RESULTS for the year ended 30 September 2017

STAR
STEINHOFF AFRICA RETAIL

PRO FORMA HIGHLIGHTS

13.2%
Increase in revenue to **R58.6bn**

100 bps
Margin increase to **10.4%**

25.2%
Increase in operating profit[1] to **R6.1bn**

R6.5bn
Cash from operations[2]

[1] Before capital items

[2] Statutory results

On 20 September 2017, Steinhoff Africa Retail (STAR) successfully listed on the main board of the Johannesburg Stock Exchange. The listing provides investors the opportunity to directly access an African retail champion with significant scale. The listing resulted in the issue of 750 million shares (21.47% of issued share capital) at R20.50, in addition to 50 million shares sold indirectly by Steinhoff International Holdings N.V. The overall placement raised R16.4 billion and represents, in aggregate, 23.19% of the issued share capital. STAR distributed the placement proceeds to Steinhoff International Holdings N.V.

Results

	Statutory audited			Pro forma		
	12 months ended 30 September 2017 (FY17A)	15 months ended 30 September 2016 (FY16A)	% change	12 months ended 30 September 2017 (FY17PF)	12 months ended 30 September 2016 (FY16PF)	% change
Revenue (Rm)	57 850	61 154	(5%)	58 582	51 766	13.2%
Operating profit before capital items (Rm)	5 815	4 050	44%	6 078	4 855	25.2%
Headline earnings per share (c)	133.6	60.4	121%			

In evaluating the 2017 financial year's performance (FY17), the following factors influence comparability:

- **Change in financial year-end: STAR's financial year-end was changed from June to September in 2016, and therefore the comparative statutory numbers pertain to a 15-month period.**
- **Impact of acquisitions and one-off restructuring – refer to the 'Additional information' section of these results.**
- **Impact of listing on earnings per share: Issuing 750 million new shares on 20 September 2017 increased the total number of shares in issue to 3 450 million.**

To enhance comparability, performance commentary is provided based on pro forma results that are based on the 12-month periods ending 30 September 2017 (FY17PF) and 30 September 2016 (FY16PF) and adjusted for the impact of acquisitions and one-off restructuring costs.

During a period characterised by downbeat consumer confidence and low growth, STAR delivered a solid operating performance. A continued focus on price leadership and value offerings across STAR's expanding store footprint drove market share gains in major retail brands. For the 12 months to September 2017, pro forma revenue increased by 13.2% to R58.6 billion (FY16PF: R51.8 billion), and pro forma operating profit was up 25.2% to R6.1 billion.

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

STAR's strategic focus on lowering the cost of doing business and accessing new products and services through existing infrastructure drove group 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 group operating profit growth, in addition to the turnaround of the furniture and appliances business.

OPERATIONAL REVIEW

Discount and value

This division reported revenue of R44.1 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 business, servicing customers in informal areas, 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 uneconomical trading locations and the operational disruption caused by the restructuring, the business increased revenue on a comparable basis, reaching break-even operating profit.

Africa, being countries other than South Africa, Botswana, Lesotho, Namibia and Swaziland (SA and BLNS), represents approximately 5% of STAR group 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.

Discount and value brands opened a total of 222 stores on a net basis during FY17, expanding the total footprint to 3 679 stores at 30 September 2017.

Speciality

The speciality division, now enlarged by the Tekkie Town footwear business, contributed approximately 25% to group revenue, supported by a robust performance from the Clothing, Footwear and Home (CFH) retail brands. Operating margin strengthened, supported by improved profitability in the do-it-yourself (DIY) business and improved performance in the other retail brands.

In line with its peers, the DIY business experienced a challenging year. Weak market demand for building materials and a store portfolio review resulted in a revenue contraction and 17 store closures. That said, the portfolio review, which is nearing completion, has contributed to improved profitability through integration cost benefits.

The G2 brands reported an acceptable performance in a challenging market where margins are comparatively lower to other businesses within the group.

In speciality bedding, Sleepmasters continued to perform well, expanding its store footprint to 168 stores at 30 September 2017.

Speciality brands opened 50 stores on a net basis during FY17, resulting in a total footprint of 1 274 stores at 30 September 2017.

FINANCIAL REVIEW

Good revenue momentum has been maintained in the business and the increased profitability achieved during the year is most encouraging. All divisions contributed to improved pro forma operating profit compared to the prior year, with group pro forma operating profit (before capital items) at R6 078 million (FY16PF: R4 855 million) representing growth of 25.2%.

As described in STAR's pre-listing statement and this set of results, caution should be exercised when comparing the statutory 12-month audited financial statements with the 15-month comparative period. In particular, earnings growth on a statutory basis is not representative and should be considered on a pro forma basis.

Tax rate

The effective tax rate was 30.9%, marginally higher than the statutory South African tax rate, mainly due to withholding taxes.

Working capital

Net working capital increased by R805 million, largely as a result of the acquisition of Tekkie Town and increased inventory levels of a larger store base, in anticipation of the festive season trading period.

Capital structure

As part of the listing process, the balance sheet was restructured and the net debt on 30 September 2017 amounted to R12.0 billion, resulting in a net debt/EBITDA ratio of 1.8 times. Shareholders are reminded that the debt was only introduced as part of the listing process at the end of the period and the calculated interest cover of 10.9 times is expected to reduce in future.

Debt structure	30 September 2017 Rm	30 September 2016 Rm
Interest-bearing long-term liabilities	16	27
Loans due to Steinhoff and its subsidiaries – long term	11 000	–
Interest-bearing short-term liabilities	11	98
Loans due to Steinhoff and its subsidiaries – short term	4 868	18 196
Bank overdrafts and short-term facilities	89	79
Loans due by Steinhoff and its subsidiaries	(236)	(7 763)
Cash and cash equivalents	(3 797)	(2 771)
Net interest-bearing debt	11 951	7 866
EBITDA	6 775	
Net finance charges	(620)	
EBITDA: interest cover (times)	10.9	
Net debt: EBITDA (times)	1.8	
Pro forma net debt: EBITDA (times)	1.7	

Cash flow

Cash generated from operations before working capital changes increased by 20.8% to R7 269 million (fifteen months to 30 September 2016: R6 016 million).

The cash conversion (cash generated from operations/operating profit before capital items) was 111%, despite cyclical increased inventory levels in anticipation of the build-up to the festive season. Cash flow was further supported by the furniture retail business's focus on lay-by products and the group's limited credit sales, which amounted to 12% of total revenue.

Outlook

While real market growth is expected to be subdued, positive sales momentum is expected to continue as STAR's more affordable offer and lower prices resonate with a constrained consumer. Similarly, the positive momentum in the speciality division is expected to continue at improved margins, further supporting group margins.

In addition, the business is well on track to open another 350 stores during the 2018 financial year.

Maintaining a low cost of doing business will remain a focus area within all retail brands. STAR plans to expand its distribution capacity in South Africa with the fit out of two distribution centres and the development of a new distribution centre in Angola, resulting in an increase in the capital expenditure-to-revenue ratio to 3%.

The group will continue to explore new trading formats and also expand its market share in ladies' wear and additional services.

As communicated during the listing process, STAR was only listed for 11 days during the 2017 financial year and thus no further dividend will be declared for FY17. The group targets a dividend cover of two times headline earnings for the next financial year.

Appreciation

STAR's board of directors would like to thank the group's employees, shareholders, customers and suppliers for their continued support and loyalty.

On behalf of the board

Jayendra Naidoo
Chairman

Ben la Grange
Chief executive officer

Riaan Hanekom
Chief financial officer

30 November 2017

Corporate information

Steinhoff Africa Retail Limited ('STAR' or 'the company' or 'the group')
Non-executive directors: J Naidoo (Chairman)•, JB Cilliers•, MJ Jooste, VP Khanyile•, SH Müller•, HJ Sonn•, AE Swiegers•, DM van der Merwe, JD Wiese
Executive directors: AB la Grange (Chief executive officer), RG Hanekom (Chief financial officer)
Registration number: 2017/221869/06 | **Share code:** SRR | **ISIN:** ZAE000247995
Registered address: 28 Sixth Street, Wynberg, Sandton 2090 | **Postal address:** PO Box 6100, Parow East 7501 | **Telephone:** 021 929 4800
Facsimile: 021 929 4829 | **E-mail:** info@star-group.co.za
Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Bierman Avenue, Rosebank 2196
Company secretary: Steinhoff Secretarial Services Proprietary Limited | **Auditors:** Deloitte & Touche | **Sponsor:** PSG Capital Proprietary Limited
• *Independent*
Announcement date: 4 December 2017

steinhoffafricaretail.co.za

Summarised consolidated income statement

	Notes	Twelve months ended 30 Sept 2017 Audited Rm	Fifteen months ended 30 Sept 2016 Audited Rm
Revenue		**57 850**	61 154
Cost of sales		**(37 412)**	(41 154)
Gross profit		**20 438**	20 000
Other income		**701**	1 107
Operating expenses		**(14 364)**	(15 926)
Operating profit before depreciation, amortisation and capital items		**6 775**	5 181
Depreciation and amortisation		**(960)**	(1 131)
Operating profit before capital items		**5 815**	4 050
Capital items	2	**(29)**	(408)
Operating profit	2	**5 786**	3 642
Net finance charges		**(620)**	(738)
Share of profit of equity accounted companies		**–**	(5)
Profit before taxation		**5 166**	2 899
Taxation	3	**(1 599)**	(1 582)
Profit for the period		**3 567**	1 317
Profit attributable to:			
Owners of the parent		**3 550**	1 290
Non-controlling interests		**17**	27
Profit for the period		**3 567**	1 317
Basic earnings per share (cents)	5	**132.6**	50.2
Headline earnings per share (cents)	5	**133.6**	60.4
Diluted earnings per share (cents)	5	**132.6**	50.2
Diluted headline earnings per share (cents)	5	**133.6**	60.4

Summarised consolidated statement of comprehensive income

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

Summarised consolidated statement of changes in equity

	Twelve months ended 30 Sept 2017 Audited Rm
Balance at the beginning of the period	**52 695**
Changes in ordinary stated capital	
Shares issued in terms of internal restructure	**70 177**
Common control adjustment	**(10 471)**
Shares issued upon listing	**15 375**
Share issue expenses capitalised	**(230)**
Capital distribution	**(20 632)**
Changes in reserves	
Total comprehensive income for the period attributable to owners of the parent	**4 160**
Dividends paid	**(2 013)**
Net shares bought from non-controlling interests	**(5)**
Share-based payments	**(2)**
Other reserve movements	**693**
Common control adjustment	**(56 826)**
Changes in non-controlling interests	
Total comprehensive income for the period attributable to non-controlling interests	**17**
Net shares bought from non-controlling interests	**(21)**
Balance at end of period	**52 917**
Comprising	
Ordinary stated capital	**64 690**
Common control reserve	**(11 755)**
Distributable reserves	**(88)**
Share-based payment reserve	**33**
Other reserves	**12**
Non-controlling interests	**25**
Balance at the end of the period	**52 917**

Summarised consolidated statement of financial position

	30 Sept 2017 Audited Rm	30 Sept 2016 Audited Rm
ASSETS		
Non-current assets		
Goodwill and intangible assets	**60 826**	57 341
Property, plant and equipment	**4 613**	3 714
Investments and loans	**170**	950
Deferred taxation assets	**1 586**	2 553
	67 195	64 558
Current assets		
Inventories	**10 954**	8 732
Trade and other receivables	**4 931**	5 021
Loans due by Steinhoff and its subsidiaries	**236**	7 763
Cash and cash equivalents	**3 797**	2 771
	19 918	24 287
Total assets	**87 113**	88 845
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary stated capital	**64 690**	10 471
Reserves	**(11 798)**	42 195
Total equity attributable to equity holders of the parent	**52 892**	52 666
Non-controlling interests	**25**	29
Total equity	**52 917**	52 695
Non-current liabilities		
Interest-bearing loans and borrowings	**16**	27
Loans due to Steinhoff and its subsidiaries	**11 000**	–
Employee benefits	**112**	134
Deferred taxation liabilities	**4 050**	3 724
Provisions	**727**	993
Trade and other payables	**533**	501
	16 438	5 379
Current liabilities		
Trade and other payables	**11 722**	11 364
Loans due to Steinhoff and its subsidiaries	**4 868**	18 196
Employee benefits	**737**	425
Provisions	**331**	609
Interest-bearing loans and borrowings	**11**	98
Bank overdrafts and short-term facilities	**89**	79
	17 758	30 771
Total equity and liabilities	**87 113**	88 845
Net asset value per ordinary share (cents)	**1 533.1**	2 050.6

Summarised consolidated statement of cash flows

	Notes	Twelve months ended 30 Sept 2017 Audited Rm	Fifteen months ended 30 Sept 2016 Audited Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit:		**5 786**	3 642
Adjusted for:			
Debtors' costs		**284**	425
Depreciation and amortisation		**960**	1 131
Non-cash adjustments		**239**	818
		7 269	6 016
Working capital changes			
Inventories		**(1 910)**	(967)
Receivables		**31**	(1 899)
Payables		**1 074**	1 882
Changes in working capital		**(805)**	(984)
Cash generated from operations		**6 464**	5 032
Net movement in installment sale and loan receivables		**(188)**	(369)
Net dividends paid		**(1 963)**	(40)
Net finance charges		**(670)**	(744)
Taxation paid		**(1 396)**	(1 523)
Net cash inflow from operating activities		**2 247**	2 356
CASH FLOWS FROM INVESTING ACTIVITIES			
Net additions to property, plant and equipment and intangible assets		**(1 667)**	(1 514)
Acquisition of businesses, net of cash on hand at acquisition	6	**(429)**	(1 264)
Decrease/(increase) in long-term investments and loans		**780**	(480)
Net increase in investments in equity accounted companies		**–**	(16)
Net cash outflow from investing activities		**(1 316)**	(3 274)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of ordinary shares issued		**15 375**	–
Capital distribution		**(15 132)**	–
Share issue expenses		**(123)**	–
Transactions with non-controlling interests		**(26)**	(9)
Net movement in other financing activities		**(172)**	(3 012)
Increase in related party loans and receivables		**293**	4 384
Net cash inflow from financing activities		**215**	1 363
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1 146**	445
Effects of exchange rate translations on cash and cash equivalents		**(120)**	–
Cash and cash equivalents at beginning of the period		**2 771**	2 326
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**3 797**	2 771

Notes to the summarised annual financial statements for the period ended 30 September 2017

Statement of compliance

The provisional summarised consolidated financial statements have been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited as applicable to provisional reports, the information at a minimum as required by IAS 34: Interim Financial Reporting and the requirements of the South African Companies Act, No. 71 of 2008 as applicable to the summarised financial statements. The summarised consolidated financial statements have been prepared using accounting policies that comply with IFRS, which are consistent with those applied in the consolidated financial statements for the period ended 30 September 2016.

Basis of preparation

The summarised consolidated financial statements are prepared in millions of South African rand (Rm) on the historical cost basis, except for certain assets and liabilities that are carried at amortised cost, and derivative financial instruments that are stated at their fair values. The preparation of the summarised consolidated financial statements and the full set of consolidated financial statements for the year ended 30 September 2017 was supervised by RG Hanekom CA(SA), the group's chief financial officer. The full set of financial statements was approved by the board on 30 November 2017.

The comparative amounts comprise the aggregated historical financial information, being the Steinhoff Africa Retail Assets group recorded historical information, which was prepared in accordance with IFRS and section 8.1 to 8.13 of the JSE Listings Requirements for the 15 months ended 30 September 2016.

Internal restructure accounting

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

As IFRS provides no guidance for common control transactions, the following principles of US GAAP have been applied:

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

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

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

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

Financial statements

The consolidated financial statements for the year, which have been audited by Deloitte & Touche, and their accompanying unmodified audit report as well as their unmodified audit report on this set of summarised financial information, are available for inspection at the company's registered office. Information included under the headings 'Outlook' and 'Operational review' and any reference to future financial information included in the summarised financial information, has not been audited or reviewed. The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office. The results were approved by the board of directors on 30 November 2017.

Accounting policies

The accounting policies of the group have been applied consistently to the periods presented in the summarised consolidated financial statements.

Events subsequent to the balance sheet date

Effective 1 October 2017, Steinbuild acquired 100% of Building Supply Group ('BSG'). The purchase consideration was based on an enterprise value of R646 million and is subject to a potential 13% adjustment, up or down, dependent on BSG's 12-month results to 30 September 2018.

STAR has exercised call options whereby it will indirectly acquire 128.2 million Shoprite ordinary shares from various parties. The implementation of the call options remains subject to the required regulatory approvals (expected by middle 2018) and will result in STAR indirectly acquiring a 23.1% economic interest in Shoprite,and voting control of 50.6%.

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

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

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

2. OPERATING PROFIT

Capital items

Capital items reflect and affect the resources committed in producing operating/trading performance and are not the performance itself. These items deal with the platform/capital base of the entity. Capital items are required to be reported by the Johannesburg Stock Exchange (JSE) as part of the calculation of headline earnings.

	Twelve months ended 30 Sept 2017 Rm	Fifteen months ended 30 Sept 2016 Rm
Impairments	**7**	485
Loss/(profit) on disposal of intangible assets	**27**	(7)
Profit on disposal and dilution of investment	**(5)**	–
Foreign currency translation reserve released to profit or loss on disposal of investment	**–**	(70)
	29	408

	Twelve months ended 30 Sept 2017 Rm	Fifteen months ended 30 Sept 2016 Rm
3. TAXATION		
Reconciliation of profit before taxation to adjusted profit before taxation		
Profit before taxation	**5 166**	2 899
Share of profit of equity accounted companies	**–**	5
Capital items	**29**	408
Adjusted profit before taxation	**5 195**	3 312
Reconciliation of taxation to taxation before capital items		
Taxation	**1 599**	1 582
Taxation on capital items	**3**	148
Taxation before capital items	**1 602**	1 730
	%	%
Effective rate of taxation based on adjusted profit before taxation (%)	**30.8**	52.2

4. FAIR VALUES OF FINANCIAL INSTRUMENTS

	Fair value as at 30 Sept 2017 Rm	Fair value as at 30 Sept 2016 Rm
Derivative financial assets – Level 2 fair value hierarchy	**202**	83
Derivative financial liabilities – Level 2 fair value hierarchy	**(27)**	(825)
	175	(742)

Level 2 financial instruments consist of foreign exchange contracts that are valued using techniques where all of the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. These inputs included foreign exchange rates.

	Twelve months ended 30 Sept 2017 Audited Million	Fifteen months ended 30 Sept 2016 Audited Million
5. EARNINGS PER SHARE		
5.1 **Weighted average number of ordinary shares**		
Issued ordinary shares at beginning of the period	**2 568**	2 568
Effect of shares issued during the period	**87**	–
Effect of shares issued in terms of initial public offering	**23**	–
Weighted average number of ordinary shares	**2 678**	2 568
Effect of dilutive potential ordinary shares	**–**	–
Diluted weighted average number of ordinary shares	**2 678**	2 568
	Rm	Rm
5.2 **Earnings and headline earnings**		
Profit for the period	**3 567**	1 317
Attributable to non-controlling interests	**(17)**	(27)
Earnings attributable to ordinary shareholders	**3 550**	1 290
Capital items	**29**	408
Taxation effect of capital items	**(3)**	(148)
Headline earnings attributable to ordinary shareholders	**3 576**	1 550

5.3 **Diluted earnings and diluted headline earnings per share**

There are no dilutive instruments. Dilutive earnings and headline earnings per share are therefore equal to basic earnings and basic headline earnings per share.

5.4 As a result of the weighting of shares, the current year's per share numbers should be adjusted before any future profit forecasts are based on them.

6. NET CASH FLOW ON ACQUISITION OF BUSINESSES

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

	Tekkie Town Rm	Call center and debt collector Rm	Total 2017 Rm	Total 2016 Rm
Assets				
Intangible assets	**766**	**39**	**805**	478
Property, plant and equipment	**69**	**124**	**193**	176
Deferred taxation assets	**23**	**2**	**25**	73
Cash on hand	**32**	**10**	**42**	179
Liabilities	**(230)**	**(7)**	**(237)**	(108)
Working capital	**439**	**21**	**460**	147
Total assets and liabilities acquired	**1 099**	**189**	**1 288**	945
Goodwill attributable to acquisition	**2 251**	**282**	**2 533**	498
Total consideration	**3 350**	**471**	**3 821**	1 443
Cash on hand at date of acquisition	**(32)**	**(10)**	**(42)**	(179)
Paid in issue of shares	**(3 350)**	**–**	**(3 350)**	–
Net cash (inflow)/outflow on acquisition of subsidiaries	**(32)**	**461**	**429**	1 264

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

Pro forma financial information

ADDITIONAL INFORMATION

STAR
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AFRICA RETAIL

Pro forma 12-month results for the financial year ended 30 September 2017 and for the 12 months ended 30 September 2016

The pro forma results have been prepared for illustrative purposes only, in order to provide information about the impact of the adjustments on revenue, operating profit before capital items (EBIT) and operating profit before depreciation and amortisation (EBITDA) for the year ended 30 September 2017, and the 12-month period ended 30 September 2016.

The pro forma financial effects are presented in accordance with the JSE Listings Requirements, the Guide on Pro Forma Financial Information issued by SAICA and the measurement and recognition requirements of IFRS.

Because of its nature, the pro forma financial information may not give a fair reflection on the group's results from operations after the adjustments, as detailed below.

The accounting policies applied in quantifying pro forma adjustments are consistent with the STAR group's accounting policies at 30 September 2017 and 30 September 2016.

The reporting accountants' unmodified reports relating to the pro forma information is available for inspection at the company's registered address. The pro forma results are the responsibility of the board.

Pro forma 12-month results for the financial year ended 30 September 2017

The pro forma 12-month actual results and pro forma 12-month prior year actual results illustrate the effects of the acquisition of Tekkie Town (acquired 1 February 2017), the acquisition of Iliad (acquired, January 2016) and the JD Group discontinued brands ('the adjustments') on the group's revenue, EBIT and EBITDA for the year ended 30 September 2017 and for the 12 months ended 30 September 2016.

	Pro forma 12 months ended 30 September 2017 Rm	Pro forma 12 months ended 30 September 2016 Rm	Growth %
Revenue	**58 582**	51 766	13.2%
EBITDA	**7 046**	5 776	22.0%
EBIT	**6 078**	4 855	25.2%

Pro forma year ended 30 September 2017

	Audited STAR group for the 12 months ended 30 September 2017[1] Rm	**Tekkie Town reviewed four months ended 31 January 2017[2] Rm**	**JD Group discontinued brands 12 months ended 30 September 2017[3] Rm**	**STAR group pro forma after all adjustments for the year ended 30 September 2017 Rm**
Revenue	**57 850**	**732**	**–**	**58 582**
EBITDA	**6 775**	**199**	**72**	**7 046**
EBIT	**5 815**	**191**	**72**	**6 078**

Notes and assumptions

[1] The column titled 'Audited STAR group for the 12 months ended 30 September 2017' represents the actual audited results for the STAR group for the 12 months ended 30 September 2017.

[2] The column titled 'Tekkie Town reviewed four months ended 31 January 2017' has been extracted from the Tekkie Town financial statements, reviewed by Grant Thornton and audit partner C Minie, for the four months ended 31 January 2017. Tekkie Town was acquired by the STAR group and consolidated as part of the STAR group results from 1 February 2017.

[3] The column titled 'JD Group discontinued brands 12 months ended 30 September 2017' includes one-off expenses that the group was not allowed to provide for during the 2016 financial year, which relates to the one-off JD Group brand consolidation during the 2017 financial year.

Pro forma period ended 30 September 2016

The pro forma 12-month prior year actual results illustrate the impact of acquiring the Steinhoff Africa Retail Assets ('SARA'); acquiring Tekkie Town and Iliad; and removing the one-off JD Group discontinued brands and related restructuring costs. These adjustments have been described in detail in the pre-listing statement (PLS) dated 4 September 2017. Refer Annexure 1F on pages 194 and 195 of the PLS. The amounts adjusting revenue, EBIT and EBITDA remain unchanged from previously disclosed amounts.

	Reviewed SARA 12 months ended 30 September 2016 Rm	**Tekkie Town audited 12 months ended 28 February 2017 Rm**	JD Group discontinued brands and related restructuring costs 12 months ended 30 September 2016 Rm	Illiad three months ended 31 December 2015 Rm	**STAR group pro forma after all adjustments for the 12 months ended 30 September 2016 Rm**
Revenue	51 234	**1 513**	(2 087)	1 106	**51 766**
EBITDA	4 397	**344**	975	60	**5 776**
EBIT	3 485	**322**	998	50	**4 855**