods. The voting pool comprised a number of the Group's shareholders who voted together for a unified purpose. The voting pool was disbanded during the 2018 Reporting Period.

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

The transactions not adjusted as part of the restatements are concluded at arm's length in the normal course of business and include transactions as a result of the Group-wide treasury management of foreign currency movements. All material intergroup transactions are eliminated on consolidation.

29.1 Directorate

The directorate below reflects the Management and Supervisory Board members as at the date this report was approved.

Management Board

Markus Jooste	Resigned: 5 December 2017
Ben la Grange	Resigned: 4 January 2018
Danie van der Merwe	Resigned: 31 December 2018
Louis du Preez	Appointed: 20 April 2018
Theodore de Klerk	Appointed: 20 April 2018
Alexandre Nodale	Appointed: 20 April 2018 Resigned: 11 April 2019
Philip Dieperink	Appointed: 20 April 2018

Supervisory Board

Steve Booysen	Reappointed: 20 April 2018
Claas Daun	Retired: 28 February 2018
Thierry Guibert	Resigned: 2 February 2018
Len Konar	Retired: 28 February 2018
Khanyisile Kweyama	Appointed: 20 April 2018
Theunie Lategan	Retired: 28 February 2018
Moira Moses	Appointed: 20 April 2018
Jayendra Naidoo	Appointed: 14 March 2017, Resigned: 18 January 2018
Hugo Nelson	Appointed: 20 April 2018
Heather Sonn	Reappointed: 20 April 2018
Bruno Steinhoff	Retired: 28 February 2018
Angela Krüger-Steinhoff	Reappointed: 20 April 2018
Johan van Zyl	Resigned: 17 April 2018
Peter Wakkie	Appointed: 20 April 2018
Alex Watson	Appointed: 20 April 2018
Christo Wiese	Resigned: 14 December 2017
Jacob Wiese	Resigned: 14 December 2017

Details relating to directors' emoluments, shareholding in the company and interest of directors are disclosed in note 31.

29. *Related-party transactions* *(continued)*

	Twelve months ended 30 September 2017 €m	Restated Fifteen months ended 30 September 2016 €m
29.2 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*. In the current and prior period, the ExCo consisted of the Management Board and 13 other ExCo members.		
Short-term employee benefits	35	30
Long-term benefits	–	–
Share-based payments – related expense	1	7
	36	37

Refer to note 31 for detailed remuneration disclosures.

29.3 Interest of key management personnel in contracts

During the periods presented, the following contracts related to key management personnel of the Group were concluded with the Group:

- Christo Wiese and Jacob Wiese through Titan and Jayendra Naidoo through Lancaster 101 had an interest in the Shoprite transaction as detailed in note 34.
- Christo Wiese and Jacob Wiese had an interest in the contract relating to the acquisition of BSG as both are directors of the seller, Invicta Holdings Limited, and Jacob Wiese was a director of the purchaser, Pepkor as detailed in note 34. Both Christo Wiese and Jacob Wiese are also shareholders of Invicta Holdings Limited.
- During 2016, Lancaster Electricity Solutions Proprietary Limited, partially owned by Jayendra Naidoo, entered into a joint venture with Flash Mobile Vending Proprietary Limited, a wholly-owned indirect subsidiary of Pepkor, in terms of which a commission is earned net of costs incurred, and shared between the joint venture partners on an equal basis.
- MJD Aviation Partnership Services (of which Markus Jooste and Danie van der Merwe are partners) provided aviation services to the Group.
- Hoffman Inc. (of which Stéhan Grobler, previously a member of the ExCo and Head of Treasury, is a partner) provided legal services to Group companies. Hoffman Inc. received fees and the reimbursement of expenses amounted to approximately €2 million (30 September 2016: €1 million).
- A loan of approximately €4 million was granted to Hoffman Inc for the subscription of KAP shares. During the process where the shares were sold in the open market, the proceeds were transferred to the Group; resulting in the loan fluctuating between a loan payable and a loan receivable until the transaction was finally settled. €26 000 of the proceeds on the sale of the shares were shared with Hoffman Inc. Interest was received on the loan receivable. However small amounts of interest were also paid on the loan payable.
- Hoffman Inc. rented office space from the Group for an annual amount of approximately €37 000 (2016: €40 000).
- Upington granted a loan of €47.4 million to the Group during the 2017 financial period of which €33.3 million was still outstanding at 30 September 2017. The loan carries interest at 0.5% per annum. This amount was settled after the Reporting Period under a confidential settlement.

29. *Related-party transactions* *(continued)*

29.3 Interest of key management personnel in contracts (continued)

- In June 2017 a Steinhoff Group entity, Delta Properties, was sold to Steinhoff Familienholding GmbH for €2.7 million. Delta properties owned several properties that were mainly used for hunting purposes.
- An aircraft retainer agreement was entered into between Toerama, an entity controlled by Christo Wiese, and the Group on 1 October 2016 whereby Toerama was paid a fee of €802 351 (excluding VAT) for the period ended 30 September 2017 for the use of its Boeing Business Jet B737-72U. A total hourly tariff of €19 631 (excluding VAT) was also paid to Toerama. These amounts are included in the remuneration paid to Christo Wiese as per note 31.1.2. An amount of €844 320 was payable to Toerama on 30 September 2017.
- An office services and office space agreement was entered into between Titan Financial Services Proprietary Limited, an entity controlled by Christo Wiese, and the Group on 1 October 2016 for an annual fee of €145 040 (excluding VAT). This amount is included in the remuneration paid to Christo Wiese as per note 31.1.2. An amount of €165 346 was payable to Toerama on 30 September 2017.
- The Group received rental income to the amount of €232 700 from Titan Asset Management Proprietary Limited for the use of office space.
- To fund the acquisition of Mattress Firm and Poundland, the Company launched a capital raise on 28 September 2016. As part of the capital raise, Upington and Lancaster Group agreed to purchase 314 million and 60 million Steinhoff shares respectively. An underwriting commission of 2.5% of the purchase price of Steinhoff shares were paid to Upington (€39.7 million) and Lancaster Group (€8.4 million) of which €33.5 million was outstanding to Upington on 30 September 2016 and €2 million on 30 September 2017. The full amount due to Lancaster was paid during the 2017 financial period.
- On 13 December 2016, a number of key management personnel of the Group acquired a property in Portugal from Conforama, a subsidiary of the Group, in order to enable these executives to obtain Golden Visas for themselves and their families. Conforama received proceeds to the amount of €7 million. This value approximates the net book value of the property on the date of the sale. The price was determined by consulting with external valuation experts and is deemed to be market related. Each of the executives raised their own funding to buy the property and the property was not provided as security for the funding obtained. Conforama entered into a rental agreement with the key management personnel to continue using the property for retail purposes. The rental is considered to be below market, therefore benefitting the Conforama group. In addition, an option can be exercised by each of the key management personnel after five years to sell their share of the property back to Conforama at the original purchase price.
- Hachmer Beheer B.V. ("Hachmer") was a subsidiary of Habufa until 29 December 2016, at which point the Group held a 50% interest in Habufa. Loan agreements indicate Hachmer granted a loan of up to £50 million to Mayfair Holdings Proprietary Limited ("Mayfair") on 6 December 2016, whose ultimate shareholder was a family trust of Markus Jooste. A back-to-back loan agreement was entered into between Hachmer and Formal Holdings Limited ("Formal") (a company affiliated with a business partner of Markus Jooste). The investment in Hachmer was sold to Holding van den Bosch B.V. (the Group's joint venture partner in Habufa) in December 2016. Mayfair Speculators Proprietary Limited ("Mayfair Speculators"), a direct subsidiary of Mayfair, assumed the obligation owing to Hachmer on 10 November 2017. Management of Hachmer did not recognise the loans at the time the loans were expected to have been granted as no cash flowed via Hachmer, despite the loan agreements concluded. Given that Hachmer was a related party of the Group at the time the loan was allegedly granted the transaction has been disclosed. As Hachmer was disposed by the Group, the alleged loan is not included in any Group results.
- Pepkor purchases products from Lodestone Brands Proprietary Limited, a company believed to be indirectly controlled by Markus Jooste, for sale in the Pepkor Clothing and General Merchandise segment. The purchases amounted to approximately €3 million annually.
- Transactions with Shoprite entails the rental of stores from Shoprite, and sale of products to Shoprite by Flash and the Building Materials segment.
- Dirk Shreiber (previously a member of the ExCo), is believed to be a beneficiary of FinMac Capital Incorporated to whom €750 000 was paid as part of the settlement fee to Talgarth, referred to in note 1.2.2b.

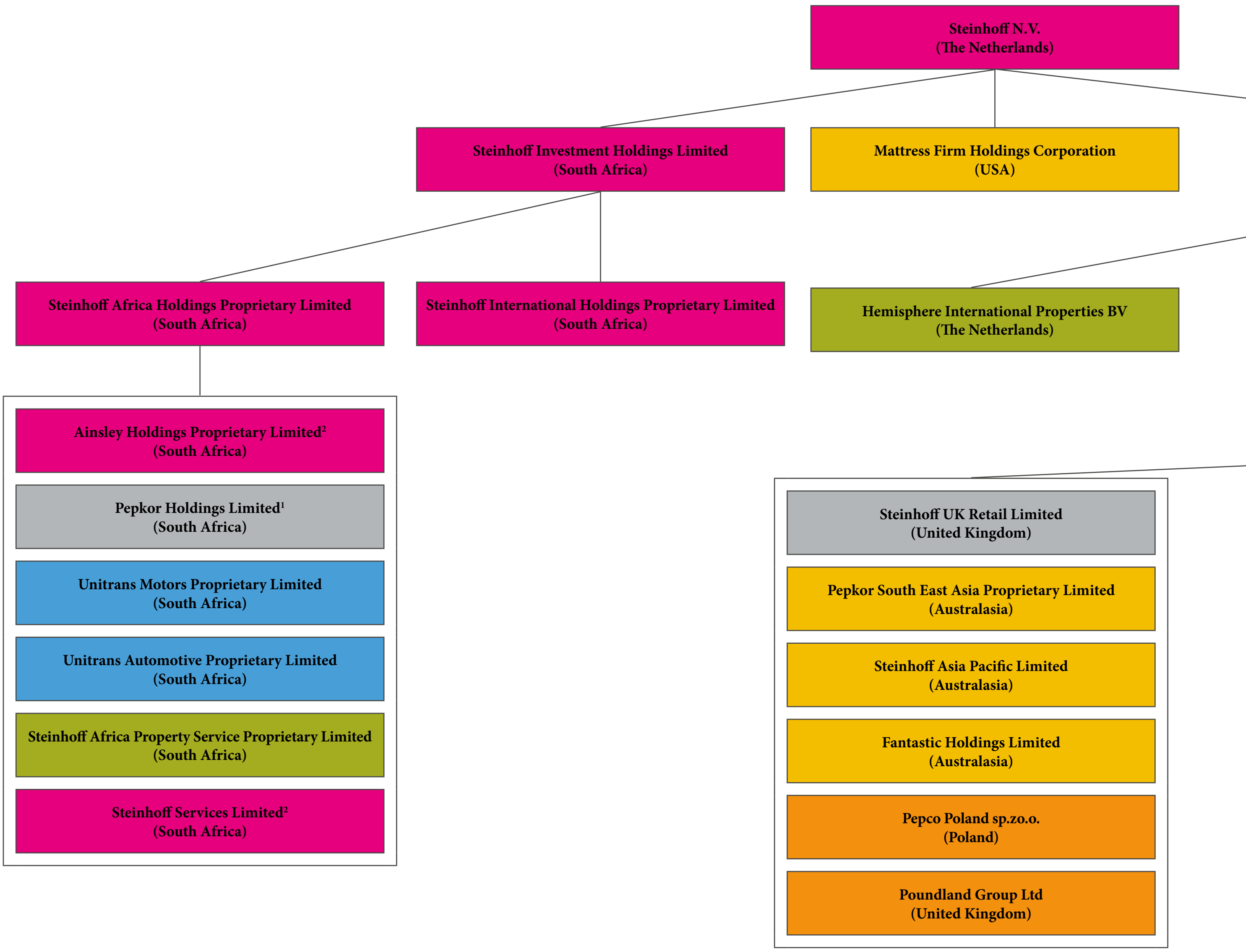
29. *Related-party transactions* *(continued)*

29.4 Material subsidiaries

The Group's principal subsidiaries at 30 September 2017 are set out below in a simplified Group structure. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group as at 30 September 2017, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Principal subsidiaries are those identified by management as contributing materially to the consolidated results or financial position of the Group.

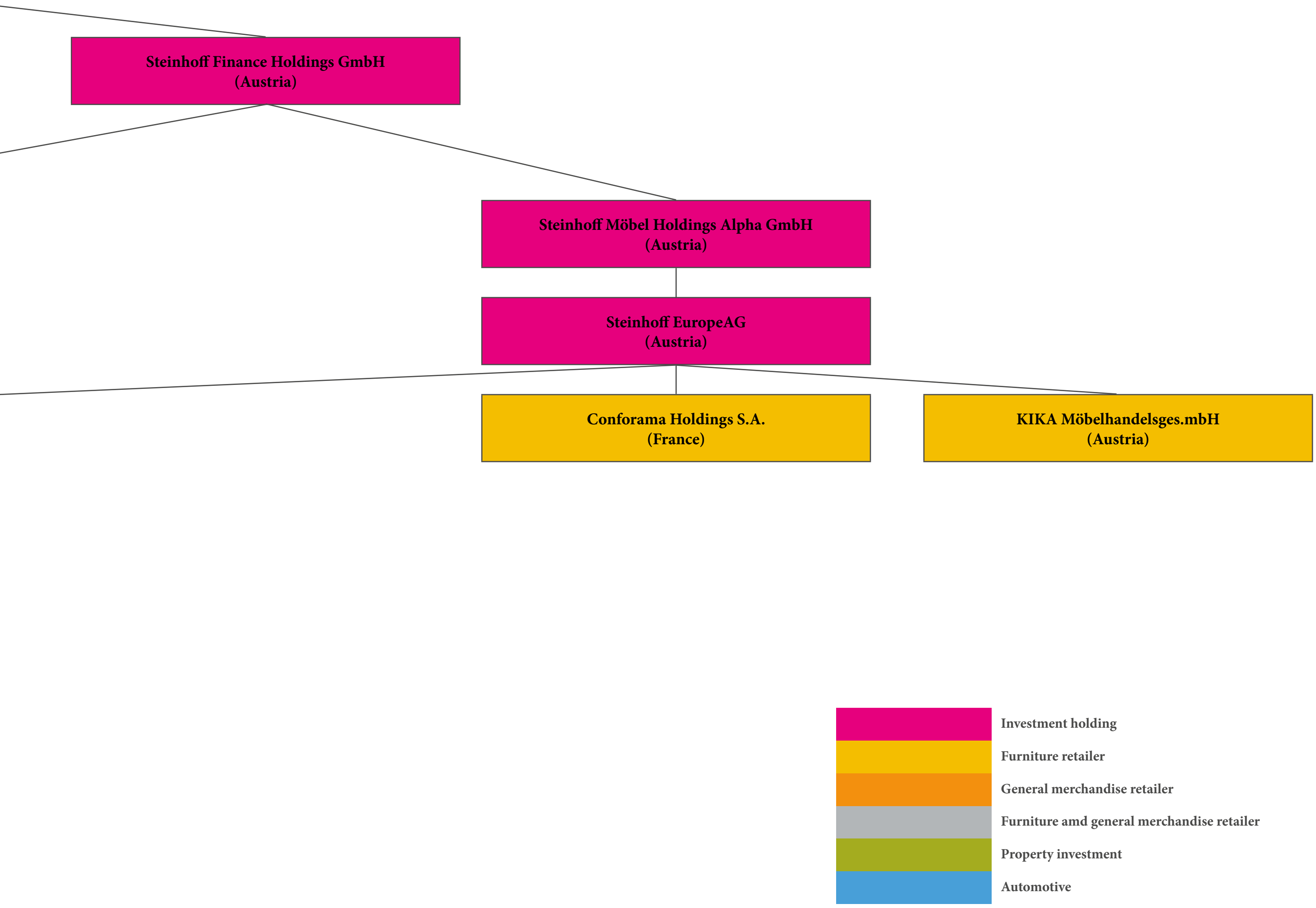
The statutory list of all subsidiaries and affiliated companies, prepared in accordance with the relevant legal requirements (Dutch Civil Code, Book 2, sections 379 and 414), forms part of the notes to the 2017 Consolidated Financial Statements and is deposited at the office of the Commercial Register in Amsterdam, the Netherlands (file no. 63570173).



The above structure does not indicate direct interests in subsidiaries and unless otherwise indicated, subsidiaries are wholly owned.

[1] *Non-controlling interest of 23.19% (2016: 0%)*

[2] *Investment entities with external debt and shareholders of the equity accounted investments in Africa (PSG, KAP, Bud Group)*


Steinhoff Finance Holdings GmbH
(Austria)
Steinhoff Möbel Holdings Alpha GmbH
(Austria)
Steinhoff EuropeAG
(Austria)
Conforama Holdings S.A.
(France)
KIKA Möbelhandelsges.mbH
(Austria)
Investment holding
Furniture retailer
General merchandise retailer
Furniture amd general merchandise retailer
Property investment
Automotive

29. *Related-party transactions* *(continued)*

29.5 Trading transactions

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

	Notes	Sales by Group €m
Twelve months ended 30 September 2017		
Equity Accounted Companies		
KAP Industrial Holdings Limited and its subsidiaries	a	23
PSG Group Limited		–
POCO		7
Cofel SAS	b	3
Other equity accounted companies	c	–
		33
Fifteen months ended 30 September 2016		
Equity Accounted Companies		
KAP Industrial Holdings Limited and its subsidiaries	a	31
PSG Group Limited		–
Other equity accounted companies	c	–
		31

Notes

a Transactions mainly relates to purchases from PG Bison, a subsidiary of KAP, by the Pepkor building materials segment and purchases from Restonic, a subsidiary of KAP, by the Pepkor furniture, appliances and electronics segment. These transactions occurred in the ordinary course of business.

b Purchases from Cofel SAS were mainly by Conforama.

c Majority of these transactions and balances related to funding provided to various equity accounted companies of the Africa property group.

Other transactions have occurred which are individually and globally immaterial.

29.6 Elimination of transactions with equity accounted companies

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

Purchases from Group €m	Admin or management fees received by Group €m	Admin or management fees paid by Group €m	Rebates received by Group €m	Finance costs paid by Group €m	Interest received by Group €m	Dividends received by Group €m	Receivables due to the Group €m	Payables due by the Group €m
(49)	4	(1)	3	(1)	–	29	2	(8)
–	–	–	–	–	–	14	–	–
–	–	–	–	–	–	13	5	(1)
(61)	–	–	–	–	–	–	1	(9)
–	1	–	–	–	1	3	10	–
(110)	5	(1)	3	(1)	1	59	18	(18)
(44)	4	–	2	–	–	10	1	(14)
–	–	–	–	–	–	10	–	–
–	1	–	–	–	1	–	5	–
(44)	5	–	2	–	1	20	6	(14)

30. *Affiliated-party transactions*

The Group identified entities with which material transactions occurred, but were not assessed to be related parties in terms of IAS 24. Control assessments have been performed on these entities in accordance with IFRS 10. Key elements considered during these assessments were the Group's right to variable returns from the investee, the Group's ability to direct the relevant activities of the investee and the Group's ability to use its power to affect the returns from its involvement from the investee.

Management considered the nature and quantum of the transactions with these affiliated parties and have provided voluntary disclosure, where management deem it relevant, in this note.

Refer to note 1.2, note 4 and note 11 for critical judgements relating to the Campion, Talgarth and Fihag Groups. The transactions with these groups are presented in this note.

Further critical judgements relating to current period transactions, and critical judgements not disclosed elsewhere in the financials, are disclosed within this note.

Critical judgement

IAS 24 provides guidance in identifying related parties and transactions with related parties. Management have applied the requirements of IAS 24 in understanding the relationships with various ostensibly independent third parties. Management have used all available information to assess whether entities within the four principal groups that were not consolidated, are related parties, when applying the principles of IAS 24. Management concluded that such entities did not meet the definition of a related party. Where information procured suggests that transactions with such affiliated parties are on a non-arm's length basis, management have provided disclosure thereof.

Sunnyside and Sutherland UK ("SSUK")

Critical judgement

Refer to note 1.2.5a regarding the origins of these transactions. There remains uncertainty with respect to the relevant activities of these entities, which are part of the Campion Group, which could extend beyond transactions with the Group, although it appears that the purpose of the entities was to hold Steinhoff shares. There is insufficient evidence to suggest that the Group can control the activities of the entities in the absence of holding voting rights. The Group is exposed to variable returns from SSUK as a result of funding provided, although it is noted a loan agreement was only put in place after the repayment of the first loan that was granted. Subsequent loans were not covered by this agreement and therefore lacked economic substance. Management has concluded that the Group does not control these entities. Despite not consolidating these entities, the Steinhoff shares held by SSUK were recognised as treasury shares, together with the related share-based payments arising from transactions with these entities. Refer to note 1.2.5a and note 32.2 for share-based payment expenses relating to the share funding transactions.

Tekkie Town and Town Investments

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

- A special purpose vehicle, Town Investments, was set up for the purposes of the Tekkie Town acquisition. Town Investments was funded and guaranteed by the Group, but owned by a third party in the Campion Group. Town Investments acquired 43.06% of the shares in Tekkie Town from a previous shareholder for cash which was funded by a loan from the Group to Town Investments.
- The Group then obtained 100% of the interest in Tekkie Town in exchange for Steinhoff shares. The Group issued approximately 18 million Steinhoff shares as consideration to Town Investments for the 43.06% interest in Tekkie Town and approximately 25 million Steinhoff shares to the management of Tekkie Town for the remaining 56.94% interest in Tekkie Town.

30. Affiliated-party transactions *(continued)*

Critical judgement

Town Investments was established with assistance of the Group in order to acquire Steinhoff shares. There is insufficient evidence to suggest that the Group can control the activities of Town Investments in the absence of holding voting rights despite indicators of control. The Group is also exposed to variable returns arising from the loan funding provided to acquire the shares.

Management has concluded that it should therefore not consolidate Town Investments but has accounted for the transaction entered into with Town investments in order to reflect the substance of the transaction and the Group's exposure. Since the only assets held by Town Investments are the shares in Steinhoff, the repayment of the loan to Steinhoff is dependent on the performance of the underlying Steinhoff shares. Steinhoff is therefore exposed to negative returns from Town Investments in respect of the funding it has provided, and the third party shareholders of Town Investments are exposed to possible upside to the extent the value of the Steinhoff shares exceeds the funding provided by Steinhoff. In substance, such a structure is akin to Steinhoff issuing a call option on its own shares, and a share-based payment expense should therefore be recognised. Despite not consolidating this entity management have recognised the Steinhoff shares held by Town Investments as treasury shares and recognised the related share-based payment expense. The loan to Town Investments remains recognised as treasury shares until such time as the loan is repaid by exercising the in-substance option.

The share-based payment expense recognised amounted to €4.1 million during the 2017 financial reporting period. Refer to note 4.2.5 and note 32.2 for the share-based payment expenses relating to the share funding transactions.

Geros

Geros FS, a subsidiary of Geros B, a subsidiary of Fihag at some point in time, acquired two debtors books and a 70% interest in Blake and Associate Holdings Proprietary Limited ("Blake") from the Group for ZAR300 million and ZAR163.1 million respectively during 2013. The acquisition was funded by the Group through the Group's loan to Top Global whereby Top Global advanced a loan to Geros B, to the value of €31.6 million (ZAR450.3 million). No formal loan agreements have been identified.

Critical judgement

Management also considered whether it controlled Geros B and Geros FS. There is insufficient evidence to suggest that the Group can control the activities of the entities in the absence of holding voting rights. Management have considered the nature of their relationship with Geros B and Geros FS and have concluded that the Group does not control these entities as it does not have the power to affect the variable returns, despite the Group's exposure to variable returns as a result of funding provided. No formal funding agreements with Top Global or the Fihag Group have been identified and therefore the loan was deemed irrecoverable and fully impaired.

Management also considered whether it controlled Fihag. Although there are some indicators suggesting Steinhoff might control Fihag since it indirectly facilitated certain transactions on behalf of the Group and the Group was exposed to funding provided indirectly to Fihag through its loan to Top Global, no conclusive information exists to confirm that Steinhoff does in fact control Fihag. In addition, management does not have access to the financial information of Fihag to be able to consolidate it. Management therefore accounted for the transactions involving Fihag to reflect the substance of the underlying transactions and Group's exposure.

Formal Investments Limited ("Formal")

Formal, a company closely related to a business partner of Markus Jooste, manages some of the Group's UK properties in exchange for an agent's commission amounting to 10% of the rental charged. The amount is not considered material to the Group.

The Group has given notice for termination under this contract.

30. *Affiliated-party transactions* *(continued)*

The following is a summary of transactions after the restatements per note 1.2 have been taken into account to provide disclosure relating to ongoing transactions with the affiliated parties:

	Notes	Sales by Group €m
Twelve months ended 30 September 2017		
Campion Group (note 1.2)	a	30
Formal Developments Limited (UK)	b	–
		30
Fifteen months ended 30 September 2016		
Campion Group (note 1.2)	a	36
Formal Developments Limited (UK)	b	–
		36

Refer to note 11 for details regarding loan receivables with entities of the Campion Group.

Notes

a Sales by the Group are primarily related to Pepkor, through its internal financial administration service operations (Capfin call centre and Van As debt collectors), provides administration and collection service to Cencap, related to the JD consumer credit and Capfin loans, provided to Pepkor customers in return for a fee. The Capfin call centre and Van As debt collectors were purchased from Wands during October 2016. Refer to note 24.4.

b The Group pays an agents commission to Formal Development UK for the property management of some of the Group's UK properties.

Purchases by Group €m	Operating expenses recovered by Group €m	Operating expenses paid by Group €m	Rent paid by Group €m	Finance costs paid by Group €m	Receivables due to the Group €m	Payables due by the Group €m	Loans payable by the Group €m
(14)	48	(19)	–	(7)	3	(19)	(12)
–	–	–	(6)	–	–	(1)	–
(14)	48	(19)	(6)	(7)	3	(20)	(12)
–	39	(12)	–	(4)	1	(5)	(22)
–	–	–	(5)	–	–	–	–
–	39	(12)	(5)	(4)	1	(5)	(22)

31. *Remuneration report*

	Basic remuneration[2] €'000
31.1 Remuneration	
31.1.1 Remuneration of the Management Board and Executive Committee	
Twelve months ended 30 September 2017	
Markus Jooste[5,6]	**2 469**
Ben la Grange	**976**
Danie van der Merwe	**1 226**
Subtotal Management Board	**4 671**
Executive committee	**5 451**
Total Management Board and Executive Committee	**10 122**
Fifteen months ended 30 September 2016	
Markus Jooste	2 691
Ben la Grange	1 074
Danie van der Merwe	1 295
Subtotal Management Board	5 060
Executive Committee	7 275
Total Management Board and Executive Committee	12 335

The following strategic bonusses granted to the Management Board has been deferred to future financial years:

	€'000
Markus Jooste[5]	1 577
Ben la Grange	1 577
Danie van der Merwe	1 127

Bonuses to Ben la Grange, Danie van der Merwe and certain other ExCo members have not been paid on the initial due dates, and are subject to the findings of the investigations.

[1] *Other contributions mainly includes company contributions to the medical aid, expense allowances and social taxes.*
[2] *Directors' fees were paid with basic remuneration.*
[3] *Annual and strategic bonus payments may be deferred at the discretion of the Remcom as approved by the Supervisory Board. The terms of deferral are agreed upon on an annual basis.*
[4] *Refer to note 32 for details regarding the non-vesting relating to the open grants under the ESRS.*
[5] *Included in the deferred bonus for Markus Jooste is an amount paid on 31 May 2017 of €1 571 008 (ZAR23 333 333), translated at the daily spot rate on date of payment. This amount was pre-paid by a Group company, SEAG, on instruction from Markus Jooste and management could not find evidence of approval by the Remcom authorising this upfront payment. This deferred bonus was due to be paid as follows: €561 074 (ZAR8 333 333) in October 2017; €448 860 (ZAR6 666 666) in November 2017 and €561 074 (ZAR8 333 333) in October 2018.*
[6] *Included in the annual bonus paid to Markus Jooste was an amount of €500 000 which was paid from a Group company, SEAG, on 1 March 2017 on instruction from Markus Jooste.*

Pension contributions €'000	Other company contributions[1] €'000	Annual bonus €'000	Strategic bonus €'000	Deferred bonus paid[3] €'000	Total remuneration and fees (Excluding IFRS 2 expense) €'000	IFRS 2 share-based payment expense[4] €'000
24	**–**	**2 700**	**563**	**2 479**	**8 235**	**237**
24	**–**	**850**	**563**	**901**	**3 314**	**69**
24	**–**	**1 100**	**563**	**338**	**3 251**	**122**
72	**–**	**4 650**	**1 689**	**3 718**	**14 800**	**428**
168	**2**	**4 161**	**3 769**	**2 829**	**16 380**	**496**
240	**2**	**8 811**	**5 458**	**6 547**	**31 180**	**924**
62	–	1 980	476	416	5 625	1 897
26	–	484	416	416	2 416	564
60	–	1 000	312	156	2 823	975
148	–	3 464	1 204	988	10 864	3 436
–	–	5 717	936	1 788	15 716	3 937
148	–	9 181	2 140	2 776	26 580	7 373

31. *Remuneration report* *(continued)*

31.1 Remuneration (continued)

31.1.2 Remuneration of the Supervisory Board members

Steve Booysen

Dave Brink[2]

Claas Daun

Thierrry Guibert

Len Konar

Theunie Lategan

Jannie Mouton[2]

Jayendra Naidoo[4]

Heather Sonn

Angela Krüger-Steinhoff

Bruno Steinhoff [5]

Paul van den Bosch[2]

Johan van Zyl[1]

Christo Wiese[3]

Jacob Wiese[1]

[1] *Appointed on 30 May 2016.*
[2] *Retired on 30 May 2016.*
[3] *Paid to various entities as management fees. These entities are Grene Properties Proprietary Limited, Chaircorp Proprietary Limited, Titan Financial Services Proprietary Limited and Toerama Proprietary Limited.*
[4] *Appointed on 14 March 2017.*
[5] *Paid to Bruno Steinhoff Beratungs -und Verwaltungs GmbH as management fees.*

Twelve months ended 30 September 2017 €'000	Fifteen months ended 30 September 2016 €'000
170	66
–	46
110	42
100	34
200	119
155	58
–	25
54	–
100	34
100	27
450	563
–	313
100	9
1 764	1 981
100	9
3 403	3 326

31. *Remuneration report* *(continued)*

31.2 Share rights

	Offer date	Conditional vesting date	Number of rights as at 30 September 2016
Management Board			
Markus Jooste	December 2013	March 2017	1 669 183
	December 2014	March 2018	869 301
	March 2016	March 2019	671 017
	March 2017	March 2020	–
			3 209 501
Ben la Grange	December 2013	March 2017	487 490
	December 2014	March 2018	233 499
	March 2016	March 2019	259 257
	March 2017	March 2020	–
			980 246
Danie van der Merwe	December 2013	March 2017	858 437
	December 2014	March 2018	439 041
	March 2016	March 2019	335 509
	March 2017	March 2020	–
			1 632 987
Total Management Board			5 822 734

[1] *The fair value at date of vesting was €5.05 per share.*
[2] *The fair value at date of grant was €4.70 per share.*

No rights were forfeited during the year under review. The schemes were assessed and are unlikely to vest, therefore no values were attributed to any of the shares in the statement of profit or loss.

Refer to note 32 for more detail regarding the conditions to exercise the rights.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2017
continued

Number of rights exercised during the period	Number of rights awarded during the period	Number of rights as at 30 September 2017	Value of rights exercised during the period[1] €	Value of rights awarded during the period[2] €
(1 669 183)	–	–	8 429 374	–
–	–	869 301	–	–
–	–	671 017	–	–
–	980 968	980 968	–	4 610 550
(1 669 183)	980 968	2 521 286	8 429 374	4 610 550
(487 490)	–	–	2 461 825	–
–	–	233 499	–	–
–	–	259 257	–	–
–	392 387	392 387	–	1 844 219
(487 490)	392 387	885 143	2 461 825	1 844 219
(858 437)	–	–	4 335 107	–
–	–	439 041	–	–
–	–	335 509	–	–
–	490 484	490 484	–	2 305 275
(858 437)	490 484	1 265 034	4 335 107	2 305 275
(3 015 110)	1 863 839	4 671 463	15 226 306	8 760 044

31. Remuneration report *(continued)*

	Total shares 30 September 2017	Total shares 30 September 2016
31.3 Interest in Steinhoff N.V. share capital		
Management Board		
Markus Jooste	**69 932 113**	68 947 287
Ben la Grange	**1 900 568**	1 546 957
Danie van der Merwe	**6 649 621**	6 143 144
	78 482 302	76 637 388
Supervisory Board		
Steve Booysen	**109 074**	109 074
Dave Brink[1]	**N/A**	203 965
Claas Daun	**2 421 830**	2 419 856
Thierry Guibert	**1 524 592**	666 155
Len Konar	**363 335**	363 335
Theunie Lategan	**360 569**	355 599
Jannie Mouton[1]	**N/A**	7 000 000
Jayendra Naidoo[3]	**118 452 224**	–
Bruno Steinhoff	**196 881 808**	195 653 808
Angela Krüger-Steinhoff	**825 664**	825 664
Paul van den Bosch[1]	**N/A**	710 043
Johan van Zyl[2]	**248 067**	152 067
Christo Wiese	**983 009 150**	982 859 150
	1 304 196 313	1 191 318 716

[1] *Retired on 30 May 2016, therefore shareholding at year-end was not confirmed.*
[2] *Appointed on 30 May 2016*
[3] *Appointed on 14 March 2017*

The shares disclosed above are the number of shares as declared by the Board members.

32. *Share-based payments*

32.1 Employee share scheme

The Company implemented a long term employee share right scheme (the "ESRS"). Following the Scheme of Arrangement, Steinhoff N.V. assumed the obligations to grant future share rights to share scheme participants relating to grants of 1 December 2014.

The purpose of the ESRS was to attract and retain key executives and senior employees who are able to influence the performance of the Group, on a basis which aligns the interests of such employees with those of the Group, the relevant employer company and the Company's shareholders.

At grant date the employee has a right to the shares ("share rights") on the vesting date. The amount of shares that will vest depends on whether the employee met the performance criteria as determined by the Remcom. Vesting is also at the discretion of the Remcom.

The employee share plan is equity-settled.

The ESRS 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 Remcom 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 lapse.

The following performance criteria were set by the Remcom::
a) The employee's participation in the share scheme will be subject to the financial performance of the Group and the employer, cumulatively over the 3 year period (the "measurement period");
b) It is required that the employee qualify for participation, on a cumulative basis, in the annual incentive bonus scheme as administered by its employer in respect of the measurement period; and
c) The employee having met its key performance indicators over the measurement period.

Equity-settlement

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

Considering the Group's restated results, management revised previous estimates of the number of shares that will ultimately vest for each open grant. Management's revised estimate is that it is highly unlikely that any further shares will vest under any open grants. All expenses arising from open grants were therefore reversed in prior periods. Also refer note 1.2.6.

Total expenses arising from the equity-settled employee share-based payments of €nil (2016: €17 million) were recognised in profit or loss as part of employee benefit expense. Refer to note 4.3.3.

Cash-settlement

The Group has one cash-settled share scheme at a subsidiary level. Total expenses arising from the cash-settled share-based payment of €20 million (2016: nil), was recognised in profit and loss as part of the employee benefit expense. Refer to note 4.3.3 and note 20.

32. *Share-based payments* *(continued)*

32.1 Employee share scheme (continued)

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

	30 September 2017 Number of rights	30 September 2016 Number of rights
The number of share rights outstanding is:		
Outstanding at the beginning of the period	**31 144 361**	32 235 368
Exercised during the period	**(14 366 887)**	(9 146 627)
Forfeited during the period[1]	**(451 477)**	(1 392 705)
Granted during the period[2]	**17 243 690**	9 448 325
Outstanding at the end of the period	**33 569 687**	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.*

[2] *The grant includes 1 620 945 shares, which were ratified by the Remcom in January 2017, relating to the Poundland and Pepkor Europe executives in respect of previous years.*

Legally these rights are still outstanding, but management's assessment is that no further shares will be issued under open grants.

	Note	30 September 2017 €'m	30 September 2016 €'m
Reconciliation of the share-based payment reserve:			
Restated balance at the beginning of the period		**37**	38
Transfers to accumulated losses due to share vesting		**(34)**	(58)
Adjustments to share-based payment reserve:			
Through profit or loss: Employee benefit expense	4.3.3	**–**	17
Through profit or loss: Equity options on loans	4.2.4	**13**	30
Deferred tax charged directly to equity		**(9)**	10
Balance at the end of the period		**7**	37

Assumptions

The fair value of services received in return for share rights granted is measured by reference to the fair value of the share rights granted. The estimated fair value of the services received is measured based on the assumption that all vesting conditions are met and all employees remain in service. The pricing model used was the Monte Carlo simulation. The volatility was estimated using the the Company's daily closing share price over a rolling three-year period.

	2017 grant	2016 grant	2014 grant	2013 grant
Fair value of share rights and assumptions:				
Fair value at grant date	€4.70	€4.55	ZAR53.76	ZAR37.78
Share price at grant date	€4.98	€4.92	ZAR58.00	ZAR40.42
Expected volatility	34.78%	26.05%	24.39%	26.33%
Dividend yield	2.05%	2.57%	2.57%	2.32%
Risk-free interest rate	7.36%	8.16%	6.45%	6.72%
Date of grant	1 March 2017	1 March 2016	1 December 2014	1 December 2013
Conditional date of vesting	1 March 2020	1 March 2019	1 March 2018	22 February 2017
Exercise price	–	–	–	–

Refer to note 31.2 for the Management Board's interests in the employee share scheme.

32. Share-based payments *(continued)*

32.2 Share-based payment expenses relating to share funding transactions

The Group supported several entities in acquiring Steinhoff shares via loan funding in the past. Where the acquisition of Steinhoff shares is funded with a loan from the Group, that has no recourse to any asset other than those shares, the borrower does not carry the risk of a decline in the share price. The borrower will only benefit from any increase in the share price above the loan balance, and therefore, the borrower's exposure is effectively the same as a purchased call option on the shares.

Critical judgement

The substance of an arrangement as described above, is that the Group has issued a call option on its own shares to the borrower, requiring a share-based payment expense (with a corresponding increase in equity) based on the fair value of the goods or services received, or the fair value of the equity instruments granted. In addition, the loan granted to the borrower is recognised as a debit to equity (i.e. treasury shares held by agents), and the funded shares are only treated as issued share capital once the related loan funding has been settled.

The details of funded share purchase arrangements effective during the reporting period are included below.

Refer to note 1.2.5 for details regarding the origin of these transactions that took place in 2016 and in earlier periods.

a) Sunnyside and Sutherland UK ("SSUK")

Financial period ended 30 September 2016

SSUK 1: Initial grant – October 2015

As mentioned in note 1.2.5a, SSUK are two entities which purchased 150 million Steinhoff shares during October 2015 for cash by obtaining loan funding from the Group. The terms of the loan amounting to €757.95 million included the following benefits to SSUK:

- Compensation for any losses on the shares;
- A profit participation of 1% of the loan amount; and
- A 50% share in any additional profits on the shares.

SSUK received 2 974 050 Steinhoff capitalisation shares during 2016 due to their shareholding in the Group.

The Group repurchased 152 million of the Steinhoff shares at market value on 29 September 2016 and immediately sold the Steinhoff shares to Upington for the same value in cash.

As mentioned above, in substance, such a structure is akin to the Group issuing a call option on its own shares, and an equity-settled share-based payment expense should therefore be recognised on the loan grant date. In addition, since the above-mentioned shares were considered to be subject to a call option, the funding advance to SSUK was recognised as a debit to treasury shares during the 2016 financial period until the option expired on 29 September 2016. The in-substance option matured when the loan was settled. Refer to note 26 for the impact on the number and weighting of the treasury shares during the period.

Since it was not possible for the Group to directly determine the fair value of the goods or services derived from the share purchase and funding transaction, the fair value was indirectly measured with reference to the fair value of the equity instruments granted. Refer to below for the valuation inputs applied in determining the fair value of the equity instruments granted.

SSUK 2: Subsequent grant – September 2016

The result of the 152 million share repurchase (as described above) was that SSUK retained 974 050 Steinhoff shares, with an outstanding loan balance of €3.8 million. Since SSUK retained none of the 150 million Steinhoff shares subject to the initial funding transaction, the initial in-substance option is considered to have expired on 29 September 2016. The share-based payment expense of €28.4 million was released to retained earnings. However, since the Group is still exposed to all the negative returns from SSUK regarding the remaining €3.8 million loan, and the third party shareholders of SSUK are only exposed to possible upside to the extent that the value of the 974 050 Steinhoff shares exceeds the funding provided by the Group, the substance of the result is that the Group issued another in-substance call option to SSUK to obtain 974 050 shares for €3.8 million. An equity-settled share-based payment expense should therefore be recognised on this date. In addition, since the 974 050 shares are considered to be subject to a call option, the remainder of the funding advanced to SSUK is recognised as a debit to treasury shares until the option is exercised.

32. Share-based payments *(continued)*

32.2 Share-based payment expenses relating to share funding transactions (continued)

a) Sunnyside and Sutherland UK ("SSUK") (continued)

Since it was not possible for the Group to directly determine the fair value of the goods or services derived from the share purchase and funding transaction, the fair value was indirectly measured with reference to the fair value of the equity instruments granted. Refer to table below for the valuation inputs applied in determining the fair value of the equity instruments granted.

The in-substance option matured when the loan was partially settled and the balance fully written off as part of the Campion Group settlement agreement concluded during January 2019 (refer to note 34).

Financial period ended 30 September 2017

SSUK3: Subsequent grants – 2017 financial period

The Group advanced further funds amounting to €76 million to SSUK between November 2016 and April 2017 to support the purchase of an additional 16.1 million Steinhoff shares in the open market. Similar to the considerations already mentioned in this note, the substance of such an arrangement is considered to be akin to the granting of a call option on Steinhoff shares. An equity-settled share-based payment expense should therefore be recognised for these transactions. In addition, since the above-mentioned shares are considered to be subject to a call option, the funding advanced to SSUK is recognised as a debit to treasury shares until the option is exercised.

Since it was not possible for the Group to directly determine the fair value of the goods or services derived from the share purchase and funding transaction, the fair value was indirectly measured with reference to the fair value of the equity instruments granted. Refer to table below for the valuation inputs applied in determining the fair value of the equity instruments granted.

The in-substance option matured when the loan was partially settled and the balance fully written off as part of the Campion settlement agreement concluded during January 2019 (refer to note 34).

b) Town Investments

Refer to note 30 for details regarding the origin of the transaction.

Based on the information obtained from management's further investigations into the transaction, it appears as if the introduction of Town Investments' shareholding into the structure lacked commercial substance.

The only assets held by Town Investments is the Steinhoff shares, and the repayment of the loan to the Group is therefore dependent on the performance of the underlying Steinhoff shares. Similar to the considerations already mentioned in this note, the substance of this arrangement is considered to be akin to the granting of a call option on Steinhoff shares. An equity-settled share-based payment expense should therefore be recognised on grant date of the loan. In addition, since the above-mentioned shares are considered to be subject to a call option, the funding advanced to Town Investments is recognised as a debit to treasury shares until the option is exercised.

Since it was not possible for the Group to directly determine the fair value of the goods or services derived from the share purchase and funding transaction, the fair value was indirectly measured with reference to the fair value of the equity instruments granted. Refer to the table below for the valuation inputs applied in determining the fair value of the equity instruments granted.

The in-substance option matured when the Group acquired the equity shares in Town Investments in January 2019 as part of the Campion Group settlement agreement (refer to note 34).

32. *Share-based payments* *(continued)*

32.2 Share-based payment expenses relating to share funding transactions (continued)

The inputs and methodologies applied in determining the fair values of the share-based payment expenses are summarised below:

Grant	SSUK1 – October 2015	SSUK2 – September 2016	SSUK3 – 2017	Town Investments
Note	32.2 a	32.2 a	32.2 a	32.2 b
Valuation Model Applied	Monte Carlo Simulation	Monte Carlo Simulation	Monte Carlo Simulation	Monte Carlo Simulation
Loan Value on Grant Date	€757 950 000	€3 787 700	€76 000 000	ZAR1 611 420 867
Number of Underlying Shares	150 000 000	974 050	16 128 666	17 939 979
Issue price per share	€5.05	€3.88	€4.71	ZAR89.82
Valuation/Grant Date	2 October 2015	29 September 2016	November 2016 to April 2017	31 January 2017
Loan Interest Rate	3.00%	–	–	–
Repayment/Exercise Date assumption	29 September 2016	4 January 2019	4 January 2019	4 January 2019
Dividend Yields	2.01%	3.11%	2.55%	1.83%
Spot price per share on grant date	€5.05	€5.18	€4.65	ZAR64.80
Yield Curve (Risk Free rates)	(0.27%)	(0.67%)	(0.78%)	7.41%
Volatility *	23.8%	40.8%	34.2%	35.3%
Vesting conditions or term	None	None	None	None
Fair Value	**€28.4 million**	**€1.4 million**	**€8.6 million**	**€4.1 million (ZAR60.1 million)**

** Volatility is calculated on movements in historical share prices, based on the exponentially weighted method.*

Assumptions and sensitivities relating to SSUK1 – 3: (Refer note 32.2a)

The assumptions used in each valuation/grant date is based on the underlying loan repayment terms and management's estimate when the loan would be settled based on available evidence of the agent's intentions.

Their intentions could be derived from the historical share trade history, which shows the intention to make profit in the short term (either between one to five years). Furthermore, it is management's view that the option is of a short term nature and share price performance dependent, and would have been settled within one year. If management assessed the options likely to be exercised ten years from the grant date, the impact would have resulted in an additional share-based payment expense of approximately €16.1 million.

Assumptions and sensitivities relating to Town Investment (Refer note 32.2b)

Management believe repayment of the loan was likely to be made once the Steinhoff share price was greater or equal to ZAR95 per share, based on information available relating to the deal. Historical share trade history shows the intention to make profit in the short term (either between one to five years). It is management's view that the option is of a short term nature. However, due to the expected margin/growth to be obtained in the share price compared to the issue price, a two year term was deemed more appropriate. Had management chosen a ten year term, an additional share-based payment expense of €3.6 million (ZAR53 million) would have been recognised in profit or loss.

	30 September 2017 €'m	30 September 2016 €'m
Share-based payments – equity-settled relating to loans granted		
SSUK1 to 3	**9**	30
Town Investments	**4**	–
	13	30

33. *Defined pension benefits*

33.1 The financial details of the different funds and the effect on the Group's consolidated financial statements are:

	Conforama Pension Fund		Homestyle Pension Fund	
	30 September 2017 €m	30 September 2016 €m	30 September 2017 €m	30 September 2016 €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	**(48)**	(51)	**(79)**	(93)
Fair value of plan asset	**–**	–	**73**	77
Net liability arising from defined benefit obligations	**(48)**	(51)	**(6)**	(16)
Components of defined benefit cost recognised in total comprehensive income				
Total service cost	**(1)**	(2)	**–**	–
Net interest expense	**(1)**	(1)	**–**	–
Other expenses	**–**	–	**(1)**	–
Components of defined benefit cost recognised in profit or loss	**(2)**	(3)	**(1)**	–
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding amounts included in net interest expense)	**–**	–	**(2)**	2
Remeasurement gains/(losses) arising from changes in:				
Demographic assumptions	**–**	–	**4**	1
Financial assumptions	**5**	(4)	**5**	(23)
Experience adjustments	**(1)**	(1)	**1**	2
Components of defined benefit cost recognised in other comprehensive income	**4**	(5)	**8**	(18)
	2	(8)	**7**	(18)
Movements in the present value of the defined benefit obligations				
Opening defined benefit obligations	**(52)**	(47)	**(93)**	(101)
Current service cost	**(3)**	(3)	**–**	–
Net interest expense	**(1)**	(1)	**(2)**	(4)
Remeasurement gains/(losses) arising from changes in:				
Demographic assumptions	**–**	–	**4**	1
Financial assumptions	**5**	(4)	**5**	(23)
Experience adjustments	**(1)**	(1)	**1**	2
Past service cost	**2**	1	**–**	–
Benefits paid	**2**	3	**5**	13
Exchange differences on consolidation of foreign subsidiaries	**–**	–	**1**	19
Closing defined benefit obligations	**(48)**	(52)	**(79)**	(93)
Movements in the fair value of the plan assets				
Opening fair value of plan assets	**–**	–	**77**	97
Interest income	**–**	–	**2**	4
Return on plan assets (excluding amounts included in net interest expense)	**–**	–	**(2)**	2
Employer contributions	**2**	3	**3**	4
Other expenses	**–**	–	**(1)**	–
Settlements	**–**	–	**–**	–
Benefits paid	**(2)**	(3)	**(5)**	(13)
Exchange differences on consolidation of foreign subsidiaries	**–**	–	**(1)**	(17)
Closing fair value of plan assets	**–**	–	**73**	77

33. *Defined pension benefits* *(continued)*

33.1 The financial details of the different funds and the effect on the Group's consolidated financial statements are:

	Conforama Pension Fund		Homestyle Pension Fund	
	30 September 2017 €m	30 September 2016 €m	30 September 2017 €m	30 September 2016 €m
The major categories of plan assets are:				
Equities/diversified growth fund	–	–	**64**	76
Bonds	–	–	**8**	–
Cash	–	–	**1**	1
Total market value of assets	–	–	**73**	77
The principal assumptions used for the purposes of the actuarial valuations are:				
Discount rate	**1.5%**	1.0%	**2.8%**	2.3%
Expected rates of salary increase	**1.5%**	1.8%	**n/a**	n/a
Inflation	**1.5%**	1.8%	**3.2%**	2.9%

34. *Events occurring after the reporting period*

There is a significant period of time between the reporting date and the date of authorising these consolidated financial statements. Management carefully considered each subsequent event to assess if any of these events classify as adjusting events. Events not considered adjusting subsequent events are not included in this note. The base currency of the below-mentioned events has been converted to the reporting currency by using the average exchange rate of the reporting period in which the event occurred.

Acquisitions entered into prior to the liquidity crisis

- On 1 October 2017, Steinbuild (a subsidiary of Pepkor) acquired 100% of BSG (BSG is the parent company of the MacNeil, Tiletoria and Brands-4-Africa groups) for ZAR645 million. The acquisition has been approved by the relevant regulatory authorities.
- Pepkor entered into Call Option Agreements whereby it obtained the right to acquire 128.2 million Shoprite ordinary shares from various parties. Pepkor's board exercised the call options prior to 30 November 2017 as part of the planned expansion of the Pepkor Group, subject to the fulfilment of the Shoprite conditions precedent. This transaction was subsequently not implemented. In the process, Steinhoff made prepayments of €125 million and €200 million in October and November 2017 to entities related to Christo Wiese (a Steinhoff Supervisory Board member at the time) as these entities held shares in Shoprite. Agreements have been entered into during February 2018 in terms of which €125 million has been settled. The balance of €200 million plus interest is expected to be repaid on agreed terms. The entities are awaiting regulatory approvals to be able to perform under the terms of the agreement.
- The acquisitions of the Lazarus Ford and Action Ford groups (with dealerships in South Africa) were finalised following the approval by the South African Competition Commission in November 2017 and January 2018, respectively.

Material disposals post the liquidity crisis

Disposals necessitated by liquidity needs in specific businesses during 2018

- The Group sold a property in Vienna, Mariahilferstrasse, for a consideration of €70 million on 29 December 2017 of which €10 million was deferred and subsequently judged irrecoverable. A loss on disposal was recognised during the 2018 Reporting Period.
- The Group sold its 17% interest in SRP, a subsidiary of the SRP group, on 11 January 2018 and derecognised this investment as an associate. Proceeds from the sale amounted to €79 million, which equalled the carrying value.
- Steinhoff sold its 50% interest in Habufa, back to the original family owners on 25 January 2018. Proceeds of €10 million were received and a loss was recognised on disposal during the 2018 Reporting Period.

Disposals necessitated to release the Group from future cash commitments

- Atterbury Europe repurchased the ordinary shares held by the Group on 18 December 2017 for an amount of €20.4 million. In June 2018 Atterbury Europe also repurchased the non-voting participating shares for €224 million. A loss on disposal was recognised during the 2018 Reporting Period.
- Steinhoff N.V. disposed of its 50.48% interest in Extreme Digital on 30 January 2018 for an amount of €13.0 million.
- On 22 June 2018, the Group announced that transaction documents for the sale of the kika-Leiner Sale Assets to SIGNA Holding GmbH had been concluded. The operating companies were sold for a nominal consideration, whilst the consideration for the property holding companies was based on an enterprise value of approximately €490 million (subject to certain adjustments). The decision to sell was motivated by the withdrawal of kika-Leiner's credit insurance cover which created significant liquidity demand. This would have placed significant further cash demands on the Group given that the kika-Leiner businesses were both loss making and required significant future investment to implement a turnaround plan. The disposal of the property holding companies was effective 14 August 2018 and all conditions precedent were completed on 15 October 2018. The Group is in the process of determining the impact on profit or loss. A loss on disposal is expected.

34. *Events occurring after the reporting period* (continued)

Disposals of non core assets to raise funds to repay debt

- The Group sold its 25.5% interest in PSG in three tranches after year-end for total net cash proceeds of ZAR12.4 billion (€795 million). The majority of these shares were sold in December 2017 and January 2018.
- RIM, a wholly-owned subsidiary of the Group, acquired a company aircraft, for $21.0 million (€19.0 million) in January 2017. RIM sold the company aircraft on 12 January 2018 for a consideration of $15.5 million (€13 million). A loss on disposal was recognised during the 2018 Reporting Period.
- The Group reduced its 43% interest in KAP to 26% in March 2018 through an accelerated bookbuild for €251 million proceeds. The investment in KAP continued to be recognised as an investment in associate. In March 2019 a further launch of an accelerated bookbuild was approved whereby the remaining shares in KAP were disposed of for €293 million proceeds.
- On 29 June 2018, the Group finalised the sale of E-llis International BVBA and its subsidiaries for total proceeds of €1.47 million.
- On 23 July 2018, the sale of Impuls Küchen, a non-core German manufacturer of assembled kitchens in the entry-level to mid-price spectrum, and Puris Bad, a non-core German manufacturer of assembled bathroom furniture targeting end customers in the lower mid-price and affordable luxury segments, was agreed. The enterprise value of the businesses amounts to €92.5 million.
- On 11 January 2019, the sale of Steinpol, a non-core manufacturer of entry level to mid-price upholstery, operating eight factories in Poland and one in Hungary, was agreed. The enterprise value for the business amounts to €26.5 million of which €9 million is deferred consideration.
- On 28 March 2019 the Group announced that it has reached in-principle agreement to dispose of 74.9% of the Group's shares in Unitrans Motor Holdings Proprietary Limited (and its subsidiaries), and 100% of the loan claims against Unitrans Automotive held by Steinhoff Africa, to CFAO Holdings South Africa Proprietary Limited. According the the terms of the agreement, the remaining 25.1% is to be disposed of at a later stage, as part of a Broad-Based Black Economic Empowerment transaction. The investment in Unitrans Motors was therefore classified as held-for-sale in terms of IFRS 5 after the reporting period. The transaction is still subject to the fulfilment of certain conditions precedent. The final price allocation is not completed, and therefore no profit or loss could be estimated at this stage.

Debt paid and restructured

- A number of the Group's operating companies secured their own external funding:
  - On 22 December 2017 and 31 January 2018, Mattress Firm raised asset-back funding totalling $150 million;
  - On 3 January 2018 and 18 January 2018, Pepkor Europe secured credit facilities totalling £264 million;
  - On 24 January 2018, Conforama secured €143 million;
  - Pepkor successfully concluded their debt refinancing of shareholder funding amounting to c.ZAR16 billion (€1 billion) on 23 May 2018 and repayment of the Group's South African debt;
  - On 26 July 2018, Hemisphere restructured its debt. Refer note 16.4; and
  - On 27 September 2018, Greenlit Brands raised AUD256 million.
- Mattress Firm filed voluntary pre-packaged Chapter 11 cases in the United States Bankruptcy Court. This process allowed Mattress Firm to implement a financial restructuring through a court supervised process while continuing to trade. Mattress Firm successfully completed its restructuring on 21 November 2018 after which the lenders received 49.9% of the shares in SUSHI, the indirect owner of Mattress Firm, as consideration for providing the exit financing. The Group continues to own the remaining 50.1% of the shares. Management assessed that Mattress Firm should be accounted for as an associate investment. The investment in Mattress Firm was classified as held-for-sale on 30 September 2018. Refer to note 16.4.
- As part of the Conforama financial restructuring, the French Commercial Court of Meaux approved a conciliation agreement entered into between Conforama and its creditors as part of a French law conciliation process which provided the framework for the refinancing negotiations. This ruling allowed Conforama to proceed to implement its financial restructuring. The key terms of the financial restructuring included a total nominal value of €316 million new money financing (including undrawn and conditional commitments) and a warrant in favour of the funders over 49.9% of the shares of Conforama.

34. *Events occurring after the reporting period* *(continued)*

Debt paid and restructured (continued)

- A Lock-Up Agreement was concluded during July 2018 between the Group and the majority of creditors. The Lock-Up Agreement was aimed at providing the Group with stability by creating an extended period of time to ensure fair treatment across the various creditor groups, allow management to focus on delivering value at the Group's operating businesses, and achieve a deleveraging of the Group. Refer to note 16.4.
- CVA process

The restructuring of the Group's existing financial indebtedness continues. On 30 November 2018, two of the subsidiaries with most of the Group's financial creditors, SEAG and SFHG, launched CVAs. The CVAs seek to implement the restructuring plan set out in the Lock-Up Agreement. The steps to be implemented pursuant to each of the CVAs included amendments to the corporate holding structure, revised corporate governance across the European holding companies and the restructuring of the existing financial indebtedness including the issuance of new debt by certain newly incorporated Luxembourg companies.

In particular, the restructuring steps to be implemented pursuant to each of the CVAs seek:

i. to revise the terms of the Group's principal European debt instruments, and the guarantees of such debt instruments, to provide a common set of covenants and security package and a maturity date set sufficiently in advance (being 31 December 2021);

ii. as a result of those maturity dates, to afford the Group the opportunity to seek to improve the value of its assets for the benefit of its creditors and avoid a situation whereby SEAG's and SFHG's assets would be realised in a distressed scenario, potentially reducing any returns to SEAG's or SFHG's creditors and other stakeholders;

iii. through the revised debt terms, to improve the Group's liquidity position by providing that the interest accruing on the new debt pursuant to the restructuring will be payment-in-kind ("PIK"), rather than in cash;

iv. The PIK rate applicable to the New Lux Finco 1 Debt will be 10%. per annum. The PIK rates applicable to the New Lux Finco 2 Debt will be:

a. 10% per annum in relation to a "Super Senior Facility Loan";

b. 7.875% per annum in relation to a "Facility A1 Loan" or a "Facility B1 Loan"; and

c. 10.75% in relation to a "Facility A2 Loan" or a "Facility B2 Loan".

Such PIK interest rates may increase in the event that certain creditor approved nominees are not appointed to the Management Board of Steinhoff N.V. in due course;

v. The new SEAG debt facility contains provisions that regulate the steps to be taken if the new SEAG HoldCo decides to undertake a material asset disposal outside of a default scenario. If that material asset disposal also requires a shareholder vote by the Company shareholders, the matter will be put to the Company shareholders. If the Company shareholders do not vote in favour of the sale there is a requirement that within approximately 75 days the SEAG debt is prepaid in amount equal to the net proceeds that would have been obtained on the proposed sale. If the Company does not raise the required funds within the required time to make the prepayment an event of default under the new debt facilities will occur. For more details please refer to the CVA proposals and the new SEAG finance documentation.

vi. To implement (or provide the framework to implement) revised corporate governance across the European holding companies in order to supplement and support the functions and specifications of those holding companies including the appointment of new directors to certain companies within the SEAG Group and the establishment of a litigation working group; and

vii. The debt instruments contain numerous other events of default. For more details please refer to the CVA Proposals and the new finance documentation

Meetings of the creditors and members of SEAG and SFHG were held on 14 December 2018 at which the CVAs were approved by the requisite majorities. Various conditions are to be satisfied prior to implementation of the restructuring. It is envisaged that the relevant consents to make required amendments will be requested by way of a separate CVA consent request.

The implementation of the CVA is critical to the liquidity of the Group. Should the CVA fail for any reason, this would have a materially negative impact on the liquidity of the Group and the Company.

The CVA proposals, together with certain supporting documentation, can be downloaded free of charge at www.steinhoffinternational.com/restructuring-documents.php.

34. *Events occurring after the reporting period* (continued)

Corporate activity after the reporting date

- In October 2017, the Company repurchased 40.4 million Steinhoff shares from Sikulasonke for €138.4 million.
- Steinhoff Africa repurchased approximately 30.2 million Steinhoff shares in October and November 2017 for €117 million.
- Due to the non-submission of the consolidated financial statements for the period ended 30 September 2017 by SINVH, preference shares with a capital value of ZAR1.5 billion, listed on the JSE, were suspended by the JSE effective 1 March 2018.
- 200 million Pepkor shares were sold through an accelerated bookbuild in April 2018 for €254 million. This resulted in the Group's interest in Pepkor being reduced from 77% to 71%.
- On 23 November 2018, Pepkor announced that it agreed to terminate its existing commercial relationship with Cencap, in a phased approach. Under the current commercial agreements, Cencap, a subsidiary of Wands, is responsible for the funding of credit books that provide credit to customers of JD consumer credit and unsecured personal loans, Capfin loans, using the Pep and Ackermans retail footprint. Wands carries the credit risk related to these financial services. Pepkor, thought its internal financial administration service operations, provides administration and collection services to Cencap related to the JD consumer credit and Capfin loans provided to Pepkor customers in return for a fee. Pepkor considered its options and decided not to pursue the acquisition of the credit books owned by Cencap, but will instead build its own credit books. With regard the existing credit books, commercial agreements were renegotiated, granting Pepkor the right to continue the collection of the Cencap owned loan books for the run-down period of the books, up to a maximum period of three years and render the outsourced services at a market-related fee. Pepkor further agreed to purchase 100% of the issued shares in FGI Holdings Proprietary Limited ("FGI") from Wands for a purchase price of approximately ZAR150 million. FGI provides insurance products via its subsidiaries under the Abacus brand to Pepkor customers and contains highly regulated liquid assets. The acquisition is subject to due diligence and other conditions precedent, normal for transactions of this nature.
- In September 2018 a sale agreement was finalised whereby the Group disposed of its remaining interest in POCO for €271 million. Closing the POCO sale brought the German litigation proceedings with the POCO entities owned by Seifert to an end.
- The withdrawal of credit insurance within the Steinhoff Group, following the December 2017 events, created significant liquidity constraints and placed significant cash demands on the wider Steinhoff Group. To help improve liquidity and stabilisation of the Group, the boards of Steinhoff N.V. and SEAG, have approved the orderly wind-up of Bruno Steinhoff Trading GmbH, a company operating in Westerstede, Germany.
- The following preference dividends were declared and paid by SINVH after the reporting period to shareholders of the 15 000 000 cumulative, non-redeemable, non-participating, variable rate preference shares issued by SINVH.

		Gross dividend per share	
Period applicable	**Date paid**	**ZAR cents**	**EUR cents**
1 July 2017 to 31 December 2017	Monday, 23 July 2018	427.42	27.48
1 January 2018 to 30 June 2018	Monday, 20 August 2018	424.06	27.27
1 July 2018 to 31 December 2018	Monday, 29 April 2019	418.09	25.96

34. *Events occuring after the reporting period* *(continued)*

Related party transactions

- Steinhoff at Work Proprietary Limited, a wholly-owned subsidary of Steinhoff Africa entered into a informal agreement (key terms contained in an email between the parties) with Toerama to acquire a company aircraft, Falcon 900C, for $5 million (€4.2 million) on 1 October 2017. On 25 May 2018, Steinhoff at Work Proprietary Limited and Toerama, with Steinhoff Africa being a party, entered into a second agreement replacing the original agreement, and agreed that Toerama will be seeking an alternative purchaser.

Comi (Centre Of Main Interest) shift

The Lock-Up Agreement also required SEAG and SFHG to take certain steps in relation to their principal place of administration. Consequently with effect from 3 August 2018 the central administration and supervision of the management of SEAG is now located in England, while for SFHG it is with effect from 1 October 2018.

Affiliated party transactions

- Campion Group settlement agreement:
  In January 2019 Steinhoff N.V. concluded various agreements with the Campion Group, the main terms of which included the settlement of a number of outstanding loans owing to Steinhoff N.V. in exchange for the receipt by Steinhoff N.V. of a number of investments including:
  - Approximately 25.5 million Brait shares,
  - Approximately 30 million Steinhoff shares,
  - Legal ownership of 55% of GT Branding.

34. *Events occuring after the reporting period* *(continued)*

Legal proceedings

Various legal proceedings have been instituted against the Group during 2018 and 2019. The Group has carefully considered the legal proceedings and those deemed to be material adjusting events after the reporting period have been disclosed as contingent liabilities in note 22. Legal proceedings not considered adjusting subsequent events are included in this note.

- Peregrine and Allan Gray initiated legal proceedings against various Group entities on behalf of preference shareholders in SINVH. During 1 November 2018 the matter was settled.
- Stichting Steinhoff International Compensation Claims ("SSICC") has initiated a Dutch collective action against both Markus Jooste and Steinhoff N.V. on behalf of all investors that bought shares in Steinhoff N.V. during a certain time period – starting at either 7 August 2015, 19 November 2015, 7 December 2015 and ending at the moment of full disclosure on Steinhoff N.V.'s accounting irregularities, or on 6 December 2017 or at a moment as determined by the court in the proper administration of justice – and that either sold their shares after 24 August 2017 or after 5 December 2017 or still hold their Steinhoff shares. These proceedings were registered on the docket on 30 January 2019.
- On 1 February 2019, Dutch law firm bureau Brandeis filed a request for inquiry proceedings with the Enterprise Chamber at the Amsterdam Court of Appeal on behalf of Public Investment Corporation SOC Ltd ("PIC") and ten other foreign Steinhoff N.V. investors ("PIC et al."). PIC et al. requested the following relief:
  (i) to appoint investigators to investigate the policy and the course of events at Steinhoff N.V., its affiliated enterprise and entities closely connected to it, starting from the date of its incorporation until the date of the decision of the Enterprise Chamber. PIC et al. want the subject of the investigation to cover the facts and circumstances that could give an insight in the situation that Steinhoff N.V. is in, even if these facts and circumstances pre-date the establishment of Steinhoff N.V., such as, but not limited to, the 2015 prospectus, the Scheme of Arrangement, the acquisition of kika-Leiner, its relation with Campion, GT Branding, Genesis GmbH, the amendments by Steinhoff N.V. of the 2014 up to and including 2018 annual accounts and the functioning of (members of) the bodies and appointed committees regarding those facts and circumstances, as well as the questions posed in the request and those that were asked during the AGM in April 2018, and
  (ii) (by way of immediate relief) to appoint an independent Supervisory Board member, whose duties will encompass supervision of the proper disclosure of information to shareholders in line with the applicable rules and regulations, supervision of the proper cooperation of and information disclosure by (members of) the bodies and employees of Steinhoff N.V. and its affiliated enterprise for the purpose of the investigation to be ordered by the Enterprise Chamber, and to determine that this temporary Supervisory Board member will have the casting vote on these subjects.

Shareholding in Steinhoff N.V. by members appointed to the Management and Supervisory Board after 30 September 2017 and in service as at the date of this report:

Management Board	Number of shares held directly and indirectly
Louis du Preez	5 165
Theodore de Klerk	194 270
Philip Dieperink	526 562

35. *Other information*

New and amended standards adopted by the Group

The Group has applied the following relevant standards and amendments for the first time for their annual reporting period commencing 1 October 2016.

- IAS 1 – Presentation of Financial Statements: Disclosure initiative
- IAS 7 – Statement of Cash Flows: Disclosure initiative
- IFRS 10 – Consolidated Financial Statements: Investment entities: Applying the consolidation exception
- IFRS 11 – Joint arrangements: Investment entities: Applying the consolidation exception
- IFRS 12 – Disclosure of Interests in Other Entities: Investment entities: Applying the consolidation exception
- IAS 27 – Separate Financial Statements: Equity method in separate financial statements
- IAS 28 – Investments in Associates: Investment entities: Applying the consolidation exception
- Annual Improvements to IFRSs 2012-2014 Cycle

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

The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities, see note 23.2.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	IFRS 9 – Financial Instruments
Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	*Classification and measurement:* The Group does not expect significant impact due to the re-classification of financial assets, except for available-for-sale assets, which will be classified either as fair value through profit or loss or fair value through other comprehensive income. If the latter is chosen, it will not have a significant impact on the consolidated financial statements. The Group did not recognise any held to maturity assets under IAS 39, as such no impact is expected on the consolidated financial statements as a result of the removal of this category of financial assets. The change in the fair value of financial liabilities due to a change in credit risk will decrease the impact on profit or loss as these changes will be recognised in other comprehensive income. *Impairment:* The Group expects that the change from incurred to expected credit losses will impact the impairment of financial assets, the impact of which cannot yet be reliably estimated. The Group is in the process of developing models and processes to calculate the financial impact. The Group expects to have the new models implemented by the effective date. *Hedge accounting:* On transition from IAS 39 to IFRS 9, there will be no accounting entries required. However, during the first financial year, the Group might have to rebalance the hedges on transition to fulfill the new effectiveness requirements under IFRS 9. This will result in a gain or loss recognised in profit or loss. The actual impact of rebalancing will be determined upon transition and is not expected to have a material impact on the financial results of the Group as the total value of the hedging instruments are immaterial.
Date of adoption by the Group	IFRS 9 is effective for annual periods commencing on or after 1 January 2018. The Group will implement IFRS 9 from the 2019 financial year commencing on 1 October 2018.

35. *Other information* *(continued)*

New standards and interpretations not yet adopted (continued)

Title of standard	**IFRS 15 – Revenue from contracts with customers**
Nature of change	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for adoption.
Impact	The impact of the new accounting standards on specific sources of revenue in the Group is discussed below: *Revenue from the sale of goods:* The main products sold by the Group are general merchandise and furniture. None of these products require material additional input from the Group after sale. As such, the Group does not expect that the new Standard will have a significant impact on the timing of recognition of revenue arising from point of sale or online sale transactions. The effect of expected returns from customers will affect the amount of revenue that is recognised and the Group has initiated a detailed assessment to determine the impact. *Revenue from services rendered:* The Group is in the process of determining the impact on revenue recognised from services rendered and whether this should be recognised over time or at a point in time under IFRS 15, by taking into account the specifics contained in each agreement. Depending on the outcome of this assessment the timing and amount of revenue recognised, may be affected. Revenue from services rendered does not comprise a material portion of the revenue recognised by the Group but does comprise a large volume of contracts of varying nature and terms. The Group is in the process of analysing the various aspects of the contracts, to determine the impact on revenue to be recognised from the rendering of services as a result of the application of IFRS 15.
Date of adoption by the Group	IFRS 15 is effective for financial years commencing on or after 1 January 2018. The Group will implement IFRS 15 from the 2019 financial year commencing on 1 October 2018.

35. *Other information* *(continued)*

New standards and interpretations not yet adopted (continued)

Title of standard	IFRS 16 – Leases
Nature of change	IFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of €5 833 million, see note 22.2 However, the Group is in the process of assessing what adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. The project has not yet been finalised due to the disruptions faced by the Group during the period under review. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward. The Group will continue to focus its efforts on finalising the project to ensure completeness by the implementation date. The Group is in the process of assessing the following key elements with regards to the leases in place prior to implementation of IFRS 16: • Which of the current commitments will result in the recognition of right-of-use assets and lease liabilities for future payments and the value thereof if it meets the recognition criteria. • Whether the criteria is met to separate lease and non-lease components and the determination of the cost allocations if it is separated. • Determine the lease term for each of the leases, taking into account any purchase options or right to terminate or extend the loan agreements.
Date of adoption by the Group	IFRS 16 was issued in January 2016 and is effective for financial years commencing on or after 1 January 2019. The Group will implement IFRS 16 from the 2020 financial year commencing on 1 October 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Number of full-time equivalent employees

	30 September 2017	30 September 2016
The number of full-time equivalent employees, excluding contractors, totalled:		
The Netherlands	**48**	5
Rest of Europe (including the United Kingdom)	**59 635**	51 176
United States of America	**9 629**	–
Africa	**50 078**	49 502
Asia Pacific	**6 111**	4 916
	125 501	105 599

35. Other information *(continued)*

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 from 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. This 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

A final dividend of 15.0 euro cents per Steinhoff share was approved by the Annual General Meeting held on 14 March 2017. 12.0 euro cents per Steinhoff share was paid in cash, after withholding taxation deductions, on Tuesday, 6 December 2016. The remaining 3 euro cents was paid in cash, after withholding taxation deductions on Monday, 20 March 2017.

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 Group 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
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	§ 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
Global Warehouse and Logistics Service GmbH, Westerstede	§ 264 Abs. 3 HGB
SBG Service GmbH, München	§ 264 Abs. 3 HGB
Global Warehouse and Logistics West GmbH, Kamp-Lintfort (vormals Westerstede)	§ 264 Abs. 3 HGB

ANNUAL REPORT 2017

STEINHOFF INTERNATIONAL HOLDINGS N.V.

Separate financial statements for the period ended 30 September 2017

INDEX

SEPARATE STATEMENT OF PROFIT OR LOSS
for the period ended 30 September 2017

	Notes	Twelve months ended 30 September 2017 €'000	Restated* Fifteen months ended 30 September 2016 €'000
Dividend income	2	**962 776**	–
Interest income	2	**164**	–
Total income		**962 940**	–
Administrative expenses	3	**(4 756)**	(1 582)
Other operating expenses	3	**(4 397 581)**	(7 035 497)
Operating loss for the period before finance cost		**(3 439 397)**	(7 037 079)
Finance cost	4	**(9 659)**	–
Net loss for the period attributable to Steinhoff N.V. shareholders		**(3 449 056)**	(7 037 079)

**Refer to note 1 for detail of the restatements to the 2016 comparative period.*

STATEMENT OF OTHER COMPREHENSIVE INCOME *for the period ended 30 September 2017*	Twelve months ended 30 September 2017 €'000	Restated* Fifteen months ended 30 September 2016 €'000
Total comprehensive loss for the period attributable to Steinhoff N.V. shareholders	**(3 449 056)**	(7 037 079)

**Refer to note 1 for detail of the restatements to the 2016 comparative period.*

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2017
continued

SEPARATE STATEMENT OF FINANCIAL POSITION *as at 30 September 2017*	Notes	30 September 2017 €'000	Restated* 30 September 2016 €'000
ASSETS			
Non-current assets			
Investment in subsidiary companies	6	**2 658 950**	4 447 606
Current assets			
Related party loans receivable	13	**319 471**	299 517
Share scheme settlement receivable	7	**–**	67 270
Cash and cash equivalents		**48**	65
		319 519	366 852
Total assets		**2 978 469**	4 814 458
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	8	**2 154 864**	2 126 776
Share premium reserve	8	**5 410 699**	5 225 991
Accumulated losses		**(11 067 407)**	(7 037 098)
Other reserves		**–**	35 006
		(3 501 844)	350 675
Current liabilities			
Other payables and accruals	9	**3 425**	51 483
Interest-bearing borrowings	10	**5 628 377**	4 379 669
Related party loans payable	13	**848 511**	367
Deferred dividend receivable	7	**–**	32 264
		6 480 313	4 463 783
Total equity and liabilities		**2 978 469**	4 814 458

**Refer to note 1 for details of the restatements to the 2016 comparative period.*

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2017
continued

SEPARATE STATEMENT OF CHANGES IN EQUITY *for the period ended 30 September 2017*	Ordinary stated share capital €'000	Share premium €'000	Accumulated losses €'000	Share-based payment reserve €'000	Total €'000
Total equity at 1 July 2015	45	–	(19)	–	26
Total comprehensive loss for the period	–	–	(7 037 079)	–	(7 037 079)
Transactions with owners in their capacity as owners					
Cancellation of incorporation shares issued	(45)	–	–	–	(45)
Issue of shares – Scheme of Arrangements (note 8)	1 931 320	17 381 874	–	–	19 313 194
Issue of shares, net of transaction costs – other (note 8)	195 456	1 594 564	–	–	1 790 020
Recognition of investments in subsidiaries through internal reorganisation (note 1.1)	–	(13 750 447)	–	–	(13 750 447)
Share-based payments (note 1.3 and note 7)	–	–	–	35 006	35 005
Restated balance at 30 September 2016	**2 126 776**	**5 225 991**	**(7 037 098)**	**35 006**	**350 675**
Total comprehensive loss for the year	**–**	**–**	**(3 449 056)**	**–**	**(3 449 056)**
Transactions with owners in their capacity as owners					
Issue of shares, net of transaction costs (note 8)	**21 570**	**184 708**	**–**	**–**	**206 278**
Capital distribution received in terms of share scheme arrangement (note 7)	**–**	**–**	**29 977**	**–**	**29 977**
Ordinary dividends paid[1]	**–**	**–**	**(639 718)**	**–**	**(639 718)**
Shares issued upon vesting (note 7 and 8)	**6 518**	**–**	**–**	**(6 518)**	**–**
Share-based payment reserve transferred to accumulated losses (note 7)	**–**	**–**	**28 488**	**(28 488)**	**–**
Balance at 30 September 2017	**2 154 864**	**5 410 699**	**(11 067 407)**	**–**	**(3 501 844)**

[1] *Refer to note 19.5 of the consolidated financial statements for details pertaining to the ordinary dividends paid.*

Ordinary stated capital and reserves

The ordinary stated share capital and share premium reserve records the movements in the issued share capital of the Company.

Share-based payment reserve

The fair value of the deferred delivery shares and the share rights granted to employees is recognised as an investment in subsidiary with a corresponding increase in equity. Refer to note 7.

SEPARATE STATEMENT OF CASH FLOWS
for the period ended 30 September 2017

	Notes	Twelve months ended 30 September 2017 €'000	Restated* Fifteen months ended 30 September 2016 €'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(utilised in) operations	12	**961 014**	(7 814)
Dividends paid		**(639 718)**	–
Net cash inflow/(outflow) from operating activities		**321 296**	(7 814)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital distribution received from subsidiaries	6.7	**200 000**	–
Amounts advanced to an affiliated party (Talgarth Capital Limited)	3.3	**(1 500 000)**	–
Increase in related party loans receivable		**(547)**	(303 292)
Proceeds received on repayments of related party loans receivable		**1 036**	–
Net cash outflow from investing activities		**(1 299 511)**	(303 292)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of ordinary shares issued with capital raise	8	**–**	1 678 261
Share issue expenses		**(39 897)**	(6 150)
Repayments of related party loans payable		**(1 421 118)**	(2 137 170)
Proceeds received from related party loans payable		**2 439 213**	776 182
Net cash inflow from financing activities		**978 198**	311 123
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(17)**	17
Cash and cash equivalents at beginning of the period		**65**	48
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**48**	65

**Refer to note 1 for details of the restatements to the 2016 comparative period.*

Reporting entity

The separate financial statements of the Company are included as part of the consolidated financial statements of Steinhoff N.V.

The Company is a South African tax resident.

Basis of preparation

The separate financial statements have been prepared in accordance with IFRS as endorsed by the EU and with Part 9 of Book 2 of the Dutch Civil Code.

Comparative periods

The comparative period represents a 15 month period as result of the change in year-end during that period.

Going-concern assessment

In the current period, the Company's current liabilities exceed the current assets.

Refer to the basis of preparation section of the consolidated financial statements for a detailed going concern assessment of the Group including the Company.

Significant accounting policies

Assets

Investments in subsidiaries are measured at historical cost less impairment provisions.

Shareholders' equity

The reserves were previously formed under, and are still recognised in accordance with, the Dutch Civil Code.

Profit of participating interests

The Company does not share in the profit of participating interests.

1. Restatements

Representation of the statement of profit or loss and statement of cash flows

Management consider Steinhoff N.V. to be a holding company. The Company's only assets are investments in other entities and loans receivable, and therefore its income is limited to dividends and interest income. Realised and unrealised foreign exchange gains and losses on foreign denominated loans are recognised in other expenses.

The statement of profit or loss has been revised to reflect the holding company nature of the Company and the statement of cash flows has been adjusted to reflect the non-cash nature of unrealised foreign exchange gains or loss on related party loans.

Correction of prior period errors

On 5 December 2017, the Company announced that its 2017 separate financial statements could not be released when expected as its external auditor, Deloitte, had identified potential accounting irregularities and questionable transactions.

As a result of these concerns, an independent forensic investigation (the "investigation") commenced. Consequently, the audited 2016 consolidated financial statements were withdrawn and publication of the 2017 consolidated financial statements was postponed.

Management has determined that certain transactions required further consideration. These transactions were assessed by management to have been inappropriately recognised in the financial statements and required correction.

Accordingly, the 2016 separate financial statements have been restated. There is no impact to the separate financial statements as at 1 July 2015.

The following restatements are required to correct prior period errors:

1.1 Initial recognition of investments in subsidiaries

a) Recognition at date Steinhoff N.V. was introduced as new holding company

Prior to the FSE listing, the ultimate parent of the Steinhoff Group was SIHPL whose ordinary shares were traded on the JSE until the inward listing took place on 7 December 2015. Thereafter the Company became the primary listed entity on the FSE, with a secondary listing on the JSE.

SIHPL was simultaneously delisted from the JSE.

Immediately prior to SIHPL's delisting, it held all the ordinary shares in SINVH. SINVH in turn held the investments in the African subsidiaries and the European subsidiaries.

At the date SIHPL was delisted it became a direct subsidiary of the Company through a "Scheme of Arrangement" whereby every SIHPL share held by a shareholder was swapped at a ratio of 1:1 for a Steinhoff N.V. share. The Company therefore issued its ordinary shares to the existing SIHPL shareholders and in return became the owner of every SIHPL issued share.

During November 2015 (immediately prior to the FSE listing), the Company acquired the issued ordinary shares of Genesis Gamma for €20 million which included the kika-Leiner Retail business as well as the Steinhoff European Retail assets (indirectly owned by GIH – a subsidiary of Genesis Gamma).

Previously, the acquisition by the Company (including kika-Leiner) of the existing Steinhoff Group was treated as a reverse acquisition with the Steinhoff Group considered as the acquiror. The initial investment in SIHPL, in the separate financial statements of the Company, was recognised at market value of €19.3 billion, being the equivalent value of the issued share capital of the Company. Internal restructures took place during April 2016 whereby the shares in the African and European subsidiaries were unbundled at their respective market values which were distributed to the Company as dividends in specie.

Refer to note 1.2.3a) of the consolidated financial statements whereby the acquisition of kika-Leiner by the Company during 2015 is restated as a common control transaction.

1. *Restatements* *(continued)*

1.1 Initial recognition of investments in subsidiaries (continued)

a) Recognition at date Steinhoff N.V. was introduced as new holding company (continued)

Historically, at each step of the unbundling, the remaining investment in subsidiary was impaired by the value of the dividend in specie received from the subsidiary. As at 30 September 2016, the dividends in specie received and the total impairment of the original investments matched and were offset in the separate financial statements.

The introduction of the Company as the new holding company of the Steinhoff Group is no longer recognised as a reverse acquisition but instead recognised as an internal reorganisation, whereby a new holding company is introduced and the net asset value of the Group remains unchanged before and after the internal reorganisation. In terms of IAS 27: Separate Financial Statements ("IAS 27"), the cost of SIHPL must be recognised by the Company at the net asset value of SIHPL at the date of reorganisation.

At the date of the reorganisation, SIHPL's net asset value comprises mainly its investment in SINVH and loans receivable from subsidiaries. SINVH's investments comprise mainly its investments in the Africa and Europe group of companies together with group loans.

After due consideration management has determined that at the date of the internal reorganisation, the European group would have no recoverable amount and the historical cost of the European Group of €2.5 billion, as included in the investment value of SINVH, was excluded from the recoverable net asset value at initial recognition of SIHPL.

The excess of the share capital and share premium issued by the Company on the date of listing, and the initial recognition value of SIHPL is recognised as a reduction against share premium and amounts to €13.8 billion as at 30 September 2016.

b) Subsequent internal reorganisation of Africa and European groups

The subsequent reorganisation of the investments in the Africa and Europe groups relate to the unbundling of the investments in SINVH and SFHG. The shares in SINVH and SFHG were distributed by SIHPL to the Company as dividends in specie. The value of the dividends in specie were originally calculated based on the pre-restatement market values of these investments.

Management has determined that the most appropriate value to recognise the investments is at their historical cost to the Group, at initial recognition, after adjustments for recoverability.

The value of the dividend in specie was recognised as the recoverable historical cost to the Group, which is different to the legal value of the dividend declared at the time. SIHPL distributed its shares in its investments to a new holding company solely for the purpose of reorganisation as this did not constitute a distribution of profits generated through SIHPL's operations or those of SIHPL's subsidiaries. Management has therefore concluded the dividend in specie was in substance an equity contribution from SIHPL and did not recognise the dividend in profit or loss but recognised the dividend in specie directly in equity as a non-distributable reserve.

At the same time that the Company received the shares in SINVH as a dividend in specie, and as part of the reorganisation, the Company reduced the investment in SIHPL with the value of the dividend in specie received. This reduction was recognised in equity against the dividend in specie in the non-distributable reserve. The remaining value of SIHPL in the Company is attributable solely to its loans receivable from Group companies.

The reorganised investments in subsidiaries were subjected to impairment testing as described in note 1.4.

These two transactions have a net zero impact on the non-distributable reserve for the 2016 financial period.

1. *Restatements* *(continued)*

1.2 Recognition of financial guarantees

The Company, together with certain subsidiaries, are guarantors to third parties for certain external debt of Group companies. Refer to note 16 of the consolidated financial statements for a complete view of the Group's external debt.

The consequential impacts of the restatements to the 2015 and 2016 financial results of the Group as detailed in note 1.2 of the consolidated financial statements together with the results of the performance in the 2017 financial year indicates that the European subsidiaries do not have sufficient liquid assets available to readily service its external debt and loans due to Group companies. This, together with the various other information and financial covenant breaches, relating to the external debt of the Group (refer to note 16 in the consolidated financial statements), would probably have resulted in the unavoidable potential outflow of funds by the Company to settle such debt.

In order for the Company to perform under the guarantees, the Company would have to call on loan receivables or liquidate equity investments. Where the Company has a co-guarantor that has sufficient assets to service the obligations under the external debt, the financial guarantee has been recognised by that subsidiary company. The recognition of the financial guarantee in the subsidiary company is taken into account as part of the impairment testing of the investment in that subsidiary company at period-end. All guarantees where the Company is a guarantor, regardless of whether the guarantee has been recognised by a co-guarantor, is presented as part of the contingent liabilities of the Company as there is still a possibility that the Company might have to perform under the guarantee until such a time as the debt is settled.

The date that the Company becomes a guarantor to any debt of the European group, as it is probable that the Company would have to perform under the obligations, the financial guarantee is recognised immediately in profit or loss. In all instances, the amortised cost or carrying value of the debt has been recognised as the approximation of the fair value of the financial guarantee, as this amount best represents the amount to be settled by the Company had the debt provider called on the loan. No penalties have been included in these balances and the carrying value of the debt is shown gross of capitalised transaction fees to ensure the full cash flow exposure to the Company is recognised.

Upon acquisition of SUSHI, the Company became a guarantor to the SUSHI debt. The guarantee was recognised at the same value as the amortised cost of the acquisition funding and is akin to an equity contribution to SUSHI. An additional investment in subsidiary of €2.3 billion was recognised at the same value as the guarantee. The investment in subsidiary is considered for impairment in note 1.4.

The impact on the net assets of the separate financial statements of the Company, as a result of the recognition of the financial guarantees, amounts to a decrease of €2 billion as at 30 September 2016. This amount of €2 billion was recognised as an expense in profit or loss during the 2016 financial period.

Refer to note 10 for detailed considerations pertaining to the various financial guarantees.

The timing of the amounts recognised in note 1.1 and note 1.4 is uncertain given the complexity and timing of the restatements to the European and African groups. All transactions occurred during the 2016 financial year and therefore the impact to assets, liabilities and total equity would remain the same as at 30 September 2016.

1.3 Adjustments to share-based payments

The Group implemented a long term share incentive scheme (the “ESRS”), which was approved and ratified by shareholders on 1 December 2015. The Remcom would set and monitor the achievement of the performance targets in order for the ESRS to vest ("vesting criteria"). The ESRS has open grants relating to the 2014, 2016 and 2017 financial periods. Given the material restatements to prior periods, the Remcom would have to apply significant discretion to approve the vesting of open grants.

Based on all the available financial information management has revised its estimates of the number of shares likely to vest, and considers all open grants highly unlikely to vest. Management has therefore reversed the IFRS 2 expense for all open grants for all financial periods.

The impact to the separate financial statement of the Company further includes the reversal of €29.5 million relating to the share scheme settlement receivable from subsidiaries and a reversal of €6.3 million of deferred dividends receivable from subsidiaries against the share-based payment reserve.

1. Restatements *(continued)*

1.4 Impairment of subsidiaries at period-end

Following the restatements throughout the Group, the investments in subsidiaries were tested for impairment as at 30 September 2016.

Following the finalisation of the restatements to the 2016 financial results, the investment in SFHG, parent of the European Group, reported a consolidated negative net asset value. This, together with the liquidity pressures within the Group and the uncertainty regarding future funding of operational needs, resulted in management fully impairing the investment in SFHG. An impairment of €481 million was recognised in profit or loss.

The underlying net assets of SUSHI as at 30 September 2016 are not sufficient to support the additional investment of €2.3 billion recognised as per note 1.2. An impairment of €2.3 billion was recognised in the 2016 financial period in profit or loss relating to the additional investment in subsidiary of SUSHI.

As at 30 September 2016, the Company had separate investments in SIHPL and SINVH, both comprising components of the African Group. The only value recoverable from the SIHPL Group was deemed to be its underlying loans receivable from the SINVH Group. Any loans receivable from the European Group in SIHPL were deemed irrecoverable. SIHPL, as a co-guarantor, recognised the financial guarantees relating to the 2021 and 2022 convertible bonds (refer note 1.2) and the recoverable amount of SIHPL reduced to €182 million, resulting in an impairment loss of €1.6 billion recognised in profit or loss.

The investment in SINVH was assessed for recoverability based, as far as possible, on fair values of the underlying net assets of the African Group.

As at 30 September 2016, the African Group consisted of assets totaling €6.7 billion. The material assets are: Pepkor Group, Unitrans Automotive Group, Steinhoff Africa Properties Group, investments in listed equity accounted companies; KAP Industrial Holdings Limited and PSG Group Limited, unlisted investment in the Bud Group (formerly IEP Group) and financial assets including listed shares in Brait SE and a loan receivable from Fulcrum SA relating to the JD Financial Services Loan Book. Pepkor was unlisted at this date and was included in the Pepkor African Group at its purchase price value.

As at 30 September 2016, the African Group had net debt amounting to €1.3 billion and loans payable to the Company and SIHPL of €2.0 billion.

The investment in SINVH exceeded its recoverable amount and an impairment of €385 million was recognised in profit or loss.

The investment in the subsidiary company, Genesis Gamma was fully impaired as Genesis Gamma no longer had any assets following an internal reorganisation whereby GIH parent of the kika-Leiner group and a subsidiary of Genesis Gamma, was moved into the European Group. An impairment loss of €20 million was recognised in profit or loss.

Refer to note 6 for the carrying values (recoverable amounts) of each of the investments in subsidiaries.

1.5 Impairment of related party loans receivable

The related party receivables were assessed for recoverability in the same manner as the investment in subsidiaries. Considerations were given to the ability of the underlying assets of the European and African Groups to service these related party receivables in the near future. A further factor taken into consideration was that the related party receivables were unsecured and had no fixed terms of repayment.

It was deemed that the loans receivable from the European Group were irrecoverable and an impairment of €180 million was recognised in profit or loss.

1.6 Reclassifications

Administration expenses relating to the various monthly and annual fees of the JSE and FSE were incorrectly capitalised to share premium. An amount of €1 million was reclassified to profit or loss during the period.

None of the corrections of prior period errors impacted other comprehensive income or the statement of cash flows.

1. Restatements *(continued)*

Impact of the restatements on the Statement of Financial Position as at 30 September 2016

	Previously reported 30 September 2016 €'000	Initial recognition of investments in subsidiaries Note 1.1
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Non-current assets		
Investments in subsidiary companies		
- Steinhoff International Holdings Proprietary Limited	2 485 673	(722 323)
- Steinhoff Investment Holdings Limited	4 835 747	(1 036 351)
- Steinhoff Finance Holdings GmbH	12 473 168	(11 991 773)
- Genesis Investment Gamma GmbH	20 000	–
- Stripes US Holding Inc.	851 483	–
	20 666 071	(13 750 447)
Current assets		
Related party loans receivable	479 176	–
Share scheme settlement receivable	96 732	–
Cash and cash equivalents	65	–
	575 973	–
Total assets	21 242 044	(13 750 447)
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary share capital	2 126 776	–
Share premium	18 975 432	(13 750 447)
Accumulated loss	(8 746)	–
Share-based payment reserve	58 185	–
Total equity	21 151 647	(13 750 447)
Current liabilities		
Other payables and accruals	51 484	–
Interest-bearing borrowings	–	–
Related party loans payable	367	–
Deferred dividend payable	38 546	–
	90 397	–
Total equity and liabilities	21 242 044	(13 750 447)

Impact of the restatements on the Statement of Profit or Loss for the period ended 30 September 2016

	Previously reported 30 September 2016 €'000	Initial recognition of investments in subsidiaries Note1.1
STATEMENT OF PROFIT OR LOSS		
Administrative expenses	(576)	–
Other operating expenses	(8 151)	–
Operating loss for the period	(8 727)	–
Net loss for the period	(8 727)	–

STEINHOFF INTERNATIONAL HOLDINGS N.V.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2017
continued

Recognition of financial guarantees Note 1.2	Share-based payment adjustments Note 1.3	Impairment of subsidiaries at period-end Note 1.4	Impairment of related party loans receivable Note 1.5	Reclassifications Note 1.6	Restated 30 September 2016 €'000
–	–	(1 581 300)	–	–	**182 050**
–	–	(385 323)	–	–	**3 414 073**
–	–	(481 395)	–	–	**–**
–	–	(20 000)	–	–	**–**
2 349 669	–	(2 349 669)	–	–	**851 483**
2 349 669	–	(4 817 687)	–	–	**4 447 606**
–	–	–	(179 659)	–	**299 517**
–	(29 462)	–	–	–	**67 270**
–	–	–	–	–	**65**
–	(29 462)	–	(179 659)	–	**366 852**
2 349 669	(29 462)	(4 817 687)	(179 659)	–	**4 814 458**
–	–	–	–	–	**2 126 776**
–	–	–	–	1 006	**5 225 991**
(2 030 000)	–	(4 817 687)	(179 659)	(1 006)	**(7 037 098)**
–	(23 180)	–	–	–	**35 005**
(2 030 000)	(23 180)	(4 817 687)	(179 659)	–	**350 674**
–	–	–	–	–	**51 484**
4 379 669	–	–	–	–	**4 379 669**
–	–	–	–	–	**367**
	(6 282)	–	–	–	**32 264**
4 379 669	(6 282)	–	–	–	**4 463 784**
2 349 669	(29 462)	(4 817 687)	(179 659)	–	**4 814 458**

Recognition of financial guarantees Note1.2	Share-based payment adjustments Note1.3	Impairment of subsidiaries at period-end Note1.4	Impairment of related party loans receivable Note1.5	Reclassifications Note1.6	Restated 30 September 2016 €'000
–	–	–	–	(1 006)	**(1 582)**
(2 030 000)	–	(4 817 687)	(179 659)	–	**(7 035 497)**
(2 030 000)	–	(4 817 687)	(179 659)	(1 006)	**(7 037 079)**
(2 030 000)	–	(4 817 687)	(179 659)	(1 006)	**(7 037 079)**

2. *Income*

	Twelve months ended 30 September 2017 €'000	Restated Fifteen months ended 30 September 2016 €'000
Dividend income		
Subsidiary companies (note 13)	962 776	–

Subsidiaries paid cash dividends to the Company during the period. These dividends represent the distribution of profits and reserves of the subsidiary companies.

Interest income		
Cash and cash equivalents	164	–

3. *Operating loss for the period*

	Twelve months ended 30 September 2017 €'000	Restated Fifteen months ended 30 September 2016 €'000
MATERIAL ITEMS		
3.1. Foreign exchange gains and losses		
Realised foreign exchange gains	**14 311**	–
Unrealised foreign exchange losses	**(13 450)**	(8 151)
Net foreign exchange gains/(losses)	**861**	(8 151)

Foreign exchange gains and losses are recognised in profit or loss on foreign denominated loans.

3.2 Impairment of investment in subsidiary companies (note 6.1)	**(1 989 017)**	(4 817 687)

Refer to note 1.4 for details regarding the impairment of investments in subsidiaries in the prior year.

a) The recoverable amount of the Mattress Firm cash-generating unit takes into account the declining profitability of Mattress Firm in 2017 together with significant debt levels in SUSHI, the parent company of Mattress Firm. Insufficient headroom exists after considering the external debt and intergroup loans of SUSHI and the full investment in SUSHI was impaired during the period with €851 million recognised in profit or loss.

b) During 2017, an internal reorganisation took place whereby SIHPL was restructured to become a direct subsidiary of SINVH. SINVH issued shares amounting to €2.5 billion to its parent, Steinhoff N.V. However, the carrying amount of SIHPL at the date of the reorganisation amounted to €182 million. An additional investment in SINVH was recognised at this value.

At period-end, the recoverable value of SIHPL was deemed to be zero due to the impairment of European loans receivable by SIHPL (refer note 1.4) and the recognition of financial guarantees by SIHPL relating to the 2021 and 2022 Convertible bonds (refer note 1.4 and 10).

Pepkor Europe was reorganised during 2017, and was sold at market value by the African Group to the European Group. This internal restructure resulted in a decrease in the recoverable amount of the African Group during 2017 and a corresponding increase in the recoverable amount of the European Group. The increase in the recoverable amount of the European Group was not sufficient to offset the current losses.

The various internal reorganisations (SIHPL and Pepkor Europe) together with a decline in the fair values of certain underlying assets during the period resulted in an impairment of €1.1 billion being recognised during the period relating to the investment in SINVH.

c) During 2017, €49 million relating to the financial guarantees of the 2021 and 2022 Convertible bonds was recognised by the Company. Refer notes 10 and 11. This amount is akin to an equity contribution and recognised as an investment in SIHPL, despite the internal reorganisation referred to in note 3.2b). An impairment of the same value was recognised immediately through profit or loss as SIHPL has no underlying recoverable value. The €49 million represents the amount of the financial guarantee of the 2021 and 2022 Convertible bonds that cannot be supported by SIHPL. Refer to note 1.4 for details regarding the initial recognition of the financial guarantee by SIHPL.

3. *Operating loss for the period* *(continued)*

	Twelve months ended 30 September 2017 €'000	Restated Fifteen months ended 30 September 2016 €'000
MATERIAL ITEMS (continued)		
3.3 Provision for impairment of third party loan receivable	(1 496 120)	–
The Company purchased a €1.5 billion loan receivable from the Talgarth Group from its subsidiary, Steinhoff Europe AG, Switzerland, for cash. Refer to note 1.2.2 in the consolidated financial statements. All loans relating to Talgarth Group companies are not deemed recoverable as there is no security or fixed repayment terms, and consequently this loan was impaired in full. The difference between the cash advanced and the impairment relates to foreign exchange and an interest charge and is included in the impairment raised on the loans receivable from group companies (note 3.4).		
3.4 Provision for impairment of receivables from related parties	(29 428)	(179 659)
Loans receivable from companies within the European Group were fully impaired during the period. Refer to note 13.2		
3.5 Reversal of provision for impairment of receivables from related parties	179 659	–
The loan to SFHG was fully impaired in the prior period as it was assessed not to be recoverable (note 1.4). However, loan advances were made by SFHG to the Company during the current period and the impairment provision was reversed. Refer to note 13.2 for details of the loan payable to SFHG at 30 September 2017.		
3.6. Financial guarantees recognised by the Company in profit or loss (note 10)	(1 063 536)	(2 030 000)
TOTAL OTHER EXPENSES	**(4 397 581)**	(7 035 497)

3. Operating loss for the period *(continued)*

	Twelve months ended 30 September 2017 €'000	Restated Fifteen months ended 30 September 2016 €'000
3.7. Auditor fees		
Other audit services provided by Deloitte Accountants B.V. and its member firms and/or affiliates amounted to €3 million (2016: €4.4 million). Other audit services include review of the pre-listing consolidated financial statements and financial information required for the raising of debt and other ad-hoc requests and agreed upon procedures.		
Audit fees expensed in the Company	**(1 251)**	(35)
Audit fees for 2017 includes accrual for normal audit fees expected at 30 September 2017. It does not include extraordinary fees incurred during the 2018 financial year to re-audit and complete the 2017 audit.		
3.8. Other administrative expenses	**(3 505)**	(1 547)
TOTAL ADMINISTRATIVE EXPENSES	**(4 756)**	(1 582)
3.9. Auditor fees included in the consolidated financial statements		
For reference purposes only, the total audit fees per the consolidated financial statements are presented below. Refer to note 4.3.2 in the consolidated financial statements.		
Auditor fees included in the consolidated financial statements		
Audit of the Company and its subsidiaries	**(14 404)**	(10 428)
Other audit services	**(2 960)**	(4 424)
Overprovision in prior period	**1 027**	–
	(16 337)	(14 852)

Refer to note 4 in the consolidated financial statements for the Group's salary, wage and contribution to pension schemes as well as note 35 for employee numbers.

Refer to note 31.1 in the consolidated financial statements for the remuneration of the Management and Supervisory Board.

4. Finance cost

	Twelve months ended 30 September 2017 €'000	Restated Fifteen months ended 30 September 2016 €'000
Preference share liability (note 10.2)	**9 659**	–

5. *Taxation*

	30 September 2017 €'000	Restated 30 September 2016 €'000
Reconciliation of the tax expense		
Net loss before taxation	**(3 449 056)**	(7 037 079)
Tax at the applicable tax rate of 28% (South African corporate taxation rate)	**(965 736)**	(1 970 382)
Tax effect of adjustments on taxable income		
Impact of not recognising deferred tax assets for losses as recoverability is not assured	**965 736**	1 970 382
Taxation expense during the period	**–**	–

No tax liability has been recognised as the Company had no taxable income for the period.

6. *Investment in subsidiary companies*

Investments in subsidiaries are carried at cost less impairment provisions as per IAS 27.

Where internal reorganisations have taken place during a period, the requirements of IAS 27 do not provide clear guidance on the amount that should be recognised as the investment in subsidiary. The Company chooses to recognise the investments in subsidiaries at their historical carrying values to the Group, being the historical cost less accumulated impairment losses.

	Country of incorporation	Issued share capital	Shareholding %	Total carrying value €'000
				Note 6.1
30 September 2017				
Genesis Gamma	**Austria**	**€35 000**	**100**	**–**
SFHG	**Austria**	**€100 000**	**100**	**–**
SINVH	**South Africa**	**R275 000**	**100**	**2 514 063**
Steinhoff UK Group Services Limited	**United Kingdom**	**£100 000**	**100**	*****
SUSHI	**United States of America**	**$100**	**100**	**–**
Sherwood	**United States of America**	**$1**	**100**	**18 144**
Steinhoff Africa	**South Africa**	**n/a**	**n/a**	**126 743**
				2 658 950
30 September 2016				
Genesis Gamma	Austria	€35 000	100	–
SFHG	Austria	€100 000	100	–
SIHPL	South Africa	R41 156 551 732	100	182 050
SINVH	South Africa	R242 125	100	3 414 073
Steinhoff UK Group Services Limited	United Kingdom	£100 000	100	*
SUSHI	United States of America	$100	100	851 483
				4 447 606

**Less than €500.*

	Notes	30 September 2017 €'000	Restated 30 September 2016 €'000
Shares at cost		**7 884 355**	9 265 293
Less: Impairment provision		**(5 225 405)**	(4 817 687)
Shares at carrying value	Note 6.1	**2 658 950**	4 447 606

6. *Investment in subsidiary companies* (continued)

		Notes
6.1.	**Reconciliation of cost of investment and related impairment provisions per subsidiary**	
	Opening balance – 1 July 2015	
	Internal reorganisation of investments in subsidiaries at historical recoverable cost	1.1a) & 1.1b)
	New acquisitions during the period	6.2 & 6.3
	Capital distributions made	6.4
	Equity contributions recognised as investments	1.2
	Impairment of investment in subsidiaries through profit or loss	1.4
	Restated carrying value of investment in subsidiaries – 30 September 2016	
	New acquisitions during the period	6.5 & 6.6
	Impact of SIHPL reorganisation	3.2 b)
	Capital distributions received	6.7
	Equity contributions recognised as investments	3.2 c) & 10
	Impairment of investment in subsidiaries through profit or loss	3.2 a) – 3.2 c)
	Carrying value of investment in subsidiaries – 30 September 2017	

6.2 Genesis Gamma

As part of the FSE listing, the Company acquired the issued ordinary equity of Genesis Gamma for €20 million. Genesis Gamma through its subsidiary GIH, held the investment in kika-Leiner and the European household goods retail assets.

GIH was reorganised during 2016 and became an indirect subsidiary of SFHG.

6.3 Acquisition of SUSHI

On 30 September 2016, the Company acquired the issued ordinary equity of SUSHI, the holding company of Mattress Firm for €851 million ($950 million).

6.4 Capital distributions to SFHG

During the period, loan advances were made by the Company to SFHG relating to ordinary shares issued on the conversion of the 2017 and 2018 convertible bonds. These loans were capitalised.

6.5 Acquisition of Tekkie Town

Refer to note 24 and 30 of the consolidated financial statements. The Company initially acquired Tekkie Town in exchange for 43 million Steinhoff shares (of which 25 million were issued to previous Tekkie Town shareholders and 18 million shares were issued to a special-purpose vehicle, Town Investments). This investment in Tekkie Town was reorganised and pushed down to SINVH in exchange for ordinary shares in SINVH amounting to €206 million.

6.6 Acquisition of Sherwood

Refer to note 24 of the consolidated financial statements. The ordinary equity of Sherwood was purchased for €18 million ($20 million) on 1 July 2017.

6.7 Capital distributions from SINVH

During the period the Company received a capital distribution from SINVH amounting to €200 million.

SIHPL €'000	SINVH €'000	SFHG €'000	Sherwood €'000	SUSHI €'000	Genesis Gamma €'000	Steinhoff Africa €'000	Total €'000
–	–	–	–	–	–	–	–
1 763 350	3 799 396	–	–	–	–	–	5 562 746
–	–	–	–	851 483	20 000	–	871 483
–	–	481 395	–	–	–	–	481 395
–	–	–	–	2 349 669	–	–	2 349 669
(1 581 300)	(385 323)	(481 395)	–	(2 349 669)	(20 000)	–	(4 817 687)
182 050	**3 414 073**	**–**	**–**	**851 483**	**–**	**–**	**4 447 606**
–	**205 959**	**–**	**18 144**	**–**	**–**	**–**	**224 103**
(182 050)	**182 050**	**–**	**–**	**–**	**–**	**–**	**–**
–	**(200 000)**	**–**	**–**	**–**	**–**	**–**	**(200 000)**
49 514	**–**	**–**	**–**	**–**	**–**	**126 743**	**176 257**
(49 514)	**(1 088 019)**	**–**	**–**	**(851 483)**	**–**	**–**	**(1 989 016)**
–	**2 514 063**	**–**	**18 144**	**–**	**–**	**126 743**	**2 658 950**

7. *Share scheme settlement receivable*

The Company implemented a long term employee share incentive scheme, which was approved and ratified by shareholders on 1 December 2015. Following the Scheme of Arrangement, the Company assumed the obligations to deliver share rights to share scheme participants relating to grants of 1 December 2012 to 2014.

The ESRS is subject to the following:

a) Rights are granted to qualifying senior executives on an annual basis.

b) Vesting of rights occur on the third anniversary of grant date, provided performance criteria, as set by the Remcom at or about the time of the grant date, have been achieved.

c) In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, all rights attaching to the particular grant will lapse.

The number of rights granted do not change as a result of the unlikelihood of vesting and the number of outstanding rights per period is presented below:

	30 September 2017 Number of rights	Restated 30 September 2016 Number of rights
The number of share rights outstanding is:		
Outstanding at beginning of the period	**31 144 361**	–
Assumed with Scheme of Arrangement	–	31 541 168
Exercised during the period[1]	**(14 366 887)**	(9 146 627)
Forfeited during the period[2]	**(451 477)**	(698 505)
Granted during the period[3]	**17 243 690**	9 448 325
Outstanding at end of the period	**33 569 687**	31 144 361

[1] In some instances, upon vesting of a grant, treasury shares held by subsidiary companies were delivered to scheme participants.

[2] Certain divisions and individuals did not meet performance targets for the share vesting or left the employ of the Group and forfeited their share rights relating to these grants.

[3] The grant includes 1 620 945 shares which were ratified by the Remcom in January 2017 relating to the Poundland and Pepkor Europe executives in respect of previous periods.

Assumptions

The fair value of services received in return for share rights granted is measured by reference to the fair value of the share rights granted. The estimated fair value of the services received is measured based on the assumption that all vesting conditions are met and all employees remain in service. The pricing model used was the Monte-Carlo simulation. The volatility was estimated using the Steinhoff N.V./Steinhoff International Holdings Limited daily closing share price over a rolling three-year period.

	2017 grant	2016 grant	2014 grant	2013 grant
Fair value of share rights and assumptions:				
Fair value at grant date	€4.70	€4.55	R53.76	R37.78
Share price at grant date	€4.98	€4.92	R58.00	R40.42
Expected volatility	34.78%	26.05%	24.39%	26.33%
Dividend yield	2.05%	2.57%	2.57%	2.32%
Risk-free interest rate	7.36%	8.16%	6.45%	6.72%
Date of grant	1 March 2017	1 March 2016	1 December 2014	1 December 2013
Conditional date of vesting	1 March 2020	1 March 2019	1 March 2018	22 February 2017
Exercise price	–	–	–	–

7. *Share scheme settlement receivable* *(continued)*

Share scheme settlement arrangement

Rights granted under the ESRS 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 2017 €'000	Restated 30 September 2016 €'000
7.1	**Fair value of share scheme settlement receivable**		
	Balance at beginning of period	**67 270**	–
	Assumed with scheme of arrangement	–	41 581
	Settlement due to vesting	**(65 678)**	–
	(Decrease) / increase in fair value	**(1 592)**	25 689
	Restated balance at end of period	–	67 270
7.2	**Deferred dividend receivable**		
	Balance at beginning of period	**(32 264)**	–
	Assumed with scheme of arrangement	–	(20 465)
	Capital distribution received from subsidiaries	**29 977**	–
	Reduction/(increase) in dividend deferred	**2 287**	(11 799)
	Restated balance at end of period	–	(32 264)
	Net impact on share-based payment reserve	–	35 006
7.3	**Reconciliation of net impact on share-based payment reserve**		
	Opening balance	**35 006**	–
	Share based payment reserve accounting	–	35 006
	Shares issued upon vesting of 2013 grant[1]	**(6 518)**	–
	Reserve transferred to retained earnings due to unlikely vesting	**(28 488)**	–
	Closing balance of share-based payment reserve	–	35 006

[1] *54 749 shares issued during 2017 in anticipation of the vesting had in fact not vested. These shares are held as treasury shares by the Steinhoff International Share Trust, an indirect subsidiary of the Company.*

All open schemes, except for the 2012 grant and its recharge arrangements, were transferred to the Company with the Scheme of Arrangement.

The fair value of the share scheme settlement receivable under the ESRS is determined based on the Monte-Carlo simulation. The fair value of the receivable is remeasured at each reporting date and at the settlement date. The model inputs at 30 September 2017 were as follows:

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

8. Share capital

	30 September 2017 Number of shares	30 September 2016 Number of shares
8.1 Authorised - ordinary		
Ordinary shares of €0.50 each	**17 500 000 000**	17 500 000 000
8.2 Issued - ordinary		
Shares in issue at beginning of the period	**4 253 551 251**	90 000
Cancellation of incorporation shares issued	–	(90 000)
Shares issued upon Scheme of Arrangement	–	3 862 638 640
Shares issued to acquire Tekkie Town (note 6.5)	**43 000 000**	–
Shares issued upon employee share scheme vesting (refer note 7.3)	**13 175 893**	8 709 966
Shares issued upon conversion of bonds	–	50 202 645
Shares issued with capital raise	–	332 000 000
Total issued ordinary stated share capital	**4 309 727 144**	4 253 551 251

	30 September 2017 Share capital €'000	30 September 2016 Share capital €'000	30 September 2017 Share premium €'000	Restated 30 September 2016 Share premium €'000
8.3 Issued – ordinary				
Balance at beginning of the period	**2 126 776**	45	**5 225 991**	–
Cancellation of incorporation shares issued	–	(45)	–	–
Shares issued during the period, net of transaction costs	**28 088**	2 126 776	**184 708**	18 976 438
Internal reorganisation (note 1.1)	–	–	–	(13 750 447)
Total issued ordinary stated share capital	**2 154 864**	2 126 776	**5 410 699**	5 225 991

	30 September 2017 Number of shares	30 September 2016 Number of shares
8.4 Unissued shares		
Reserved for bond holders	**414 522 268**	412 603 378
Shares reserved for future participation in share schemes*	**72 261 443**	89 053 656
Shares reserved for current participation in share schemes*	**33 569 687**	31 144 361
Shares under the control of the directors	**1 483 611 805**	677 842 269
Unissued shares	**11 186 307 653**	12 035 805 085
Total unissued shares	**13 190 272 856**	13 246 448 749

**Management assess it is unlikely that any shares will be issued to employees of the Group in the future under any of the open grants of the ESRS. Refer to note 32 of the consolidated financial statements.*

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.

8. Share capital *(continued)*

	30 September 2017 Number of shares	30 September 2016 Number of shares	30 September 2017 €'000	30 September 2016 €'000
8.5 Authorised – preference				
Non-cumulative financing preference shares of €0.01	**20 000 000 000**	20 000 000 000	**200 000**	200 000

No preference shares were issued during either period presented.

9. *Other payables and accruals*

	30 September 2017 €'000	Restated 30 September 2016 €'000
Other payables and accruals (financial liabilities – refer note 14 for fair values)	**3 425**	51 483

Included in other payables and accruals is an amount of €2 million (2016: €33.5 million) relating to underwriting commission payable to Upington as part of the 2016 capital raise. Refer to note 26 and 29.3 of the consolidated financial statements.

Included in the prior year is an amount of €8.4 million relating to underwriting commissions payable to Lancaster 101 as part of the capital raise in 2016. Refer to notes 26 and 29.3 of the consolidated financial statements.

These commissions are classified as share issue expenses.

10. Interest-bearing borrowings

	Notes	30 September 2017 €'000	Restated 30 September 2016 €'000
Recognised financial guarantees:			
2021, 2022 and 2023 Convertible bonds	10.1.1	**1 149 514**	1 100 000
2025 Non-convertible Europe bond	10.1.2	**800 000**	–
Syndicated Acquisition Facility	10.1.3	**1 270 540**	1 791 954
External Revolving Credit Facility	10.1.3	**139 755**	18 216
German Loan Note	10.1.2	**770 000**	730 000
Multicurrency Rolling Credit Facility	10.1.3	**1 362 909**	539 499
JP Morgan Rolling Credit Facility	10.1.2	**–**	200 000
2000 B Class Steinhoff Africa Preference shares	10.2	**135 659**	–
		5 628 377	4 379 669

The recognition of the financial guarantees relating to each significant external debt is described in this note:

10.1.1 Convertible bonds

Finco issued the 2021, 2022 and 2023 convertible bonds. The 2021 and 2022 convertible bonds are co-guaranteed by the Company and SIHPL. The 2023 convertible bond is guaranteed solely by the Company.

In 2017, the Company recognised €49 million relating to the 2021 and 2022 convertible bonds and €1.1 billion relating to the 2023 convertible bonds. In the prior year, SIHPL had sufficient assets to fully service the 2021 and 2022 convertible bonds and therefore only the outstanding capital relating to the 2023 convertible bond was recognised by the Company.

The amounts recognised by the Company on behalf of the European companies were immediately expensed in profit or loss as the subsidiaries had insufficient underlying net assets to service the debt.

Any guarantee recognised by the Company relating to an African company is considered an equity contribution as it is likely that the company has assets to support a recoverable amount greater than zero. An amount of €49 million was recognised as an investment in SIHPL, but assessed at year-end as irrecoverable and an impairment of the same value was recognised in profit or loss relating to the portion of the 2021 and 2022 bonds that SIHPL could not cover during the period.

10.1.2 Other external European debt

The other external debt is mostly held by SEAG, a direct subsidiary of SFHG. SFHG is the ultimate parent company of the European Group of companies. Following the restatements to the 2015 and 2016 financial periods and the consequential impacts of the restatements on the 2017 financial period, the European Group of companies have insufficient assets to service this debt. There are no co-guarantors that can support this debt. As it is likely that the Company would have to step in on behalf of SEAG under the performance obligations of this debt, it recognised the carrying values of the liabilities, as these amounts best approximate the fair value of the financial guarantee.

During the period the Company recognised an additional €640 million in profit or loss relating to the European companies financial guarantees on other external debt.

10.1.3 SUSHI debt

The SUSHI debt relates to the acquisition funding of Mattress Firm as well as the operational funding. Any movement in the SUSHI debt during the 2017 financial year represents the increase in the value of the financial guarantee recognised by the Company. As a result of the decrease in the net asset value of Mattress Firm during 2017, it is unlikely that the company would have sufficient liquid assets to support the recognition by the Company of an additional investment and the increase in the SUSHI debt of €302 million is immediately expensed in profit or loss by the Company.

10. *Financial liabilities* *(continued)*

10.1.4 External debt relating to Hemisphere

The Company is a guarantor of the Hemisphere group's syndicated rolling credit facility ("Hemisphere RCF"). As at 30 September 2017, the amount drawn down under this facility amounted to €750 million and in the prior year, €454 million.

The Company considered whether any financial guarantee should be recognised during either period presented relating to the Hemisphere RCF and determined that at each period-end, the Hemisphere Group's property portfolio value (post restatements - refer to note 1 of the consolidated financial statements) is sufficient to cover the outstanding debt balance, along with any other amounts owing.

A portion of this financial guarantee will be recognised in 2018 following the disposal of the kika-Leiner Property portfolio. Refer to note 16 for events occurring after the reporting period.

	30 September 2017 €'000	Restated 30 September 2016 €'000
10.2 Preference share liability recognised relating to Steinhoff Africa, a subsidiary of SINVH		
In April 2015, Steinhoff Africa, an indirect subsidiary of the Company, issued 2000 B Class Perpetual Preference Shares at a subscription price of R1 000 000 each to the Standard Bank of South Africa in order to raise funding for the Pepkor acquisition. SIHPL provided a guarantee to settle the obligation in the event of a breach of certain financial covenants of the Group. The guarantee was transferred to the Company on 13 February 2017. The Group is in technical breach of all of its financial covenants and as a result the guarantee fulfills the criteria to be classified as a financial liability in terms of IAS 32. It has therefore been recognised in the Company's separate financial statements as a financial liability.		
The amount is recognised at the cash settlement value in terms of the preference share agreement. Finance costs are accrued at 72% of the South African Prime lending rate, after adjusting for 28% corporate income tax.		
The Company recognised a financial guarantee which in substance results in the Company assuming an obligation to pay on behalf of an indirect subsidiary. The recognition of this financial liability is akin to an equity contribution by the parent to an indirect subsidiary and an investment in Steinhoff Africa has been recognised at the same value. The investment has been considered for impairment as part of the impairment assessment of all investments in subsidiaries at year-end and is not impaired.		
Management concluded the fair value of the financial liability on initial recognition and at period-end is not materially different to its amortised cost due to the preference share instrument not being perpetual in nature and its redemption that took place shortly after period-end at a value not materially different to the amortised cost.		
This liability was settled by Steinhoff Africa during the 2018 financial period as part of the Pepkor refinancing. Refer to note 16 for events occurring after the reporting period.		
Reconciliation of the amortised cost of the preference share liability:		
Cash settlement value on initial recognition (note 6)	126 743	–
Finance cost accrued (note 4 and 12)	9 659	–
Foreign exchange gain	(743)	–
	135 659	–

11. Contingent liabilities

Financial guarantees

Unrecognised financial guarantees where the Company is guarantor or co-guarantor are disclosed below:

Group company – beneficiary	Facility	Guarantors	30 September 2017 Facility value '000	30 September 2016 Facility value '000
SFHG	2021 Convertible bonds*	The Company and SIHPL	**EUR465 000**	EUR465 000
	2022 Convertible bonds*	The Company and SIHPL	**EUR1 116 300**	EUR1 116 300
	2023 Convertible bonds*	The Company and SIHPL	**EUR1 100 000**	EUR1 100 000
Hemisphere	Syndicated Credit Facility	The Company	**EUR750 000**	–
Steinhoff Asia Pacific Holdings Proprietary Limited	Synidcated facility	The Company	**AUD300 000**	–
SEAG	2025 Non-convertible Europe bond	The Company	**EUR800 000**	–
	German Loan Note	The Company	**EUR770 000**	EUR730 000
	Multicurrency Rolling Credit Facility	The Company	**EUR2 900 000**	EUR2 900 000
	Syndicated Acquisition Facility[1]	The Company	**USD4 000 000**	USD4 000 000
	JP Morgan Rolling Credit Facility	The Company	**EUR250 000**	EUR250 000
	Bayerische Landesbank Rolling Credit Facility	The Company	**EUR250 000**	EUR250 000
Steinhoff Africa	Syndicated Term Loans	The Company, SIHPL and Pepkor#	**ZAR6 050 000**	ZAR6 050 000
	Absa Revolving Credit Facility	The Company, SIHPL and Pepkor#	**ZAR300 000**	ZAR300 000
	RMB Revolving Credit Facility	The Company and Pepkor#	**ZAR300 000**	ZAR300 000
	Standard Bank Revolving Credit Facility	The Company and Pepkor#	**ZAR1 500 000**	ZAR1 500 000
	Standard Bank General Banking Facility	The Company and Pepkor#	**ZAR567 000**	ZAR567 000
	1 000 A Class Steinhoff Africa Preference Shares[2]	The Company	**ZAR1 500 000**	ZAR1 500 000
	2 000 B Class Steinhoff Africa Preference Shares	The Company	**ZAR2 000 000**	ZAR2 000 000
Ainsley Holdings Proprietary Limited	Syndicated Redeemable Preference Shares	The Company, SIHPL and Pepkor#	**ZAR6 000 000**	ZAR6 000 000
Steinhoff Services Limited	Medium Term Note Programme	The Company	**ZAR15 000 000**	ZAR15 000 000

**In 2017, €49 million of the 2021 and 2022 convertible bonds were recognised by the Company. Refer to note 10.1.1.*

 # Refer to note 34, events occuring after the reporting period, of the consolidated financial statements for detail regarding the refinancing of Pepkor's debt in 2018.

[1] Included in the Syndicated Acquisition Facility is an External Revolving Credit Facility to the value of USD200 million to SUSHI.

[2] The A Class Steinhoff Africa Preference Shares is recognised as equity at Group level.

12. *Cash generated from operations*

	Notes	30 September 2017 €'000	Restated 30 September 2016 €'000
Loss before tax		**(3 449 056)**	(7 037 079)
Adjusted for:			
Non-cash adjustments:			
Unrealised foreign exchange losses	3.1	**13 450**	8 151
Reversal of impairment of related party loan receivables	3.5	**(179 659)**	–
Impairment of affiliated and related party loan receivables	3.3 & 3.4	**1 525 548**	179 659
Impairment of investments in subsidiaries	3.2	**1 989 017**	4 817 687
Recognition of financial guarantee	10	**1 063 536**	2 030 000
Finance cost accrued	4 & 10.2	**8 916**	–
Cash generated from/(utilised in) operations before other payables and accruals changes		**971 752**	(1 582)
Changes in other payables and accruals			
Decrease in other payables and accruals		**(10 738)**	(6 232)
Net changes in other payables and accruals		**(10 738)**	(6 232)
Cash generated from operations		**961 014**	(7 814)

13. *Related party transactions*

	30 September 2017 €'000	Restated 30 September 2016 €'000
Related party relationships exist between the Company, its subsidiaries and key management personnel.		
13.1 Subsidiaries		
Details of investments in direct subsidiaries are disclosed in note 6.		
13.2 Trading transactions		
The following is a summary of transactions with subsidiary companies during the period and balances at the end of the period:		
Dividends received:		
SINVH (note 2)	**951 845**	–
Tekkie Town*	**10 931**	–
	962 776	–
**Tekkie Town paid a dividend to Steinhoff N.V. before it was restructured to become a subsidiary of the African Group.*		
Loans receivable from:		
Current		
SINVH	**284 369**	295 074
SIHPL	**3 920**	4 443
SFHG	**–**	179 659
Steinhoff Africa and its subsidiaries	**31 182**	–
Steinhoff Europe AG (Austria)[1]	**25 548**	–
Steinhoff Europe AG (Switzerland)[1]	**3 880**	–
	348 899	479 176
Less: Impairment provision[1]	**(29 428)**	(179 659)
	319 471	299 517
The loans bear no interest and have no fixed terms of repayment.		
[1] The loans receivable from companies within the European Group were deemed irrecoverable. The recoverability of these loans were assessed on the basis of the European Group's inability to repay the loans based on debt levels within the European Group's liquid or realisable assets post restatements.		
An impairment of €29.4 million (2016: €179.7 million) was recognised relating to these loans in profit or loss. Refer to note 3.		
Loans payable to:		
Current		
SFHG	**(674 665)**	–
SIHPL	**–**	(367)
Steinhoff International Share Trust	**(171)**	–
Steinhoff Africa and its subsidiaries	**(173 285)**	–
Steinhoff UK Group Services Limited	**(390)**	–
	(848 511)	(367)
The loans bear no interest and have no fixed terms of repayment.		

13.3 Management and supervisory board members

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 note 29 and 31 of the consolidated financial statements.

14. *Financial risk management*

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. Management together with the forensic investigation identified management override of controls resulting in a number of shortcomings relating to the internal controls and risk management processes.

These shortcomings are addressed in the Remediation Plan of the Group.

The risk management processes described below entail the processes that were followed at an operational level, regardless of their effectiveness.

The Company does not speculate in the trading of derivative or other financial instruments.

	Loans and receivables and other financial liabilities at carrying and fair value 30 September 2017 €'000	Restated Loans and receivables and other financial liabilities at carrying and fair value 30 September 2016 €'000
14.1 Total financial assets and liabilities		
Related party loans receivable	**319 471**	299 517
Cash and cash equivalents	**48**	65
Current financial assets	**319 519**	299 582
Other payables and accruals	**(3 425)**	(51 483)
Interest-bearing borrowings	**(5 628 377)**	(4 379 669)
Related party loans payable	**(848 511)**	(367)
Current financial liabilities	**(6 480 313)**	(4 431 519)
Realised and unrealised foreign exchange gains/(losses)	**861**	(8 151)
Interest income	**164**	–

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.

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

14. *Financial risk management* *(continued)*

14.2 Foreign currency risk

The financial assets and liabilities of the Company are denominated in the functional currency except for the following South African Rand and US Dollar denominated related party loans receivable, related party loans payable, other payables and accruals, cash and cash equivalents and interest-bearing borrowings.

	British Pounds €'000	SA Rands €'000	US Dollars €'000
30 September 2017			
Related party loans receivable (note 13)	**–**	**319 471**	**–**
Cash and cash equivalents	**–**	**12**	**–**
Other payables and accruals	**–**	**(144)**	**–**
Related party loans payable (note 13)	**(390)**	**(173 456)**	**–**
Interest-bearing borrowings	**–**	**(135 659)**	**(1 410 295)**
	(390)	**10 224**	**(1 410 295)**
Restated 30 September 2016			
Related party loans receivable (note 13)	–	299 517	–
Cash and cash equivalents	–	8	–
Other payables and accruals	–	(8 498)	–
Related party loans payable (note 13)	–	(367)	–
Interest-bearing borrowings	–	–	(1 810 170)
	–	290 660	(1 810 170)

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

	Forecast rate[1] 30 September 2018	Forecast rate[1] 30 September 2017	Reporting date spot rate 30 September 2017	Reporting date spot rate 30 September 2016
South African Rand : Euro	**16.6900**	15.8527	**16.0296**	15.4493
US Dollar : Euro	**1.1300**	1.0863	**1.1806**	1.1161

[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 2017 €'000	30 September 2016 €'000
Through loss/(profit)		
Rand weakening by 4.1% (2016: weakening by 2.6%) to the Euro	**421**	7 590
US Dollar strengthening by 4.3% (2016: strengthening 2.7%) to the Euro	**60 445**	48 288

If the foreign currencies were to strengthen weakens 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.

14. *Financial risk management* *(continued)*

14.3 Interest rate risk

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	Variable EURIBOR €'000	Variable LIBOR €'000	Fixed rate €'000	Non-interest -bearing €'000	Total €'000
30 September 2017						
Current financial assets	**12**	**–**	**–**	**–**	**319 507**	**319 519**
Current financial liabilities	**(135 659)**	**(1 949 409)**	**(1 410 295)**	**(2 133 014)**	**(851 936)**	**(6 480 313)**
	(135 647)	**(1 949 409)**	**(1 410 295)**	**(2 133 014)**	**(532 429)**	**(6 160 794)**
Restated 30 September 2016						
Current financial assets	8	–	–	–	299 574	299 582
Current financial liabilities	–	(1 325 999)	(1 810 170)	(1 243 500)	(51 850)	(4 431 519)
	8	(1 325 999)	(1 810 170)	(1 243 500)	247 724	(4 131 937)

Sensitivity analysis

The Company is sensitive to movements in the SA prime rate, EURIBOR and LIBOR.

The sensitivities calculated 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 2017 €'000	30 September 2016 €'000
Decrease/(increase) in pre tax profit		
SA prime – 100 basis point increase	**1 356**	–
EURIBOR – 100 basis point increase	**19 494**	13 260
LIBOR – 100 basis point increase	**14 103**	18 102
	34 953	31 362

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

14. *Financial risk management* *(continued)*

	30 September 2017 €'000	Restated 30 September 2016 €'000
14.4 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 2017, 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 remaining exposure to credit risk at the reporting date, without taking account of the value of any collateral obtained was:		
Current financial assets (note 13)	**319 519**	299 582
The maximum exposure to credit risk at the reporting date by geographical region was (carrying amounts):		
Continental Europe	**37**	57
Southern Africa	**319 482**	299 525
	319 519	299 582
Refer to note 13.2 for impairment provisions relating to irrecoverable or past due loans.		
14.5 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.		
The following table details the Company'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:		
Within 1 year	**(6 480 313)**	(4 431 519)

14.6 Capital risk management

The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued ordinary stated capital, distributable reserves, non-distributable reserves and retained earnings as disclosed in the statement of changes in equity.

15. *Reconciliation of the net profit and shareholders' equity of the Company with the consolidated results as at 30 September 2017*

	30 September 2017 Total equity €'000	Twelve months to 30 September 2017 Net loss for the period €'000	Restated 30 September 2016 Total equity €'000	Restated Fifteen months to 30 September 2016 Net loss for the period €'000
Company equity and net (loss)/profit for the period	**(3 501 844)**	**(3 449 056)**	350 675	(7 037 079)
Adjusted for:				
Elimination of intergroup transactions:				
Elimination of intergroup dividends received (note 2)	**(962 776)**	**(962 776)**	–	–
Elimination of intergroup dividends paid	**11 718**	–	–	–
Elimination of impairment of subsidiaries (note 3.2)	**1 989 017**	**1 989 017**	4 817 687	4 817 687
Elimination of (impairment reversal)/impairment of intergroup loans receivable (note 3.4 and 3.5)	**(150 231)**	**(150 231)**	179 659	179 659
Elimination of recognition of financial guarantees (note 3.6)	**1 063 536**	**1 063 536**	2 030 000	2 030 000
Elimination of impairment of third party loan (note 3.6)	**1 496 120**	**1 496 120**	–	–
Share of subsidiaries consolidated loss for the period	**(4 022 610)**	**(4 022 610)**	(269 267)	(269 267)
Share of subsidiaries consolidated other comprehensive income for the period	**(188 000)**	–	(796 000)	–
Ordinary dividends paid by subsidiaries	–	–	(131 000)	–
Movement in treasury shares	**(184 000)**	–	(71 000)	–
Excess of consideration received from/(paid to) non-controlling interests	**340 000**	–	(171 000)	–
Other reserve movements relating mainly to convertible bond and share based payments	**4 000**	–	155 000	–
Prior period share of subsidiaries consolidated total comprehensive income/(loss) for the period and other reserve movements	**5 029 070**	–	(594 754)	–
Group equity and total comprehensive loss for the period attributable to owners of the parent	**924 000**	**(4 036 000)**	5 500 000	(279 000)

16. Events occuring after the reporting period

- The preference shares issued by Steinhoff Africa has been settled in full by Steinhoff Africa on 22 May 2018 and no further obligation exists for the Company.
- Following the events of December 2017, Hemisphere Group was in default on the Hemisphere RCF. After several months of negotiations the kika-Leiner property portfolio within the Hemisphere Group was disposed as part of the kika-Leiner Retail business. Further negotiations with the Hemisphere lender group resulted in a new Facility Agreement ("the Facility") that was signed on 5 September 2018. In addition, a Contingent Payment Undertaking ("CPU") was signed between the Company and the lender group which had the effect of replacing the guarantee under the Hemisphere RCF. In the 2018 financial year, the Company expects to recognise a portion of the final guarantee amounting to €123.9 million being the expected residual amount that cannot be settled by the realisation of the remaining Hemisphere property portfolio.
- On 30 November 2018, two of the subsidiaries with the most of the Group's financial creditors, SEAG and SFHG, launched a CVA. The SEAG and SFHG CVAs sought to implement the restructuring plan set out in the Lock-up Agreement. As at the date of publication of the financial statements, not all of the remaining conditions in relation of the SEAG CVA and the SFHG CVA have been satisified. Refer to note 34 of the Consolidated Financial Statements.

The Company is engaged in a number of legal proceedings. Refer to note 22 and 34 of the consolidated financial statements for a detailed overview of these proceedings.

Refer to note 34 of the consolidated financial statements for other events occurring after the reporting period.

ANNUAL REPORT 2017

INDEPENDENT AUDITOR'S REPORT

To the shareholders and the Supervisory Board of Steinhoff International Holdings N.V.

INDEX

To the shareholders and the Supervisory Board of Steinhoff International Holdings N.V.

Report on the Financial Statements for the year ended 30 September 2017 included in the Annual Report

Disclaimer of Opinion

We were engaged to audit the financial statements for the year ended 30 September 2017 of Steinhoff International Holdings N.V. ("the Company"), based in Amsterdam. The financial statements include the consolidated financial statements and the separate financial statements.

We do not express an opinion on the consolidated and separate financial statements of the Company included in this Annual Report. Because of the significance of the matters described in the "Basis for disclaimer of opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated and separate financial statements.

The consolidated financial statements comprise:

1. The consolidated Statement of Financial Position as at 30 September 2017.
2. The following statements for the year ended 30 September 2017: the consolidated Statement of Profit or Loss, the consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The separate financial statements comprise:

1. The separate statement of Financial Position as at 30 September 2017.
2. The following statements for the year ended 30 September 2017: the separate Statement of Profit or Loss, the separate Statement of Comprehensive Income, Changes in Equity and Cash Flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for disclaimer of Opinion

Introduction

The Supervisory Board of the Company in its Report as well as the Management Board in their Report have elaborated on the exceptional circumstances under which these financials statements were prepared. A public announcement was made on 5 December 2017, indicating serious concerns that had arisen about potential accounting irregularities during the course of the audit in the September-December 2017 timeframe.

Following this public announcement, the Supervisory Board, through its legal advisor Werksmans Attorneys, instructed PricewaterhouseCoopers Advisory Services Proprietary Limited. ("PwC") to perform an independent investigation into the allegations pertaining to the accounting irregularities.

The results of this investigation have been presented to the Boards of the Company. The Company and the Boards have provided us with access to the PwC Investigation team and their report during our audit. There are however a number of instances where no definitive conclusions could be drawn, resulting in management being required to make significant judgements, as described in the basis of preparation.

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

Material uncertainty related to going concern

The Company, as a result of the announcement, has had to renegotiate the terms and conditions of its borrowing facilities with the Groups of Lenders. This has resulted in 'Lock-Up-Agreements' followed by a Company Voluntary Arrangement ("CVA"), as disclosed in the basis of preparation – going concern assessment, which management have used as the basis to assess the Company's ability to continue as a going concern. Management has prepared these financial statements on the basis that the Company is a going concern.

Management has included its assessment, and the associated uncertainties they have identified, in the basis of preparation (going concern assessment). In which they have included:

"The Management Board draws attention to the following facts:

- that in both the Group and Company's financial statements current liabilities exceed current assets, and
- that these material uncertainties extend beyond the foreseeable future.

These facts therefore cast significant doubt upon the Company and Group's ability to continue as a going concern beyond the foreseeable future."

Material uncertainty with respect to litigation

Following the public announcement on 5 December 2017 and the subsequent sharp decline in the stock price of the company's share, the Company has received several claims from investors, which have been described in (basis of preparation (litigation) and note 22.3). Although management is unable to estimate the potential cash outflow in the case of unfavourable decisions by the courts, the potential outflows of cash could be considerable and also impact on the going concern assumption.

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

As a result of the accounting irregularities, management has recorded restatements and adjustments affecting multiple years and multiple tax-jurisdictions, as described in (basis of preparation (Tax)) and Note 6 (uncertain tax positions)). Management has concluded that material uncertainties remain in respect of the tax treatment of the restatements and adjustments in multiple tax jurisdictions together with potential implications from a transfer pricing perspective. Management is currently unable to estimate the potential cash outflow for these tax uncertainties, including the timing thereof. This could also have an impact on the ability of the Company to continue as a going concern.

Material uncertainty with respect to the control conclusion on certain entities

As explained in the basis of preparation under Areas of critical judgements and estimates (consolidation decisions) the Company, in preparing these financial statements had to conclude whether or not it had control over certain entities within the Campion, Talgarth Group and others. We were unable to obtain sufficient appropriate audit evidence to support the conclusions with respect to control, and hence what the accounting and consolidation consequences should have been.

Material uncertainty with respect to the share in the investment in Conforama

As explained in note 1.2.3.c (Conforama), under Areas of critical judgements and estimates (consolidation decisions ii) the Company is in litigation with Seifert/HLSW GmbH and LSW GmbH in relation to the nature of his investment in Conforama. Management, in preparing these financial statements, has treated the investment of Seifert as a liability linked to the value of Conforama. The Company recognised a provision equal to 23.6% of Conforama's equity value on 19 January 2015 for the termination settlement amount. The restatement resulted in an increase in net assets at 30 September 2016 and 1 July 2015 of €138 million for each restated year. There was no impact to profit or loss for the period ended 30 September 2016.

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

The statement for profit or loss for the period ended 30 September 2017 includes a number of adjustments that were required to correct the 30 September 2017 Statement of Financial Position based on the information from the PwC Investigation as well as information obtained by the Company. There is a material uncertainty whether the corrections should have been recorded through the statement for profit or loss or directly in retained earnings. We have not been able to obtain sufficient appropriate audit evidence to support the timing of the recording of these adjustments. Reference is made to Areas of critical judgements and estimates – consolidation decisions, as well as note 1.2.3, 1.2.6 and 9.

Material uncertainty with respect to the timing of the results of certain real estate transactions

As of 30 September 2017, the caption 'Property, Plant and Equipment' includes land and buildings in the amount of €648 million (€972 million as of 30 September 2016) regarding properties within the kika-Leiner business, for which the acquisition (control date) was reassessed as part of the restatement process (Note 1.2.3 a). In accounting for the business combination as of that date, management was only able to provide support for the fair value at acquisition for one of the properties, for which the book value as of 30 September 2017 amounts to approximately €93 million. Consequently, we were not able to obtain sufficient appropriate audit evidence to support the acquisition cost currently recorded in the consolidated financial statements for the remainder properties within this portfolio.

Furthermore, Management obtained external valuations for these properties as at 30 September 2017 (Note 9) which resulted in an impairment of €351 million recorded in the Statement of Profit or Loss for the period ended 30 September 2017. Due to the lack of support for the acquisition cost, as detailed above, management determined the impairment by comparing the fair value to the local GAAP book values and further recorded the full impairment in the year due to previous valuations not being available to determine the timing of these impairments (Note 9). Consequently, we were not able to obtain sufficient appropriate audit evidence to support the impaired amount and timing thereof.

As indicated in Note 34, as part of the subsequent events, most part of this real estate portfolio was sold in 2018.

Material uncertainty with respect to the foreign currency translation reserve

In Note 25 (nature and purpose of other reserves) the composition of the Foreign Currency Translation Reserve ("FCTR") and the split between Other Comprehensive Income and income for the periods covered by these financial statements has been described. However, this split is uncertain as a result of the restatements and how this reserve originated. We were therefore unable to obtain sufficient appropriate audit evidence to support the analysis of, and movements within, the foreign currency translation reserve. Refer to note 1.2.6.

Material uncertainty with respect to not having access to information (kika-Leiner)

We have not been granted access by the purchaser of kika-Leiner (KIKA Möbelhandelsgeschaft GmbH and Rudolf Leiner GmbH) to the financial records of that company in order to perform our audit procedures. The following amounts are included in the consolidated financial information in this respect:

€million	KIKA Möbelhandelsgeschaft GmbH	Rudolf Leiner GmbH
Current assets	**81**	**90**
Non-current assets	**25**	**21**
Current liabilities	**100**	**99**
Non-current liabilities	**29**	**38**
Revenues	**403**	**292**
Gross profit	**240**	**50**
Result for the year	**100**	**(128)**

As we were unable to obtain sufficient appropriate audit evidence this financial information is unaudited.

Emphasis of matter with respect to consequential effects

We draw your attention to the Basis of preparation (Areas of critical judgements and estimates) of the financial statements, as well as to the Report of the Management Board in which the company has described the process followed to prepare these financial statements and the different judgements they had to apply. This not only included the direct effects on the financial statements of the accounting irregularities that were rectified, but also the 'consequential effects' of having reported inflated income in prior periods on management estimates such as the valuation and impairment of intangible and tangible assets.

We are independent of Steinhoff International Holdings N.V. in accordance with the Wet toezicht accountantsorganisaties (WTA, Audit firms supervision act) the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report, the annual accounts contain other information that consists of:

- Message from the Management Board;
- Message from the Supervisory Board;
- Report of the Management Board; and
- Report of the Supervisory Board.

Due to the significance of the matters described in the "Basis for disclaimer of opinion" section above, we have not been able to consider in accordance with Part 9 of Book 2 of the Civil Code whether or not 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 were engaged to read the other information and, based on our knowledge and understanding to be obtained through our audit of the financial statements or otherwise, to consider whether the other information contains material misstatements.

Management is responsible for the preparation of other information, including the Report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Emphasis of matter

We draw your attention to the message from the Management Board, the Message from the Supervisory Board as well as to the Business Review, Financial Review, Operational Review and the Risk Management sections of the Report of the Management Board in which both the Supervisory Board as well as the Management Board have given a description of their 'Remediation Plan' (including phase 2 of the PwC Investigation). This Remediation Plan, which as described is in progress, includes measures taken and to be taken to strengthen governance, to strengthen group-wide controls, including the 'tone at the top', and other measures to prevent the accounting irregularities recurring. It also includes measures taken or to be taken to correct non-compliance with laws and regulations that have occurred.

Furthermore, it includes actions taken and to be taken to recuperate the losses that were caused by the individuals and/or organisations that played a part in the accounting irregularities or were instrumental in it.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of Steinhoff International Holdings N.V. on 30 May 2016 to conduct the audit for the period ended 30 September 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the Financial statements

Responsibilities of Management and the Supervisory Board for the financial statements

Management 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, management is responsible for such internal control as management 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, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Management 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 responsibility is to conduct an audit of these financial statements in accordance with Dutch law, including the Dutch Standards on Auditing and to issue an auditor's report. However, because of the matter described in the "Basis for disclaimer of opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Other matters related to our audit

Following serious concerns that arose about potential accounting irregularities during the course of the audit in the last four months of 2017 timeframe, and also at our request, the Supervisory Board of the Company, through its legal advisor Werksmans Attorneys, instructed PwC to perform an independent investigation into the allegations pertaining to the accounting irregularities. In reaction to these events we re-evaluated our (audit) risk assessment, the scoping of our audit and the involvement of our specialists and revised the composition of our Group Engagement Team. We issued additional audit instructions to our component auditors and increased our direct involvement in other parts of the Group Audit. We intensified the involvement of our specialists in the field of forensic-, real-estate valuation-, taxation -, going-concern- and restructuring expertise. We furthermore performed audit procedures on the restatement process: tracking and tracing restatements to investigation and underlying audit evidence, challenging assumptions and judgements made by management in their detailed analysis'.

Throughout the audit, there was intensive communication with those charged with governance: the Audit and Risk Committee and the Supervisory Board

Amsterdam, 7 May 2019

Deloitte Accountants B.V.

J.P.M. Hopmans

ANNUAL REPORT 2017

GLOSSARY OF TERMS

Glossary of terms applied to the Annual Report

The capitalised words and expressions used herein shall have the respective meanings attributed thereto below:

2016 Consolidated Financial Statements	Consolidated Financial Statements of the Steinhoff Group for the financial period ended 30 September 2016.
2017 Consolidated Financial Statements	Consolidated Financial Statements of the Steinhoff Group for the financial period ended 30 September 2017.
2016 Reporting Period	Period starting on 1 July 2015 up to and including 30 September 2016.
2017 Reporting Period	Period starting on 1 October 2016 up to and including 30 September 2017.
2018 Reporting Period	Period starting on 1 October 2017 up to and including 30 September 2018.
AFM	Dutch Authority for the Financial Market (*Autoriteit Financiële Markten*).
Alvaglen	Alvaglen Estates Limited, a company registered under the laws of the Bahamas and registered under number 84615B.
Annual Report	Management report (*bestuursverslag*) as referred to in article 2:391 BW of the Dutch Civil Code.
Articles	Articles of association of the Company, as amended from time to time.
Atterbury Europe	Atterbury Europe B.V., a joint venture investment held by Steinhoff N.V. through an indirect wholly owned subsidiary.
Audit and Risk Committee	Audit and Risk Committee established by the Supervisory Board.
Aureum	Aureum Investments S.A., a company incorporated under the laws of Belgium and registered under number 0441.888.844.
Brait	Brait S.E., a company incorporated under the laws of Malta, registered under number SE1 and whose shares are listed, inter alia, on the JSE Limited.
BSG	Building Supply Group, which is a subsidiary of Pepkor.
BSG Transaction	Interest of Jacob Wiese in the contract relating to the acquisition of BSG.
BVI	Business Venture Investments 1449 (RF) Proprietary Limited, a company incorporated under the laws of South Africa and registered under number 2011/002155/07.
Call Option Agreements	Call option agreements entered into between Pepkor and inter alia Lancaster, Titan and Lavender Sky, in terms of which Pepkor acquired the right to secure economic and voting interests in Thibault and Shoprite Holdings Limited.
Campion Group	Campion Capital together with its subsidiaries, amongst others, the Fulcrum UK Group, the Fulcrum SA Group, Sunnyside, Sutherland UK and Town Investments.
Campion Capital	Campion Capital S.A., a company incorporated under the laws of Switzerland and registered under number CH-621.3.008.743-1.
CEO	Chief executive officer of the Company.
CFO	Chief financial officer of the Company.
CGU	Cash-generating unit.
Chief Compliance and Risk Officer or **CCRO**	Chief compliance and risk officer of the Company.
Christo Wiese	Christo Wiese, former member and Chairman of the Company's Supervisory Board.
Code of Conduct	Code of conduct of the Company.
CODM	Chief operating decision-maker.

Commercial Director	Commercial director of the Company
Company	Steinhoff International Holdings N.V., and, where appropriate, the Subsidiaries and possible other Group companies, whose financial information is incorporated in the consolidated financial statements of the Company.
Company Secretary	Company secretary of the Company or, in absence of the Company Secretary, his or her deputy designated by the Management Board in the manner provided for in the Articles.
Conforama	Conforama Holdings S.A., a company incorporated under the laws of France together with its subsidiaries and registered under number RCS 582 014445.
COO	Chief operational officer of the Company.
Corporate Action	Corporate action that is required by the scheme if the Company is taken over, delisted or becomes the subject of a merger which results in the listing of the Steinhoff Shares being suspended or terminated.
CVA	SEAG CVA and/or the SFHG CVA (as applicable).
DCGC	2008 Dutch Corporate Governance Code.
Decree	*Decree Additional Requirements Annual Report (Vaststellingsbesluit nadere voorschriften inhoud bestuursverslag).*
Deloitte	Deloitte Accountants B.V.
Delta Transaction	Transaction wherein Delta Properties was sold to Steinhoff Familienholding GmbH.
Deputy Chairman	Deputy chairman of the Supervisory Board.
Dutch Financial Supervision Act	Dutch Financial Supervision Act (*Wet op het financial toezicht*).
Dutch POCO Proceedings	A legal case brought before the Enterprise Chamber in 2015 by Seifert.
EBIT	Operating profit or loss adjusted for capital and reclassification items.
EBITDA	Operating profit or loss before depreciation and amortisation adjusted for capital and reclassification items.
Enterprise Chamber	Enterprise Chamber of the Amsterdam Court of Appeal.
ERM	European Retail Management.
ESRS	Employee Share Right Scheme of the Company.
EU	European Union.
Evans	George Alan Evans.
ExCo or Executive Committee	Executive committee designated as such in clause 6 of the Regulations of the Management Board.
External Auditor	Organisation in which certified public accountants cooperate, as referred to in article 2:393 paragraph 1, of the Dutch Civil Code, that is charged with the audit of the financial statements (*jaarrekening*).
Fantastic	Fantastic Holdings Limited.
FCTR	Foreign currency translation reserve.
Fihag	Fihag Finanz- und Handels-Aktiengesellschaft
Fihag Group	Fihag Finanz- und Handels-Aktiengesellschaft, together with its subsidiaries, amongst others, Geros B and Geros FS.
Financial Review	Section 2 of the Management Board Report
FSE	Frankfurt Stock Exchanges (Frankfurter Wertpapierbörse)

Fulcrum FS	Fulcrum Financial Services S.A., a company incorporated under the laws of Switzerland and registered under number CHE-418.489.111.
Fulcrum FS Group	Fulcrum FS together with its subsidiaries which include Wands and Southern View Finance.
Fulcrum UK	Fulcrum Investment Partners (UK) Limited, a company incorporated under the laws of the United Kingdom and registered under number 9795056.
Fulcrum UK Group	Fulcrum UK together with its subsidiary, Plum Tree.
General Meeting	The body of the Company consisting of the person or persons to whom as a Shareholder or otherwise, voting rights attached to Steinhoff shares accrue, or (as the case may be) a meeting of such persons (or their representatives) and other persons with Meeting Rights.
Genesis Gamma	Genesis Investments Gamma GmbH a company incorporated under the laws of Germany and registered under number FN 38196900.
Genesis Group	Genesis Gamma together with its wholly owned subsidiaries.
Geros B	Geros Beteiligungsverwaltungs GmbH, a company incorporated under the laws of Austria and registered under number FN177081p.
Geros FS	Geros Financial Services Proprietary Limited, a company incorporated under the laws of South Africa and registered under number 1973/008755/07. A wholly owned subsidiary of Geros Beteiligungsverwaltungs GmbH.
GIH	Genesis Investment Holding GmbH, a company incorporated under the laws of Austria and registered under number FN392734a. An indirect wholly owned subsidiary of Steinhoff N.V., which holds the majority of the Group's European investments.
Group	The Steinhoff Group consisting of Steinhoff N.V. together with its subsidiaries.
Group Company	Group company of the Company as referred to in Section 2:24b of the Dutch Civil Code.
GS Committee	Governance and sustainability committee of the Company (now named the governance, social and ethics committee).
GT Branding	GT Branding Holding SA, a company incorporated under the laws of Switzerland and registered under number CHE-250.489.667. The company that owns a significant number of intellectual property rights and payments for royalties.
GT Branding Group	GT Branding together with its wholly owned subsidiary, GT Global Trademarks SA.
Habufa	Van den Bosch Beheer B.V., a company incorporated under the laws of the Netherlands and registered under number 17027989.
Hemisphere	Hemisphere International Properties B.V., a company incorporated under the laws of the Netherlands and registered under number 17228592. An indirect wholly owned subsidiary of Steinhoff N.V. and holds a portfolio of European properties.
Hemisphere Lock-Up Agreement	Lock-Up agreement entered into Hemisphere and the Hemisphere lenders which became effective on 26 July 2018.
Human Resources and Remuneration Committee or **Remcom**	Human resources and remuneration committee established by the Supervisory Board.
IAS	International Accounting Standards.
IASB	International Accounting Standards Board.
ICT	Information and communications technology.
IFRIC	International Financial Reporting Interpretations Committee.

IFRS	International Financial Reporting Standards.
Internal Auditor	Internal auditor as referred to in principle V.3 of the DCGC.
IT	Information technology.
JD Financial Services	The JD Group's Financial Services division including its insurance operations.
JSE	Johannesburg Stock Exchange.
JV Entities	OM-Handels GmbH and MW Holdings GmbH.
KAP	KAP Industrial Holdings Limited, a public company incorporated under the laws of the Republic of South Africa and registered under number 1978/000181/06.
kika-Leiner	kika-Leiner is a retail and property group of companies operating primarily out of Austria.
kika-Leiner Sale Assets	OpCos and PropCos together.
Know-how	Broadly defined as non patent-protected knowledge relating to commercial knowledge, finance, logistics, wholesale, IT, sourcing, manufacturing, as well as the development and implementation of retail trade concepts.
Lancaster 101	Lancaster 101 (RF) Proprietary Limited.
Lancaster 102	Lancaster 102 Proprietary Limited.
Lancaster Group	Lancaster Group Proprietary Limited, together with its subsidiaries.
Lavender Sky	Lavender Sky Investments 37 Proprietary Limited.
LiVest	LiVest GmbH registered under number HRB 5991.
Loan Book	JD Financial Services Loan Book.
Lock-Up Agreement	Agreement entered into between the Company and creditor groups to create an extended period of time to ensure fair treatment across the various creditor groups, allow management to focus on delivering value at the Group's operating business, and achieve a deleveraging of the Group and a detailed assessment of all contingent litigation claims, which became effective on 20 July 2018.
LTI's	Long-term incentive schemes are awarded with the primary aim of promoting the sustainability of the company through business cycles, aligning performance of key management with the interests of investors and retaining key management, all over the longer term. The LTI's can comprise of a share rights scheme and / or and a cash settled scheme.
Management Board	Management board of the Company.
Managing Director	Member of the Management Board.
Mattress Firm	Mattress Firm Holding Corp, a company incorporated under the laws of the United States of America and registered under number EIN – 20-8185960, together with its subsidiaries, Mattress Firm Inc.
Meeting Rights	Right to be invited to General Meetings and to speak at such meetings, as a Shareholder or as a person to whom these rights have been attributed in accordance with the Articles.
MJD Aviation Partnership Services	MJD Aviation Partnership provided aviation services to the Group.
Moelis & Company	Moelis & Company London Office.
Monatised collar	A combination of zero-cost collar and a margin.
Nomination Committee	Nomination committee established by the Supervisory Board.
OpCos	kika-Leiner operating companies.
Pasquier	Jean-Noël Pasquier.

Pepkor or **Pepkor Group**	Pepkor Holdings Limited, a public company incorporated under the laws of the Republic of South Africa and registered under number 2017/221869/06. An indirect subsidiary of Steinhoff N.V.
Pepkor Europe	Pepkor Europe Limited.
Plum Tree	Plum Tree Consultants Limited, a company incorporated under the laws of Mauritius and registered under number 126319C2/GBL.
POCO	A German furniture retailer consisting of POCO Einrichtungsmärkte GmbH and POCO-Domäne Immobilien Holding GmbH, which is owned by Seifert and LiVest.
Pohlmann	Peter Pohlmann and entities affiliated with Pohlmann.
Portuguese Real Estate Transaction	Acquisition of a property in Portugal from Conforama.
Poundland	Poundland Group Limited.
PPA	Purchase price allocation.
Preference Share	Non-cumulative financing preference share in the capital of the Company.
PropCos	kika-Leiner property holding companies.
PSG	PSG Group Limited, a public company incorporated under the laws of the Republic of South Africa and registered under number 1970/008484/06.
PwC	PricewaterhouseCoopers.
Regulations of the Management Board	Rules effective as per 1 December 2015 regarding the working methods and decision-making process of the Management Board, in addition to the relevant provisions of the Articles.
Regulations of the Supervisory Board	Rules effective as per 1 December 2015 regarding the working methods and decision-making process of the Supervisory Board, in addition to the relevant provisions of the Articles.
Remediation Plan	Plan of the Management Board - forming part of its duty to monitor the operation of the internal risk management and control systems and to carry out a systematic assessment of their design and effectiveness - containing appropriate measures to prevent any reoccurrence of the irregularities and non-compliance with laws and regulations in the future.
Remuneration Policy	Policy as referred to in article 15.11 of the Articles and as adopted by the General Meeting on 1 December 2015.
Reporting Date	30 September 2017.
Reporting Period	Period starting on 1 October 2016 up to and including 30 September 2017.
Revised DCGC	2016 Dutch Corporate Governance Code.
RIM	Rainford Isle of Man Limited, a wholly owned subsidiary of the Group.
Schmidt	Siegmar Schmidt, former chief financial officer of the Group until November 2011.
SEAG	Steinhoff Europe AG, a company incorporated under the laws of Austria and registered under number FN 38031d. A wholly owned subsidiary of Steinhoff N.V.
SEAG CVA	English law company voluntary arrangement proposed by SEAG dated 28 November 2018.
Seifert	Dr. Andreas Seifert and entities affiliated to Seifert.
Senior Management	Managing Directors and the members of the Executive Committee together and a reference to "Senior Manager" shall be a reference to any member of the Senior Management.
SFHG	Steinhoff Finance Holdings GmbH, a company incorporated under the laws of Austria, registered under number FN345159m.

SFHG CVA	English law company voluntary arrangement proposed by SFHG dated 28 November 2018.
Share	A share in the capital of the Company. Unless the contrary is apparent, this shall include each ordinary share and each share.
Shareholder	Holder of one or more Shares.
Share Issue Authorisations	Authorisation of the Management Board granted by the General Meeting to issue Ordinary Shares and to grant rights to subscribe for Ordinary Shares.
Sherwood	Sherwood Group Holdings Inc, a company incorporated under the laws of the United States of America, registered under number 6454341.
SIHPL	Steinhoff International Holdings Proprietary Limited, a company incorporated under the laws of South Africa, registered under number 1998/003951/06, previously listed on the JSE and known as Steinhoff International Holdings Limited.
SINVH	Steinhoff Investment Holdings Limited, a company incorporated under the laws of the Republic of South Africa, registered under number 1954/001893/06.
Southern View Finance	Southern View Finance Mauritius Limited, Southern View Finance (Mauritius) Properties Limited and Southern View Finance SA Holdings Proprietary Limited referred to collectively.
SRP	Showroomprivé , a subsidiary of the SRP Group
SSUK	Sutherland UK and Sunnyside collectively.
Standard Bank	The Standard Bank of South Africa Limited.
Steinhoff N.V. or the Company	Steinhoff International Holdings N.V., a company incorporated under the laws of the Netherlands and registered under number 63570173.
Steinhoff shares or Ordinary Shares	Ordinary shares in the capital of the Company.
Sunnyside	Sunnyside Investment Partners Limited, a company incorporated under the laws of the United Kingdom and registered under number 9892333.
STAR	Steinhoff Africa Retail Limited.
Steinhoff Africa	Steinhoff Africa Holdings Proprietary Limited, a company incorporated under the laws of the Republic of South Africa, registered under number 1969/015042/07.
Steinhoff Services	Steinhoff Services Limited, a company incorporated under the laws of the Republic of South Africa and registered under number 1983/006201/06
Subsidiary	Subsidiary of the Company as referred to in Section 2:24a of the Dutch Civil Code.
Supervisory Board	Supervisory board of the Company.
Supervisory Director	Member of the Supervisory Board.
SUSHI	Stripes US Holding Inc. a company incorporated under the laws of the United States of America, registered under number EIN-38-4012800. The holding company of Mattress Firm.
SUSHI Scheme	English law scheme of arrangement that SUSHI launched as part of the restructuring plan.
Sutherland UK	Sutherland Investment Partner UK Limited, a company incorporated under the laws of the United Kingdom and registered under number 9803849.
Sustainable EBITDA	EBITDA adjusted to exclude one-off abnormal expenses incurred.
Talgarth Capital	Talgarth Capital Limited, a company incorporated under the laws of the British Virgin Islands and registered under number RA000063 598527.
Talgarth Group	Talgarth Capital with its subsidiary companies, amongst others, Top Global, Triton B, Triton V and Aureum.

Tekkie Town	Tekkie Town Proprietary Limited, a company incorporated under the laws of the Republic of South Africa, registered under number 2007/020629/07.
TG Group	TG Group Holding SA together with TG Management and its wholly owned subsidiaries.
TG Management	TG Management Holding S.A., a company incorporated under the laws of Switzerland and registered under number CHE-135.952.031.
Thibault	Thibault Square Financial Services Proprietary Limited.
Titan	Titan Premier Investments Proprietary Limited, a company incorporated under the laws of the Republic of South Africa, registration number 1979/000776/07.
Toerama	Toerama Proprietary Limited, a company incorporated under the laws of the Republic of South Africa, registration number 1970/013353/07.
Top Global	Top Global Investments GmbH, a company incorporated under the laws of Austria and registered under number FN343334d.
Town Investments	Town Investments Proprietary Limited, a company incorporated under the laws of South Africa and registered under number 2016/159084/07. The company served as a special purpose vehicle during the acquisition of Tekkie Town Proprietary Limited.
Triton B	Triton KLS Beteiligungs GmbH, a general partnership incorporated under the laws of Germany and regsitered under number HRB149969B.
Triton V	Triton KLS Verwaltung GmbH & Co KG, a limited partnership incorporated under the laws of Germany and regsitered under number HRA48223B.
Upington	Upington Investment Holdings B.V., a company incorporated under the laws of the Netherlands and registered under number 855768010. The entity is controlled by Christo Wiese.
Unitrans Automotive	Unitrans Automotive Proprietary Limited.
Voting Pool Arrangements	Informal arrangements of the Voting Pool Parties.
Voting Pool Parties	(Former) Managing Directors and (former) Supervisory Directors and Senior Managers and their respective associates who collectively held or controlled approximately 33% of the total voting share capital in the Company.
WACC	Weighted average cost of capital.
Wands	Wands Investments Proprietary Limited, a private company incorporated under the laws of South Africa and registered under number 1955/000339/07.
Wechsel	A bill of exchange that binds one party to pay a fixed sum of money to another party on demand or at a predetermined date.

www.steinhoffinternational.com

For further publications and additional information, please refer to the company website