STEINHOFF AFRICA RETAIL LIMITED

(Previously **K2017221869 (SOUTH AFRICA) PROPRIETARY LIMITED**)
(Incorporated in the Republic of South Africa)
(Registration number 2017/221869/06)
Share code: **SRR**, ISIN: **ZAE000247995**
("**Steinhoff Africa Retail**" or "**STAR**" or "**the Company**")

PRE-LISTING STATEMENT

The definitions and interpretations commencing on page 27 of this Pre-listing Statement apply in this section and throughout this Pre-listing Statement.

This Pre-listing Statement relates to the Private Placement by way of an offer for subscription by the Company, subject to certain conditions, to Invited Investors, being selected persons in South Africa who fall within one of the specified categories listed in section 96(1)(a) of the Companies Act and/or selected investors who subscribe for Placement Shares, the total contemplated acquisition cost of which is not less than R1 000 000 per single addressee acting as principal (as contemplated in section 96(1)(b) of the Companies Act), and selected persons in other jurisdictions, to whom the Private Placement will specifically be addressed, and by whom the Private Placement will be capable of acceptance, of Shares in the Company. The Placement Shares shall comprise up to 750 000 000 Shares and will, upon their issue, represent an aggregate of up to 21.74% of the total issued Shares immediately after the Listing. Up to a further 50 000 000 existing Shares may be sold to Invited Investors by the Steinhoff Group pursuant to a 30-day option which Steinhoff Group intends to grant to the Stabilisation Manager for the purpose of covering short positions resulting from the overallotment of Placement Shares or from sales of Shares at or before the end of the Stabilisation Period. The Placement Shares together with the Overallotment Shares (if the Overallotment Option is implemented in full) represent an aggregate of up to 23.19% of the total issued Shares immediately after Listing. On Listing, all of the Shares constituting the issued ordinary share capital of the Company subsequent to the Private Placement are expected to be listed on the main board of the exchange operated by the JSE.

The Company has agreed to place to Lancaster on a preferential basis, and Lancaster has agreed to subscribe for such number of the Placement Shares as have a value of approximately R6.2 billion at the Placement Price pursuant to the BEE Placement. The Placement Shares to be placed to Lancaster represent approximately 8.83% of the total issued Shares immediately after Listing.

This Pre-listing Statement is not an invitation to the public to acquire or subscribe for securities in any jurisdiction and is issued in compliance with the JSE Listings Requirements, for the purpose of providing information to selected persons in South Africa and other jurisdictions in relation to the Company. This Pre-listing Statement does not constitute, envisage or represent an offer to the public, nor does it constitute a prospectus, in each case as contemplated in the Companies Act.

It is currently expected that the price at which the Placement Shares will be offered to Invited Investors in terms of the Private Placement will be in the Placement Price Range between R18.00 and R23.00 per Placement Share. However, the Placement Price may ultimately be outside the Placement Price Range. If the Placement Price is below the Placement Price Range for any reason, or if the Directors in their discretion determine that it would not be advisable to proceed with the Private Placement, the Company shall not be obliged to proceed with the Private Placement, but reserves the right to do so.

The Private Placement is, among other things, subject to a minimum subscription that must be realised by the Company to ensure that the Company has, once the Private Placement is completed, such number and composition of shareholders as will enable it to meet the minimum public shareholder spread and liquidity requirements that are acceptable to the JSE. The Listing will not proceed if the minimum subscription is not achieved and any acceptance of the offer of the Placement Shares will not take effect and no person shall have any claim whatsoever against the Company, the Joint Global Coordinators or any other person as a result of the failure of any condition.

The JSE has granted the Company a listing of its issued Shares in the "**5 373 Broadline Retailers**" sector of the JSE main board under the abbreviated name "**SHRetail**", share code "**SRR**" and ISIN **ZAE000247995**, subject to the fulfilment of the Conditions Precedent set out in paragraph 69 of this Pre-listing Statement. The Listing is expected to be effective from the commencement of trading on Wednesday, 20 September 2017.

Date of issue: 4 September 2017

Transaction and Corporate Sponsor	Joint Global Coordinator	Joint Global Coordinator	Joint Global Coordinator	Joint Global Coordinator
PSG CAPITAL	citi	Out of the Ordinary® Investec Specialist Bank	Morgan Stanley	RMB A division of FirstRand Bank Limited Traditional values. Innovative ideas.

South African Legal Advisor to the Company	International Legal Advisor to the Company	South African Legal Advisor to the Company	Independent Reporting Accountant
CDH CLIFFE DEKKER HOFMEYR	Linklaters	girard hayward [INC]	Deloitte.

International Legal Advisor to the Joint Global Coordinators and Joint Bookrunners	South African Legal Advisor to the Joint Global Coordinators and Joint Bookrunners	Joint Bookrunner	Joint Bookrunner
Freshfields Bruckhaus Deringer	BOWMANS	J.P.Morgan	Standard Bank

The salient dates and times applicable to the Private Placement and the Listing are as follows:

	2017
Opening date of Private Placement as announced on SENS on	Monday, 4 September
Closing date of Private Placement (22:00) on	Thursday, 14 September
Notification to Invited Investors of successful applications on	Friday, 15 September
Results of Private Placement released on SENS on	Friday, 15 September
Results of Private Placement published in the press on	Monday, 18 September
Listing of Shares on the JSE expected at commencement of trade (9:00) on	Wednesday, 20 September

Notes:

– *Please refer to the "Salient Dates and Times" section on page 26 of this Pre-listing Statement for a detailed timetable of the Private Placement and the Listing.*

– *All references to dates and times are to local dates and times in South Africa and are subject to change. Any such change will be announced on SENS.*

In South Africa, only persons who fall within any of the categories envisaged in Section 96(1)(a) of the Companies Act and/or selected persons who subscribe for Placement Shares at a total contemplated acquisition cost equal to or greater than R1 000 000 per single addressee acting as principal (as contemplated in Section 96(1)(b) of the Companies Act) and to whom the Private Placement is specifically addressed, are entitled to participate in the Private Placement. Accordingly, (i) the offer of the Placement Shares is not an offer to the public as contemplated in the Companies Act; and (ii) no prospectus has been filed with the Companies and Intellectual Property Commission in respect of the offer of the Placement Shares.

The Placement Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or under the applicable securities laws or the regulations of any state of the United States. In the United States, the Private Placement is being made only to persons reasonably believed to be qualified institutional buyers ("**QIBs**") as defined in and pursuant to Rule 144A under the Securities Act ("**Rule 144A**") or pursuant to another exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Prospective investors are hereby notified that sellers of the Placement Shares may be relying on the exemption from Section 5 of the Securities Act provided by Rule 144A. Outside the United States, the Private Placement is being made to selected institutional investors in reliance on Regulation S under the Securities Act ("**Regulation S**"). The Placement Shares may not be offered, sold, pledged or transferred within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers, sales, pledges and transfers of the Placement Shares and the distribution of this document, see the "*Selling and Transfer Restrictions*" in paragraph 80 of this Pre-listing Statement.

None of the U.S. Securities and Exchange Commission (the "SEC"), any other U.S. federal or state securities commission nor any U.S. regulatory authority has approved or disapproved of the Placement Shares nor have such authorities reviewed or passed upon the accuracy or adequacy of this Pre-listing Statement. Any representation to the contrary is a criminal offence in the United States.

None of the Company or the Joint Global Coordinators or the Sponsor, nor any of their respective representatives, is making any representation to any Invited Investor regarding the legality of an investment in the Placement Shares by such Invited Investor under the law applicable to such Invited Investor. The contents of this document should not be construed as legal, financial or tax advice. Each Invited Investor should consult his, her or its own legal, financial or tax adviser as to the legal, financial, business, tax and related aspects of a purchase of Placement Shares.

The Placement Shares will only be placed and issued in the form of Uncertificated Shares. No certificated Placement Shares will be placed or issued. There will be no fractions of Placement Shares offered in terms of the Private Placement.

Please see the section entitled "*Important Legal Notes*" on page 4 of this Pre-listing Statement for more information.

Share capital

Immediately prior to the Private Placement and the Listing:

- the authorised share capital of the Company will comprise 20 000 000 000 Shares of no par value, and an aggregate of 60 000 000 Preference Shares, the classes of which are listed in paragraph 49.4 and the terms of which are detailed in **Annexure 5**;
- the issued share capital of the Company will comprise 2 700 000 000 Shares of no par value, with stated capital of R70 177 000 000; and
- the Company will not have any treasury shares in issue.

Assuming that 750 000 000 new Placement Shares are issued, then immediately after the implementation of the Private Placement, on Listing:

- the authorised share capital of the Company will comprise 20 000 000 000 Shares of no par value, an aggregate of 60 000 000 Preference Shares;
- the issued share capital of the Company will comprise 3 450 000 000 Shares of no par value, with stated capital of R70 177 000 000; and

the Company will not have any treasury shares in issue.

On the Listing Date, all Shares in issue shall rank *pari passu* in all respects, including in respect of voting rights and dividends.

The Placement Shares will not be convertible or redeemable.

The Directors, whose names are given in the "*Corporate Information and Advisors*" section of this Pre-listing Statement, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Pre-listing Statement contains all information required by the JSE Listings Requirements.

The Independent Reporting Accountants, whose reports are contained in this Pre-listing Statement, have given, and have not withdrawn, prior to the date of this Pre-listing Statement, their written consent to the inclusion of their reports in the form and context in which they appear.

Each of the Company's advisors, whose names appear on the cover page and in the "*Corporate Information and Advisors*" section of this Pre-listing Statement, has consented in writing to act in the capacity stated and to its name appearing in this Pre-listing Statement, and has not withdrawn its consent prior to the publication of this Pre-listing Statement.

An abridged version of this Pre-listing Statement was released on SENS on Monday, 4 September 2017 and published in the press on Tuesday, 5 September 2017.

Copies of this Pre-listing Statement are available in English only and may from Monday, 4 September 2017 until the Listing Date be obtained from the registered office of the Company and from the Sponsor, at the addresses set out in the "*Corporate Information and Advisors*" section of this Pre-listing Statement. A copy of this Pre-listing Statement will also be available on the Company's website (www.steinhoffafricaretail.co.za/sar/jse-listing/) from Monday, 4 September 2017.

An investment in the Placement Shares involves risks and uncertainties. Invited Investors should read this Pre-listing Statement in its entirety and in particular, the risk factors referred to in Section 6 of this Pre-listing Statement when considering an investment in the Company.

No representation or warranty, express or implied, is made by the Joint Global Coordinators as to the accuracy, completeness or verification of the information set forth in this Pre-listing Statement, and nothing contained in this Pre-listing Statement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Joint Global Coordinators assume no responsibility for this Pre-listing Statement's accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in delict (tort), contract or otherwise which they might otherwise be found to have in respect of this document or any such statement.

The Joint Global Coordinators are acting exclusively for the Company and no one else in connection with the Private Placement. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Private Placement and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Private Placement or any transaction or arrangement referred to herein.

Invited Investors acknowledge that: (i) they have not relied on the Joint Global Coordinators or any person affiliated with the Joint Global Coordinators in connection with any investigation of the accuracy of any information contained in this Pre-listing Statement or their investment decision; and (ii) they have relied only on the information contained in this document, and (iii) no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Placement Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Joint Global Coordinators.

In connection with the Private Placement, each of the Joint Global Coordinators and any of their respective affiliates, acting as an investor for its own account, may take up a portion of the Placement Shares in the Private Placement as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its own account such securities and any Placement Shares or related investments and may offer or sell such Placement Shares or other investments otherwise than in connection with the Private Placement. Accordingly, references in this Pre-listing Statement to Placement Shares being issued, offered, subscribed for, acquired, placed or otherwise dealt in should be read as including any offering or placement of Placement Shares to any of the Joint Global Coordinators or any of their respective affiliates acting in such capacity. In addition, certain of the Joint Global Coordinators or their affiliates may enter into financing arrangements and swaps with investors in connection with which such Joint Global Coordinators (or their affiliates) may from time to time acquire, hold or dispose of Shares. None of the Joint Global Coordinators intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Unless the context clearly indicates otherwise, all information contained in this Pre-listing Statement is provided as at the Last Practicable Date, being Thursday, 24 August 2017.

IMPORTANT LEGAL NOTES

This Pre-listing Statement is not an invitation to the public to acquire or subscribe for securities in any jurisdiction and is issued in compliance with the JSE Listings Requirements, for the purpose of providing information to selected persons in South Africa and other jurisdictions in relation to the Company. This Pre-listing Statement does not constitute, envisage or represent an offer to the public, nor does it constitute a prospectus, in each case as contemplated in the Companies Act.

OFFER JURISDICTION

This Pre-listing Statement has been issued in connection with the Private Placement and as such, in South Africa, only persons who fall within any of the categories envisaged in Section 96(1)(a) of the Companies Act and/or selected persons who subscribe for Placement Shares at a total contemplated acquisition cost equal to or greater than R1 000 000 per single addressee acting as principal (as contemplated in Section 96(1)(b) of the Companies Act) and to whom the offer of the Placement Shares is specifically addressed, are entitled to participate in the Private Placement. Accordingly, (i) the offer of the Placement Shares is not an offer to the public as contemplated in the Companies Act; and (ii) no prospectus has been filed with the Companies and Intellectual Property Commission in respect of the offer of the Placement Shares.

The distribution of this Pre-listing Statement and the making of an offer by means of the Private Placement may be restricted by law. Persons into whose possession this Pre-listing Statement comes must inform themselves about and observe any and all such restrictions. This Pre-listing Statement does not constitute an offer of or invitation to acquire or subscribe for any shares of the Company in any jurisdiction in which the offer would be unlawful.

Prospective investors should not treat the contents of this Pre-listing Statement as advice relating to legal, taxation, investment or any other matters and they should consult their own professional advisors concerning the consequences of their acquiring, holding or disposing of Placement Shares. Prospective investors should inform themselves as to:

- the legal requirements within their own jurisdictions for the purchase, holding, transfer or disposal of Placement Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer or disposal of Placement Shares which they might encounter; and
- the income and other tax consequences which may apply to them as a result of the purchase, holding, transfer or disposal of Placement Shares. Prospective investors must rely upon their own representatives, including their own legal advisors and accountants, and not those of the Company, as to legal, tax, investment or any other related matters concerning the Company or the STAR Group and an investment therein.

The information contained in this Pre-listing Statement constitutes factual information as contemplated in Section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act, No. 37 of 2002 and should not be construed as an express or implied recommendation, guidance or proposal that any particular transaction in respect of the Placement Shares is appropriate to the particular investment objectives, financial situations or needs of a prospective investor.

Any person who is in doubt as to its position, including, without limitation, its tax status, should consult an appropriate independent professional advisor in his or her relevant jurisdiction without delay.

To the extent that this Pre-listing Statement is provided to persons outside South Africa, the following is noted:

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Pre-listing Statement is directed at and is only being distributed (a) in member states of the European Economic Area, to persons who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC as amended (including amendments by Directive 2010/73/EU, to the extent implemented in the relevant member state)); (b) in the United Kingdom, to persons who (i) have professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") or, are high net worth companies, unincorporated associations or partnerships or trustees of high value trusts as described in Article 49(2) of the Order; and (ii) are "qualified investors" as defined in Section 86 of FSMA; and (c) otherwise, to persons to whom it may otherwise be lawful to communicate it to (each a "**Relevant Person**"). No other person should act or rely on this Pre-listing Statement and persons distributing these materials must satisfy themselves that it is lawful to do so. By accepting this Pre-listing Statement you represent and agree that you are a Relevant Person.

NOTICE TO INVESTORS IN THE UNITED STATES

The Placement Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Placement Shares are being offered and sold outside the United States in reliance on Regulation S and within the United States to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Prospective investors are hereby notified that sellers of the Placement Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Placement Shares and the distribution of this Pre-listing Statement, see the "*Selling and Transfer Restrictions*" in paragraph 80 of this Pre-listing Statement.

The Placement Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Placement Shares or the accuracy or adequacy of this Pre-listing Statement. Any representation to the contrary is a criminal offence in the United States.

AVAILABLE INFORMATION

For so long as any of the Placement Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, upon written request, to holders of its Shares, any owner of any beneficial interest in its Shares or any prospective investor designated by such a holder or such an owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

No action has been or will be taken by the Company, the Sponsor or the Joint Global Coordinators to permit a public offering of the Placement Shares under the applicable securities laws of any jurisdiction. The Placement Shares have not been and will not be registered under the applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Placement Shares may not be offered or sold into, or to or for the account or benefit of any national, resident or citizen of Australia, Canada or Japan. This Pre-listing Statement does not constitute an offer of, or the solicitation of, an offer to subscribe for or purchase any of the Placement Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The information contained herein does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities referred to herein in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of any such jurisdiction.

STABILISATION

In connection with the Private Placement, the Stabilisation Manager may, subject to the JSE Listings Requirements and other applicable law and only during the Stabilisation Period, overallot Shares or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing. However, there is no assurance that the Stabilisation Manager will undertake any such actions and there is no obligation on the Stabilisation Manager to do so. Such actions may be effected on the JSE, and will be carried out in accordance with the JSE Listings Requirements and other applicable law. Such Stabilisation, if commenced, may be discontinued at any time without prior notice and will in any event be discontinued after the Stabilisation Period. Such stabilising action may under no circumstances continue beyond the 30th calendar day after the Listing.

FORWARD-LOOKING STATEMENTS

This Pre-listing Statement contains statements about the Company that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, estimates of capital expenditures, acquisition strategy, or future capital expenditure levels, and other economic factors, such as, amongst other things, interest and exchange rates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industries in which the Company operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Pre-listing Statement.

All these forward-looking statements are based on estimates and assumptions made by the Company. Although the Company believes them to be reasonable, they are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to the Company or not currently considered material by the Company.

Investors should keep in mind that any forward-looking statement made in this Pre-listing Statement or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of the Company not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement is not known. The Company has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Pre-listing Statement after the date of this Pre-listing Statement, except as may be required by law.

Save for the *pro forma* profit forecast of the STAR Group for the financial year ending 30 September 2017, as contained in **Annexure 1E-1** of this Pre-listing Statement, and the profit forecast of the STAR Group for the financial year ending 30 September 2017, as contained in **Annexure 1E-2**, as reported on by the Independent Reporting Accountant in their reports at **Annexure 2E-1** and **Annexure 2E-2** to this Pre-listing Statement, any forward-looking statement contained in this Pre-listing Statement has not been reviewed nor reported on by the Company’s auditors.

JURISDICTION AND SERVICE OF PROCESS IN THE UNITED STATES AND ENFORCEMENT OF FOREIGN JUDGEMENTS IN SOUTH AFRICA

The Company is a company incorporated under the laws of South Africa. None of its Directors or executive officers is a resident or citizen of the United States, and all of its assets and the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce any judgements obtained in the courts of the United States against them, and judgements obtained in United States courts, including judgements predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

A significant portion of the Company's assets are located in South Africa. As a matter of policy, South African courts are inclined to enforce foreign judgements, provided certain thresholds are satisfied, particularly in view of the principles of comity and reciprocity. Foreign judgements in this context would include judgements procured from other national courts as well as international judicial forums or tribunals.

A foreign judgement is not directly enforceable in South Africa, but constitutes a cause of action which will be enforced by South African courts, provided that:

- the court which pronounced the judgement had jurisdiction and international jurisdiction to entertain the case according to the principles recognised by South African law with reference to the jurisdiction of foreign courts. A foreign judgement may not be recognised in South Africa if the foreign court exercised jurisdiction over the defendant in circumstances where a South African court would not exercise jurisdiction over a defendant (even where the foreign court exercised jurisdiction in line with its domestic procedures);
- the judgement is final and conclusive (that is, it cannot be altered by the court which pronounced it);
- the judgement has not lapsed;
- the recognition and enforcement of the judgement by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require the documents initiating the foreign proceeding to have been properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal. Usually, a fundamental breach of justice or procedural unfairness is relevant and not merely minor procedural irregularities;
- the judgement was not obtained by fraudulent means;
- the judgement does not involve the enforcement of a penal or revenue law of the foreign state; and
- the enforcement of the judgement is not otherwise precluded by the provisions of the South African Protection of Businesses Act of 1978, as amended (the "**Protection Act**"). The Protection Act requires that the consent of the Minister of Economic Affairs be sought for enforcement of certain judgements, but South African courts have to date interpreted this requirement as applying only in circumstances where the claim is connected in one or other way to raw materials and products.

It is the policy of South African courts to award compensation for the loss or damage actually sustained by the person to whom the compensation is awarded. Although the award of punitive damages is generally unknown to the South African legal system, such awards are not necessarily contrary to public policy. However, the Protection Act may bar the award of punitive damages in transactions subject to the Protection Act. Whether or not the enforcement or recognition of a foreign judgement is contrary to public policy will depend on the facts of each case. Exorbitant, unconscionable or excessive awards will generally be contrary to public policy. In this respect, in one instance South African courts held that an award of punitive damages, which was equivalent to 100% of ordinary damages was excessive and was not enforced, but much will depend on circumstances. South African courts cannot enter into the merits of a foreign judgement and cannot act as a court of appeal or review over a foreign court. The South African courts' assessment of foreign judgements is usually confined to jurisdictional and procedural matters, although public policy (including considerations pertaining to the Constitution of the Republic of South Africa, 1996) imports certain substantive dimensions.

South African courts will usually implement their own procedural laws and, where an action based on a contract governed by a foreign law is brought before a South African court, the capacity of the parties to the contract will usually be determined in accordance with South African law. It is doubtful whether an original action based on United States federal securities laws can be brought before South African courts. A plaintiff who is not resident in South Africa may be required to provide security for costs in the event of proceedings being initiated in South Africa. Furthermore, the rules of the High Courts of South Africa require that documents executed outside South Africa be authenticated for use in South Africa.

CORPORATE INFORMATION AND ADVISORS

Directors

Andries Benjamin la Grange *(Chief Executive Officer)*
Riaan Gustav Hanekom *(Chief Financial Officer)*
Markus Johannes Jooste*
Daniël Maree van der Merwe*
Jacob Daniel Wiese*
Jayendra Naidoo *(Chairperson)**#
Johann Bernard Cilliers*#
Vusumuzi Philip Khanyile*#
Stephanus Hilgard Müller*#
Heather Joan Sonn*#
Allen Edwin Swiegers*#

**Non-executive*
#Independent

Company secretary

Steinhoff Secretarial Services Proprietary Limited
(Registration number 1992/004646/07)

Registered address

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Wynberg
Sandton, 2090
(PO Box 1955, Bramley, 2018)

Place of incorporation: South Africa

Date of incorporation: 22 May 2017

Transaction and Corporate Sponsor

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(PO Box 7403, Stellenbosch, 7599)

and at: 2nd Floor
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Sandhurst
Sandton, 2196
(PO Box 987, Parklands, 2121)

Independent Reporting Accountants and auditors

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(Practice number 902276)
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Joint Global Coordinator

Citigroup Global Markets Limited
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Joint Global Coordinator

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Joint Global Coordinator

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Joint Global Coordinator

Rand Merchant Bank
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(PO Box 786273, Sandton, 2146)

Joint Bookrunner

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(Postal address as above)

Joint Bookrunner

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South Africa

International legal advisors to the Joint Global Coordinators and Joint Bookrunners
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Transfer Secretaries
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In addition, the STAR Group has commercial facilities with various other banking and financial institutions.

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IMPORTANT FINANCIAL AND OTHER INFORMATION

CERTAIN DEFINITIONS

Unless otherwise stated or the context clearly indicates otherwise, the definitions and interpretations commencing on page 27 of this Pre-listing Statement apply in this section and throughout this Pre-listing Statement.

References to the "**STAR Group**" in this Pre-listing Statement are to the Company and its consolidated subsidiaries (whether or not incorporated in South Africa).

PRESENTATION OF FINANCIAL INFORMATION

This Pre-listing Statement includes reviewed aggregated historical financial information for the 12 months ended 30 June 2015, audited aggregated historical financial information for the 15 months ended 30 September 2016, a reviewed aggregated historical income statement for the 12 months ended 30 September 2016 and reviewed aggregated historical financial information for the 6 months ended 31 March 2017. The relevant historical financial information and audit reports thereon (the "**Reports of Aggregated Historical Financial Information of the Steinhoff Africa Retail Assets**"), in respect of which independent reporting accountant's reports have been issued by Deloitte & Touche are attached as **Annexure 1** and **Annexure 2**, respectively, to this Pre-listing Statement.

Unless otherwise indicated, the historical and other financial information in this Pre-listing Statement has been prepared in accordance with the basis of preparation language outlined in the respective financial statements which were derived from International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IASB**"), as amended from time to time, the South African Institute of Chartered Accountants' (the "**SAICA**") Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Pronouncements as issued by the Financial Reporting Standards Council (collectively "**IFRS**").

The STAR Group publishes its financial statements in Rand. All references to "South African Rand", "Rand", "ZAR", "R" or "cents" are to the lawful currency of South Africa. All references to "€", "euro" or "EUR", are to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the treaty establishing the European Community, as amended. All references to "$", "U.S. Dollars", "US$" or "Dollars" are to the lawful currency of the United States.

Certain financial information presented in this Pre-listing Statement, including in a number of tables, has been rounded to the nearest whole number or the nearest decimal place. Therefore, when presented in a table, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this Pre-listing Statement reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

PRO FORMA FINANCIAL INFORMATION

This Pre-listing Statement includes the *pro forma* statement of comprehensive income for the 6 months ended 31 March 2017 and the *pro forma* statement of financial position as at 31 March 2017 (together, the "***Pro forma* Financial Information of the STAR Group**"). The *Pro forma* Financial Information of the STAR Group has been prepared to illustrate the impact of the effects of acquiring the Steinhoff Africa Retail Assets, implementing the Private Placement and the Call Options (collectively, the "**Transactions**") on the Aggregated Historical Financial Information of the STAR Group as if the Transactions had occurred on 1 October 2016, for the purposes of the *pro forma* statement of comprehensive income, and 31 March 2017, for purposes of the *pro forma* statement of financial position. The *Pro forma* Financial Information of the STAR Group is attached as **Annexure 3** to this Pre-listing Statement.

Deloitte & Touche's unmodified independent reporting accountant's report on the compilation of the *Pro forma* Financial Information of the Company is set out in **Annexure 4** to this Pre-listing Statement. Such report is included solely to comply with the requirements of the JSE Listings Requirements in South Africa. Such *Pro forma* Financial Information of the STAR Group has not been prepared in accordance with the requirements of Regulation S-X under the Exchange Act or generally accepted accounting practices in the United States. In addition, the rules and regulations related to the preparation of the *Pro forma* Financial Information of the STAR Group in other jurisdictions may vary significantly from the requirements applicable in South Africa. The reporting accountant's report on the *Pro forma* Financial Information of the STAR Group by Deloitte & Touche has not been carried out in accordance with the auditing standards generally accepted in the United States and accordingly should not be relied upon by investors as if it had been carried out in accordance with those standards or any other standards besides the South African requirements disclosed above.

AGGREGATED FINANCIAL INFORMATION

This Pre-listing Statement includes:

- reviewed aggregated historical financial information of the Steinhoff Africa Retail Assets for the 12 months ended 30 June 2015 and audited aggregated historical financial information of the Steinhoff Africa Retail Assets for the 15 months ended 30 September 2016 (**Annexure 1B**);
- reviewed aggregated income statement of the Steinhoff Africa Retail Assets for the 12 months ended 30 September 2016 (**Annexure 1C**);
- reviewed aggregated historical financial information of the Steinhoff Africa Retail Assets for the 6 months ended 31 March 2017 (**Annexure 1D**);
- *pro forma* profit forecast and profit forecast of the STAR Group for the financial year ending 30 September 2017 (**Annexure 1E-1 and 1E-2**); and
- *pro forma* historical financial information of the STAR Group for the 12 months ended 30 June 2015 and 12 months ended 30 September 2016 (**Annexure 1F)**.

The abovementioned financial information is the responsibility of the directors and has been prepared in compliance with the JSE Listings Requirements. Deloitte & Touche has issued the following independent reporting accountants' reports on the financial information:

- the Independent Reporting Accountants' report on the reviewed aggregated historical financial information of the Steinhoff Africa Retail Assets for the 12 months ended 30 June 2015 and on the audited aggregated historical financial information of the Steinhoff Africa Retail Assets for the 15 months ended 30 September 2016 (**Annexure 2B**);
- the Independent Reporting Accountants' report on the reviewed aggregated income statement of the Steinhoff Africa Retail Assets for the 12 months ended 30 September 2016 (**Annexure 2C**);
- the Independent Reporting Accountants' report on the reviewed aggregated historical financial information of the Steinhoff Africa Retail Assets for the 6 months ended 31 March 2017 (**Annexure 2D**);
- the independent Reporting Accountants' report on the *pro forma* profit forecast of the STAR Group for the financial year ending 30 September 2017 (**Annexure 2E-1)**;
- the independent Reporting Accountants' report on the profit forecast of the STAR Group for the financial year ending 30 September 2017 (**Annexure 2E-2**); and
- the independent Reporting Accountants' report on the *pro forma* historical financial information of the STAR Group for the 12 months ended 30 June 2015 and 12 month ended 30 September 2016 (**Annexure 2F)**.

NON-IFRS MEASURES

This Pre-listing Statement includes certain measures that are not measures defined by IFRS and are used by the STAR Group to assess the financial performance of its business. These include alternative earnings measures such as Earnings before interest and tax ("**EBIT**"), Earnings before interest, tax, depreciation and amortisation ("**EBITDA**"), Capital items and calculations such as cash conversion, headline earnings and headline earnings per share that use earnings measures in their calculation. These measures should not be considered as alternatives to the STAR Group's historical financial information prepared in accordance with IFRS. These non-IFRS measures are included because the STAR Group believes that they enhance an investor's understanding of the STAR Group's results of operations and financial performance as they present additional financial measures regularly used by senior management of the STAR Group to assess operating performance. These measures are not uniformly defined by all companies and therefore these measures may not be directly comparable with similarly titled measures and disclosures by other companies.

The STAR Group defines:

- Operating profit as profit for the period before taxation, share of associate earnings and interest;
- EBIT as operating profit, excluding capital items;
- EBITDA as operating profit before depreciation and amortisation, excluding capital items; and
- Capital items ordinarily comprise impairment/reversals of impairment, which includes goodwill, intangible assets, property, plant and equipment and certain other items, foreign currency translation reserve released to profit or loss on disposal of investment, profit/loss on the disposal of property, plant and equipment and intangible assets and profit on the sale and dilution of investments that are governed by the HEPS Circular.

The STAR Group calculates:

- cash conversion as cash generated from operations divided by EBIT;
- headline earnings as profit for the period calculated in terms of International Accounting Standard ("**IAS**") 33 attributable to ordinary Shareholders excluding certain separately identifiable re-measurements. The STAR Group reports its headline earnings per share in accordance with the JSE Listings Requirements and calculates this measure pursuant to the circular 2/2015 entitled *"Headline Earnings"* as issued by SAICA and as amended from time to time. See **note 5** of the Historical Financial Information of the Steinhoff Africa Retail Assets included as **Annexure 1B** to this Pre-listing Statement for a calculation of headline earnings; and headline earnings per share as headline earnings divided by the weighted average number of Shares in issue during the financial year.

The following table sets out a reconciliation of EBIT to operating profit for the periods indicated:

AGGREGATED	**6 months ended 31 March 2017** *(Reviewed)* *(R millions)*	**12 months ended 30 September 2016** *(Reviewed)* *(R millions)*	**12 months ended 30 June 2015** *(Reviewed)* *(R millions)*
Operating profit	2 751	3 112	2 144
Capital items	37	373	894
EBIT	**2 788**	**3 485**	**3 038**

The following table sets out a reconciliation of EBITDA to EBIT for the periods indicated:

AGGREGATED	**6 months ended 31 March 2017** *(Reviewed)* *(R millions)*	**12 months ended 30 September 2016** *(Reviewed)* *(R millions)*	**12 months ended 30 June 2015** *(Reviewed)* *(R millions)*
EBIT	2 788	3 485	3 038
Depreciation and amortisation	483	912	873
EBITDA	**3 271**	**4 397**	**3 911**

During the financial periods referred to above, the Company restructured and closed approximately 300 JD Group stores. This resulted in certain one-off discontinued brand and related restructuring costs that are included in the aggregated financial information above. **Annexure 1F** contains a reconciliation of EBIT and EBITDA adjusting for the one-off expenses for the 12 months to 30 June 2015 and the 12 months to 30 September 2016.

Furthermore, the Company also acquired Iliad Africa Group and Tekkie Town during these periods, the financial impact of which are not fully included in the aggregated financial and the *pro forma* impact of same have also been included in **Annexure 1F**.

END-USER, MARKET AND INDUSTRY INFORMATION

Unless the source is otherwise stated, the market, economic and industry data in this Pre-listing Statement constitute the Directors' estimates, using underlying data from independent third parties. The Company has obtained market data and certain industry forecasts used in this Pre-listing Statement from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications, including publications and data compiled by market research provider Euromonitor International.

The Company confirms that all third-party data contained in this Pre-listing Statement has been accurately reproduced and, so far as the Company is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Pre-listing Statement, the source of such information has been identified.

Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, internal surveys, estimates and market research, while believed to be reliable, have not been independently verified, and the Company does not make any representation as to the accuracy of such information and/or the veracity or appropriateness of research methodology, findings or information.

SALIENT FEATURES

The definitions and interpretations commencing on page 27 apply in this section and throughout this Pre-listing Statement. This summary highlights information from this Pre-listing Statement. It is not complete and does not contain all of the information that readers of this Pre-listing Statement should consider before investing in the Shares. Investors should read this Pre-listing Statement carefully in its entirety, including the financial information provided and the notes to those financial information and documents incorporated by reference. Investors should therefore read this entire document and not rely solely on this summary.

INTRODUCTION

Steinhoff International has announced its intention to list STAR on the main board of the JSE, with the goal of creating a diversified listed retail company of significant size and scale with its roots in Africa. The Listing will be accompanied by a capital raising through the Private Placement in order to establish the public shareholding spread and liquidity required by the JSE.

OVERVIEW

Steinhoff International is an integrated retail group servicing the value-conscious consumer in Continental Europe, the United Kingdom, the United States, sub-Saharan Africa and the Pacific Rim. Steinhoff International, which was founded in 1964, has its primary listing on the Frankfurt Stock Exchange and also has a secondary listing on the JSE main board. As at the Last Practicable Date, Steinhoff International had a market capitalisation of approximately €18.2 billion, and currently employs approximately 130 000 employees across the globe.

Steinhoff International implemented the Internal Restructuring on 1 July 2017. Accordingly, a single holding company, STAR, has been established and, with effect from 1 July 2017, owns the Steinhoff Africa Retail Assets to be listed. STAR will remain a subsidiary of Steinhoff and hence STAR will continue to benefit from the group sourcing, scale advantages, shared best practices and strategic direction, allowing STAR to effectively compete with both domestic and international retailers in Africa. As at the date of this Pre-listing Statement, STAR is an indirectly held, wholly-owned subsidiary of Steinhoff International, holding all of the Steinhoff Africa Retail Assets. STAR will continue to focus on its vision to be the preferred and most convenient destination for the African consumer and all other stakeholders, by providing everyday essential products at affordable prices.

STAR owns highly recognisable retail brands, benefits from one of the biggest retail store footprints on the African continent and has an impressive growth track-record, both in South Africa (including BLNS) and the Rest of Africa.

The STAR Group is a retailer servicing the value-conscious consumer in Sub-Saharan Africa. The STAR Group's business model is based upon a strategy of sourcing products at low cost and distributing them through STAR Group-owned retailers. The STAR Group operates across various stable and growing cash generative sectors, including apparel, footwear, household goods, furniture, appliances, consumer electronics and building materials, whilst also providing financial and mobile services.

The STAR Group sells its products and services through two sales channels: (a) Discount and Value and (b) Speciality:

(a) **Discount and Value:** Products and services sold through the Discount and Value channel consist of the STAR Group's clothing, household goods, appliances, consumer electronics, personal accessories and cellular products and services, and financial services.

Brands operating through the Discount channel, which are mainly focussed on "best price", include:

- **Pep in South Africa and the Rest of Africa:**

  PEP South Africa sells a discount range of merchandise including clothing, footwear and homeware. PEP also includes concept stores and offerings, PEP Home, PEP Cell and PEP Money. Pep provides certain financial services to customers such as utility bill payments and money transfer services;

  PEP Africa carries the PEP brand across Africa, offering the same "best prices and more" and focusing on building scale within the clothing, footwear and homeware market segments;

- **Poco**, founded 25 years ago in Europe and introduced into South Africa in 2015, is a new concept homeware and furniture megastore offering furniture, homeware, bedding, kitchens, DIY, electronics, flooring, lighting and décor;
- **Russells** is a discount furniture and appliance retail brand with more than 300 stores across South Africa. Russells is positioned in the lower to middle-end discount segment, with key brand pillars based on affordability, quality and trust supported by the buy line "You pay less for more"; and
- **Flash** provides services and income to informal retail entrepreneurs using smart communication technologies such as Flash-branded payment devices and smartphone applications to allow vendors to invoice and to make and receive payments for goods and services including airtime, electricity and supplies. Through their sophisticated transaction switch, Flash enables millions of virtual transactions to take place daily in the informal markets of South Africa.

Brands operating through the Value channel, focus on a bigger assortment, quality and range, include:

- **Ackermans** is a value retail brand offering everyday casual wear that appeals to the mass middle market of value-seeking consumers with a household income of over R5 000 per month. A number of stores also offer homeware items, cellular and financial service offerings. Ackermans stores are located in urban centres in easily accessible locations in terms of public transport and in good proximity to other essential shops and customer services;
- **Bradlows** is a furniture and appliance retailer positioned in the middle to upper end value segment with the goal of offering stylish, quality and affordable furniture and appliances supported by personal service. Bradlows' key value pillars are style, affordability and quality, with the buy line: "You are the difference"; and
- **Rochester** is a furniture retailer that offers top-end quality lounge, dining room and bedroom furniture at affordable prices. The brand is positioned in the middle to upper end value segment with the vision that shopping at Rochester is a pleasure. Rochester's key value pillars are value, quality and style, with the buy line: "It's not just furniture, it's Rochester".

(b) Speciality: Brands in the Speciality channel are divided into four categories:

- **("DIY") do-it-yourself**, The DIY business operates building materials, hardware and DIY stores, including Buco (hardware and buildware), Timbercity (timber and carpentry) and The Tile House (wall and floor tiles), amongst others;
- **("G2") consumer electronics and appliances**, including Incredible Connection and HiFi Corp. Incredible Connection is a consumer electronics and IT retailer positioned in the middle to upper end of the market. HiFi Corp is a consumer retailer of consumer electronics, audio visual products and appliances positioned towards the mass-middle-market consumers;
- **("CFH") clothing, footwear and homeware**, includes Dunns (mid-market fashion), John Craig (premium menswear), Refinery (affordable, on-trend fashion), Shoe City (footwear) and Tekkie Town (high-quality branded school, lifestyle, leisure and sports footwear); and
- **Bedding** consisting of Sleepmasters which is a retailer of beds, bed sets and mattresses.

RATIONALE FOR LISTING

The purpose of the Listing is to create a diversified listed retail company of significant size and scale with its roots in Africa. The Listing will also allow investors wishing to access the African growth story to invest directly into the Company. The separation of Steinhoff International's emerging and developed market retail businesses is a natural progression given their distinct strategic and geographic focus.

In addition, the Listing of the Company is expected to:

- result in Steinhoff International's African exposure being held through a controlling interest in a separately listed entity, which can be independently valued as an emerging market, Africa focused, retail company;
- provide the Company with access to capital in order to grow its business, both organically and by way of future acquisitions, including the Shoprite Transaction;
- provide Shareholders with a liquid, tradeable asset within a regulated environment and with a market-determined share price; and
- assist in the incentivisation of senior employees of the STAR Group through listed shares that are more closely aligned to the African business.

SHOPRITE TRANSACTION

STAR's vision is to continue to focus on being the preferred and most convenient destination for the African consumer, by providing everyday essential products at affordable prices. In furthering this vision, STAR management remains of the opinion that a strategic investment in a leading African food and grocery retailer should support its ability to further enhance its relevance to the growing African consumer base, and better protect its ability to compete against international retailers. In this regard, STAR has secured options which, once exercised, will result in STAR acquiring a strategic investment in Shoprite, one of Africa's leading food and grocery retailers with a track record of successful growth and expansion in South Africa and across the continent. This acquisition will add a complementary food and grocery offering, significant size and scale capabilities to the Company.

STAR has entered into Call Option Agreements with the PIC, Lancaster, Titan and Lavender Sky, in terms of which STAR could acquire economic and voting interests in Thibault and Shoprite being the Call Options as defined. After implementation of the Call Options, STAR will hold approximately 22.7% of the economic interest and approximately 49.85% of the voting rights in Shoprite. In the event that the specific repurchase of 8 683 327 Shoprite ordinary shares, as addressed in a circular to Shoprite shareholders dated 7 August 2017, be implemented, the percentages referred to above will increase to approximately 23.1% and 50.61% respectively.

STAR will, as part of the planned expansion of the STAR Group and subject to the terms and conditions of the Call Options, exercise the Call Options following the Listing. The consideration payable for the implementation of the Call Options has been determined based on, *inter alia*, a share price of R215 per Shoprite ordinary share for the approximately 128.2 million underlying Shoprite ordinary shares, an amount of R4.0 billion attributable to the Deferred Shares and an additional R4.0 billion for cash and cash equivalents held by Thibault. The consideration will be settled through the issue of 1 748 241 188 STAR shares, being the Shoprite Consideration Shares, that will represent an approximate 33.63% interest in the ordinary share capital of STAR after the Listing and the acquisitions under the Call Options. The implementation of the Call Options remains subject to the Shoprite Conditions Precedent including regulatory approvals such as Competition Authorities' approval.

The exercise and implementation of the Call Options will not require STAR to extend a mandatory offer to the remaining Shoprite shareholders in terms of the Companies Act and the Takeover Regulations as defined in the Companies Act and also will not require additional shareholder approval in terms of the JSE Listings Requirements or otherwise. The implementation of the Call Options remains subject to approval in terms of the Competition Act, No. 89 of 1998, and other regulatory approvals.

It should be noted that STAR will continue with the Listing regardless of whether the Call Options are implemented and Shoprite will continue to maintain its separate listing on the JSE after the implementation of the Call Options.

The investment in Shoprite will strengthen STAR's ability to offer a unique value proposition to all of its stakeholders. The group's diversified African multi-format discount retail brands will operate across various stable and growing sectors that are highly cash generative, including fast moving consumer goods and food. Both Shoprite and STAR will have a credible shareholder of reference that will support the STAR Group's growth ambitions. There is significant potential for the underlying operating assets to work closely together both in current operations and in expanding into new regions.

The combination of the Steinhoff Africa Retail Assets with the economic and voting interest in Shoprite is expected to result in numerous benefits. In this regard:

- the acquisition of Shoprite will assist STAR in realising its vision to be the preferred destination for the African consumer, by providing everyday essential products at affordable prices and serving the consumer at their convenience;
- a strategic investment in a leading African food and grocery retailer will support STAR's ability to further enhance its relevance to the growing emerging African consumer;
- the food and grocery segment is the largest market segment in Africa with strong, defensive growth prospects. Access to this segment and its customers will significantly increase STAR's market penetration in the continent's formalising retail market;
- the combined business will offer a strong value proposition which will operate across various stable and growing cash generative sectors, now including FMCG and food;
- Steinhoff International will provide a shareholder of reference that will support the STAR Group's growth ambitions in South Africa and in the Rest of Africa;

- STAR and Shoprite will both benefit from the Steinhoff Group's sourcing, scale advantages, shared best practices and strategic direction as part of one of the largest global discount retailers; and
- there is potential for the underlying operating businesses to work closely together on the African continent in both their existing operations and in expanding into new regions.

Further details regarding the Shoprite Transaction appear in paragraph 21 of this Pre-listing Statement.

USE OF PROCEEDS

The net proceeds of the Private Placement received by the Company (after deducting the expenses of the Private Placement, which are expected to amount to approximately R226 million) will be distributed to its existing shareholders, wholly-owned subsidiaries of Steinhoff International, under a resolution passed by the Board of the Company.

KEY STRENGTHS AND COMPETITIVE ADVANTAGES

The following key strengths and competitive advantages are expected to contribute to the continued growth and success of the STAR Group:

- retail champion with largest footprint in formalising African market;
- high exposure to Africa's emerging consumer class;
- defensive discount model winning in changing consumer environment;
- "Best Price Leadership" strategy effective in developing customer loyalty and volume growth;
- established multi-brand strategy with offerings across the entire discount and value spectrum;
- nationwide coverage in key African markets serving customers at their convenience;
- superior supply chain management expertise and extensive sourcing scale protecting prices;
- strong organic and innovative growth opportunities and initiatives;
- highly cash generative and robust operating model with track record of strong financial performance; and
- innovative and experienced management team, loyal and committed employees.

BUSINESS STRATEGY

The STAR Group's vision is to be the preferred destination for delivering value to the African consumer and all other stakeholders. The STAR Group seeks to do this by providing everyday products at affordable prices and serving customers at their convenience, and aims to achieve their strategy through the various organic and innovative growth opportunities and initiatives. The STAR Group will also continue to explore categories of products and services in which it has low market shares with a view to expand in these areas. The business strategy of STAR is summarised as follows:

1.	2.	3.
provide everyday products…	**…at affordable prices…**	**…and serve customers at their convenience.**
Provide a wide range of products for the whole family that add value to customers' lives;	"Best Price Leadership" ensures product differentiation, value proposition and loyalty;	Levels of customer satisfaction are enhanced by providing a convenient shopping experience through more than 4 800 stores across all shopping nodes. Customers are able to reach stores either during their daily commute or on weekends;
Provide a product range focused on everyday needs; and	Pricing is actively managed across sales channels;	More than 110 000 Flash devices enable consumers to access financial services capability 24 hours a day; and
Provide well-known and trusted local brands.	Ability to keep prices low is influenced by scale and simplicity of product range, prioritising long-term quality versus short-term fashion trends; and Cost efficiencies delivered through optimisation of logistics costs.	Mobile technology and services, including sales of handsets, airtime and other products.

PURPOSE OF THIS PRE-LISTING STATEMENT

The purpose of this Pre-listing Statement is to:

- provide Invited Investors with relevant information relating to the STAR Group, the Private Placement, the Listing on the JSE and the Shoprite Transaction;
- communicate the strategy and the objectives of the STAR Group;
- provide non-South African Invited Investors with relevant information as may be required under Regulation S and/or Rule 144A; and
- set out the salient details of the Listing and the Private Placement and the procedure for Invited Investors to participate therein.

RISK FACTORS

Shareholders are referred to **Section 6** of this Pre-listing Statement, which provides an overview of some of the risk factors that Invited Investors should consider before investing in the Shares. Although information has been provided in this Pre-listing Statement in relation to the Placement Shares, a prospective investor should use his or her own judgement and seek advice from an independent financial adviser as to the appropriate value of the Placement Shares.

SUMMARY OF THE PRIVATE PLACEMENT

The Private Placement

The Private Placement comprises an offer for subscription by the Company of up to 750 000 000 Placement Shares (including those Placement Shares to be placed to Lancaster pursuant to the BEE Placement), provided that the Company may increase the number of Placement Shares if so determined by the Board.

The Placement Shares will, following their issue, represent up to 21.74% of the issued Shares of the Company after the Private Placement.

If the Placement Price is below the Placement Price Range for any reason, or if the Directors in their discretion determine that it would not be advisable to proceed, the Company shall not be obliged to proceed with the Private Placement, but reserves the right to do so.

The Private Placement consists of:

- the BEE Placement;
- an offering in South Africa to selected persons falling within the exemptions set out in Section 96(1)(a) of the Companies Act and/or selected investors who subscribe for Placement Shares, the total contemplated acquisition cost of which is not less than R1 000 000 per single addressee acting as principal (as contemplated in Section 96(1)(b) of the Companies Act) and to whom the Private Placement is specifically addressed (the Private Placement is not an invitation to the public to subscribe for or purchase the Placement Shares);
- an offering in the United States to persons who are reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in transactions not subject to, the registration requirements of the Securities Act; and
- an offering outside South Africa and the United States to selected institutional investors in reliance on Regulation S.

None of the Placement Shares may be offered for subscription, sale or purchase or be delivered, or be subscribed, sold or delivered, and this document and any other offering material in relation to the Placement Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

The Company has agreed to place to Lancaster on a preferential basis and Lancaster has agreed to subscribe for such number of the Placement Shares as have a value of approximately R6.2 billion at the Placement Price pursuant to the BEE Placement. The Placement Shares to be placed to Lancaster represent approximately 8.83% of the total issued Shares immediately after Listing.

Use of proceeds

The gross proceeds from the subscription for the Placement Shares are estimated to be R15 billion including the BEE Placement before deducting commissions and other expenses, which are expected to amount to up to R226 million. No commissions are payable in respect of the BEE Placement. The net proceeds of the Private Placement received by the Company will be distributed to its existing shareholders, wholly-owned subsidiaries of Steinhoff International, under a resolution passed by the Board of the Company.

Offer period	The Private Placement will open on Monday, 4 September 2017. The Private Placement will close at 22:00 (South African time) on Thursday, 14 September 2017.
Joint Global Coordinators and Joint Bookrunners	The Joint Global Coordinators for the Private Placement are RMB, Investec, Citi and Morgan Stanley. The Joint Bookrunners are J.P. Morgan and Standard Bank. The Joint Global Coordinators are seeking indications of interest from Invited Investors to subscribe for Placement Shares as part of the book building process. Following the book building process, the Private Placement Price will be determined by the Joint Global Coordinators in consultation with the Joint Bookrunners and the Company and such Private Placement Price will be announced on SENS on Friday, 15 September 2017.
Admission and listing	The JSE has granted the Company a listing of its issued Shares on the JSE main board under the abbreviated name "**SHRetail**", share code "**SRR**" and ISIN **ZAE000247995**, subject to the fulfilment of the Conditions Precedent set out in paragraph 69 of this Pre-listing Statement. The Listing is expected to be effective from the commencement of trade on Wednesday, 20 September 2017.
Subscription conditions	The minimum subscription that must be realised by the Company is that which enables it to ensure that the Company has, once the Private Placement is completed, such number and composition of shareholders as will enable it to meet the minimum public shareholder spread requirements, as may be acceptable to the JSE. The JSE has granted the Company a formal dispensation, allowing the Listing to proceed subject to at least 12.5% of the issued Shares being held by at least 1 000 public shareholders, as defined by the JSE Listings Requirements, on the Listing Date and the JSE being satisfied that there will be sufficient liquidity on the Listing Date. Although the Placement Shares will represent up to 21.74% of the Shares in the Company after the Private Placement (and the Placement Shares and the Overallotment Shares (if the Overallotment Option is implemented in full) will together represent 23.19% of the Shares in the Company after the Private Placement), approximately 8.83% will be placed in terms of the BEE Placement. Given the involvement of the chairman of the Company in the BEE Placement, the Board has excluded the BEE Placement from the calculation of the spread requirement of the JSE. To this end, only the balance of the Placement Shares representing up to 12.90% of the issued Shares (or up to 14.35% of the issued Shares, if the Overallotment Option is exercised in full), will be regarded as public shareholding for purposes of the 12.5% minimum public shareholder spread required from the JSE. The Listing will not proceed if this minimum requirement is not achieved, and any application under the Private Placement shall not take effect and no person shall have any claim whatsoever against the Company or any other person as a result of the failure of any Condition Precedent.
Overallotment	Steinhoff Group intends to grant to the Stabilisation Manager a 30-day option to purchase up to 50 000 000 existing Shares, on the same terms and conditions as those applicable to the Private Placement, for the purpose of covering short positions resulting from the overallotment of Shares or from the sale of Shares at or before the end of the Stabilisation Period.

Stabilisation	In connection with the Private Placement, the Stabilisation Manager may, subject to the JSE Listings Requirements and other applicable law and only during the Stabilisation Period, overallot Shares or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing. However, there is no assurance that the Stabilisation Manager will undertake any such actions and there is no obligation on the Stabilisation Manager to do so. Such actions may be effected on the JSE, and will be carried out in accordance with the JSE Listings Requirements and other applicable law. Such stabilisation, if commenced, may be discontinued at any time without prior notice and will in any event be discontinued after the Stabilisation Period. Such stabilising action may under no circumstances continue beyond the 30th calendar day after the Listing.
Stabilisation Manager	Citi will be the Stabilisation Manager.

SALIENT DATES AND TIMES

	2017
Abridged Pre-listing Statement published on SENS on	Monday, 4 September
Pre-listing Statement published on the Company's website (https://steinhoffafricaretail.co.za/sar/jse-listing/) and made available for inspection on	Monday, 4 September
Opening date of the Private Placement as announced on SENS on	Monday, 4 September
Abridged Pre-listing Statement published in the press on	Tuesday, 5 September
Closing date of the Private Placement (22:00) on	Thursday, 14 September
Notification to Invited Investors of successful applications on	Friday, 15 September
Results of Private Placement released on SENS on	Friday, 15 September
Results of Private Placement published in the press on	Monday, 18 September
Uncertificated Shareholders' accounts at CSDPs/Brokers updated on	Wednesday, 20 September
Listing of Shares on the JSE expected at the commencement of trade (9:00) on	Wednesday, 20 September

Notes:

- *All references to dates and times are to local dates and times in South Africa and are subject to change. Any such change will be announced on SENS.*
- *Invited Investors must advise their CSDP or Broker of their acceptance of the Placement Shares in the manner and cut-off time stipulated by their CSDP or Broker.*
- *CSDPs effect payment on a delivery-versus-payment basis.*

DEFINITIONS AND INTERPRETATIONS

In this Pre-listing Statement and annexures hereto, unless the context indicates otherwise, a word or an expression which denotes any gender includes the other genders, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa* and the following words and expressions bear the meanings assigned to them below:

"**BEE**"	Black Economic Empowerment;
"**BEE Placement**"	a preferential placement to Lancaster of such number of Placement Shares as have a value of approximately R6.2 billion at the Placement Price as part of the Company's commitment to the development and support of the South African government's BEE initiatives by the introduction of an anchor BEE shareholder supported by the PIC and Jayendra Naidoo, the chairman of STAR;
"**BLNS**"	Botswana, Lesotho, Namibia and Swaziland;
"**Board**" or "**Directors**"	the Board of Directors of the Company as at the Last Practicable Date, whose names are listed in the "*Corporate Information and Advisors*" section of this Pre-listing Statement;
"**Broker**"	a "stockbroker" as defined in the Financial Markets Act, or its nominee;
"**Call Option Agreements**"	collectively, • the agreement concluded on 4 May 2017 between SAH and the PIC, together with the addendum signed on 15 August 2017 ("**PIC Call Option Agreement**"); • the agreement concluded on 4 August 2017 between Titan, SAH and the Company in respect of Thibault ("**Thibault Call Option Agreement**"); • the agreement concluded on 4 August 2017 between SAH, the Company and Titan ("**Titan Call Option Agreement**"); • the agreement concluded on 4 August 2017 between SAH, the Company and Lavender Sky ("**Lavender Sky Call Option Agreement**"); and • the agreement concluded on 4 August 2017 between SAH, the Company and Lancaster in respect of Thibault ("**Lancaster Call Option Agreement**"), which, between them, set out the terms upon which the Call Options are to be exercised and the Shoprite Transaction is to occur, copies of which agreements are available for inspection, as indicated in paragraph 66 of this Pre-listing Statement;
"**Call Options**"	Call Options, as contemplated in the Call Option Agreements and described in paragraph 21;
"**CFH**"	Clothing, Footwear and Homeware;
"**Citi**"	Citigroup Global Markets Limited, the particulars of which appear in the "*Corporate Information and Advisors*" section of this Pre-listing Statement;
"**Closing Date**"	the closing date of the Private Placement, expected to be 22:00 (South African time) on Thursday, 14 September 2017, but which may be amended by the Company by way of an announcement released on SENS;
"**Common Monetary Area**"	collectively, South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;

"**Companies Act**"	the South African Companies Act, No. 71 of 2008, as amended;
"**Conditions Precedent**"	the conditions precedent to the Listing and the Private Placement, as set out in paragraph 69 of this Pre-listing Statement;
"**CSDP**"	a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act, with whom a Shareholder holds a securities account;
"**Custody Agreement**"	a custody mandate agreement between a person and a CSDP or Broker, regulating their relationship in respect of Uncertificated Shares held on the Company's uncertificated securities register administered by a CSDP or Broker on behalf of that person;
"**DIY**"	do-it-yourself;
"**Exchange Control Regulations**"	the Exchange Control Regulations, 1961, as amended from time to time, issued in terms of **Section 9** of the Currency and Exchanges Act, No. 9 of 1933, as amended;
"**Financial Markets Act**"	the Financial Markets Act, No. 19 of 2012;
"**FMCG**"	fast-moving consumer goods;
"**G2**"	consumer electronics and appliances;
"**Independent Reporting Accountant**"	Deloitte & Touche, whose particulars appear in the "*Corporate Information and Advisors*" section of this Pre-listing Statement;
"**Internal Restructuring**"	the transfer, by way of an internal restructuring, of the Steinhoff Africa Retail Assets from the Steinhoff Group to the Company, with effect from 1 July 2017 and in anticipation of the Listing, resulting in the STAR Group being established and structured as set out in **Annexure 12**;
"**Investec**"	Investec Bank Limited, the particulars of which appear in the "*Corporate Information and Advisors*" section of this Pre-listing Statement;
"**Invited Investors**"	in South Africa, persons falling within the exemptions set out in Section 96(1)(a) of the Companies Act and/or selected investors who subscribe for Placement Shares, the total contemplated acquisition cost of which is not less than R1 000 000 per single addressee acting as principal (as contemplated in Section 96(1)(b) of the Companies Act) and to whom the Private Placement is specifically addressed and selected institutional investors in other jurisdictions as set out under "*Private Placement Details – Invited Investors*" in paragraph 68 of this Pre-listing Statement;
"**JD Group**"	JD Group Proprietary Limited (Registration number 1981/009108/07), a private company incorporated under the laws of South Africa, owning the Steinbuild operations and being a wholly-owned subsidiary of the Company;
"**JIBAR**"	Johannesburg Interbank Average Rate, the money market rate used in South Africa, calculated as the average interest rate at which banks buy and sell money;
"**Joint Bookrunners**"	J.P. Morgan and Standard Bank, whose particulars appear in the "*Corporate Information and Advisors*" section of this Pre-listing Statement;
"**Joint Global Coordinators**"	RMB, Investec, Citi and Morgan Stanley, whose particulars appear in the "*Corporate Information and Advisors*" section of this Pre-listing Statement, and including the Joint Bookrunners where applicable;
"**J.P. Morgan**"	J.P. Morgan Securities plc (Registration number 2711006), whose particulars appear in the "*Corporate Information and Advisors*" section of this Pre-listing Statement;

"**JSE**"	the Johannesburg Stock Exchange, licensed in terms of **Section 9** of the Financial Markets Act and operated by the JSE Limited (Registration number 2005/022939/06), a public company incorporated under the laws of South Africa;
"**JSE Listings Requirements**"	the Listings Requirements of the JSE in force as at the Last Practicable Date;
"**King Code**"	the Code of Corporate Practices and Conduct, as set out in the King IV Report on Corporate Governance for South Africa;
"**Lancaster**"	as the case may be, Lancaster 101 (RF) Proprietary Limited (registration number 2016/272750/07) a private company incorporated under the laws of South Africa that will participate in the BEE Placement ("**Lancaster 101**"); or its wholly-owned South African subsidiary, Lancaster 102 Proprietary Limited (registration number 2017/277500/07) that granted the Lancaster Call Option ("**Lancaster 102**"). Lancaster 101 is held 50% by the PIC, 25% by Lancaster Group Proprietary Limited (registration number 2012/065956/07) (which is 100% held by Jayendra Naidoo) and 25% by a BEE Trust, to be established;
"**Lavender Sky**"	Lavender Sky Investments 37 Proprietary Limited (Registration number 2011/002652/07), a private company incorporated under the laws of South Africa, being a wholly-owned subsidiary of Titan;
"**Last Practicable Date**"	the last practicable date prior to the finalisation of this Pre-listing Statement, being Thursday, 24 August 2017;
"**the Listing**"	the listing of the entire issued ordinary share capital of the Company on the JSE main board;
"**Listing Date**"	the date on which the Listing occurs, which listing is expected to occur with the commencement of trade on Wednesday, 20 September 2017;
"**Major Subsidiary**"	a major subsidiary, as defined in the JSE Listings Requirements, of the Company, meaning a subsidiary that represents 25% or more of the total assets or revenue of the consolidated STAR Group, with the Company's sole Major Subsidiary, as at the date of this Pre-listing Statement, being Pepkor;
"**Material Contracts**"	the contracts summarised or referred to in **Annexure 9**;
"**MOI**"	the memorandum of incorporation of the Company, a copy of which is available for inspection, as indicated in paragraph 66 of this Pre-listing Statement and a summary of which is contained in **Annexure 5**;
"**Morgan Stanley**"	Morgan Stanley & Co International Plc, the particulars of which appear in the "*Corporate Information and Advisors*" section of this Pre-listing Statement;
"**Option Date**"	the date upon which Steinhoff or the Company exercises the Call Options;
"**Overallotment Option**"	the 30-day option that Steinhoff Group intends to grant to the Stabilisation Manager to purchase or procure the purchase of up to a maximum of 50 000 000 existing Shares, on the same terms and conditions as those applicable to the Private Placement, for the purpose of covering short positions resulting from the overallotment of Shares or from the sale of Shares at or before the end of the Stabilisation Period;
"**Overallotment Shares**"	the Shares that may be sold by Steinhoff Group pursuant to the Overallotment Option, which comprise up to 50 000 000 existing Shares;
"**Pepkor Africa**"	Pepkor and its operating subsidiaries, which includes Pep South Africa and Pep Africa;

"**Pepkor**"	Pepkor Holdings Proprietary Limited (Registration number 2003/020009/07), a private company incorporated under the laws of South Africa, being a wholly-owned Major Subsidiary of the Company and its subsidiaries. Further details regarding Pepkor appear in **Annexure 13**. Pepkor is not listed on the JSE or on any other exchange;
"**Performance Share Plan**"	the Steinhoff Africa Retail Limited Performance Share Plan, a long-term share incentive scheme for senior employees of the STAR Group, as detailed in the Performance Share Plan Rules;
"**Performance Share Plan Rules**"	the rules of the Performance Share Plan, a copy of which is available for inspection, as indicated in paragraph 66 of this Pre-listing Statement, and the salient terms of which are set out in **Annexure 16**;
"**PIC**"	Public Investment Corporation SOC Limited (Registration number 2005/009094/30), a public company created in terms of the Public Investment Corporation Act, 2004, and incorporated under the laws of South Africa;
"**Placement Price**"	the price at which the Placement Shares are offered for subscription to Invited Investors, pursuant to this Pre-listing Statement, to be determined in accordance with the provisions of paragraph 70 of this Pre-listing Statement. If the Placement Price is below the Placement Price Range for any reason, or if the Directors in their discretion so determine that it would not be advisable to proceed, the Company shall not be obliged to proceed with the Private Placement, but reserves the right to do so;
"**Placement Price Range**"	the proposed pricing range of the Private Placement, being R18.00 to R23.00 per Placement Share;
"**Placement Shares**"	up to 750 000 000 Shares to be offered by the Company to Invited Investors under the BEE Placement and the Private Placement;
"**Poco SA**"	SA Poco Retail Proprietary Limited (Registration number 1996/011622/07), a private company incorporated under the laws of South Africa, being a wholly-owned subsidiary of the Company;
"**Preference Shares**"	preference shares in the authorised share capital of the Company, as detailed in paragraph 49.4 of this Pre-listing Statement, the terms of which are described in Schedule 2 of the MOI, a copy of which is available for inspection, as indicated in paragraph 66 of this Pre-listing Statement;
"**Pre-listing Statement**"	this pre-listing statement dated 4 September 2017 including all annexures hereto;
"**Private Placement**"	the private placement, to be undertaken by the Company in conjunction with the Listing, involving an offer to Invited Investors to subscribe for Placement Shares in the Company at the Placement Price;
"**PSG Capital**" or "**Sponsor**"	PSG Capital Proprietary Limited, the particulars of which appear in the "*Corporate Information and Advisors*" section of this Pre-listing Statement;
"**South African Rand**" or "**Rand**" or "**ZAR**" or "**R**" or "**cents**"	South African Rand, the official currency of South Africa;
"**Register**"	the register of the Company's issued securities maintained by the Transfer Secretaries, including each of the sub-registers of uncertificated securities maintained by the relevant CSDPs;
"**Rest of Africa**"	Africa excluding South Africa and BLNS;
"**RMB**"	Rand Merchant Bank, a division of FirstRand Bank Limited, whose particulars appear in the "*Corporate Information and Advisors*" section of this Pre-listing Statement;

"**SENS**"	the Stock Exchange News Service of the JSE;
"**Services Agreement**"	the agreement concluded, on 25 August 2017, between Steinhoff International or its nominated subsidiary and the Company or its nominated subsidiary, to provide certain administration, financial and other services to the Company, as described in paragraph 14.3 of this Pre-listing Statement, in consideration for a market related fee, a copy of which agreement is available for inspection, as indicated in paragraph 66 of this Pre-listing Statement;
"**Shareholder Loans**"	the loans amounting, as at the Last Practicable Date, in aggregate, to R10.6 billion, between Steinhoff International or any of its wholly-owned subsidiaries and the Company, the salient terms of which are set out in **Annexure 13**;
"**Shareholders**"	registered holders of Shares;
"**Shares**"	ordinary no par value shares in the Company;
"**Shoprite**"	Shoprite Holdings Limited (Registration number 1936/007721/06), a public company incorporated under the laws of South Africa and listed on the main board of the JSE;
"**Shoprite Conditions Precedent**"	the conditions precedent to the Shoprite Transaction, as set out in paragraph 21.6 of this Pre-listing Statement;
"**Shoprite Consideration Shares**"	1 748 241 188 Shares, to be issued by the Company in settlement of the total consideration due under the Shoprite Transaction, upon all Shoprite Conditions Precedent being fulfilled and the Shoprite Transaction being implemented;
"**Shoprite Group**"	collectively, Shoprite and its subsidiaries;
"**Shoprite Transaction**"	the acquisition by the Company, following the Listing, of an economic interest of approximately 22.7% and 49.85% voting interest in Shoprite, on the terms detailed in paragraph 21 of this Pre-listing Statement. In the event that the specific repurchase of 8 683 327 Shoprite ordinary shares, as addressed in a circular to Shoprite shareholders dated 7 August 2017, is implemented, the percentages referred to above will increase to approximately 23.1% and 50.61% respectively;
"**South Africa**"	the Republic of South Africa;
"**Stabilisation**"	the process by which the Stabilisation Manager may, subject to the JSE Listings Requirements and other applicable law and only during the Stabilisation Period, overallot Shares or effect transactions with a view to supporting the market price of the Shares at a level above that which might otherwise prevail;
"**Stabilisation Manager**"	Citi;
"**Stabilisation Period**"	the period commencing on Listing and ending 30 days thereafter;
"**Standard Bank**"	The Standard Bank of South Africa Limited (Registration number 1962/000738/06), whose particulars appear in the "*Corporate Information and Advisors*" section of this Pre-listing Statement;
"**STAR Group**"	collectively, the Company and its subsidiaries, the high-level structure of which is detailed in **Annexure 12**;
"**STAR Group Company**"	any company forming part of the STAR Group;
"Steinbuild"	an emerging market retailer of do-it-yourself ("**DIY**") products, operating through, amongst others, Buco, The Tile House, Timbercity and its wholesale and distribution division, and which is held within JD Group;

"Steinhoff Africa Holdings" or **"SAH"**	Steinhoff Africa Holdings Proprietary Limited (Registration number 1969/015042/07), a private company incorporated under the laws of South Africa, being a wholly-owned subsidiary of Steinhoff International including its wholly-owned subsidiaries, Ainsley Holdings Proprietary Limited (registration number: 1964/010191/07) and Newshelf 1093 Proprietary Limited (registration number: 2010/018630/07);
"Steinhoff Africa Retail Assets"	the African retail assets, previously held by Steinhoff Group and now housed in the Company, as detailed in **Section 2** of this Pre-listing Statement, being the Pepkor Africa, Steinbuild, Tekkie Town and Poco SA businesses;
"**Steinhoff Africa Retail**" or "**STAR**" or "**the Company**"	Steinhoff Africa Retail Limited (Registration number 2017/221869/06), a public company incorporated under the laws of South Africa, which was previously known as K2017221869 (South Africa) Proprietary Limited and which was converted from a private company to a public company with effect from 14 August 2017. The Company is, as at the date of this Pre-listing Statement, an indirectly held wholly-owned subsidiary of Steinhoff International and will, following the Listing, be listed on the JSE main board with a minimum of 76.81% of its issued share capital continuing to be held indirectly by Steinhoff International assuming the Overallotment Option is exercised in full;
"**Steinhoff Group**"	collectively, Steinhoff International and its subsidiaries;
"**Steinhoff International**"	Steinhoff International Holdings N.V. (Registration number 63570173), incorporated in the Netherlands, having its primary listing on the prime standard of the Frankfurt Stock Exchange and its secondary listing on the main board of the JSE, and which is, as at the date of this Pre-listing Statement, the indirect 100% Shareholder of the Company. The registered office of Steinhoff International is at Herengracht 466, 1017 CA Amsterdam, The Netherlands , acting for and on behalf of SAH;
"**Strate**"	Strate Proprietary Limited (Registration number 1998/022242/07), a private company incorporated under the laws of South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to the JSE;
"**Sub-Saharan Africa**"	all African countries excluding Algeria, Egypt, Libya, Morocco, Sudan, Western Sahara and Tunisia;
"**Tekkie Town**"	Tekkie Town Proprietary Limited (Registration number 2007/020629/07), a private company incorporated under the laws of South Africa, being a wholly-owned subsidiary of the Company;
"**Thibault**"	Thibault Square Financial Services Proprietary Limited (Registration number 1992/004170/07), a private company incorporated under the laws of South Africa which will be held 68.76% by Titan and 31.24% by Lancaster, holding, *inter alia*, economic and non-convertible, non-participating voting shares, known as "**Deferred shares**" in Shoprite;
"**Titan**"	Titan Premier Investments Proprietary Limited (Registration number 1979/000776/07), a private company incorporated under the laws of South Africa, being a company ultimately controlled by a family trust of Dr Christo Wiese, a Director of Steinhoff International;
"**Transfer Secretaries**"	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company incorporated under the laws of South Africa, particulars of which appear in the "*Corporate Information and Advisors*" section of this Pre-listing Statement; and
"**Uncertificated Shares**"	Shares which have been incorporated into the Strate system and which are not evidenced by physical share certificates, certified transfer deeds, balance receipts or any other physical documents of title.

SECTION 1: INTRODUCTION

1. **BACKGROUND**

Steinhoff International has announced its intention to list STAR on the main board of the JSE, with the goal of creating a diversified listed retail company of significant size and scale with its roots in Africa. The Listing will be accompanied by a capital raising through the Private Placement in order to establish the public shareholding spread and liquidity required by the JSE.

2. **OVERVIEW OF THE STAR GROUP**

2.1 Steinhoff International is an integrated retail group servicing the value-conscious consumer in Continental Europe, the United Kingdom, the United States, Sub-Saharan Africa and the Pacific Rim. Steinhoff International, which was founded in 1964, has its primary listing on the Frankfurt Stock Exchange and also has a secondary listing on the JSE main board. As at the Last Practicable Date, Steinhoff International had a market capitalisation of approximately €18.2 billion, and currently employs approximately 130 000 employees across the globe.

2.2 Steinhoff International implemented the Internal Restructuring on 1 July 2017. Accordingly, a single holding company, STAR, has been established and, with effect from 1 July 2017, owns the Steinhoff Africa Retail Assets to be listed. STAR will remain a subsidiary of Steinhoff International and hence STAR will continue to benefit from the Steinhoff Group's sourcing, scale advantages, shared best practices and strategic direction, allowing STAR to effectively compete with both domestic and international retailers in Africa. As at the date of this Pre-listing Statement, STAR is an indirectly held, wholly-owned subsidiary of Steinhoff International, holding all of the Steinhoff Africa Retail Assets. STAR will continue to focus on its strategy to be the preferred and most convenient destination for the African consumer, by providing everyday essential products at affordable prices.

2.3 STAR owns highly recognisable retail brands, benefits from one of the biggest retail store footprints on the African continent and has an impressive growth track-record, both in South Africa (including BLNS) and the Rest of Africa.

2.4 The STAR Group is a retailer servicing the value-conscious consumer in Sub-Saharan Africa. The STAR Group's business model is based upon a strategy of sourcing products at low cost and distributing them through STAR Group-owned retailers. The STAR Group operates across various stable and growing cash generative sectors, including GM apparel, footwear, household goods, furniture, appliances, consumer electronics and building materials, whilst also providing financial and mobile services.

2.5 A detailed overview of the STAR Group is contained in **Section 2** of this Pre-listing Statement, while a diagram showing the STAR Group's current high-level structure appears at **Annexure 12**. Details regarding the Company's Major Subsidiary, Pepkor, appear in **Annexure 13**.

3. **RATIONALE FOR LISTING**

3.1 The purpose of the Listing is to create a diversified listed retail company of significant size and scale with its roots in Africa. The Listing will also allow investors wishing to access the African growth story to invest directly into the Company. The separation of Steinhoff International's emerging and developed market retail businesses is a natural progression given their distinct strategic and geographic focus.

3.2 In addition, the Listing of the Company is expected to:

3.2.1 result in Steinhoff International's African exposure being held through a controlling interest in a separately listed entity, which can be independently valued as an emerging market, Africa-focused, retail company;

3.2.2 provide the Company with access to capital in order to grow its business, both organically and by way of future acquisitions, including the Shoprite Transaction;

3.2.3 provide Shareholders with a liquid, tradeable asset within a regulated environment and with a market-determined share price; and

3.2.4 assist in the incentivisation of senior employees of the STAR Group through listed shares that are more closely aligned to the African business.

SECTION 2: BUSINESS

Investors should read this section in conjunction with the more detailed information contained in this Pre-listing Statement, including the financial and other information appearing in the "Operating and Financial Review". Where stated, financial information in this section has been extracted from the financial information appearing in ***Annexures 1A, 1B, 1C, 1D, 1E-1, 1E-2*** *and* ***1F*** *to this Pre-listing Statement.*

4. **BUSINESS OVERVIEW**

4.1 The STAR Group is a retailer focused on discount, value and specialised goods that retails general merchandise ("**GM**"), clothing, household goods, furniture, appliances, consumer electronics, building materials, cellular products and services, and financial services in Angola, Botswana, Lesotho, Mozambique, Malawi, Namibia, Nigeria, South Africa, Swaziland, Uganda, Zambia and Zimbabwe. As at 31 March 2017, the STAR Group sold its products across a retail footprint consisting of 4 808 stores. The STAR Group's business model is based on a strategy of sourcing products at low cost and distributing them to the STAR Group's value-conscious customer base through its extensive retail footprint. Because the STAR Group has historically been wholly-owned, indirectly held subsidiaries of Steinhoff International, and because Steinhoff International will continue to be a controlling shareholder in the Company following the Private Placement and Listing, the STAR Group is able to leverage the Steinhoff Group's centralised sourcing, manufacturing and logistics expertise in order to maximise operating efficiencies across its retail operations following the Listing. All intergroup transactions will continue to be concluded on an arm's-length basis.

4.2 The STAR Group was established on 1 July 2017 as a result of the Internal Restructuring by the Steinhoff Group of the Steinhoff Africa Retail Assets. For the 6 months ended 31 March 2017, the STAR Group reported revenue of R28 490 million and EBIT of R2 788 million. For the 12 months ended 30 September 2016, the STAR Group reported revenue of R51 234 million and EBIT of R3 485 million. As at 31 March 2017, the STAR Group had 42 479 employees. During the financial periods referred to above, the Company consolidated nine JD Group brands into four brands and restructured and closed approximately 300 JD Group stores as a result. This resulted in certain one-off brand consolidation, closure and restructure costs that are included in the aggregated financial information above. To this end, **Annexure 1F** contains a reconciliation of the EBIT and EBITDA taking into account the one-off expenses for the 12 months to 30 June 2015 and the 12 months to 30 September 2016. Furthermore, the Company also acquired Iliad Africa Group and Tekkie Town during these periods, the financial impact of which are not fully included in the aggregated financial information and the *pro forma* impact of same have also been included in **Annexure 1F**.

4.3 The STAR Group sells its products and services through two sales channels: (a) Discount and Value and (b) Speciality:

4.3.1 **Discount and Value:** Products and services sold through the Discount and Value channel consist of the STAR Group's clothing, household goods, appliances, consumer electronics, personal accessories and cellular products and services, and financial services.

4.3.1.1 **Brands operating through the Discount channel, which are mainly focussed on "best price", include:**

- **Pep in South Africa and the Rest of Africa:**

  PEP South Africa sells a discount range of merchandise including clothing, footwear and homeware. PEP also includes concept stores and offerings, PEP Home, PEP Cell and PEP Money. Pep provides certain financial services to customers, such as utility bill payments and money transfer services;

  PEP Africa carries the PEP brand across Africa, offering the same "best prices and more" and focusing on building scale within the clothing, footwear and homeware market segments;

- **Poco**, founded 25 years ago in Europe and introduced into South Africa in 2015, is a new concept homeware and furniture megastore offering furniture, homeware, bedding, kitchens, DIY, electronics, flooring, lighting and décor. Poco SA comprises the STAR Group's greenfield operation of two Poco-branded homeware and furniture retail superstores in South Africa;
- **Russells** is a discount furniture and appliance retail brand with more than 300 stores across South Africa. Russells is positioned in the lower to middle end discount segment, with key brand pillars based on affordability, quality, and trust supported by the buy line "You pay less for more"; and
- **Flash** provides services and income to informal retail entrepreneurs using smart communication technologies such as Flash-branded payment devices and smartphone applications to allow vendors to invoice and to make and receive payments for goods and services including airtime, electricity and supplies. Through their sophisticated transaction switch, Flash enables millions of virtual transactions to take place daily in the informal markets of South Africa.

4.3.1.2 **Brands operating through the Value channel, focus on a bigger assortment, quality and range, include:**

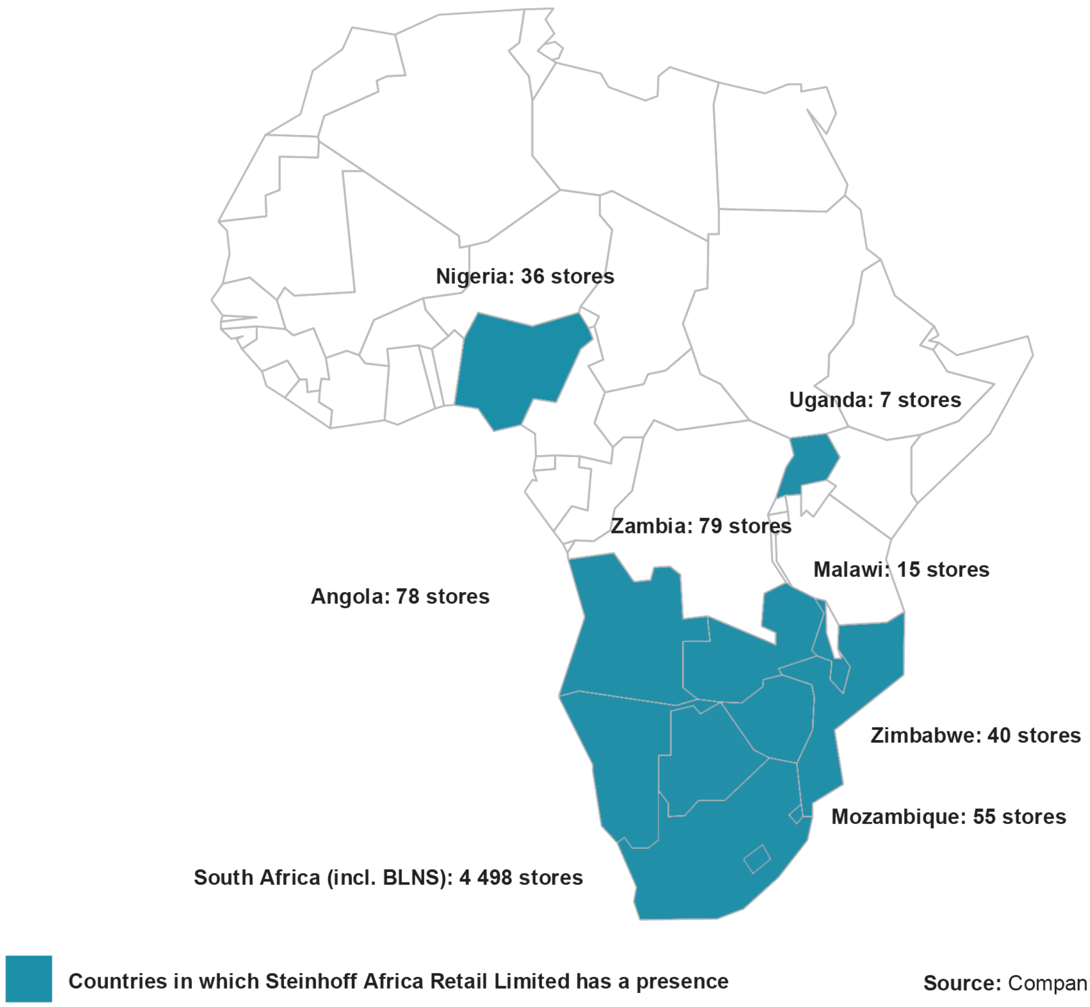
- **Ackermans** is a value retail brand offering everyday casual wear that appeals to the mass middle market of value-seeking consumers with a household income of over R5 000 per month. A number of stores also offer homeware items, cellular and financial service offerings. Ackermans stores are located in urban centres in easily accessible locations in terms of public transport and in good proximity to other essential shops and customer services;
- **Bradlows** is a furniture and appliance retailer positioned in the middle to upper end value segment with the goal of offering stylish, quality and affordable furniture and appliances supported by personal service. Bradlows' key value pillars are style, affordability and quality, with the buy line: "You are the difference"; and
- **Rochester** is a furniture retailer that offers top-end quality lounge, dining room and bedroom furniture at affordable prices. The brand is positioned in the middle to upper end value segment with the vision that shopping at Rochester is a pleasure. Rochester's key value pillars are value, quality and style, with the buy line: "It's not just furniture, it's Rochester".

4.3.2 **Speciality:** Brands in the Speciality channel are divided into four categories:

- **DIY**, The DIY business operates building materials, hardware and DIY stores, including Buco (hardware and buildware), Timbercity (timber and carpentry) and The Tile House (wall and floor tiles), amongst others. These retailers provide a variety of general and speciality building products to professional large-scale commercial and industrial construction projects as well as individual homeowners across a range of market segments;
- **G2**, including Incredible Connection and HiFi Corp. Incredible Connection is a consumer electronics and IT retailer positioned in the middle to upper end of the market. HiFi Corp is a consumer retailer of consumer electronics, audio visual products and appliances positioned towards the mass-middle-market consumers;
- **CFH**, includes, Dunns (mid-market fashion), John Craig (premium menswear), Refinery (affordable, on-trend fashion), Shoe City (footwear) and Tekkie Town (high-quality branded school, lifestyle, leisure and sports footwear); and
- **Bedding**, consisting of Sleepmasters which is a retailer of beds, bed sets and mattresses.

4.4 The chart in **Annexure 12** represents a high-level legal structure of the STAR Group.

4.5 The geographic presence of the STAR Group is set out below:



Source: Company Information

5. **KEY STRENGTHS AND COMPETITIVE ADVANTAGES**

The following key strengths and competitive advantages are expected to contribute to the continued growth and success of the STAR Group:

- retail champion with largest footprint in formalising African market;
- high exposure to Africa's emerging consumer class;
- defensive discount model winning in changing consumer environment;
- "Best Price Leadership" strategy effective in developing customer loyalty and volume growth;
- established multi-brand strategy with offerings across the entire discount and value spectrum;
- nationwide coverage in key African markets serving customers at their convenience;
- superior supply chain management expertise and extensive sourcing scale, protecting prices;
- strong organic and innovative growth opportunities and initiatives;
- highly cash generative and robust operating model with track record of strong financial performance; and
- innovative and experienced management team, loyal and committed employees.

These strengths are discussed in more detail below.

5.1 **Retail champion with largest footprint in formalising African market**

The STAR Group is a leading African retailer by both footprint and revenue. STAR Group operates across the largest footprint of any retailer in Africa, located across 12 countries and comprising 4 498 stores in South Africa (including BLNS) and 310 stores in the Rest of Africa as at 31 March 2017. Based on the most recently available 12-month public information, STAR Group is also the leading African non-grocery retailer by revenue, generating R51 234 million in revenue during the 12 months ended 30 September 2016, compared to its closest competitors. The STAR Group's successful brands and expansive product offering have made it a leading retailer in many of the markets in which it operates. For example, in 2016 market research provider Euromonitor International identified the STAR Group's brands as the leading non-grocery retailers in South Africa in terms of market share (with an 11.2% share, compared to its nearest competitor which had a 5.8% share) and ranked the STAR Group's brands first in Apparel and Footwear and first in Electronic and Appliances and fourth in Home and Furnishings and fourth in Home Improvement and Gardening.

The STAR Group's footprint covers a number of jurisdictions, including Angola, Nigeria, South Africa and Sub-Saharan Africa, in which there is an increasingly urbanised and sophisticated consumer base *(World Bank World Development Indicators, 2016)*. These jurisdictions are also experiencing increasing demand for consumer goods *(Market research provider Euromonitor International – SA SSA Consumer Expenditure, 2017)*, creating significant opportunities for the STAR Group.

5.2 **High exposure to Africa's emerging consumer class**

The STAR Group's business is focused on the discount and value segment of the consumer retail markets in Africa, providing exposure to the higher-growth living standard measure ("**LSM**") 1 – 6 consumer segments on the continent with the fastest growing population in the world (*United Nations (2017))*. This focus has supported profitable growth for the STAR Group, as consumers have become increasingly price-sensitive and have migrated to lower price segments in the market for everyday goods, including clothing, footwear, furniture and household goods. In South Africa, 62% of the working age population was part of the LSM 1 – 6 segments in 2014 and a further 22% was part of LSM 7 – 8 *(South African Advertising Research Foundation database, 2014)*. The Company's Value and Discount businesses would therefore serve approximately 84% of the South African population. LSM is a South African statistical research tool that divides the population into 10 LSM groups, with 10 being the highest and one being the lowest. It groups people according to their living standards using criteria such as degree of urbanisation as well as ownership of durable goods. The discount and value segment of these markets has grown in recent years, and the STAR Group's revenues and margins have also increased primarily due to its focus on the value-conscious consumer, supported by Steinhoff International's integrated global supply chain and complementary retail activities and markets. Furthermore, the STAR Group's focus on Africa exposes it to a market with strong fundamentals. The United Nations expects Africa to constitute 21% of the world's population by 2035 *(United Nations – Total Population by Sex, 2017)* with the IMF forecasting GDP growth of 3.7% over the next five years in Sub-Saharan Africa and market research provider Euromonitor International expecting consumer spending to reach $1.5 trillion by 2020 *(IMF – World Economic Outlook Database, 2017; Market research provider Euromonitor International – Africa Consumer Expenditure, 2017)*.

5.3 **Defensive discount model winning in changing consumer environment**

The STAR Group's business model has enabled it to benefit from trends in the discount and value segment. In South Africa, macroeconomics and more stringent credit regulations have caused a consistent decline in the proportion of household discretionary spending since 2007 *(Market research provider Euromonitor International, 2017)*. The discount retail segment in which the STAR Group operates has benefited from this trend as customers across the market "trade down" in pursuit of greater value for money. Underlying consumer trends highlight that the position of discount retailers is strengthening as growing numbers of discount retailers provide greater access to the consumer. Furthermore, increased price transparency (especially through digital platforms) allows consumers to compare more effectively, and increased transaction volumes and basket spend demonstrate that the discount channel is increasingly accepted as a complementary shopping channel.

STAR Group's diverse portfolio of everyday, essential products allows it to capitalise on these trends, and results in continuous demand for its products. The STAR Group is, therefore, less exposed to the seasonality and fashion risk that typically lead to higher mark-downs.

The STAR Group has a strong advantage over its competitors as consumers continue to favour value brands such as Ackermans, Bradlows and Rochester brands. South Africa's economic growth, consumer indebtedness and rising unemployment are likely to continue to influence consumer behaviour and spending patterns *(Market research provider, Euromonitor International – Non-Grocery Specialists Brand Share, 2017)*. While consumer aspiration is expected to continue and consequently demand in units is likely to grow, consumers are expected to continue to prioritise price points and affordability.

In addition to its defensive product range, the STAR Group has a defensive cash model. It is able to leverage Steinhoff International's superior supply chain management expertise and extensive sourcing scale in order to procure products at low costs for price products in a manner that enables consumers to transact in cash. Cash is an attractive and convenient payment method for high frequency and low-value transactions. For the 12 months ended 30 September 2016, 88% of STAR Group's revenue was derived from cash transactions compared to 12% derived from in-store credit transactions. The scale of operations, which supports supply chains in the Value and Discount channel, also enables the STAR Group to support and grow smaller brands in the Speciality channel.

5.4 **"Best price leadership" strategy effective in developing customer loyalty and volume growth**

"Best price leadership" is ingrained in every aspect of the STAR Group's value chain, and the STAR Group's business model is designed to protect price positioning and to achieve the optimal mix between volume and price while making products and services more affordable for customers. The pricing strategy is measured on an ongoing basis and has proven to be very successful. Product pricing relative to competitors is measured regularly with the aim of ensuring that best price leadership is maintained on approximately 95% of products sold.

5.5 **Established multi-brand strategy with offerings across the entire discount and value spectrum**

The STAR Group's business model encompasses a diverse, award-winning multi-brand strategy targeted to local consumer preferences across the discount and value spectrum in each of the regions in which the STAR Group operates. In South Africa, Morkels, Bradlows and Pep Cell, the STAR Group's furniture, bedding and telecommunications store brands, respectively, ranked first in 2016 among consumer preferences *(Sowetan Shopper Survey)*. The Morkels brand was merged into Bradlows as part of the JD Group's restructuring process. The Ask Afrika Orange Index similarly ranked furniture retail first and third and electronic and white goods retail first and second in 2016/2017. Pep Cell and Pep received the Vodacom CEO's Award for Excellence for the Best Prepaid Channel in both 2013 and 2016.

5.6 **Nationwide coverage in key African markets serving customers at their convenience**

Steinhoff served customers in the majority of the top 20 retail markets in Africa through a footprint of 4 808 stores in 12 countries comprising total retail floor space of 2.3 million square meters as at 31 March 2017, 1.6 million square meters in Discount and Value and 0.7 million square meters in Speciality. STAR Group's retailers operate nationwide with stores located in key locations throughout the jurisdictions in which the STAR Group has a presence. The strategic positioning of the STAR Group's stores gives the STAR Group the ability to meet changing levels of demand in local markets and introduce new products into such markets quickly and efficiently. It also supports the consumers' ability to easily access the STAR Group's products.

5.7 **Superior supply chain management expertise and extensive sourcing scale protect prices**

The STAR Group is able to leverage Steinhoff International's worldwide sourcing and trading platform in addition to its own well established procurement and distribution platforms. The STAR Group's ability to source and manufacture products at low cost and thereby supply its customers across all channels at affordable prices, which are typically the lowest in the market, is a key competitive advantage for the STAR Group. In addition, the STAR Group's scale and long-term supplier relationships allow it to influence the cost structure of third-party suppliers in both manufacturing and raw materials procurement in order to optimise buying prices. Furthermore, its significant influence over, and in depth knowledge of, its entire supply chain (from raw material input to end-consumer delivery), in combination with its supply chain expertise and infrastructure, including logistics and effective management of warehouse and distribution networks, enable STAR to service its customers quickly and efficiently across its entire network of retail outlets. This platform provides a clear advantage to STAR over many of its competitors, and provides a significant barrier to entry for potential new entrants into the market. Furthermore, STAR operates a manufacturing facility, Pepclo, which employs approximately 2 000 employees and produces approximately 10.7 million school uniforms per year. Steinhoff International has made substantial investment over the past three financial years in supply chain capabilities, efficiencies and infrastructure in order to support the continued growth of the business across all retail channels.

5.8 **Strong organic and innovative growth opportunities and initiatives**

The STAR Group is well-positioned to take advantage of a number of organic and innovative growth opportunities, some of which are described below:

5.8.1 ***Store rollout:*** The STAR Group has a scalable business model which enables it to roll out new stores across all channels as part of a well-defined and established expansion strategy, with a differentiated approach to region and city selection. The STAR Group leverages off its experienced expansion and authorisation teams who have a proven track record of rolling out new stores rapidly and effectively. The STAR Group's structured and considered approach to new store openings reduces operational risk at the time of opening through in-depth market knowledge and experience. In the near – to medium-term the STAR Group is planning footprint expansion in the Discount and Value channel for all brands. In the Speciality channel, the STAR Group is planning footprint expansion in **G2, CFH** and **Bedding**, while in DIY it is in the process of a brand consolidation, after which it will target footprint expansion.

5.8.2 ***Adultwear:*** The STAR Group has increased its exposure to the high-growth adultwear market, with a distinct focus on women's outerwear, sleepwear and essentials, excluding footwear, across all of its channels. Ladieswear is the biggest market segment in the apparel range, with demand exceeding R40 billion per year in South Africa *(Market research provider Euromonitor International, 2017)*. While the STAR Group's market share remains low, Adultwear has been the best performing category during the last two years across the STAR Group from a revenue growth perspective. Given the success of this category in the last two years, combined with ample room to grow market share, the STAR Group expects to achieve growth in this segment.

In the Discount and Value channel, Pep adultwear, accounted for only 9% of Pep's revenue in the 12 months ended 30 September 2016 and is a major area of focus for the STAR Group over the next three years. Ackermans has positioned its brand to focus on women with children, and its intention is to increase its focus on ladieswear. To this end, 105 of Ackermans stores have exited menswear and replaced it with ladieswear and the brand is piloting a standalone women's store to support broader product lines and increase awareness of its ladieswear range. In the Speciality channel, Refinery, John Craig, Dunns and Shoe City are repositioning to fill gaps in the adultwear market, including by introducing private label product lines.

5.8.3 ***Leverage store footprint to capitalise on digital development and boost share of financial and other services:*** Using its current retail footprint, the STAR Group is growing and developing new business lines, including its mobile phone proposition, its bill payments and its involvement in money transfers and the insurance market. In mobile phones, the STAR Group is developing its own private label brand, while improving the gross margin on its handsets via direct supply chain management. It has also rolled out Russells Connect Kiosks in 20 pilot stores. Through Pep Money, the STAR Group has begun providing insurance and streamlining bill payments for its customers using such products as DSTV, Pay@ and Easy pay, and has seen growth in money transfers as the volume of cross-border remittances has increased. The STAR Group has also begun rolling out Parcel-In-A-Taxi ("PAXI") and is developing an omni-channel initiative at most of its brands. PAXI is a parcel send, collect and return service using STAR's national footprint to provide Business to Customer and Customer to Customer services, with an easy and convenient parcel drop-off and pick-up service. PAXI is a trusted, convenient and easy-to-use parcel service that allows you to send, collect and return parcels via 3 000+ PAXI points, early until late, seven days a week.

5.8.4 ***Leverage group synergies and operating platforms to further lower the cost of doing business:*** The STAR Group is focused on using its scale to lower the cost of doing business, specifically in the areas of property, supply chain and logistics. The STAR Group is leveraging its property expertise to grow its footprint and manage its lease renewals more efficiently. In the last four years, the STAR Group has opened over 1 000 stores and re-negotiates approximately 2 000 leases per year. The STAR Group expects this trend to continue as 48% of the JD store estate comes up for renewal in the next 12 months. The STAR Group also seeks to maximise the performance of newly acquired stores in order to lower costs and maintain price positioning. In supply chain and logistics, the STAR Group is aggregating key raw materials and product categories for sourcing purposes and standardising non-product items such as packaging and price tickets across its brands and platforms. The STAR Group is also standardising its buying systems and processes in the areas of design and technical support, compliance, supplier finance and shipping.

5.8.5 ***Leverage data capability:*** Given the increasing digital market, the STAR Group is developing its e-commerce platform by launching new digital campaigns, increasing its social media interaction, and optimising its position within online search engines. It is also leveraging its data capability in order to gain valuable customer insights around shopping behaviour, preferences and loyalty.

5.8.6 ***Expand product range into Homeware:*** The Homeware product range is a very successful and profitable category that is highly competitive due to Steinhoff's best price leadership capability, expertise and existing volume in Homeware. The STAR Group has the ability to bring more variety into the Homeware category with 100 standalone Pep Home stores targeted over the next three years.

5.8.7 ***Leverage capability to introduce wider product ranges:*** Pilot standalone FMCG stores are already in operation, testing acceptability of pricing and private label product. Star is targeting increasing market share on GM by increasing a range of GM products at best prices in the market.

5.8.8 ***Restructuring and reorganisation:*** The STAR Group's restructuring of its furniture business is intended to support further margin growth. Over the last three years, the STAR Group's furniture brands completed an organisational restructuring which involved the consolidation of nine furniture retail brands into four. Concurrently, between 2014 and 2016 the STAR Group rationalised its furniture brand store footprint resulting in the closure of approximately 300 unprofitable stores. The furniture business model was also changed to rely less on in-store credit, reducing a historical credit mix in some chains of approximately 70% to 20% for the 12 months ended 30 September 2016.

5.9 Highly cash generative and robust operating model with track record of strong financial performance

The STAR Group's operating performance has historically been strong, underlying the strength and efficiency of its business model and operational management. For the 15 months ended 30 September 2016, the STAR Group generated cash from operations of R5 032 million, compared to R4 436 million for the 12 months ended 30 June 2015. During the same periods, STAR Group had cash conversion of 124% and 146%, respectively. The STAR Group's ability to position its prices competitively to appeal to the increasing number of value and discount segment consumers while also keeping its costs low has allowed it to generate good cash flow in the business. This has been supported by its knowledge and the degree of influence it has over procurement, which enables it to keep manufacturing and raw material costs low. The STAR Group believes that its proven and successful business model will enable it to continue to achieve profitable growth and improve financial performance going forward.

5.10 Innovative and experienced management team, loyal and committed employees

Each of STAR's businesses will continue to be managed on a decentralised basis, under the leadership of their existing experienced and proven management teams.

The Board of Directors and management teams of the STAR Group and its individual business units have extensive experience in the industries in which the STAR Group operates, with significant expertise in consumer retail activities. The management team has a demonstrated track record of delivering strong, organic and acquisition-driven growth, while also driving innovation and developing a strong customer-focused culture.

The Chief Executive Officer (**"CEO"**), Ben la Grange, has been with Steinhoff for over 14 years, and over the last number of years has been responsible for the Steinhoff Africa Retail Assets. Ben already serves on the Boards of all the Steinhoff Africa Retail Assets and has an intimate knowledge of the businesses. Accordingly, Ben will continue his leadership role at STAR level on a more formal basis. This will allow him to drive synergies between the STAR Group and Steinhoff International, but will also support the STAR management with their new roles in a separately listed environment.

The Chief Financial Officer (**"CFO"**) of STAR Group, Riaan Hanekom, has been with Pepkor for over 11 years as financial and commercial Director, and the Retail Chief Operational Officer (**"COO"**), Leon Lourens, has been with Pepkor for over 27 years.

The executive committee will, in addition to Ben and Riaan, consist of the following members: Leon Lourens, Jaap Hamman (Pep South Africa divisional CEO), Charl Cronje (Ackermans CEO), Garth Napier (Pep Africa Divisional CEO), Peter Griffiths (JD Group CEO), Eugene Beneke (Steinbuild CEO), Bernard Mostert (Speciality CEO) and Braam van Huyssteen (Property Committee Chairperson).

The STAR Group's central management team is also supported by an extensive group of experienced, local managers at the individual retailer level. This decentralised approach to management fosters an entrepreneurial culture in which local managers with expertise in their markets and regions, who are supported by the STAR Group's centralised logistics, finance and treasury, legal and tax functions, have the ability to operate their businesses to most effectively drive growth and profitability.

6. STRATEGY AND PROSPECTS

The STAR Group's vision is to be the preferred destination for delivering value to the African consumer and all other stakeholders. The STAR Group seeks to do this by providing everyday products at affordable prices and serving customers at their convenience, and aims to achieve their strategy through the various organic and innovative growth opportunities and initiatives. The STAR Group will also continue to explore categories of products and services in which it has low market shares with a view to expand in these areas.

6.1 Provide everyday products

The STAR Group's retail operations are focused on the value-conscious consumer. Growing the STAR Group's value offerings through its broad product offering is a key strategy of the STAR Group.

6.2 Affordable prices

The STAR Group will continue to focus on the supply chain and sourcing to enable it to prioritise the low cost of doing business across its brands and throughout its stores. It will continue to explore supply chain initiatives to further lower its cost base while capitalising on its own as well as Steinhoff International's sourcing scale and capabilities. The STAR Group also intends to launch new shipping contracts and logistics initiatives as well as directly import key products, such as mobile phones, to improve and contain costs.

6.3 Serve customers at their convenience

The STAR Group believes that levels of customer satisfaction are enhanced by providing a convenient shopping experience. The continued expansion of the STAR Group's footprint is an important part of the STAR Group's future growth plans. In support of this expansion, the STAR Group is planning to introduce omni-channel initiatives through which it can sell multiple brands and products through existing channels. The STAR Group also plans to continue to accelerate the use of its virtual products by informal vendors through its Flash footprint. Specifically, it plans to grow its Flash footprint and build strong strategic partnerships while investing in its cellular base and developing new products. Trading through 110 000 vendors nationally, Flash contributes to communities by providing vendors with income (generating commission through their devices) and allowing millions of consumers to transact on products such as virtual services, including airtime, electricity payments, money transfers etc. conveniently 24 hours of every day. Similarly STAR earns (and shares commission) on these transactions, and generates increased footfall and customer loyalty with the Pep footprint being the largest "device-reload" footprint in the country. Externally, the STAR Group aims to build brand awareness and improve trader service to grow the cash flows of the business. It will also expand its PAXI package delivery concept.

1.	**2.**	**3.**
provide everyday products…	**…at affordable prices…**	**…and serve customers at their convenience.**
Provide a wide range of products for the whole family that add value to customers' lives;	"Best Price Leadership" ensures product differentiation, value proposition and loyalty;	Levels of customer satisfaction are enhanced by providing a convenient shopping experience through more than 4 800 stores across all shopping nodes. Customers are able to reach stores either during their daily commute or on weekends;
Provide a product range focused on everyday needs; and	Pricing is actively managed across sales channels;	More than 110 000 Flash devices enable consumers to access financial services capability 24 hours a day; and
Provide well-known and trusted local brands.	Ability to keep prices low is influenced by scale and simplicity of product range, prioritising long-term quality *versus* short-term fashion trends; and Cost efficiencies delivered through optimisation of logistics costs.	Mobile technology and services, including sales of handsets, airtime and other products.

The STAR Group's retail operations approach their strategic planning in a structured, critical and methodical manner. Due consideration is given to:

- the relevance of each retail brand's customer value proposition;
- management, operational and staffing structures;
- employee training and development;
- incentive structures;
- merchandise categories;
- sales and marketing strategies; as well as
- retail footprint and store expansion plans.

In addition, the adequacy and efficiency of the supplier base, IT, support systems and logistics are evaluated in detail.

The Board of STAR believes that the group will continue to benefit from the growth experienced within the value and discount market segments, despite the challenging and volatile consumer environment. The STAR Group will have an advantage due to its extensive well-established retail footprint and diverse product offering and expects to remain competitive. Management will continue to focus on market share gains and unlocking synergies on recent investments.

Growth is planned and driven with different strategies relating to:

- organic growth; primarily targeting market share growth through better execution of the customer value proposition, product offering and price competitiveness;
- new merchandise categories, products and services; such as Flash, FMCG products, expansion of adultwear, PAXI and financial services;
- territories, footprint growth and new retail channels; such as Africa expansion, PEP Home and the introduction of an omni-channel approach in most of the retail brands.

Given the above the Board is of the view that the prospects of the Company are favourable.

7. **HISTORY**

7.1 The Company was established as an indirectly held wholly-owned subsidiary of Steinhoff International in 2017 as a new holding company for the Steinhoff Africa Retail Assets. Steinhoff International will continue to be an indirect controlling shareholder in the Company following the Private Placement and Listing of the Company's Shares on the JSE.

7.2 More details about the history of the business are contained in paragraphs 9 and 10 below.

8. **THE STAR GROUP'S BUSINESS**

8.1 The STAR Group is a discount, value and speciality retailer that provides everyday products at affordable prices and serves customers at their convenience. It sources and retails GM, apparel, footwear, household goods, furniture, appliances, consumer electronics, building materials, personal accessories, cellular products and services, and financial services in 12 countries across Africa, being Angola, Botswana, Lesotho, Mozambique, Malawi, Namibia, Nigeria, South Africa, Swaziland, Uganda, Zambia and Zimbabwe.

8.2 The STAR Group sells its products and services through two sales channels: (a) Discount and Value and (b) Speciality, described in more detail below.

9. **DISCOUNT AND VALUE**

9.1 Products and services sold through the Discount and Value channel consist of the STAR Group's clothing, household goods, furniture, consumer electronics, appliances, personal accessories and cellular products and services, and financial services. During the 12 months ended 30 September 2016, brands in this channel contributed 77% of the STAR Group's revenue and executed approximately 341 million transactions.

9.2 As at 31 March 2017, Discount and Value brands operated through 3 569 stores (1.6 million square metres), or 74% of the STAR Group's total stores, 3 261 of which were located in South Africa (including BLNS) and 308 of which were located in the Rest of Africa. During the 12 months ended 30 September 2016, Discount and Value brands opened 278 new stores.

9.3 Discount and Value brands

The following table sets out an overview of Discount and Value brands, product types, areas of operation, number of stores and retail area as at 31 March 2017:

Discount Brands	Product Type	Countries	Number of stores	Retail area ('000 m²)
Pep	Clothing, footwear, homeware	South Africa, Botswana, Lesotho, Namibia, Swaziland	2 039	748
Pep Africa	Clothing, footwear, homeware	Malawi, Angola, Nigeria, Zambia, Mozambique, Zimbabwe, Uganda	301	123
Russells	Discount furniture and appliance retail	South Africa	318	146
Poco	Homeware and furniture megastore	South Africa	2	11
		Total Discount Brands	**2 660**	**1 028**
Flash	Services and income to informal retail entrepreneurs	South Africa	110 000 devices/ vendors	

Value Brands	Product Type	Countries	Number of stores	Retail area ('000 m²)
Ackermans	Clothing and footwear	South Africa, Botswana, Lesotho, Namibia, Swaziland, Zambia	610	394
Bradlows	Furniture and appliance retail	South Africa, Botswana, Swaziland	273	172
Rochester	Furniture retailer	South Africa	26	21
		Total Value Brands	**909**	**587**
		TOTAL DISCOUNT AND VALUE BRANDS	**3 569**	**1 615**

9.4 Discount brands

9.4.1 *Pep*

Pep is a leading South African retailer that operates a range of retail brands and sells a variety of discount range everyday necessities, including clothing, footwear, homeware, personal accessories and cellular products. The predecessor to Pepkor (Pep's parent company), was founded in 1965. For the 12 months ended 30 September 2016, Pep executed approximately 272 million transactions and sold approximately 696 million products at an average basket size of R71.

Pep also includes concept stores and offerings in the form of Pep Home, Pep Cell and Pep Money. Pep Home is a line of homeware format stores launched in 2007, offering products including bathroom and kitchen textiles. Pep Cell operates dedicated cellular concept stores and was launched in 2008. In its Pep stores, the STAR Group also provides a range of basic financial services. Pep positions these financial services as a safe and convenient in-store service that gives customers access to a wide range of transactions at any Pep location in South Africa including loans, money transfers, account and bill payments, savings, ticket-collections, insurance and parcel distribution service.

Pep's presence is strongest in South Africa, where the STAR Group operates 2 039 Pep stores. Pep uses 17 distribution centres in Southern Africa and, with Pep Africa, is the biggest single brand retailer in Africa.

Pep focuses on a customer base of price-sensitive and value-conscious consumers. Across these activities, the STAR Group's Pep-branded stores have built significant brand awareness in South Africa. This brand awareness has contributed to Pep's track-record of revenue growth. Pep has achieved double digit turnover and operating profit growth in percentages over the last 18 consecutive years and the majority of its business is cash retail, resulting in excellent cash generation.

9.4.2 ***Pep Africa***

Following its success in South Africa, Pep, under the brand name Pep Africa, expanded into the Rest of Africa by opening its first store in Zambia in 1990. Pep Africa has since extended its footprint into Angola, Malawi, Mozambique, Nigeria, Uganda and Zimbabwe. Currently, Pep Africa operates 301 stores outside South Africa (including BLNS). For the 12 months ended 30 September 2016, Pep Africa executed approximately 23 million transactions and sold approximately 74 million products at an average basket size of R144.

Pep Africa is focused on the working family segment in Africa. Pep has implemented a consistent strategy across these operations, targeting price-sensitive and value-conscious consumers and focusing on building scale within the clothing, footwear and homeware market segments.

Year-on-year, Pep Africa has experienced revenue growth of 26%, 38% and 35%, on a constant currency basis, in the 12 months ended 30 June 2014 and 2015 and the 12 months ended 30 September 2016, respectively.

9.4.3 ***Russells***

Russells is a discount furniture, consumer electronics and appliance retail brand with more than 300 stores across South Africa. Russells is positioned in the lower to middle end of the value and discount segment, with its brand based on affordability, value and trust. For the 12 months ended 30 September 2016, Russells executed approximately 542 000 transactions and sold approximately 571 000 products at an average basket size of R3 378.

9.4.4 ***Poco***

Poco, founded 25 years ago in Europe and introduced into South Africa in 2015, is a greenfields discount homeware and furniture retailer in South Africa. The STAR Group's Poco business unit operates two Poco-branded superstores in South Africa, which rank among the largest homeware and furniture retailer stores in the country at 11 000 square metres of floor space. For the 12 months ended 30 September 2016, Poco executed approximately 121 000 transactions and sold approximately 287 000 products at an average basket size of R1 150.

9.4.5 ***Flash***

Flash provides a range of mobile payments and vending services. Flash is a subsidiary of Pepkor Africa that operates from Pep and Pep Cell locations and Flash-branded kiosks. Flash operates in the informal retail market, using smart communications technologies such as Flash-branded payment devices and smartphone applications to allow vendors to invoice and to make and receive payments for goods and services including airtime, electricity and supplies. Over 110 000 Flash devices are currently in use. Flash Mobile Vending is a fintech business based in Cape Town, owned by STAR. Through their sophisticated transaction switch, Flash enables millions of virtual transactions to take place daily in the informal markets of South Africa. Flash uses various technologies and this, coupled with their strong brand presence and commitment to ongoing product development, has ensured that they remain a leader in their market segment. Trading through 110 000 vendors nationally, Flash contributes to communities by providing vendors with income (generating commission through their devices) and allowing millions of consumers to transact on products such as virtual airtime, electricity payments, money transfers etc. conveniently 24 hours of every day. Similarly, STAR earns (and shares commission) on these transactions, and generates increased footfall and customer loyalty with the Pep footprint being the largest "device-reload" footprint in the country.

9.5 **Value brands**

9.5.1 ***Ackermans***

Ackermans was founded in 1916 and is one of the oldest African retail brands in the STAR Group. Ackermans is a value retail brand focusing on everyday contemporary casualwear for the lower to middle income market with a household income of over R5 000 per month. Key product areas include clothing, footwear and homeware, with the retailer focusing on providing a range of coordinated goods at affordable prices. All stores also offer cellular and financial service offerings, such as lay-buys and financing through Tenacity financial services. For the 12 months ended 30 September 2016, Ackermans executed approximately 45 million transactions and sold approximately 131 million products at an average basket size of R202.

As at 31 March 2017, the STAR Group operated 610 Ackermans stores. These retail outlets are primarily located in South Africa, with additional locations across Botswana, Lesotho, Namibia, Swaziland and Zambia. Ackermans stores are located in urban centres in easily accessible locations in terms of public transport and in close proximity to other essential shops and customer services.

9.5.2 ***Bradlows***

Bradlows is a furniture, consumer electronics and appliance retailer positioned in the middle to upper end value segment with the goal of offering stylish, quality and affordable furniture and appliances supported by personal service. Bradlows' key focuses are style, affordability and quality. For the 12 months ended 30 September 2016, Bradlows executed approximately 203 000 transactions and sold approximately 354 000 products at an average basket size of R9 249. Approximately 80% of Bradlows sales were done on cash and a lay-buy, lay-away or put-away basis.

9.5.3 ***Rochester***

Rochester is a furniture retailer that offers high-end quality lounge, dining room and bedroom furniture at affordable prices. The brand is positioned in the middle to upper end value segment. Its key focuses are value, quality and style. For the 12 months ended 30 September 2016, Rochester executed approximately 26 000 transactions, and sold approximately 26 000 products at an average basket size of R9 878.

10. **SPECIALITY**

10.1 Brands in the Speciality channel are divided into four categories: (i) **DIY**, (ii) **G2**, (iii) **CFH** and (iv) **Bedding**. During the 12 months ended 30 September 2016, brands in the Speciality channel contributed 23% of the STAR Group's revenue and executed approximately 24 million transactions.

10.2 As at 31 March 2017, Speciality brands operated through 1 239 stores, or 26% of the STAR Group's total stores, 1 237 of which were located in South Africa (including BLNS) and two of which were located in the Rest of Africa. During the 12 months ended 30 September 2016, Speciality brands opened 144 new stores.

10.3 **Speciality brands**

The following table sets out an overview of the Speciality brands, product types, areas of operation, number of stores and retail area as at 31 March 2017:

Speciality Brands	Product Type	Countries	Number of stores	Retail area ('000 m²)
DIY				
Buco	Building materials, hardware and DIY stores	South Africa, Namibia, Mozambique	129	345
G2				
Incredible Connection	Consumer electronics and IT retailer	South Africa, Namibia, Botswana	72	40
CFH				
Hifi Corp	Consumer Electronics and appliances	South Africa, Namibia, Botswana, Swaziland, Zambia	37	47
Tekkie Town	Footwear and accessories	South Africa, Namibia	308	75
Dunns	Mid-market fashion	South Africa (including BLNS)	243	71
John Craig	Premium menswear	Namibia, South Africa	101	19
Refinery	Affordable, on-trend fashion	South Africa, Namibia	51	8
Shoe City	Footwear and accessories	South Africa, Namibia, Botswana	130	39
BEDDING				
Sleepmasters	Bedding speciality	South Africa, Namibia	168	26
TOTAL SPECIALITY BRANDS			**1 239**	**670**

10.3.1 ***DIY***

The DIY category operates the STAR Group's building materials and DIY business, with locations in a variety of major retail centres in South Africa, Namibia and Mozambique. For the 12 months ended 30 September 2016, Buco executed approximately 7 million transactions and sold approximately 264 million products at an average basket size of R829. Over the same period, the DIY category contributed 51% of the Speciality channel's revenue.

The STAR Group enhanced its DIY category through the acquisition of the Iliad Africa Group, effective 1 January 2016. Its activities target a full range of building customers, from small- to professional large-scale commercial and industrial construction projects to individual homeowners. As at 31 March 2017, the retailer operated from 129 outlets, totaling 345 000 square metres of retail space, across the DIY brands.

10.3.2 ***G2***

The **G2** category comprises two branded retailers that specialise in consumer electronics and appliances: Incredible Connection and HiFi Corp. For the 12 months ended 30 September 2016, the **G2** category executed approximately 3 million transactions and sold 4 million products at an average basket size of R1 235. Over the same period, **G2** contributed 29% of the Speciality channel's revenue.

Within its Incredible Connection retail activities, the STAR Group aims to provide specialist latest technology and IT solutions through a comprehensive offering of high-quality products and brands together with expert advice and service. These include a range of computers, including PCs, notebooks, networking devices, external and replacement hard drives, software and accessories; gaming equipment and devices; televisions and projectors; and personal devices, including cellular devices, tablets, e-readers and fitness and wearables devices. Incredible Connection is positioned in the middle to upper end of the market.

HiFi Corp operates in a complementary segment by targeting broader mass-market technology consumers, aiming to be the destination of choice for a wide array of large and small home appliances, such as washing machines, cooking and refrigeration appliances; entertainment appliances, including televisions, gaming devices, audio appliances and accessories; office automation appliances; and a variety of technology products, such as computers, software and cellular devices.

10.3.3 ***CFH***

The CFH category consists of the STAR Group's speciality clothing and footwear brands and recently acquired Tekkie Town. For the 12 months ended 30 September 2016, the CFH category executed approximately 14 million transactions and sold approximately 18 million products at an average basket size of R251 (including Tekkie Town). Over the same period, it contributed 18% of the Speciality channel's revenue (excluding Tekkie Town).

Prior to the acquisition of Tekkie Town in February 2017, the STAR Group operated a range of four well-known, speciality clothing and footwear chains across 525 retail outlets, totalling 137 000 square metres of retail space, in various locations in South Africa, Namibia, Botswana, Lesotho and Swaziland. Through these brands, the STAR Group aims to target a more diverse customer base within the value-market than it can reach with the Pep and Ackermans brands, while also offering a range of exclusive, premium brands and catering for a wide range of consumers.

Speciality historically comprised the following brands: John Craig, which offers premium branded menswear; Refinery, which focuses on offering affordable, on-trend style solutions for young adults; Dunns, which targets mid-market fashionable consumers; and Shoe City, which offers value-driven footwear for adults and children.

Tekkie Town is a South African retailer, established in 2001, focused on high-quality branded school, lifestyle, leisure and sports footwear and accessories across a variety of active and on-trend leisure brands for adults and children. As at 31 March 2017, Tekkie Town operated from 308 retail locations, totalling 75 000 square metres of retail space, in South Africa, Namibia and Lesotho.

Tekkie Town offers a variety of branded active and on-trend leisure footwear and accessories from globally leading fashion and sportswear companies. Through Tekkie Town's broad retail footprint across a number of urban consumer centres and strategic rural areas, the STAR Group is able to reach key consumer groups across southern Africa.

10.3.4 ***Bedding***

The Bedding category comprises Sleepmasters. This category was established in 2015 as part of the JD Group restructure strategy and today consists of 168 stores. Sleepmasters is a retailer of beds, bed sets and mattresses. It is positioned in the lower to middle end in the consumer segment. For the 12 months ended 30 September 2016, Sleepmasters executed approximately 69 000 transactions and sold approximately 119 000 products at an average basket size of R3 707. Over the same period, it contributed 2% of the Speciality channel's revenue.

11. STORE FOOTPRINT

The following table sets out a breakdown of the STAR Group's store footprint by geographic region, size and floor space as at 31 March 2017:

Brand	**Number of stores per region**				
	South Africa (incl BLNS)	**Rest of Africa**	**Total stores**	**Average m² per store**	**Total floor space '000 m²**
Discount and Value Retailers					
Pep	2 039	–	2 039	367	748
Pep Africa	–	301	301	407	123
Russells	318	–	318	464	146
Poco	2	–	2	5 400	11
Ackermans	603	7	610	646	394
Bradlows	273	–	273	639	172
Rochester	26	–	26	792	21
Discount and Value Retailers total	**3 261**	**308**	**3 569**		**1 615**
Speciality Retailers					
Buco	128	1	129	2 675	345
Incredible Connection	72	–	72	560	40
HiFi Corp	36	1	37	1 209	47
Sleepmasters	168	–	168	152	26
Tekkie Town	308	–	308	244	75
Shoe City	130	–	130	296	39
Refinery	51	–	51	155	8
John Craig	101	–	101	192	19
Dunns	243	–	243	292	71
Speciality Retailers total	**1 237**	**2**	**1 239**		**670**
Total	**4 498**	**310**	**4 808**		**2 285**

The following table sets out a breakdown of the STAR Group's footprint by country as at 31 March 2017:

	Number of stores		
Country	**Discount and Value**	**Speciality**	**STAR Group total**
South Africa (including BLNS)	3 261	1 237	4 498
Angola	78	–	78
Malawi	15	–	15
Mozambique	54	1	55
Nigeria	36	–	36
Uganda	7	–	7
Zambia	78	1	79
Zimbabwe	40	–	40
Total	**3 569**	**1 239**	**4 808**

The following table sets out the expected store openings of each of the STAR Group's brands as at 31 March 2017:

Discount and Value	**Approximate expected openings**
Pep	115 stores per year
Pep Africa	Average of 70 stores per year
Russells	8 to 10 stores per year
Poco	Footprint expansion commenced within the Western Cape in 2017
Ackermans	70 stores per year
Bradlows	6 stores per year
Rochester	3 stores per year
Speciality	**Approximate expected openings**
DIY	2 to 3 stores per year
G2	5 stores per year
CFH	62 stores per year
Bedding	30 stores per year

12. **EMPLOYEES**

12.1 The STAR Group monitors employee growth, development and numbers on an ongoing basis, to ensure an appropriate number of professionals are available to support: (i) the STAR Group's continued expansion; and (ii) optimal service levels for the STAR Group's customers. The STAR Group also invests in its management structure and human resources function across all of its divisions in order to improve operating efficiencies and increase its profitability. At the divisional level, local management teams have autonomy to make certain employment decisions and implement locally relevant business strategies.

12.2 Each of STAR's businesses will continue to be managed on a decentralised basis, under the leadership of their existing experienced and proven management teams.

12.3 Employees are remunerated and incentivised with short- and long-term incentives driving retention and leadership development. The STAR Group currently has succession planning procedures in place for management and senior level employees. These contingency plans include, when required, outside recruitment, selection and assessment procedures, and proper training for successor employees.

12.4 As at 31 March 2017, the STAR Group had the following number of full-time employees as at 31 March 2017:

Business unit	As at 31 March 2017
Discount and Value Retailers	28 526
Speciality Retailers	13 953
Total	**42 479**

13. **COMPETITION**

All categories in which the STAR Group operates are highly competitive, and include a large number of retailers that offer products similar to those of the STAR Group. Competition is generally based on product quality, timing of delivery, product design, product availability, brand name recognition, price and customer service. The STAR Group believes that its product offering, footprint and in-store experience differentiates it from the competition.

14. **GROUP SERVICES**

14.1 The STAR Group's strategic development is driven by the decentralised management teams guided by the experienced Board and executive committee. These teams develop proposals for possible joint ventures, mergers and acquisitions, special projects and potential growth areas and expansion of current divisions.

14.2 Human Resources are generally managed through divisional Human Resources departments.

14.3 In order to utilise the expertise of the Steinhoff Group in achieving operating efficiencies, the STAR Group procures certain central services from the Steinhoff Group. These services include corporate finance, treasury, tax, legal, secretarial, public and investor relations, accounting and internal audit, insurance and risk management. These services are provided by the Steinhoff Group to the STAR Group on an arm's-length basis and in the ordinary course of business, in terms of the Services Agreement.

14.4 In line with Steinhoff International's group policy of, promoting arm's-length transactions between group entities, STAR will continue to be free to select the sources from which it can procure its products, logistical and corporate services. The STAR Group's business model is based upon a strategy of sourcing and manufacturing products at low cost and distributing those to the Group's value-conscious customer base, mainly through its extensive retail footprint. The STAR Group considers supply chain expertise and infrastructure, including sourcing, logistics and effective management of warehouse and distribution networks, to be essential to its business. The STAR Group believes that it achieves a lower cost of sales because of volume-based sourcing benefits.

14.5 In line with the group policy of Steinhoff International, promoting arm's-length transactions between group entities, STAR will continue to be free to select the sources from which it can procure its products and logistical services. The STAR Group leverages Steinhoff International's worldwide sourcing and trading platform to source and manufacture products. Because of its scale and the relative simplicity of the products it supplies, Steinhoff can influence suppliers' cost structures, thereby optimising the prices at which it sources its products.

14.6 In the Discount and Value channel, the STAR Group's brands are able to keep sourcing costs low by purchasing products in large quantities. The STAR Group has focused on developing strategic relationships with key suppliers to manage sourcing costs. The STAR Group also focuses on sourcing its products from the lowest cost jurisdictions.

14.7 Beyond sourcing, the STAR Group directly controls the majority of its distribution and logistics operations. The STAR Group manages 36 distribution centres in South Africa and continues to invest in its supply chain capabilities and efficiencies.

15. **MARKETING, PROMOTION, ADVERTISING AND PUBLIC RELATIONS**

15.1 The STAR Group's retail operations have brand-specific marketing, advertising and public relations strategies to maximise their exposure and value propositions to consumers.

15.2 Marketing and advertising budgets are aligned to specific growth and sales objectives and allocated to various activities and events to enhance brand affinity and to expose a brand's offering to consumers.

15.3 Various advertising channels are utilised to promote product ranges and prices. These include traditional media such as catalogue and newspaper print, radio and television. Increased spend is also allocated to digital marketing channels to support the transition to omni-channel retail. Examples are websites with online retail capabilities, paid searches, e-mail communications and various social media platforms to communicate with current and prospective customers.

16. **INSURANCE**

16.1 The STAR Group will continue to utilise the insurance service division of the Steinhoff Group. The Steinhoff Group maintains insurance policies covering all jurisdictions where it has operations and where the STAR Group is currently developing and operating its business. The Steinhoff Group together with the STAR Group exercises discretion in determining amounts, coverage limits and deductibility, provisions of title, casualty, and other insurance relating to its properties and its operations, taking into account the estimated replacement value of the property, in each case, to obtain appropriate insurance coverage at reasonable cost and on suitable terms. The Steinhoff Group currently carries, among others, the following types of insurance coverage in amounts which management believes are reasonable for the business:

16.1.1 title insurance (to the extent there is justification through the acquisition process);

16.1.2 general liability insurance (which covers public liability);

16.1.3 "all risk" property damage, reinstatement and business interruption insurance; and

16.1.4 Directors' and officers' insurance and professional indemnity insurance.

16.2 Management believes that all of the STAR Group's properties are covered by adequate general liability, property damage, business interruption insurance provided by reputable companies and with commercially reasonable deductibles and limits. Management expects that the STAR Group will continue to maintain adequate liability, "all risk" property insurance coverage with respect to its properties and other operational insurances, with policy specifications, limits and deductibles customarily carried in the industry.

17. **INTELLECTUAL PROPERTY**

The STAR Group currently holds or has procured exclusive use of the rights to all its brand names, logos and trademarks, as well as registered website domain names for operational, commercial and advertising purposes. The STAR Group holds all patents or other significant intellectual property rights that are material to its business or profitability.

18. **REGULATION OF THE MARKETS IN WHICH THE STAR GROUP OPERATES**

18.1 The STAR Group's operations are subject to regulation in each market in which it operates. It is possible that regulatory and other government requirements that affect the STAR Group may change in ways in which management is unable to predict.

18.2 The STAR Group has not been notified by any governmental authority of any current material non-compliance, claim or liability in connection with any of its operations. In addition, the STAR Group has not been notified of any current material claims for personal injury or property damage by a private party in connection with any of its operations.

18.3 Prospective investors are referred to the discussion of risks relating to regulatory, political and economic developments, forming part of **Section 6** of this Pre-listing Statement.

19. **LEGAL PROCEEDINGS**

Taking into account the multiple jurisdictions in which the STAR Group operates, as well as the size and diversity of its operations, the STAR Group is involved in a number of legal proceedings that have arisen mainly in the ordinary course of business. The Board does not believe, however, that there are or have been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the previous 12 months which may have, or have had in the recent past, material effects on the STAR Group's financial position or profitability.

20. **MATERIAL CONTRACTS**

Save for those agreements detailed in **Annexure 9** and **Annexure 13**, no Material Contracts, being restrictive funding arrangements and/or contracts entered into otherwise than in the ordinary course of business carried on, or proposed to be carried on, by the STAR Group, have been entered into by the Company or any member of the STAR Group within the two years immediately preceding the date of this document or at any other time where such agreement contains an obligation or settlement that is material to the STAR Group as at the date of this Pre-listing Statement.

SECTION 3: SHOPRITE TRANSACTION

21. **SHOPRITE TRANSACTION**

21.1 **Introduction**

STAR's vision is to continue to focus on being the preferred and most convenient destination for the African consumer and all other stakeholders, by providing everyday essential products at affordable prices. In furthering this vision, STAR management remains of the opinion that a strategic investment in a leading African food and grocery retailer should support its ability to further enhance its relevance to the growing African consumer base, and better protect its ability to compete against international retailers. In this regard, STAR has secured options which, once exercised and implemented will result in STAR acquiring a strategic investment in Shoprite, one of Africa's leading food and grocery retailers with a track record of successful growth and expansion in South Africa and across the continent. This acquisition will add a complementary food and grocery offering, significant size and scale capabilities to the Company.

21.2 **Overview and terms of the Shoprite Transaction**

21.2.1 STAR has entered into Call Option Agreements with the PIC, Lancaster, Titan and Lavender Sky, in terms of which STAR could acquire economic and voting interests in Thibault and Shoprite being the Call Options as defined. After implementation of the Call Options, STAR will hold approximately 22.7% of the economic interest and approximately 49.85% of the voting rights in Shoprite. In the event that the specific repurchase of 8 683 327 Shoprite ordinary shares, as addressed in a circular to Shoprite shareholders dated 7 August 2017 be implemented, the percentages referred to above will increase to approximately 23.1% and 50.61% respectively.

21.2.2 In terms of the Call Options, STAR has the right to acquire 30 million Shoprite ordinary shares from the PIC, and a further 98.2 million Shoprite ordinary shares from Lavender Sky as well as Titan and Lancaster (including through the acquisition of Thibault ordinary shares and loan claims). Thibault *inter alia* holds Shoprite ordinary shares and non-convertible, non-participating voting shares known as "Deferred Shares" in Shoprite.

21.2.3 The Board of the Company has resolved to exercise the Call Options after the Listing, as part of the planned expansion of the STAR Group, subject to the fulfilment of the Shoprite Conditions Precedent, to acquire a significant economic interest in and voting control of Shoprite. The Call Options may be exercised any time prior to 30 November 2017, failing which the Call Options shall automatically lapse. No further corporate or shareholder approvals are required for the exercise or implementation of the Call Options.

21.2.4 The consideration payable for the implementation of the Call Options has been determined based on, *inter alia*, a share price of R215 per Shoprite ordinary share for the approximately 128.2 million underlying Shoprite ordinary shares, an amount of R4.0 billion attributable to the Deferred Shares and an additional R4.0 billion for cash and cash equivalents held by Thibault. The consideration will be settled through the issue of 1 748 241 188 Shares, being the Shoprite Consideration Shares, that will represent approximately 33.63% interest in the ordinary share capital of STAR after the Listing and the acquisitions under the Call Options. The implementation of the Call Options remains subject to certain conditions precedent including regulatory approvals such as Competition Authorities' approval.

21.2.5 The implementation of the Shoprite Transaction will result in the following Shares being issued by the STAR Group:

Name	**Number of Shares issued**	**Percentage of issued share capital[1]**
Titan	1 034 491 777	19.90%
Lavender Sky	200 010 055	3.85%
PIC	317 092 712	6.10%
Lancaster	196 646 644	3.78%
Total shares issued for Shoprite Transaction	**1 748 241 188**	**33.63%**
Steinhoff Group[2]	2 650 000 000	50.98%
Lancaster[2]	304 802 298	5.86%
Minorities[2]	495 197 702	9.53%
Total shares in issue	**5 198 241 188**	**100.00%**

Notes:

(1) Percentage shareholding based on the assumption that 750 000 000 Shares are issued by the Company in the Private Placement and accordingly 5 198 241 188 Shares are in issue after the Shoprite Transaction.

(2) Steinhoff Group and Minorities shareholdings and percentage shareholdings based on the assumption that the Overallotment Option is exercised in full and Steinhoff Group sells 50 000 000 Shares pursuant to the Overallotment Option.

21.2.6 It should be noted that Steinhoff International will continue with the Listing regardless of whether the Call Options are implemented and Shoprite will continue to maintain its separate listing on the JSE after the implementation of the Call Options. Details of the Call Options are included in the Pre-listing Statement under **Annexure 7, 8** and **9** and copies of the Call Option agreements are available for inspection.

21.2.7 The Company's acquisition of a direct and indirect interest in Shoprite and direct interest in Thibault, will not require it to extend a mandatory offer, in terms of the Companies Act and the Takeover Regulations (as defined in the Companies Act), to the Shoprite shareholders. Furthermore, no additional shareholder approval will be required in terms of the JSE Listings Requirements or otherwise. The implementation of the Call Options remains subject to the Shoprite Conditions Precedent including approval in terms of the Competition Act, No. 89 of 1998, and other regulatory approvals.

21.3 **Overview of Shoprite**

21.3.1 Shoprite is an investment holding company whose combined subsidiaries constitute the largest fast-moving consumer goods retail operation on the African continent. Based on their latest results published on 22 August 2017, Shoprite operates a total of 2 689 outlets in 15 countries across Africa. While its primary business is food retailing, its offering extends to a broad range of goods and services, including household products, furniture, pharmaceuticals and financial services amongst others. This offering is aimed at providing the lowest prices to people of all income levels across Africa.

21.3.2 The Shoprite group operates through numerous brands, including, among others:

21.3.2.1 Shoprite, the group's original and flagship brand, which caters to the mass middle-income market by providing its low prices on basic goods, including groceries and household products. Shoprite owns the most stores in South Africa and is the main spearhead for growth into Africa;

21.3.2.2 Usave, comprising small-format stores offering a limited range of basic foods at low prices to lower-income consumers;

21.3.2.3 Checkers, servicing time-pressed upper-income consumers in search of a world-class shopping experience, with great value on a wide selection of groceries, household products and speciality lifestyle ranges;

21.3.2.4 Checkers Hyper, comprising large format speciality food and general merchandise stores;

21.3.2.5 OK Furniture, a retailer selling furniture and electrical appliances throughout its large store footprint;

21.3.2.6 House & Home, which offers upper-income consumers quality homeware at affordable prices; and

21.3.2.7 LiquorShop, which offers a full assortment of wine, beer and spirits at affordable prices to Checkers and Shoprite customers.

21.3.3 Following the implementation of the Shoprite Transaction, Shoprite will remain listed on the JSE main board. Shoprite's management and operations will continue to operate independently to drive its own focused strategic vision to create value for all shareholders.

21.4 Shoprite's published audited consolidated annual financial statements for the financial years ended 30 June 2014, 2015, 2016 and 2017 are incorporated herein by reference and can be accessed on the Company's website. These financial statements will also be available for inspection in accordance with paragraph 66 of this Pre-listing Statement:

Disclosure	**Document**	**Website link**
Historical financial information	Audited financial results of Shoprite for the year ended 30 Jun 2017	https://www.shopriteholdings.co.za/content/dam/MediaPortal/documents/shoprite-holdings/SENS/SENS_ShopriteAP_YE2017_p1-22.pdf
Historical financial information	Audited annual financial statements of Shoprite for the year ended 30 June 2016	https://www.shopriteholdings.co.za/content/dam/MediaPortal/documents/shoprite-holdings/FinancialStatements/Shoprite_Annual_Fin_S_YE2016.pdf
Historical financial information	Audited annual financial statements of Shoprite for the year ended 30 June 2015	https://www.shopriteholdings.co.za/content/dam/MediaPortal/documents/shoprite-holdings/FinancialStatements/5527_Shoprite_AFS_Web_2015.pdf
Historical financial information	Audited annual financial statements of Shoprite for the year ended 30 June 2014	https://www.shopriteholdings.co.za/content/dam/MediaPortal/documents/shoprite-holdings/FinancialStatements/5206_ShopriteAnnualFinancialStatements_Web.pdf

21.5 **Benefits of the Shoprite Transaction**

The investment in Shoprite will strengthen STAR's ability to offer a unique value proposition to all of its stakeholders. The group's diversified African multi-format discount retail brands will operate across various stable and growing sectors that are highly cash generative, including fast moving consumer goods and food. Both Shoprite and STAR will have a credible shareholder of reference that will support the STAR Group's growth ambitions. There is significant potential for the underlying operating assets to work closely together both in current operations and in expanding into new regions.

21.5.1 The combination of the Steinhoff Africa Retail Assets with the economic and voting interest in Shoprite is expected to result in numerous benefits. In this regard:

- the acquisition of Shoprite will assist STAR in realising its vision to be the preferred destination for the African consumer, by providing everyday essential products at affordable prices and serving the consumer at their convenience;
- a strategic investment in a leading African food and grocery retailer will support STAR's ability to further enhance its relevance to the growing emerging African consumer;
- the food and grocery segment is the largest market segment in Africa with strong, defensive growth prospects. Access to this segment and its customers will significantly increase STAR's market penetration in the continent's formalising retail market;
- the combined business will offer a strong value proposition which will operate across various stable and growing cash generative sectors, now including FMCG and food;
- Steinhoff International will provide a shareholder of reference that will support the STAR Group's growth ambitions in South Africa and in the Rest of Africa;
- STAR and Shoprite will both benefit from the Steinhoff Group's sourcing, scale advantages, shared best practices and strategic direction as part of one of the largest global discount retailers; and
- there is potential for the underlying operating businesses to work closely together on the African continent in both their existing operations and in expanding into new regions.

21.6 **Shoprite Conditions Precedent**

Upon the exercise of the Call Options, the implementation of the Call Options shall be subject, *inter alia*, to the following conditions precedent being fulfilled or waived, as the case may be:

21.6.1 the Listing;

21.6.2 prior to the Option Date, passing of all such resolutions by the parties, required to approve the entering of the Call Option Agreements;

21.6.3 all such statutory and regulatory approvals and requirements as may be necessary to implement the Shoprite Transaction, being obtained;

21.6.4 the implementation of all of the Call Option Agreements;

21.6.5 the implementation of the Shoprite Transaction, being approved in accordance with the provisions of the Competition Act, No. 89 of 1998 (as amended) which may include, but not be limited to merger filings in other African jurisdictions or, in the event that such approval is given subject to certain conditions, that Steinhoff International or STAR confirm in writing that such conditions are acceptable to them;

21.6.6 Titan issuing a certificate in favour of STAR, confirming the release of Thibault from all guarantees, suretyships and/or indemnities provided by Thibault for and on behalf of Titan and/or any of its subsidiaries and/or associated companies and/or any third parties;

21.6.7 the Parties have confirmed in writing that there have been no facts or circumstances resulting in a material adverse effect on STAR and/or Shoprite and/or Titan in the period between the signature date of the Call Option Agreements and the business day immediately preceding the effective date. For the purposes hereof, "material adverse effect" means any material adverse change, or any development or event which might reasonably be expected to result in a material adverse change in the condition, financial or otherwise, or in the earnings, business affairs, operations or business prospects of STAR and/or Shoprite and/or option grantors whether or not arising in the ordinary course of business; and

21.6.8 the JSE approving the Listing of the Shoprite Consideration Shares on the JSE.

SECTION 4: FINANCIAL INFORMATION

22. **HISTORICAL FINANCIAL INFORMATION**

22.1 The following historical financial information is presented in **Annexure 1**:

22.1.1 audited financial history of the Company (**Annexure 1A**);

22.1.2 reviewed aggregated historical financial information of the Steinhoff Africa Retail Assets for the 12 months ended 30 June 2015 and audited aggregated historical financial information of the Steinhoff Africa Retail Assets for the 15 months ended 30 September 2016 (**Annexure 1B**);

22.1.3 reviewed aggregated income statement of the Steinhoff Africa Retail Assets for the 12 months ended 30 September 2016 (**Annexure 1C**);

22.1.4 reviewed aggregated historical financial information of the Steinhoff Africa Retail Assets for the 6 months ended 31 March 2017 (**Annexure 1D**); and

22.1.5 *pro forma* historical financial information of the STAR Group for the 12 months ended 30 June 2015 and 12 months ended 30 September 2016 (**Annexure 1F**), and is the responsibility of the Directors, while the Independent Reporting Accountants' reports thereon are included at **Annexures 2A, 2B, 2C, 2D** and **2F** to this Pre-listing Statement.

22.2 Potential investors are referred to paragraph 21.4 above, in relation to Shoprite's published audited consolidated annual financial statements for the financial years ended 30 June 2014, 2015, 2016 and latest audited results for the financial year ended 30 June 2017.

23. **FORECAST FINANCIAL INFORMATION**

The voluntary *pro forma* profit forecast of the STAR Group for the financial year ending 30 September 2017 is presented in **Annexure 1E-1** and profit forecast of the STAR Group for the financial year ending 30 September 2017 in **Annexure 1E-2**, and is the responsibility of the Directors, while the Independent Reporting Accountants' report thereon is included at **Annexures 2E-1** and **2E-2** to this Pre-listing Statement.

24. ***PRO FORMA* FINANCIAL INFORMATION**

This Pre-listing Statement includes the *pro forma* statement of comprehensive income for the 6 months ended 31 March 2017 and the *pro forma* statement of financial position as at 31 March 2017. The *Pro forma* Financial Information of the STAR Group has been prepared to illustrate the impact of the effects of acquiring the Steinhoff Africa Retail Assets, implementing the Private Placement and the Call Options (collectively, the "**Transactions**") on the aggregated historical financial information of the STAR Group as if the Transactions had occurred on 1 October 2016, for the purposes of the *pro forma* statement of comprehensive income, and 31 March 2017, for purposes of the *pro forma* statement of financial position. The *Pro forma* Financial Information of the STAR Group is attached as **Annexure 3** to this Pre-listing Statement.

Deloitte & Touche's unmodified independent reporting accountant's report on the compilation of the *Pro forma* Financial Information of the STAR Group is set out in **Annexure 4** to this Pre-listing Statement.

25. **MATERIAL BORROWINGS AND LOANS RECEIVABLE**

25.1 As at the Last Practicable Date, no debentures have been issued by the Company or any of its subsidiaries and no material loans have been advanced to them, other than Shareholder Loans as detailed in **Annexure 13**.

25.2 No debentures have been created in terms of a trust deed and no replacement debentures have been issued by the Company.

25.3 As at the Last Practicable Date:

25.3.1 No material loans have been made by the STAR Group and no loan capital is outstanding; and

25.3.2 the STAR Group has not made any loans to, or furnished any security for the benefit of, any Director or manager of the Company (or of any associate of any such Director or manager).

26. MATERIAL CHANGES

Save for the Internal Restructuring and the Private Placement contemplated in this Pre-listing Statement, there have been no material changes in the financial or trading position of the STAR Group since the end of its last financial year ended 30 September 2016.

27. MATERIAL COMMITMENTS, LEASE PAYMENTS AND CONTINGENT LIABILITIES

As at the Last Practicable Date, save for the Call Options, the Company had no material commitments, material contingent liabilities or material lease payments, other than ongoing operational lease payments, with details of the latter, for the periods ended 30 June 2015 and 30 September 2016, appearing in the aggregated historical financial information of the Steinhoff Africa Retail Assets, as presented in **Annexure 1B** to this Pre-listing Statement.

SECTION 5: OPERATING AND FINANCIAL REVIEW

The following analysis of the STAR Group's financial condition and results of operations is based on, and should be read in conjunction with, the Reports of Aggregated Historical Financial Information of the Steinhoff Africa Retail Assets, which are included in ***Annexures 1B****,* ***1C****,* ***1D****,* ***1E-1*** *and* ***1E-2****, respectively, to this Pre-listing Statement, as well as the pro forma historical financial information, which are included in* ***Annexure 1F****. All financial information is taken from these sources, unless otherwise indicated. The following discussion contains forward-looking statements that reflect the current view of the STAR Group. The STAR Group's actual results could differ materially from those anticipated in any forward-looking statements as a result of the factors discussed below and elsewhere in this Pre-listing Statement, particularly in "Risk Factors" and "Important Legal Notes – Forward-looking statements". Investors should carefully consider the following information, together with the other information contained in this Pre-listing Statement, before investing in the Shares.*

28. OVERVIEW

The STAR Group is a retailer focused on discount, value and specialised goods that retails GM, apparel, footwear, household goods, furniture, appliances, consumer electronics and building materials in Angola, Botswana, Lesotho, Mozambique, Malawi, Namibia, Nigeria, South Africa, Swaziland, Uganda, Zambia and Zimbabwe. As at 31 March 2017, the STAR Group sold its products across a retail footprint consisting of 4 808 stores. The STAR Group's business model is based on a strategy of sourcing products at low cost and distributing them to the STAR Group's value-conscious customer base through its extensive retail footprint. Because the STAR Group has historically been wholly-owned, indirectly held subsidiaries of Steinhoff International, and because Steinhoff International will continue to be a controlling shareholder in the Company following the Private Placement and Listing, the STAR Group is able to leverage the Steinhoff Group's centralised sourcing, manufacturing and logistics expertise in order to maximise operating efficiencies across its retail operations following the Listing. All intergroup transactions will continue to be concluded on an arm's-length basis.

The STAR Group was established in 2017 as a result of the Internal Restructuring by the Steinhoff Group of the Steinhoff Africa Retail Assets. For the 6 months ended 31 March 2017, it reported revenue of R28 490 million an increase of 10.48%, from the 6 months ended 31 March 2016 and EBIT of R2 788 million, an increase of 38.2% from the 6 months ended 31 March 2016. For the 12 months ended 30 September 2016, the STAR Group reported revenue of R51 234 million and EBIT of R3 485 million. On a *pro forma* historical basis, the STAR Group reported revenues of R51 766 million and EBIT of R4 855 million for the 12 months ended 30 September 2016.

29. KEY FACTORS AFFECTING THE COMPANY'S RESULTS OF OPERATIONS

Set forth below is a description of certain key factors that have historically affected the STAR Group's business and which may impact its business in the future.

29.1 Financial Periods

During 2016, Steinhoff International changed its financial year-end from 30 June to 30 September. As a result, the STAR Group discloses its results for the 15 months and 12 months ended 30 September 2016 and the 12 months ended 30 June 2015. The change in financial year-end, acquisitions during the periods and JD related one-off costs, resulted in the results for the 15 months ended 30 September 2016 not being directly comparable to the results of the STAR Group for either the 12 months ended 30 September 2016 or 30 June 2015. As such, *pro forma* historical financial information was prepared for the 12 months ended 30 September 2016 and the 12 months ended 30 June 2015 to assist readers in understanding the impact of the acquisitions and JD Group brand consolidation and restructuring expenses as discussed below.

29.2 Acquisitions

During the 6 months ended 31 March 2017 and the 12 months ended 30 September 2016, the Steinhoff Group made 2 sizable acquisitions which had an impact on STAR, being the acquisitions of the Iliad Africa Group and Tekkie Town. Effective 1 January 2016, Steinhoff acquired Iliad Africa Group and effective 1 February 2017, Steinhoff acquired Tekkie Town.

Steinhoff's acquisition of Iliad Africa Group represented a consolidation in the DIY category aimed at establishing a large-scale DIY business capable of competing with the larger DIY companies in the South African market. In comparison, the acquisition of Tekkie Town complemented and provided further scale for Speciality sales channel. For the 12 months ended 31 December 2014, the last publicly reported financial year prior to its acquisition, Iliad Africa Group had revenue of R4 365 million and gross profit of R1 219 million. For the 12 months ended 28 February 2017, Tekkie Town generated R1 513 million of revenue and gross profit of R701 million.

29.3 **JD Group Brand Consolidation and Restructuring**

Since 2015 the JD Group has undergone an organisational restructure following the disposal of its financial services business and followed by the consolidation of nine furniture retail brands into four. This resulted in approximately 300 stores being closed. The brand consolidation and restructuring lead to a decline in revenue but with a significant improvement in operating results in 2017.

29.4 **Store rollout**

The STAR Group's ability to increase sales and profitability is influenced by the number and format of stores in its footprint. As at 31 March 2017, the STAR Group had a total of 4 808 stores operating across 12 countries; 4 498 of these stores were located in South Africa (including BLNS) and 310 were located in the Rest of Africa. Part of the STAR Group's strategy has involved the rollout of new stores, and therefore an increase in selling space, in South Africa and the Rest of Africa to support both its Discount and Value and Speciality sales channels. To execute this strategy, the STAR Group has experience in expansion and a track record of rolling out new stores rapidly and effectively. The STAR Group operates a variety of store formats, ranging from smaller-format "convenience" stores, which are better suited to urban areas that are currently being redeveloped to accommodate an increasingly dense population, to large superstores such as those in its Poco brand, which have more floor space to accommodate a wider range and are more likely to be found in urban areas. During the 6 months ended 31 March 2017 the STAR Group rolled out net 127 stores and acquired a further 308 stores through the acquisition of Tekkie Town on 1 February 2017.

29.5 **Sourcing, supply chain and distribution arrangements**

The STAR Group's business model is based upon a strategy of sourcing and manufacturing products at low cost and distributing those to the Group's value-conscious customer base mainly through its extensive retail footprint. The STAR Group considers supply chain expertise and infrastructure, including sourcing, logistics and effective management of warehouse and distribution networks, to be essential to its business. The STAR Group believes that it achieves a lower cost of sales because of volume-based sourcing benefits. In line with Steinhoff International's group policy of promoting arm's-length transactions between group entities, STAR will continue to be free to select the sources from which it can procure its products and logistical services. The STAR Group leverages Steinhoff International's worldwide sourcing and trading platform to source and manufacture products. Because of its scale and the relative simplicity of the products it supplies, STAR can influence suppliers' cost structures, thereby optimising the prices at which it sources its products. In the Discount and Value channel, the STAR Group's brands are able to keep sourcing costs low by purchasing products in large quantities. The STAR Group has focused on developing strategic relationships with key suppliers to manage sourcing costs. The STAR Group also focuses on sourcing its products from the lowest cost jurisdictions.

Beyond sourcing, the STAR Group directly controls the majority of its distribution and logistics operations. The STAR Group manages 36 distribution centres in South Africa and continues to invest in its supply chain capabilities and efficiencies.

29.6 **Exchange rate fluctuations**

Due to the geographical spread of its business, the STAR Group's results of operations are impacted by fluctuations in exchange rates on both a transactional and translational basis. The STAR Group's sourcing costs are incurred primarily in Chinese Yuan, South African Rand and United States Dollars, while its revenues derived outside South Africa are earned primarily in Angolan kwanza, Botswanian Pula, Nigerian naira and Zambian kwacha. The STAR Group addresses the impact of these fluctuations by consistent and strict application of its approved hedging strategies. In addition, the STAR Group borrows funds in the same currency in which it expects to spend such funds. See "– *Quantitative and Qualitative Disclosures about Market Risks – Foreign exchange risk*".

The STAR Group's results of operations have been impacted by fluctuations in the exchange rate of the Rand against certain other key currencies. A significant and sustained appreciation of a currency in which the STAR Group incurs sourcing and manufacturing costs against the currencies in which the STAR Group earns revenues could adversely affect the STAR Group's operating margins, thereby reducing its operating profit. Conversely, a significant and sustained depreciation of a currency in which the STAR Group incurs sourcing and manufacturing costs against the currencies in which the STAR Group earns revenues could positively affect the STAR Group's operating margins, thereby increasing its operating profit.

The table below presents the change in the average translation rate of the Rand against certain key currencies for the periods indicated:

	Average Exchange Rate					
	6 months ended			**15 months ended**	**12 months ended**	
Translation rate of the Rand against	**31 March 2017**	**31 March 2016**	**% change**	**30 September 2016**	**30 June 2015**	**% change**
Chinese Yuan	1.9801	2.3235	14.78	2.2237	1.8514	(20.11)
U.S. Dollar	13.5791	15.0321	9.67	14.4292	11.4565	(25.95)

29.7 **Taxation**

The STAR Group is charged income tax at different rates depending on the location of its earnings, with statutory tax rates ranging from 22% to 35% in the jurisdictions in which it operates. To the extent it earns gains in higher tax jurisdictions and losses in lower tax jurisdictions, STAR Group's net income position may be negatively affected. Alternatively, its position may be improved by recording higher gains in lower tax jurisdictions. Moreover, a change in the tax regime in any of the STAR Group's principal geographies could materially affect its financial position and results of operations. Refer to **Annexures 1B** and **1D** for detail disclosure in the aggregated historical financial statements.

29.8 **Macroeconomic conditions**

Consumer demand for the STAR Group's products is significantly impacted by local, national and regional economic conditions in Africa, particularly South Africa. South Africa's economic growth, consumer indebtedness and rising unemployment are likely to continue to influence consumer behaviour and spending patterns. While consumer aspiration is expected to continue and demand in units is likely to grow, price points and affordability will be prioritised. These economic trends have a direct effect on the STAR Group's sales and consequently its results of operations and financial performance.

For the 6 months ended 31 March 2017 and 2016 and the 12 months ended 30 September 2016 the STAR Group derived approximately 94% of its revenue from South Africa including BLNS. As a result, conditions in South Africa have a significant impact on the STAR Group. South Africa is experiencing uncertain political, economic and labour conditions, which have impacted and are likely to continue to impact businesses and investor confidence, both of which have fallen over the last five years. In 2017, these conditions led to the country's credit rating being downgraded. GDP growth has also been slow, amounting to 1.7%, 1.3% and 0.3% in 2014, 2015 and 2016, respectively (*Statistics South Africa – Gross Domestic Product, 2017*). Despite this, the STAR Group has managed to grow, which is testament to the defensive nature of its product line.

These conditions influence the behaviour and spending patterns of the STAR Group's customers and, therefore, the STAR Group's revenues. Over the periods under review, consumers have responded to South Africa's macroeconomic environment by "trading down" across the retail spectrum, which has increased the demand for discount and value brands. This demand has been further bolstered by discount shopping becoming more socially acceptable due to the variety and quality of discount products. In response to these trends, STAR Group has also expanded its product portfolio to meet customer needs at affordable price points and endeavours to help the local economy by creating jobs and allowing people to live with dignity.

These trends have seen the STAR Group's revenue grow from R43 578 million in the 12 months ended 30 June 2015 to R51 234 million in the 12 months ended 30 September 2016.

30. OVERVIEW OF THE STAR GROUP'S RESULTS OF OPERATIONS

Set out below is an overview of the STAR Group's current trading and results of operations for (i) the 6 months ended 31 March 2017 and 2016; and (ii) the 12 months ended 30 September 2016 and 30 June 2015.

30.1 Current Trading

Since 31 March 2017, the STAR Group has continued to perform in line with expectations.

Looking ahead, the STAR Group believes that it will achieve EBIT of R6 063 million and EBITDA of R7 016 million in the 12 months ending 30 September 2017 after adjusting for the acquisition of Iliad Africa Group and Tekkie Town and one-off JD Group brand consolidation and restructuring related expenditure. This includes Tekkie Town EBIT of R191 million and EBITDA of R200 million before its acquisition date and one-off costs of R72 million.

30.2 6 Months ended 31 March 2017

The following table sets forth the STAR Group's results of operations for the 6 months ended 31 March 2017 on an aggregated and *pro forma* basis:

	31 March 2017 *(Aggregated reviewed)* *(R millions)*	**31 March 2017** *(pro forma)* *(R millions)*
Revenue	28 490	29 222
Gross profit	10 207	10 551
EBITDA	3 271	3 456
Depreciation and Amortisation	(483)	(492)
EBIT	2 788	2 964

Revenue

Aggregated:

Revenue for the 6 months ended 31 March 2017 was R28 490 million, an increase of 10.48%, from the 6 months ended 31 March 2016. This increase was due primarily to a strong performance in Pep and Ackermans partly offset by the negative effect of the closure of approximately 300 stores in the period ended 31 March 2016 as part of the furniture brand consolidation. Revenue from Iliad Africa Group was included for a full 6 months in the period ended 31 March 2017 compared to 3 months in the comparative period. The retail footprint increased by a net 127 stores and the Tekkie Town acquisition added an additional 308 stores to the STAR Group's store network from 1 February 2017.

Pro forma:

Revenue for the 6 months ended 31 March 2017 was R29 222 million, an increase of 11.2%, from the 6 months ended 31 March 2016. This increase was due primarily to a strong performance in Pep and Ackermans. The retail footprint increased by a net 127 stores.

Gross Profit

Aggregated:

Gross profit margin increased to 35.8% from 33.0% primarily as a result of the JD Group brand consolidation necessitating close down sales which had a negative impact on margins in the 6 months ended 31 March 2016. The inclusion of Tekkie Town results as of 1 February 2017 further enhanced margins during the 6 months ended 31 March 2017.

Pro forma:

Gross profit margin increased to 36.1% from 33.2%, on a *pro-forma* basis, when compared to the 6 months ended 31 March 2016. The close down sales in the closed JD Group stores also affected mark downs in the rest of the JD Group.

EBITDA

Aggregated:

EBITDA increased by 31.7%, to R3 271 million in the 6 months ended 31 March 2017. This increase is primarily as a result of the one-off restructuring costs incurred in the JD Group brand consolidation in the period ended 31 March 2016 together with the inclusion of Iliad Africa Group for a full 6 months in the period ended 31 March 2017 compared to three months in the comparative period. Tekkie Town results included for two months in the period ended 31 March 2017 slightly enhanced the STAR Group's EBITDA compared to the 6 months ended 31 March 2016.

Pro forma:

EBITDA increased by 16.8%, to R3 456 million in the 6 months ended 31 March 2017. EBITDA growth was impacted by the increase in revenue and increased gross profit margins.

Depreciation and Amortisation

Aggregated:

Depreciation and amortisation increased by 3.6%. The increase relates to the expansion of the retail footprint, the inclusion of Iliad Africa Group for a full 6 months ended 31 March 2017 compared three months in the comparative period, and the inclusion of the Tekkie Town results as of 1 February 2017.

Pro forma:

Depreciation and amortisation increased by 3.9%. The increase relates to the expansion of the retail footprint.

EBIT

Aggregated:

EBIT for the 6 months ended 31 March 2017 was R2 788 million, an increase of 38.2%, from the 6 months ended 31 March 2016. This increase was due primarily to increase in turnover at higher margins compared to that achieved in the period ended 31 March 2016 and one-off restructuring costs amounting to R220 million incurred on the furniture brand consolidation in the period 31 March 2016. EBIT was further enhanced by the inclusion of the Iliad Africa Group results for 6 months and Tekkie Town as of 1 February 2017.

Pro forma:

EBIT for the 6 months ended 31 March 2017 was R2 964 million, an increase of 19.3%, from the 6 months ended 31 March 2016. This increase was due primarily to the increase in revenue and increase in gross profit margins

30.3 **12 Months ended 30 September 2016 compared to 12 months ended 30 June 2015**

The following table sets forth the STAR Group's results of operations for the 12 months ended 30 September 2016 compared to the 12 months ended 30 June 2015 on an aggregated and *pro forma* historical basis:

	AGGREGATED			***PRO FORMA* HISTORICAL**		
	12 months ended 30 September 2016 *(reviewed) (R millions)*	**12 months ended 30 June 2015** *(reviewed) (R millions)*	**% Change**	**12 months ended 30 September 2016** *(Annexure 1E-1 and Annexure 1E-2) (R millions)*	**12 months ended 30 June 2015** *(R millions)*	**% Change**
Revenue	51 234	43 578	17.6	51 766	45 671	13.3
Gross profit	17 133	15 502	10.5	17 700	15 762	12.3
EBITDA	4 397	3 911	12.4	5 776	4 513	27.9
Depreciation and Amortisation	(912)	(873)	4.5	(921)	(897)	2.7
EBIT	3 485	3 038	14.7	4 855	3 616	34.3

Revenue

Aggregated:

Revenue for the 12 months ended 30 September 2016 was R51 234 million, an increase of R7 656 million, or 18%, from R43 578 million for the 12 months ended 30 June 2015. This increase was due primarily to the inclusion of revenue from the Iliad Africa Group acquisition for 9 months of the 12 months ended 30 September 2016, an increase in revenue from footprint expansion and organic sales growth particularly in the Pep and Ackermans brands. The growth in revenue was partly offset by the negative effect of the closure of approximately 300 stores in the period ended 30 September 2016 as part of the furniture brand consolidation.

Pro forma historical:

Revenue for the 12 months ended 30 September 2016 was R51 766 million, an increase of R6 095 million, or 13.3%, from R45 671 million for the 12 months ended 30 June 2015. This increase in revenue was due to footprint expansion and organic sales growth particularly in the Pep and Ackermans brands.

Gross Profit

Aggregated:

Gross profit margin contracted from 35.6% to 33.4% primarily as a result of the store closures from the JD Group brand consolidation necessitating close down sales which negatively impacted on margins in the 12 months ended 30 September 2016 as well as the inclusion of the Iliad Africa Group results attracting lower margins for 9 months in the STAR Group results for the 12 months ended 30 September 2016.

Pro forma historical:

Gross profit margin was relatively stable at 34.2% for the 12 months ended 30 September 2016 compared to 34.5% for the 12 months ended 30 June 2015.

EBITDA

Aggregated:

EBITDA increased by R486 million, or 12%, from R3 911 million to R4 397 million in the 12 months ended 30 June 2015 and 30 September 2016 respectively. EBITDA growth was impacted by the inclusion of one-off restructuring costs of R975 million (excluding depreciation) incurred in the JD Group brand consolidation in the period ended 30 September 2016. The 30 September 2016 EBITDA included trading results of Iliad Africa Group for a period of 9 months.

Pro forma historical:

EBITDA increased by R1 263 million, or 27.9%, from R4 513 million to R5 776 million in the 12 months ended 30 June 2015 and 30 September 2016 respectively. EBITDA growth was impacted by the increase in revenue, stable gross profit margins and a reduction in the cost of doing business.

Depreciation and Amortisation

Aggregated:

Depreciation and Amortisation increased by R39 million from R873 million in the 12 months ended 30 June 2015 to R912 million in the 12 months ended 30 September 2016. This increase can be attributed to additional stores and the inclusion of Iliad Africa Group.

Pro forma historical:

Depreciation and Amortisation increased by R24 million from R897 million in the 12 months ended 30 June 2015 to R921 million in the 12 months ended 30 September 2016. This increase can be attributed to additional stores.

EBIT

Aggregated:

EBIT for the 12 months ended 30 September 2016 was R3 485 million, an increase of R447 million, or 14.7%, from R3 038 million for the 12 months ended 30 June 2015. This increase was due primarily to the increase in revenue and a reduction in the cost of doing business, off-set by a reduction in gross profit margin and JD Group one-off costs. EBIT was further impacted by the inclusion of the trading results for Iliad Africa Group for 9 months in the STAR Group's results for the period ended 30 September 2016.

Pro forma historical:

EBIT for the 12 months ended 30 September 2016 was R4 855 million, an increase of R1 239 million, or 34.3%, from R3 616 million for the 12 months ended 30 June 2015. This increase was due primarily to the increase in revenue, stable gross profit margins and a reduction in the cost of doing business.

30.4 **Liquidity and Capital Resources**

The STAR Group's liquidity requirements arise primarily from the requirement to fund capital expenditures, business combinations, operating costs and to service debt. During the periods under review, the STAR Group's principal sources of liquidity have consisted of cash generated from operations and borrowings under the STAR Group's debt facilities with Steinhoff Group. As at the Listing Date the STAR Group will have approximately R14.0 billion Shareholder Loans and a R2.0 billion undrawn working capital facility from the Steinhoff Group.

The STAR Group's ability to generate cash from operations depends on its future operating performance, which is, in turn, dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond the STAR Group's control, as well as other factors discussed in **Section 6** entitled "*Risk Factors*".

Management believes that the STAR Group's operating cash flows and borrowing capacity will be sufficient to meet its requirements and commitments for the foreseeable future. The STAR Group's actual financing requirements will depend on a number of factors, many of which are beyond its control.

30.5 **Cash flows**

The following table summarises the STAR Group's cash flow for the periods indicated:

	6 months ended 31 March 2017	15 months ended 30 September 2016	12 months ended 30 June 2015
	(reviewed) *(R millions)*	*(audited)* *(R millions)*	*(reviewed)* *(R millions)*
Net cash inflow from operating activities	208	2 356	1 863
Net cash outflow from investing activities	(1 165)	(3 274)	(920)
Net cash inflow/(outflow) from financing activities	449	1 363	(111)
Net (decrease)/increase in cash and cash equivalents	**(508)**	**445**	**832**

30.5.1 ***Net cash inflow from operating activities***

Net cash inflow from operating activities for the 6 months ended 31 March 2017 amounted to R208 million. The low cash generation was primarily due to R1 236 million investment in inventory in anticipation of the start of the winter season and the Easter Holiday demand for product which fell in April 2017 compared to these holidays being in March in the comparable period.

Net cash inflow from operating activities increased by R493 million or 26%, from R1 863 million in the 12 months ended 30 June 2015 to R2 356 million in the 15 months ended 30 September 2016. This increase results from a change in year-end from June to September resulting in a 15 months trading period compared to 12 months in the comparative period.

30.5.2 ***Net cash outflow from investing activities***

Net cash outflow from investing activities amounted to R1 165 million in the 6 months ended 31 March 2017. This was primarily due to investment in property, plant and equipment amounting to R682 million and the net cash outflow on acquisition of businesses amounting to R428 million.

Net cash outflow from investing activities increased by R2 354 million, from R920 million in the 12 months ended 30 June 2015 to R3 274 million in the 15 months ended 30 September 2016. This increase was primarily the result of the change in year-end, increases in capital expenditure and the acquisition of the Iliad Africa Group for R1.3 billion. For the 15 months ended 30 September 2016, the STAR Group invested R1 706 million in additions to property, plant and equipment primarily related to additional store footprint, compared to R1 028 million for the 12 months ended 30 June 2015.

30.5.3 ***Net cash inflow/(outflow) from financing activities***

Net cash inflow from financing activities amounted to R449 million for the 6 months ended 31 March 2017. This was primarily due to cash inflow from Steinhoff Group loans to fund the business acquisitions.

Net cash flow from financing activities increased by R1 474 million, from a net cash outflow of R111 million in the 12 months ended 30 June 2015 to a net cash inflow of R1 363 million in the 15 months ended 30 September 2016. The movement in cash related to the settling of third party term loans and replacing them with the Steinhoff Group facilities and Steinhoff Group funding to acquire Iliad Africa Group.

31. WORKING CAPITAL

The Directors are of the opinion that the working capital available to the STAR Group is adequate for the present requirements of the STAR Group, that is, for a period of 12 months from the date of issue of this Pre-listing Statement. Furthermore, the STAR Group's working capital facilities includes a R2.0 billion undrawn facility available from Steinhoff Group – refer to **Annexure 13** for more detail on the Shareholder Loans from Steinhoff Group.

32. CAPITAL EXPENDITURE AND COMMITMENTS

The STAR Group's capital expenditure largely relates to expenditure on retail footprint expansion. In the 6 months ended 31 March 2017, the STAR Group's property, plant and equipment capital expenditure amounted to R682 million, or 2.4% of revenue. In the 15 months ended 30 September 2016, the STAR Group's capital expenditure in relation to property, plant and equipment was R1 706 million, or 2.8% of revenue. In the 12 months ended 30 June 2015, the STAR Group's capital expenditure in relation to property, plant and equipment was R1 028 million, or 2.4% of revenue.

33. MATERIAL INDEBTEDNESS AND OTHER MATERIAL LIABILITIES OF THE STAR GROUP

At the Last Practicable Date, the outstanding principal under the Shareholder Loans (including capitalised interest) was R10.6 billion. The facility in total amounts to R16.0 billion. It is expected that R2.0 billion of this facility will be undrawn by the Listing Date.

The Shareholder Loans consist of:

- The call loan facility has an interest rate equal to SA Prime less 200 basis points, is repayable on demand and reviewed annually, the first review being May 2019;
- The three-year tenure charges interest at JIBAR plus 200 basis points, is repayable upon one month notice and matures on 15 October 2020; and
- The five-year tenure charges interest at JIBAR plus 225 basis points, is repayable upon six months' notice and matures on 15 October 2022.

The STAR Group expects to replace the Shareholder Loans with third-party debt over time.

The STAR Group is targeting a net debt-to-EBITDA ratio of 2.0 times.

33.1 Unsecured and secured indebtedness of the STAR Group

The following table presents the unsecured indebtedness of the STAR Group as at 31 March 2017, 30 September 2016 and 30 June 2015, excluding bank overdrafts:

	31 March 2017	**30 September 2016**	**30 June 2015**
(R millions)	*(reviewed)*	*(audited)*	*(reviewed)*
Unsecured			
JD Group domestic medium-term note programme (closed in 2015)	–	–	1 860
Syndicated term loans and facilities	–	–	1 300
Net loans due to Steinhoff and its subsidiaries	11 527	10 433	389
Other loans	188	85	1
Secured			
Capitalised Finance lease and instalment sale agreements	36	40	32
	11 751	**10 558**	**3 582**

33.2 Contractual and contingent commitments

For information on STAR Group's contractual and contingent liabilities as at 30 September 2016, which are expected to be funded by cash from operating activities and the STAR Group's existing borrowing facilities.

33.3 Off-balance sheet arrangements

The STAR Group does not have any material off-balance sheet arrangements.

33.4 Contingent liabilities

At 31 March 2017, the STAR Group did not have any material contingent liabilities.

34. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

34.1 Foreign currency risk

The STAR Group undertakes certain transactions denominated in foreign currencies and is, therefore, exposed to exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts.

It is STAR Group's 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.

Foreign currency sensitivity analysis from a sourcing perspective:

The STAR Group is mainly exposed to fluctuations in the United States Dollar and the Chinese Yuan. The STAR Group's exposure to various African currencies, even though challenging, remains limited.

34.2 Interest rate risk

Historically, STAR Group followed 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 STAR Group's borrowings to achieve a reasonable, competitive, market-related cost of funding.

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

The interest and related terms of the STAR Group's interest-bearing loans are disclosed in note 20 to the Report of Aggregated Historical Financial Information of the Steinhoff Africa Retail Assets, which is included in **Annexure 1B** to this Pre-listing Statement. Going forward the Shareholder Loans that the STAR Group has procured will be based on variable interest rates linked to JIBAR or prime interest rates. For further details refer to **Annexure 13**.

34.3 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 STAR Group deposits short-term cash surpluses with major banks of quality credit standing. Trade receivables comprise a large and widespread customer base and STAR Group companies perform ongoing credit evaluations on the financial condition of their customers, and appropriate use is made of credit guarantee insurance. At 30 September 2016, the STAR 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 STAR Group companies' management based on prior experience and the current economic environment.

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

34.5 **Capital risk**

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

The capital structure of the STAR Group consists of debt, which includes the borrowings disclosed in note 20 of the Aggregated Historical Financial Information of the Steinhoff Africa Retail Assets, which is included in **Annexure 1B** to this Pre-listing Statement, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The capital structure will further be influenced by the possible implementation of the Shoprite Transaction as disclosed in more detail in **Section 3** of this Pre-Listing Statement.

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

For more information on these risks as well as sensitivity analyses for certain risks, see the audited aggregated historical financial information of the Steinhoff Africa Retail Assets for the 15 months ended 30 September 2016 in **Annexure 1B** to this Pre-listing Statement.

SECTION 6: RISK FACTORS

An investment in the Placement Shares is subject to a number of risks. In addition to other information contained in this Pre-listing Statement, prospective investors should carefully consider the risks described below before investing in the Placement Shares. If any of the events described below actually occurs, the STAR Group's business, financial condition or results of operations could be materially adversely affected and, accordingly, the value and trading price of the Placement Shares may decline, resulting in a loss of all or part of any investment in the Placement Shares. Furthermore, the risks and uncertainties described may not be the only ones the STAR Group faces. Additional risks and uncertainties not presently known to the STAR Group or that the STAR Group currently considers immaterial may also impair the STAR Group's business operations.

35. **RISKS RELATING TO THE STAR GROUP'S BUSINESS**

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

Historically, the furniture and household goods, DIY and general merchandise industries have been cyclical, generally fluctuating with economic cycles and conditions. Demand is sensitive to general economic conditions, including housing activity, interest rate levels, current economic growth, credit availability, unemployment and other factors that affect consumer spending habits. Due to the discretionary nature of most furniture and household goods and to a much lesser extent, GM purchases, such purchases may be deferred during times of economic uncertainty. Consequently, recessions or prolonged economic downturns in the markets in which the STAR Group operates could have a material adverse effect on its business, financial condition or results of operations.

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

The STAR Group has grown both organically and through two strategic acquisitions, being the acquisitions of Iliad Africa Group, effective 1 January 2016, and Tekkie Town, effective 1 February 2017, which have historically contributed to the expansion of its business and operations during the periods under review. The STAR Group's ability to continue to grow its business in new markets will depend partly on its success in identifying and making appropriate acquisitions and joint venture arrangements in the future, like the Shoprite Transaction. Moreover, the STAR Group's future operating results will largely depend upon its ability to manage and integrate the operations of past, as well as any future acquisitions.

These integration plans may be more complex or lengthy than expected and costs to achieve these plans may be greater than anticipated.

If the STAR Group is unable to successfully integrate acquisitions, this may negatively impact the profitability of the acquired businesses, as well as lead to write-offs of the STAR Group's assets, including intangibles and goodwill. In the event the STAR Group is forced to write off a portion of the value of its intangible assets, this could have a material adverse effect on its business, financial condition and results of operations.

35.3 **The STAR Group depends on efficient logistics systems**

The STAR Group depends on the efficiency of its logistics networks, which include the movement of products primarily by way of road, rail and sea, and the delivery of such products to the STAR Group's customers. The primary means by which the STAR Group transports its goods is ocean-borne container. The STAR Group contracts with third parties (including via Steinhoff Group) 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 STAR Group's control. These factors include adverse natural conditions, such as violent storms, tidal waves and tsunamis, as well as terrorist attacks and piracy, which have increased in frequency in recent years. The occurrence of these events could have a material adverse impact on the STAR Group's cost of operations. There can be no assurance that the insurance coverage the Group has will be adequate, that its insurers will pay a particular claim or that its insurance premiums will not increase as a result of the occurrence of any of these circumstances.

Because logistics are crucial to the STAR Group's business, highly advanced processes and systems are employed, from merchandise pickup and goods movement to intelligent route planning. Despite historical investment in the STAR Group's logistics network, the STAR Group remains vulnerable to external issues beyond its control, such as the failure of third party suppliers to ensure that the appropriate quality and quantity of goods are shipped, as well as possible delays to delivery, which could be caused by the disruption of the STAR Group's distribution networks. The risk of delay in the delivery of goods is particularly significant in instances where large amounts of goods are shipped ahead of peak trading seasons, where the occurrence of or delay in delivery could result in the STAR Group's inability to meet demand and therefore significantly impact profitability for that period. Any breakdown of the STAR Group's logistics systems could have a material adverse effect on its business, financial condition or results of operations. Fluctuations in the price, availability or quality of sourced products could cause delays or increases in the costs of products.

Because the STAR Group's business model depends, in part, on the sourcing of products from reliable sources and suppliers (being those that are able to provide the required goods at competitive prices and within agreed time frames), it seeks to attain greater control over its supply of such goods. The principal goods that the STAR Group sources from third parties include upholstered furniture, case goods and bedding products, as well as GM, household goods and cellular products. Additionally, many of the suppliers of the STAR Group's sourced products are dependent upon other suppliers in countries other than where they are located. This global interdependence is subject to delays in delivery, availability, quality and pricing (including tariffs) of products. Furthermore, the STAR Group is subject to the risk that the efforts that it takes to manage exposure to supply chain interruptions may be unsuccessful. The delivery of goods from these suppliers may be delayed by customs, labour issues including industrial action and/or sector-specific changes, changes in political, economic and social conditions, laws and regulations. Unfavourable fluctuations in the availability of these products could negatively affect the STAR Group's ability to meet the demands of its customers and have a negative impact on product margin.

The STAR Group's suppliers could choose to discontinue business with the STAR Group or could change the terms under which they are willing to do business, such as price, minimum quantities, required lead times or payment terms. Fluctuations in the price, availability or quality of the products it sources could have a negative effect on the STAR Group's cost of sales and its ability to meet the demands of its customers. In the event of a significant disruption in the STAR Group's supply of raw materials or sourced products, the STAR Group may not be able to locate alternative sources at an acceptable price, quality or in a timely manner. Any of these factors could decrease the STAR Group's revenue, which could have a material adverse effect on the STAR Group's business, financial condition or results of operations.

35.4 **The STAR Group is exposed to fluctuations in currency exchange rates**

The STAR Group is exposed to foreign exchange due to the sourcing of its products. As a result, volatility in the exchange rates between the countries where the STAR Group sources its products and South Africa, where it sells the majority of its products could have a negative impact on its operating margins. The STAR Group is primarily exposed to fluctuations between the Rand and the Angola kwanza, Nigerian naira, Zambian kwacha, U.S. Dollar, Botswana pula and Chinese Yuan. Liquidity in a number of the African countries remains a risk. The STAR Group's exposure to the U.S. Dollar results from the fact that most commodities, including oil, are priced in U.S. Dollars. Any significant and sustained appreciation of these against the Rand would adversely affect the STAR Group's operating margins, thereby reducing its gross profit.

It is the STAR Group's policy to hedge certain transactional currency risk associated with sourcing products via foreign exchange contracts. Such hedging measures may have the effect of increasing costs for the STAR Group to the extent it receives a less advantageous currency exchange rate than the prevailing rate available from time to time. Should the Group fail to adequately hedge its transactional risk or suffer increased costs or decreased competitiveness as a result of its hedging efforts, this could have a material adverse effect on the STAR Group's business, financial condition or results of operations.

35.5 **The STAR Group may not be able to identify opportunities or conclude transactions to expand its business**

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

The STAR Group may also face competition from its competitors for potential growth opportunities. The STAR Group may face increased competition with other leading retailers for market share growth opportunities or it may be unable to take advantage of perceived consolidation opportunities, either of which may adversely affect its ability to successfully maintain and grow its market share. The failure to identify or conclude potential transactions could materially adversely affect the STAR Group's business, financial condition or results of operations.

35.6 **The STAR Group operates in highly competitive markets**

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

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

No assurance can be given that the STAR Group will be able to maintain its competitive position in all or any of the markets in which it operates.

35.7 **The STAR Group's business is dependent on the image and reputation of its brands**

The STAR Group's financial performance is influenced by the image, perception and recognition of each brand in the STAR Group, which, in turn, depends on many factors including the customer service delivered by employees; the ability to maintain high levels of service in store; the ability to offer a wide range of products and services responsive to customers' needs; the quality of its products, the ability to offer competitive pricing; the availability of stock in store; the image of its stores; the perception of any loyalty programmes; and the strength of its communication activities including advertising campaigns. Any failure to maintain favourable brand recognition could have a material adverse effect on the STAR Group's business, results of operations and financial condition.

35.8 **The STAR Group faces seasonal and other fluctuations in consumer demand and the risk of product obsolescence**

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

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

35.9 **The STAR Group has potential exposure to product liability claims and to loss of reputation**

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

35.10 **The STAR Group may not be adequately insured**

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

35.11 **The STAR Group depends on the skills and experience of its senior executive officers and members of its management**

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

35.12 **The STAR Group is subject to IT risk**

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

35.13 **The STAR Group may not be able to pass on the cost of oil and electricity to its customers**

The STAR Group's operations depend on oil in the transport of goods between facilities or retail outlets and the STAR Group's customers and/or the end consumer. Oil prices have historically been volatile and depend on the actual and expected changes in the supply and demand of oil, changes in global economic growth and political uncertainty, especially in oil-producing countries. South Africa has historically experienced national electricity shortages with intermittent, seasonal power outages and the government and Eskom have occasionally implemented electricity rationing, planned blackouts (referred to locally as "load shedding") and increased electricity tariffs. South Africa's energy provider, Eskom, has advised that the national power grid may remain under strain for a number of years until new power stations come on-line, and regular power cuts remain a possibility during this time. Any extended period of planned or unplanned electrical power supply interruptions could result in significantly increased energy or other utility costs due to the need to operate back-up power generators. In the past, the STAR Group has been able to pass increased costs on to the customer or end-consumer. However, it may not succeed in doing so in the future and may not continue to have access to affordably priced oil, gas and electricity. This would lead to a reduction in operating margins, which could materially adversely affect the STAR Group's business, financial condition or results of operations. In addition, the costs of power may be volatile due to increased market fluctuations in gas and electricity prices. Any future increases in the STAR Group's oil, gas and electricity costs, it could have a material adverse effect on the STAR Group's business, results of operations and financial condition.

35.14 **The STAR Group may be unable to protect its intellectual property rights**

The STAR Group's primary intellectual property is its brands, which are important to the reputation and operation of its business and its competitive position in the markets in which it operates. The STAR Group protects its intellectual property through a combination of registered trademarks and other trademark and service mark rights. If the STAR Group's efforts to protect its intellectual property are inadequate, or if any third party misappropriates or infringes on the STAR Group's intellectual property, the value of the STAR Group's brand may be harmed, which could have a material adverse effect upon its brand, reputation, its business and financial condition and results of operations.

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

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

35.16 **Natural disasters could adversely affect the STAR Group's business**

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

Furthermore, the STAR Group's insurance coverage with respect to natural disasters is limited and is subject to deductibles and coverage limits. Such coverage may not be adequate, or may not continue to be available at commercially reasonable rates and terms. Any of these factors could materially adversely affect the STAR Group's business, financial condition and results of operations.

36. **RISKS RELATING TO REGULATORY, POLITICAL AND ECONOMIC DEVELOPMENTS**

36.1 **The STAR Group is subject to various government regulations in the markets in which it operates**

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

The STAR Group, in particular, subject to consumer protection and privacy legislation in South Africa. The South African Consumer Protection Act, 2008 ("**CPA**") imposes product liability on a strict liability-no fault basis and product warranty exposure and it curtails marketing activities. Non-compliance with the CPA can give rise to the imposition of an administrative penalty of up to 10% of revenue in the preceding financial year, as well as claims for damages, including consequential loss. Consumers, for CPA purposes, are individuals (natural persons) who transact for or consume goods and services, as well as small corporate entities (juristic persons) which have an asset value or revenue in the preceding financial year below a nominal threshold. Most of the STAR Group's customers in South Africa qualify as consumers for CPA purposes and the CPA therefore impacts on business with those customers. Non-compliance with the CPA can lead to severe sanctions and/or the inability in certain cases to enforce contract terms and conditions that contravene the CPA, which in turn may have adverse effects on sales, liquidity and results of operations.

Another aspect of consumer protection in South Africa is the National Credit Act, 2005 ("**NCA**"), which provides for extensive protection to debtors under credit agreements. Most of the credit extended by the Group to its customers in South Africa is regulated by the NCA. The NCA requires that, before granting credit to a prospective customer, a credit provider must undertake an affordability assessment in respect of a customer's ability to service his or her potential debt obligations by taking into consideration the customer's financial means, obligations and prospects, as well as the customer's debt repayment history and his or her understanding of the risks and costs of the proposed credit. Other than at inception, an affordability assessment must be conducted during the term of the agreement should the credit limit be increased temporarily or permanently, by agreement with the customer. Failure to conduct such an assessment will result in the agreement being considered reckless and a court could set it aside.

Furthermore, in the near future the STAR Group's collection, storage and processing, and any disclosure of, customer and employee personal information will need to comply with South Africa's Protection of Personal Information Act, 2013 ("**POPI**"). POPI has been enacted, but is yet to come into force. It largely mirrors, in substance, prevailing privacy laws in the European Union and other western jurisdictions that have enacted privacy legislation. The STAR Group could be required to devote substantial management time and resources to comply with this new law.

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

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

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

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

The STAR Group has transfer pricing arrangements in relation to some aspects of its business. Transfer pricing regulations in the countries in which the STAR Group has operations require that any international transaction involving associated enterprises be on arm's-length terms. The STAR Group considers the transactions among its businesses to be substantially on arm's-length terms; however, if a tax authority in any jurisdiction in which the STAR Group operates reviews any of the STAR Group's practices and determines that the transfer prices and terms that the STAR Group has applied are not appropriate, or that other income of a division of the STAR Group should be taxed in that jurisdiction, the STAR Group may incur increased tax liability, including accrued interest and penalties, which would cause the STAR Group's tax expense to increase.

37. **RISKS ASSOCIATED WITH INVESTING IN EMERGING MARKETS SUCH AS SOUTH AFRICA**

37.1 **Political, social and economic conditions in South Africa (including BLNS) or regionally may reduce or increase demand for the STAR Group's products or have a material adverse effect on the STAR Group's business, financial condition, results of operations and prospects**

The STAR Group's South African (including BLNS) operations are the core of its business, accounting for 94% of its revenue for the 12 months ended 30 September 2016, and as a result, the STAR Group is affected by political, social and economic conditions in South Africa. South Africa is experiencing uncertain political, economic and labour conditions, which have impacted and are likely to continue to impact businesses and investor confidence, both of which have fallen over the last five years. High levels of unemployment and a shortage of critical skills in South Africa, despite increased government expenditure on education and training, remain issues and deterrents to foreign investment. These weak macroeconomic and more stringent credit regulations have resulted in a consistent decline in the proportion of household discretionary spend since 2007 (*Market research provider, Euromonitor International – South Africa Consumer Expenditure on Discretionary Goods per Capita, 2017*).

Furthermore, as a result of a number of factors including those listed above and low commodity prices, amongst others, GDP growth has been weak, amounting to 1.7%, 1.3% and 0.3% in 2014, 2015 and 2016, respectively (*Statistics South Africa – Gross Domestic Product, 2017*). Continuing uncertainty and political and economic developments may lead to further downgrades in credit ratings in the future, making financing more expensive and difficult to secure. This may restrict the STAR Group's future access to international financing and could have a material adverse effect on the STAR Group's financial condition and results of operations.

There has also been economic, political and social instability in the countries surrounding South Africa, which may negatively affect South African economic, political or social conditions. Further changes to, or increased instability in, the economic, political or social environment in South Africa or in surrounding countries could have a material adverse effect on the STAR Group's business, financial condition, results of operation and prospects.

Operating in certain African markets, such as those in West Africa and East Africa, exposes the STAR Group to certain risks, including: political instability, civil conflict and disturbance and violence; fraud, bribery and corruption; armed hostilities; terrorism, government interventions, including expropriation or nationalisation of assets, increased protectionism and the introduction of tariffs or subsidies; the outbreak of epidemics, including the Ebola virus in West Africa in 2014; the inability to extract cash earned in local subsidiaries due to local exchange controls; arbitrary or inconsistent government action; hyperinflation; and cancellation, nullification or unenforceability of contractual rights. The STAR Group may also be subject to policy changes or increased government regulations with respect to a variety of matters, including export and import controls; income and other taxes; community imposts, environmental law; health and safety law; intellectual property and the enforcement thereof; foreign ownership restrictions; competition law; employment policies and labour laws; and electricity and water use. The STAR Group may be required to incur additional costs in order to comply with these changes or the implementation of new regulations. There is also a risk that these laws or regulations may materially restrict the STAR Group's ability to deliver its products or could be breached through inadvertence or mistake, fraudulent or negligent behaviour of its employees or agents, failure to comply with certain formal documentation or technical requirements, or otherwise. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against the STAR Group or its personnel, or prohibitions on the conduct of the STAR Group's business or its ability to operate in one or more countries, any of which could have a material adverse effect on the STAR Group's business, results of operations, financial condition or prospects. Some of these risks are outside the STAR Group's control and there can be no assurance that the STAR Group will be able to identify, anticipate or prepare for any or all of the risks inherent in operating in these countries.

There can be no assurance that the STAR Group will be successful in every African market in which it currently operates or in which it establishes a presence and, from time to time, it may choose to withdraw from a market. Should any of the above risks materialise, the STAR Group may not be able to operate successfully or may incur significant costs attempting to do so, which may have a material adverse effect on its business, results of operations and financial condition.

37.2 **Exchange control regulations may restrict the STAR Group's ability to make foreign investments and procure foreign-denominated finance**

As a South African resident company the STAR Group is subject to South Africa's exchange control regulations which effectively place limitations on the export of capital from the Common Monetary Area. It may also be subject to exchange control regulations of other African countries in which it operates. Although there has been ongoing relaxation of exchange controls in recent years, and although the STAR Group does not have significant foreign exchange investments or foreign-denominated financing, these regulations could hinder the ability of the STAR Group to make foreign currency denominated investments and procure foreign currency denominated financing in future which could have a material adverse effect on the STAR Group's business, financial condition, results of operations and prospects.

38. **RISKS RELATING TO THE PRIVATE PLACEMENT AND THE PLACEMENT SHARES**

38.1 **Steinhoff International will remain the controlling shareholder of the Company at completion of the Private Placement and will have significant voting power and the ability to influence matters requiring shareholder approval**

Following the completion of the Private Placement and Listing, it is expected that Steinhoff Group will remain the major shareholder of the Company and will, accordingly, continue to have a majority of the Shareholder vote, thereby having the ability to significantly influence the outcome of matters submitted for the vote of the Shareholders, including the election of members of the Board of Directors. The commercial goals of Steinhoff International as a Shareholder, and those of the STAR Group, may not always be aligned and this concentration of ownership may not always be in the best interest of the other Shareholders. For example, Steinhoff International could delay, defer or prevent a change of control, impede a merger, deny a potential future equity offering, amalgamation, consolidation, takeover or other business combinations involving the STAR Group, or discourage a potential acquirer from attempting to obtain control of the STAR Group.

38.2 **There is no existing market for the Placement Shares and an active trading market for the Placement Shares may not develop or be sustained**

There is currently no active market for the Placement Shares. Although the Placement Shares are expected to be listed on the exchange operated by the JSE, there is no assurance that an active trading market for the Placement Shares will develop and continue following Listing. If no active trading in the Placement Shares develops or continues, this could have a material adverse effect on the liquidity and the market price of the Placement Shares, and investors may have difficulty selling their Placement Shares. The Placement Price may not be indicative of the market price for the Placement Shares following the Listing.

38.3 **The exchange operated by the JSE is smaller and less liquid than some major securities markets**

The exchange operated by the JSE is not as liquid as some major world equity securities markets. As a result, the prices of South African securities may be more volatile than in such other securities markets. In addition, a small number of stocks represent a disproportionately large percentage of the aggregate market capitalisation and trading volume of the exchange operated by the JSE. The limited market capitalisation and liquidity of the exchange operated by the JSE, relative to some major world equity securities markets, may impair the ability of holders of Placement Shares to sell such Placement Shares or impair the prices realised from such sales.

38.4 **The market price of the Placement Shares may prove to be volatile and is subject to fluctuations, including significant decreases**

The market price of the Placement Shares could be volatile and subject to significant fluctuations due to a variety of factors, some of which do not relate to the STAR Group's financial performance, including changes in general market conditions, the general performance of the exchange operated by the JSE, changes in sentiment in the market regarding the Shares (or securities similar to them), regulatory changes affecting the STAR Group's operations, variations in the STAR Group's operating results, business developments for the STAR Group or its competitors, the operating and share price performance of other companies in the industries and markets in which the Group operates, speculation about the STAR Group's business in the press, media or the investment community, or changes in the political, social or economic conditions in South Africa. Furthermore, the STAR Group's operating results and prospects may from time to time be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Placement Shares.

38.5 **Shareholders may not be able to exercise their pre-emptive rights**

Holders of shares of South African companies are in certain circumstances entitled to pre-emptive rights pursuant to South African law and/or the Company's MOI. The MOI provides that unissued securities shall be offered to existing holders of Shares *pro rata* to their shareholdings unless issued:

- for the acquisition of assets, whether by means of an acquisition issue or a vendor consideration placing;
- pursuant to options or conversion rights;
- in terms of an approved share incentive scheme;
- for cash and such issue has been approved by Shareholders by ordinary resolution;
- in terms of a rights offer or otherwise falls within a category in respect of which it is not, in terms of the JSE Listings Requirements, a requirement for the relevant Shares to be offered to existing Shareholders; or
- is otherwise undertaken in accordance with an authority approved by Shareholders in general meeting, subject to the applicable corporate action being approved by the JSE, to the extent that such JSE approval is required under the JSE Listings Requirements.

While all Shares will be of the same class and rank *pari passu*, non-South African holders of Shares may not be able to exercise such pre-emptive rights for Shares, unless the Company decides to comply with applicable local laws and regulations and, in the case of U.S. holders, unless a valid exemption from the registration requirements of the U.S. Securities Act is available. No assurance can be given that the Company will elect to comply with such applicable local laws and regulations, or in the case of U.S. holders, that an exemption from the registration requirements of the U.S. Securities Act would be available to enable such U.S. holders to exercise such pre-emptive rights and, if such exemption were available, that the Company would take the steps necessary to enable U.S. holders of Shares to rely on it.

38.6 **The STAR Group cannot make any assurance that it will pay cash dividends or make other similar payments in the future**

The Company intends to target a dividend per share pay-out ratio of two times cover, taking into account the composition of the STAR Group's investments and business activities, provided the STAR Group's business remains stable. Since the Company does not itself conduct any operating business, its ability to pay dividends depends on its operating subsidiaries and associated companies making profits and distributing these to the Company or transferring them to the Company.

Any decision as to whether to pay cash dividends or other distributions (such as a return of capital to shareholders through share dividends, for example) will depend upon a variety of factors, including the STAR Group's cash flow, capital expenditure plans and other cash requirements existing at the time, loan covenants and other considerations.

Under the terms of the MOI and the Companies Act, the Company may only make cash dividends or other distributions if such distribution is pursuant to an existing legal obligation of the Company or a court order or is authorised by resolution of the Board, it reasonably appears that the Company will satisfy the solvency and liquidity test immediately after completing the proposed distribution, and the Board, by resolution, has acknowledged that it has applied the solvency and liquidity test and has reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the proposed distribution. The aforesaid "solvency and liquidity test" refers to the test set out in Section 4(1) of the Companies Act, which, in relation to a distribution, states that the Company will satisfy the solvency and liquidity test if, considering all reasonably foreseeable financial circumstances of the Company at that time, the assets of the Company, as fairly valued, equal or exceed the liabilities of the Company, as fairly valued, and it appears that the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months following the distribution. No assurance can be given that cash dividends or other similar payments will be paid in the future.

38.7 **Investors may have difficulty enforcing their rights against the Company and its respective Directors and officers in U.S. courts**

The Company is incorporated under the laws of the Republic of South Africa and all the STAR Group's assets are located outside the United States. The members of the Board and senior management of the STAR Group named in this Pre-listing Statement are non-residents of the

United States. All or a substantial proportion of the assets of these individuals are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon the Company or persons residing outside the United States, or to enforce outside the United States judgements obtained against such persons in U.S. courts in any action, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions located outside the United States, rights predicated upon the U.S. federal securities laws. No assurance can be given that U.S. investors will be able to enforce any judgements obtained in U.S. courts in civil and commercial matters, whether or not predicated solely upon U.S. federal securities laws, against the Company, members of the Board and senior management of the STAR Group named in this Pre-listing Statement who are residents of the Republic of South Africa or countries other than the United States.

38.8 **Investors with a reference currency other than the Rand will become subject to foreign exchange rate risk when investing in the Shares**

The Shares are, and any dividends to be declared in respect of the Shares will be, denominated in Rand. An investment in the Shares by an investor whose principal currency is not Rand exposes the investor to currency exchange rate risk that may impact the value of the investment in the Shares or any dividends.

38.9 **Future offerings of equity securities by the Company may adversely affect the market price of the Shares and may dilute investors' shareholdings. The Shares may also be subject to dilution upon the exercise of outstanding options over Shares**

Immediately following the Listing and Private Placement, there will be up to 3 450 000 000 Shares in issue. In the future, the STAR Group may issue additional equity. This may be done by issuing additional Shares or other shares, issuing additional debt or equity securities convertible into Shares or issuing additional rights to acquire these securities.

Under the Placement Agreement, the Company has undertaken to each of the Joint Global Coordinators that, without the prior written consent of the Joint Global Coordinator, on behalf of the Joint Global Coordinators, it will not, subject to certain exceptions including the issuance of the Shoprite Consideration Shares, during the period ending 180 days after the Listing, (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for such Shares or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any such transaction described in (1) or (2) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

However, any additional capital raised through the issue of additional Shares may dilute a Shareholder's percentage ownership in the Company. Any additional equity offerings by the STAR Group, or the public perception that an offering may occur, could also have a material adverse effect on the trading price of the Shares and could increase the volatility in the market price of the Shares.

39. **COMPOSITION OF THE BOARD**

39.1 The full names, ages, business addresses and capacities of the Directors are provided below:

Full name	Age	Capacity	Business Address
Andries Benjamin (Ben) la Grange	42	Chief Executive Officer	Block D, De Wagenweg Office Park, Stellentia Road, Stellenbosch,7600
Riaan Gustav Hanekom	47	Chief Financial Officer	36 Stellenberg Rd, Parow, Industria, 7493
Markus Johannes Jooste	56	Non-executive Director	Block D, De Wagenweg Office Park, Stellentia Road, Stellenbosch,7600
Daniël Maree (Danie) van der Merwe	59	Non-executive Director	Block D, De Wagenweg Office Park, Stellentia Road, Stellenbosch,7600
Jacob Daniel Wiese	36	Non-executive Director	36 Stellenberg Rd, Parow, Industria, 7493
Jayendra Naidoo	56	Independent non-executive Chairperson	Ground Floor, The Place, 1 Sandton Drive, Sandton, 2196
Johann Bernard Cilliers	57	Independent non-executive Director	5 Gerbera Close, Welgedacht Estate, Bellville, 7530
Vusumuzi Philip (Vusi) Khanyile	66	Independent non-executive Director	Thebe House, 2nd Floor, 166 Jan Smuts Avenue, Rosebank, 2196
Stephanus Hilgard (Steve) Müller	55	Independent non-executive Director	6A Athole Avenue, Craighall, 2196
Heather Joan Sonn	45	Independent non-executive Director	18 Orphan Street c/o Bree Street and Orphan Street, Cape Town 8001
Allen Edwin Swiegers	56	Independent non-executive Director	442 Milner Street, Waterkloof, Pretoria, 0181

39.2 Profiles of the Directors, detailing their experience, appear in **Annexure 10**.

39.3 Messrs Ben la Grange and Danie van der Merwe were appointed as Directors with effect from 1 July 2017, while the appointment of all the remaining Directors occurred on 18 August 2017.

40. **CHIEF FINANCIAL OFFICER**

Riaan Hanekom is the Chief Financial Officer of the Company. The audit and risk committee has considered and satisfied itself of the appropriateness of the expertise and experience of Riaan for the position as Chief Financial Officer. **Annexure 10** contains further details on the qualification and experience of Riaan.

41. **DIRECTORS OF MAJOR SUBSIDIARIES**

The full names, ages, business addresses and capacities of the Directors of the Company's Major Subsidiary, Pepkor, appear in **Annexure 15**.

42. **ADDITIONAL INFORMATION**

42.1 A list of other directorships held by the Directors have been set out in **Annexure 11**.

42.2 All Directors and all Directors of the Company's Major Subsidiary are South African citizens.

42.3 No Director and no Director of the Company's Major Subsidiary is a partner with unlimited liability.

42.4 None of the Directors and none of the Directors of the Company's Major Subsidiary:

42.4.1 have been declared bankrupt, insolvent or have entered into any individual voluntary compromise arrangements;

42.4.2 have been Directors with an executive function of any company put under, or proposed to be put under, any business rescue plans, or that is or was the subject of an application for business rescue, any notices in terms of Section 129(7) of the Companies Act, receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangements with creditors generally or any class of creditors, at the time of such event or within the 12 months preceding any such event;

42.4.3 have been partners in a partnership that was the subject of any compulsory liquidation, administration or partnership voluntary arrangement, at the time of such event or within the 12 months preceding any such event;

42.4.4 have entered into any receiverships of any asset(s) or of a partnership where such Directors are or were partners during the preceding 12 months;

42.4.5 have been publicly criticised by a statutory or regulatory authority, including recognised professional bodies, or been disqualified by a court from acting as a Director of a company or from acting in the management or conduct of the affairs of any company;

42.4.6 have been convicted of any offence resulting from, or involving, dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement committed by such person;

42.4.7 have been removed from an office of trust, on the grounds of misconduct, involving dishonesty; or

42.4.8 have been the subject of any court order declaring him delinquent or placing him under probation in terms of Section 162 of the Companies Act and/or Section 47 of the Close Corporations Act, No. 69 of 1984, or been disqualified by a court to act as a Director in terms of Section 219 of the Companies Act, No. 61 of 1973.

43. MANAGEMENT

43.1 The Company is governed by the Board, which is responsible for ensuring that the Company complies with all of its statutory and regulatory obligations, as specified in the Companies Act, the MOI and, following the Listing, the JSE Listings Requirements.

43.2 The Company's executive committee will meet monthly and act as a consolidated oversight committee for the STAR Group. The executive committee will upon Listing have the following members:

Full name	Position
Ben la Grange	Chief Executive Officer
Riaan Hanekom	Chief Financial Officer
Leon Marius Lourens	Chief Operating Officer: Retail Operations
Jaap Lester Hamman	Chief Executive Officer: Pep SA
Charl André Cronjé	Chief Executive Officer: Ackermans
Peter Mark Griffiths	Chief Executive Officer: JD Group & Poco SA
Bernard Eugene Mostert	Chief Executive Officer: Speciality
Garth Napier	Chief Executive Officer: Pep Africa
Eugene Beneke	Chief Executive Officer: Steinbuild
Abraham Johannes van Huysteen	Chairman Property Committee

43.3 The Board has appointed a number of further committees to assist the Board in discharging its duties, with the particulars of such committees appearing in paragraph 47.4.

43.4 No part of the business of the STAR Group is managed, or is proposed to be managed, by a third party under a contract or arrangement.

43.5 Steinhoff Group provides certain administration, financial and other services to the Company in consideration for a fee under the Services Agreement. These services include, corporate finance, treasury, tax, legal, secretarial, investor relations, accounting and internal audit, insurance and risk management. These services are provided by the Steinhoff Group to the STAR Group on an arm's-length basis and in the ordinary course of business.

44. QUALIFICATION, REMUNERATION, BORROWING POWERS AND APPOINTMENT OF DIRECTORS

44.1 Extracts from the MOI relating to Directors

The relevant provisions of the MOI of the Company concerning the qualification, remuneration, borrowing powers and appointment of the Directors are set out in **Annexure 5** to this Pre-listing Statement.

44.2 Borrowing powers

44.2.1 The MOI does not provide for the borrowing powers of the Directors to be varied and any variation of such powers would accordingly require Shareholders to approve a special resolution amending the MOI.

44.2.2 The borrowing powers of the Directors of the STAR Group have not been exceeded during the three years preceding the Last Practicable Date. There are no exchange control or other restrictions on the borrowing powers of the Company or its Major Subsidiary.

44.3 Appointment and qualification of Directors

44.3.1 No person has the right in terms of any agreement in respect of the appointment of any Director or any number of Directors.

44.3.2 Apart from satisfying the qualification and eligibility requirements set out in Section 69 of the Companies Act, a person need not satisfy any eligibility requirements or qualifications to become or remain a Director.

44.3.3 The MOI does not prescribe an age limit at which Directors are to retire.

44.4 Remuneration of Directors

44.4.1 The Company may pay remuneration to non-executive Directors for their services as Directors in accordance with a special resolution approved by Shareholders within the previous two years, as set out in Section 66(8) and (9) of the Companies Act, and the power of the Company in this regard is not limited or restricted by the MOI.

44.4.2 Any Director who (1) serves on any executive or other committee; or (2) devotes special attention to the business of the Company; or (3) goes or resides outside South Africa for the purpose of the Company; or (4) otherwise performs or binds himself to perform services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration or allowances in addition to or in substitution of the remuneration to which he may be entitled as a Director, as a disinterested quorum of the Board may from time to time determine.

44.4.3 Directors may also be paid all their travelling and other expenses necessarily incurred by them in connection with the business of the Company and attending meetings of the Directors or of committees of the Directors.

44.4.4 In terms of the MOI, the remuneration of executive Directors (as determined by a disinterested quorum of Directors or a remuneration committee appointed by the Board) shall be in addition to or in substitution of any ordinary remuneration which a Director may receive in such capacity, as the Board may determine, and may consist of a salary or a commission on profits or dividends or both, as the Board may direct.

44.4.5 The non-executive director fees set out in paragraph 44.4.8.2 below had been approved by the existing shareholder.

44.4.6 The Company did not pay any remuneration to the Directors during the previous financial year. In accordance with the JSE Listings Requirements, the table below discloses all remuneration received by the Directors from Steinhoff International, the Company's subsidiaries and fellow subsidiaries of Steinhoff International, for the previous financial period **ended 30 September 2016, representing earnings for a 15-month period**.

Remuneration received by Directors from Steinhoff International (through various subsidiaries) (€'000):

Director	Salary (€'000)	Directors' fees (€'000)	Bonuses (€'000)	Fees for other services (€'000)	Pension contributions (€'000)	Expense allowance (€'000)	Medical group life and other (€'000)	Company contributions (€'000)	Total remuneration (€'000)
Ben la Grange[(2)]	1 100	–	1 316	–	–	–	–	–	2 416
Markus Jooste[(2)]	2 753	–	2 872	–	–	–	–	–	5 625
Danie van der Merwe[(2)]	1 356	–	1 468	–	–	–	–	–	2 824
Jayendra Naidoo[(1)]	–	–	–	–	–	–	–	–	–

Note (1): *Jayendra Naidoo was appointed as a Supervisory Board Director as ratified at the Annual General Meeting of Steinhoff International on 14 March 2017 and has received no remuneration for services rendered to any of the businesses comprising STAR during the reporting periods presented.*

Note (2): *Represents remuneration from Steinhoff International for all services rendered for the 15 months ended 30 September 2016 and includes company contributions to the medical aid and pension schemes as well as expense allowances.*

Remuneration received by Directors from Steinhoff International (through various subsidiaries) (R'000):

Director	Salary (R'000)	Directors' fees (R'000)	Bonuses (R'000)	Fees for other services (R'000)	Pension contributions (R'000)	Expense allowance (R'000)	Medical group life and other (R'000)	Company contributions (R'000)	Total remuneration (R'000)
Jacob Wiese[(1)]	–	147	–	–	–	–	–	–	147
Heather Sonn	–	548	–	–	–	–	–	–	548

Note (1): *Jacob Wiese was appointed on 30 May 2016 and received pro rata remuneration for services rendered during the reporting period as presented.*

Remuneration received by Directors from the Company's subsidiaries (R'000):

Director	Salary (R'000)	Directors' fees (R'000)	Bonuses (R'000)	Fees for other services (R'000)	Pension contributions (R'000)	Expense allowance (R'000)	Medical group life and other (R'000)	Company contributions (R'000)	Total remuneration (R'000)
Riaan Hanekom	2 775	–	3 945	–	–	–	–	–	6 720

None of the other Directors received any remuneration from Steinhoff International, STAR or any of the Company's subsidiaries for the previous financial period.

44.4.7 In addition to the remuneration disclosed in the table at paragraph 44.4.6 above, the entitlement of Directors to Steinhoff International share rights, in respect of the previous financial period **ended 30 September 2016 (representing a 15-month period)**, are detailed below:

Director	Opening balance (number of share rights)	Number of share rights exercised/vested (December 2015)	Vesting price per share	Number of share rights awarded/granted (March 2016)[1]	Closing balance (number of share rights)
Ben la Grange	1 114 239	393 250	R77.00	259 257	980 246
Riaan Hanekom	–	–	n/a	89 550	89 550
Markus Jooste	3 724 998	1 186 514	R77.00	671 017	3 209 501
Danie van der Merwe	1 907 685	610 207	R77.00	335 509	1 632 987

Note 1: *These share rights may vest in March 2019, at no cost, subject to the performance criteria being met.*

44.4.8 The remuneration (fees) of the Directors for the current financial year, is set out below:

44.4.8.1 the remuneration (fees) for executive Directors, which fees are payable with and as part of basic remuneration, will amount to R885 000 per annum;

44.4.8.2 the remuneration (fees) for non-executive Directors will be as set out below:

BOARD	**R**
Chairperson (all-inclusive fee)	1 750 000
Non-executive Directors	500 000
Annual retainer (in respect of informal commitments)	100 000
Total for non-executive Directors	600 000
COMMITTEE FEES	**R**
Audit	
Chairperson	450 000
Member	250 000
Remuneration	
Chairperson	250 000
Member	125 000
Nomination	
Chairperson	25 000
Member	15 000
Social and ethics	
Representative	25 000

44.4.9 Directors are not entitled to any commission and are not party to any gain or profit-sharing arrangements with the Company. Save for the emoluments set out above, no other material benefits were received by Directors for the previous financial year ended 30 September 2016.

44.4.10 No fees have been paid to any third party *in lieu* of Directors' fees. Any Directors fees related to non-executive directorships held by Directors of Steinhoff International will be paid to Steinhoff International directly.

44.4.11 Whilst no adjustments to the salaries of the appointed CEO and CFO of STAR have been approved by the Board, it is envisaged that in future, post the Listing, market-related adjustments to their salaries will be made. Save for the aforementioned, there will be no variation in the remuneration receivable by any of the Directors as a consequence of the Listing.

44.4.12 The STAR Group has not, in the three years preceding the date of this Pre-listing Statement, paid (or agreed to pay) any amounts (whether in cash or in securities or otherwise) or given any benefits to any Director or to any company in which he is beneficially interested, directly or indirectly, or of which he is a Director ("the associate company") or to any partnership, syndicate or other association of which he is a member ("the associate entity"), to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the associate company or the associate entity in connection with the promotion or formation the Company.

44.5 **Performance Share Plan**

44.5.1 The Board considers it important and appropriate that the STAR Group has a competitive long-term incentive scheme in place to attract and retain key executives and senior employees.

44.5.2 The purpose of the scheme is to attract, retain, motivate and reward such executives and employees who are able to influence the performance of the STAR Group, on a basis which aligns their interests with those of the Company and the Shareholders.

44.5.3 Under the Performance Share Plan, Shares will be allotted and issued or delivered to participants on the third anniversary of each annual grant, provided that the performance criteria set by the Board's remuneration committee at or about the time of the grant, have been achieved. The performance criteria set by the remuneration committee will take into account targets relating to growth, cash generation, returns and sustainability of the STAR Group Company employing such participant and of the STAR Group. Should the Company or any such STAR Group Company or any participant (as the case may be), fail to achieve the performance criteria during any such three-year measurement period, the share rights granted to such participant and linked to that measurement period, will lapse and be of no further force or effect.

44.5.4 In terms of the Performance Share Plan Rules, 500 000 000 Shares may be used for the implementation of the scheme, while the aggregate number of share rights that may be allocated at any time to any one participant in terms of the Performance Share Plan shall not exceed 50 000 000.

44.5.5 The salient terms of the Performance Share Plan are detailed in **Annexure 16** hereto.

45. INTERESTS OF DIRECTORS

45.1 Save for the interest of Dr Christo Wiese and Adv Jacob Wiese, through Titan, and Jayendra Naidoo, through Lancaster, in the Shoprite Transaction, no Director or Director of any of the Company's subsidiaries (including any person who may have resigned as a Director within the last 18 months) has any material beneficial interest, directly or indirectly, in any transactions that were affected by the Company (1) during the current or immediately preceding financial year, or (2) during an earlier financial year and remain in any respect outstanding or unperformed.

45.2 Save for the BEE Placement, no Director has had any material beneficial interest, either direct or indirect, in the Listing or the Private Placement and no promoter or Director is or was a member of a partnership, syndicate or other association of persons that has or had such an interest.

45.3 No Director has had any material beneficial interest, either direct or indirect, in the promotion of the Company. No cash or securities have been paid and no benefit has been given to any promoter within the last three years.

45.4 Save for the interests of Directors in Steinhoff International, as at the Last Practicable Date, no Directors (including any Directors who have resigned during the 18 months immediately preceding the Last Practicable Date) and their associates had any direct or indirect beneficial interest in the issued share capital of the Company and there have been no changes in this regard between the end of the most recent financial year ended 30 September 2016 and the Last Practicable Date.

46. SERVICE CONTRACTS OF DIRECTORS

46.1 Employment agreements with all the executive Directors of the Company and all executive Directors of its Major Subsidiary are in existence. The employment agreements include standard termination and other provisions for contracts of this nature.

46.2 No restraint of trade payments have been paid or is payable to any of the Directors of the Company or any of the Directors of its Major Subsidiary.

47. CORPORATE GOVERNANCE

47.1 Approach to corporate governance

47.1.1 The Board endorses the King Code and is committed to the principles of transparency, integrity, fairness and accountability by the Company in the conduct of its business and affairs.

47.1.2 The Board is responsible for ensuring that the Company complies with all of its statutory and regulatory obligations. It oversees and ensures an effective compliance framework, the integrity of the STAR Group's financial reporting and risk management, as well as accurate, timely and transparent disclosure to Shareholders.

47.1.3 An analysis of the steps taken by the Company to ensure compliance with the King Code is available on the Company's website, (https://steinhoffafricaretail.co.za/sar/jse-listing).

47.2 **The Board**

47.2.1 The Board consists of 11 Directors, of whom two are executive Directors, three are non-executive Directors, one independent non-executive chairperson and five are independent non-executive Directors. The profiles of the Directors on the Board appear in **Annexure 10**.

47.2.2 The Board of the Company has resolved that Company's chairperson, Jayendra Naidoo, is independent for purposes of the King Code. The Company's Chief Executive Officer is Ben la Grange.

47.2.3 The appointment of Directors is a matter for the Board as a whole. The Board is assisted by the nominations committee, which considers the suitability of potential Directors and makes recommendations to the Board in this regard.

47.2.4 There is a policy evidencing a clear balance of power and authority at Board level, to ensure that no one Director has unfettered powers of decision-making.

47.2.5 The Board has adopted a gender diversity policy and will, in identifying suitable candidates for appointment as Directors, consider candidates on merit against objective criteria and with due regard for the potential benefits of gender diversity at Board level. The Board is in the process of considering a racial diversity policy, with a view to adopting same before the end of the 2019 financial year.

47.2.6 The key roles and responsibilities of the Board include acting as the focal point for, and custodian of, corporate governance; determining the strategies and strategic objectives of the STAR Group and monitoring the implementation of the Board's strategies, decisions, values and policies.

47.2.7 Directors disclose their personal financial interests at the start of every Board or committee meeting.

47.2.8 The Company's remuneration policy and the implementation report will be tabled at each Annual General Meeting of the Company for a separate non-binding advisory vote by Shareholders. Such policy will record the measures that the Board will adopt should either the remuneration policy or the implementation report, or both, be voted against by 25% or more of the votes exercised at such Annual General Meeting. In this regard, should 25% or more of the votes exercised on this resolution at the Annual General Meeting be against such policy or report, the Company will in its voting results announcement include an invitation to dissenting Shareholders to engage with the Company, as well as the manner and timing of such engagement.

47.3 **Company secretary**

47.3.1 Steinhoff Secretarial Services Proprietary Limited ("**Steinhoff Secretarial Services**") is the company secretary of the Company. Having considered the individuals who perform the company secretary role within Steinhoff Secretarial Services, as well as its Directors and shareholder, the Board is satisfied as to the competence, qualifications and experience of the Steinhoff Secretarial Services and that an arm's-length relationship exists between Steinhoff Secretarial Services and the Board.

47.3.2 All Board members have access to the advice and services of the company secretary, who is responsible for the proper administration of the Board and the implementation of sound corporate governance procedures. This includes Board induction and training programmes and the supply of all information to assist Board members in the proper discharge of their duties.

47.3.3 The Board is of the opinion that the company secretary is suitably qualified and experienced to carry out its duties as stipulated under Section 84 of the Companies Act and the King Code.

47.3.4 The Board will annually, through discussion and assessment, review the qualifications, experience and competence of the company secretary.

47.4 **Board committees**

47.4.1 ***Audit and risk committee***

47.4.1.1 The Company's audit and risk committee has the following members:

- Allen Swiegers (chairperson of the audit and risk committee)
- Johann Cilliers
- Steve Müller

all of whom are independent non-executive Directors.

47.4.1.2 The audit and risk committee assists the Board by providing an objective and independent view on the STAR Group's finance, accounting and control mechanisms and by reviewing and ensuring that consideration is given to the following:

- the accounting policies of the STAR Group and any proposed revisions thereto;
- the effectiveness of the STAR Group's information systems and internal controls;
- the appointment and monitoring of the effectiveness of the external auditors;
- the appropriateness, expertise and experience of the Chief Financial Officer;
- setting the principles for recommending the use of external auditors for non-audit services and recommending that these be kept to a minimum;
- the annual report and specifically the annual financial statements included therein;
- the reports of the external auditors;
- the STAR Group's going concern status; and
- compliance with applicable legislation and requirements of regulatory authorities.

47.4.1.3 In terms of risk management (through consultation with the external auditors), the committee ensures that management's processes and procedures are adequate to identify, assess, manage and monitor STAR Group-wide risks.

47.4.1.4 This committee will hold at least two meetings per financial year.

47.4.2 ***Remuneration committee***

47.4.2.1 The Company's remuneration committee has the following members:

- Steve Müller (chairperson of the remuneration committee)
- Markus Jooste
- Jayendra Naidoo

47.4.2.2 All of the members of the remuneration committee are non-executive Directors, with a majority of such non-executive Directors being independent.

47.4.2.3 The remuneration committee is primarily responsible for reviewing and approving executive Directors' remuneration. Further, the remuneration committee assists the Board in reviewing non-executive Directors' remuneration recommendations. In doing so, it takes cognisance of both local and international best practices to ensure that such total remuneration is fair and reasonable to both the Directors and the Company. This committee will hold at least one meeting per financial year.

47.4.2.4 Fees payable to Directors are recommended by the Board to the Shareholders at Annual General Meetings for approval.

47.4.3 ***Nomination committee***

47.4.3.1 The Company's nomination committee has the following members:

- Jayendra Naidoo (chairperson of the nomination committee)
- Vusi Khanyile
- Danie van der Merwe

47.4.3.2 All the members of the nomination committee are non-executive Directors, with a majority of such non-executive Directors being independent.

47.4.3.3 The appointment of Directors is a matter for the Board as a whole. The Board is assisted by the nominations committee, which considers the suitability of potential Directors and makes recommendations to the Board in this regard.

47.4.3.4 This committee will hold at least 1 meeting per financial year.

47.4.4 ***Social and ethics committee***

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

47.4.4.2 The social and ethics committee monitors the Company's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice, in respect of social and economic development, good corporate citizenship (including the promotion of equality, prevention of unfair discrimination, the environment, health and public safety, including the impact of the Company's activities and of its products or services), stakeholder and consumer relationships and labour and employment issues.

47.4.4.3 The social and ethics committee draws to the attention of the Board, matters within its mandate as occasion requires and reports to the Shareholders at the Company's Annual General Meeting on such matters.

47.4.4.4 In order to carry out its functions, the social and ethics committee will be entitled to request information from any Directors or employees of the Company, attend and be heard at general Shareholders' meetings, and receive notices in respect of such meetings.

47.4.4.5 The members of the social and ethics committee are non-executive Directors of Steinhoff Investments Holdings Limited and/or STAR or prescribed officers as required in the Companies Act.

47.4.4.6 This social and ethics committee will hold at least 1 meeting per financial year.

47.5 **Internal controls**

47.5.1 The Company maintains financial and operational systems of internal control to ensure the reliability of financial information. These controls aim to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material losses, unauthorised acquisition, use or disposal, and that transactions are properly authorised and recorded.

47.5.2 The internal control systems are monitored on a continuous basis, with a view to correcting any control deficiencies as they are identified.

47.5.3 The Board, operating through the Audit and Risk Committee, oversees the financial reporting process and internal control systems.

47.6 **Information technology**

The risks regarding the security, back-up, conversion and update of the information technology systems are continually assessed by the Company. Disaster recovery plans are regularly reviewed as disruptions to critical management information could have an impact on continuing operations.

47.7 **Share Dealing Policy and Guidelines**

47.7.1 No employee of the Company in possession of material non-public information (as defined below) in respect of the Company or any of its subsidiaries or any of their associates in whichever country, may buy or sell securities/shares of the Company or its subsidiaries, or engage in any other action to take advantage of such information.

47.7.2 To avoid even the appearance of an improper transaction, employees must clear any proposed transaction in securities of the Company with the STAR Group Chief Executive Officer through the company secretary before carrying out the transaction. This requirement applies to dealings in securities of the Company outside of any closed periods. During closed periods, transactions in securities of the Company by Directors and employees who have access to unpublished price-sensitive information are prohibited.

47.8 **Insider trading prohibitions**

Securities law provides for severe penalties for insider trading i.e. individuals who trade in securities on the basis of material non-public information or tip such information to others, including civil penalties, criminal fines (regardless of the amount of profit), and imprisonment. Material non-public information is any information that is not available to the public that a reasonable investor would consider important in making a decision to buy, hold or sell securities of the Company. Material information includes any information which could reasonably be expected to affect the price of securities (e.g. reports of earnings or losses, news of a pending or proposed merger, acquisition or tender offer, irrespective of whether it is negative or positive information).

47.8.1 ***Rules for all employees***

47.8.1.1 If an employee of the STAR Group has material non-public information that is price sensitive with respect to the STAR Group, neither that person nor any associate may buy or sell securities of the Company or engage in any other action to take advantage of, or pass on to others, that information, or make any recommendation with respect to the purchase or sale of securities of the Company.

47.8.1.2 This also applies to non-public price sensitive information relating to third party companies obtained in the course of employment with the STAR Group.

47.8.1.3 No employee in possession of material non-public information may purchase securities of the Company on margin, make short sales of securities or buy or sell puts or calls on the securities.

47.8.1.4 Transactions that are required for independent, non-investment reasons (such as the need to raise money) are no exception.

47.8.2 ***Rules for officers, Directors and employees who have access to unpublished price sensitive information:***

47.8.2.1 These persons are precluded from trading in securities of the Company during "closed periods" as defined from time to time by the Board, which apply during the collation of results relating to financial periods ending in September and March respectively, until the release of the results or for any period during which the Company is trading under a cautionary.

47.8.2.2 Prior to dealing in securities of the Company (even outside closed periods), prior clearance must be obtained from the STAR Group Chief Executive Officer through the company secretary.

SECTION 8: SHARE CAPITAL

48. **MAJOR AND CONTROLLING SHAREHOLDERS**

48.1 As at the date of this Pre-listing Statement, prior to the Private Placement and Listing, the Company is a 100% indirectly held subsidiary of Steinhoff International.

48.2 Save for the Internal Restructuring and as set out below, there have been no changes in controlling shareholder(s), trading objects or business of the Company and its Major Subsidiary, Pepkor, in the last five years prior to the Last Practicable Date:

48.2.1 on 31 March 2015, Steinhoff International acquired 92.34% of Pepkor, and, on 20 April 2015, Steinhoff International acquired the remaining 7.66% of Pepkor.

48.3 Assuming that 750 000 000 Placement Shares are issued under the Private Placement, Steinhoff Group will, on the Listing Date, continue to hold 78.26% of the Company's issued share capital, with Lancaster and Invited Investors holding between them 21.74% of the Company's issued share capital. Assuming the Overallotment Option is exercised in full, Steinhoff Group will, following the sale of the Overallotment Shares, continue to hold 76.81% of the Company's issued share capital, with Lancaster and Invited Investors holding between them 23.19% of the Company's issued share capital. Following the implementation of the Shoprite Transaction, it is anticipated that Steinhoff Group will continue to hold approximately 51.94% of the Company's issued share capital (if the Overallotment Option is not exercised) and 50.98% (if the Overallotment Option is exercised in full).

48.4 No change in the controlling shareholder will occur as a result of the Private Placement and the Company will remain a subsidiary of Steinhoff International on the Listing Date.

49. **AUTHORISED AND ISSUED SHARE CAPITAL**

49.1 The authorised and issued share capital of the Company, as at the Last Practicable Date, is set out below:

	Number of Shares	R millions
Authorised share capital		
Shares of no par value	20 000 000 000	–
Preference Shares of no par value	60 000 000	–
Issued share capital		
Stated capital – Shares of no par value	2 700 000 000	70 177
Preference Shares of no par value	–	–
Shares held in treasury (i.e. by subsidiaries)	–	–

49.2 Assuming that 750 000 000 Placement Shares are issued, the authorised and issued share capital of the Company on the Listing Date is expected to be as follows:

	Number of Shares	R millions
Authorised share capital		
Shares of no par value	20 000 000 000	–
Preference Shares of no par value	60 000 000	–
Issued share capital		
Stated capital – Shares of no par value	3 450 000 000	70 177
Preference Shares of no par value	–	–
Shares held in treasury (i.e. by subsidiaries)	–	–

49.3 Assuming that Placement Shares are issued as per paragraph 49.2 and 1 748 241 188 Shares are issued if the Call Options are exercised, the authorised and issued share capital of the Company, upon the implementation of the Shoprite Transaction, is expected to be as follows:

	Number of Shares	R millions
Authorised share capital		
Shares of no par value	20 000 000 000	–
Preference Shares of no par value	60 000 000	–
Issued share capital		
Stated capital – Shares of no par value	5 198 241 188	105 738
Preference Shares of no par value	–	–
Shares held in treasury (i.e. by subsidiaries)	–	–

49.4 With reference to the tables in paragraphs 49.1, 49.2 and 49.3 above, the Company's authorised share capital consists of the following classes of Preference Shares:

49.4.1 5 000 000 non-redeemable, non-cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.1 of the MOI;

49.4.2 2 500 000 non-redeemable, cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.2 of the MOI;

49.4.3 2 500 000 redeemable, non-cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.3 of the MOI;

49.4.4 the following classes of redeemable, cumulative, non-participating preference shares:

49.4.4.1 10 000 000 Class A1 redeemable, cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.4 of the MOI;

49.4.4.2 10 000 000 Class A2 redeemable, cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.4 of the MOI;

49.4.4.3 10 000 000 Class A3 redeemable, cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.4 of the MOI;

49.4.4.4 10 000 000 Class A4 redeemable, cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.4 of the MOI; and

49.4.4.5 10 000 000 Class A5 redeemable, cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.4 of the MOI;

it being recorded that no Preference Shares are currently in issue or will, upon the Listing Date, be in issue.

49.5 As at the Last Practicable Date and following the Private Placement on the Listing Date:

49.5.1 no debentures had been, or will have been, created or issued by the Company;

49.5.2 all Shares in issue were and will be fully paid up and freely transferable; and

49.5.3 all Shares in issue ranked and will rank *pari passu* with each other in all respects, including in respect of voting rights and dividends.

50. ISSUE OF SHARES

50.1 Details of all issues or offers of securities by the Company, its Major Subsidiary (Pepkor) and by any other subsidiaries of the Company where such issues or offers were material to the Company, during the three years preceding the Last Practicable Date, appear in **Annexure 6**.

50.2 In terms of the Companies Act, the authorised but unissued Shares are under the control of the Directors, and the Directors are accordingly able to issue Shares subject only to the limitations contained in the Companies Act, the MOI of the Company and the JSE Listings Requirements.

50.3 Prior to the date of this Pre-listing Statement, Shareholder approval was granted:

50.3.1 by way of a general authority, to the Board to issue up to 258 750 000 Shares for cash, subject to the provisions of the MOI and the JSE Listings Requirements, which authority shall endure until the first Annual General Meeting of the Company held after the Listing;

50.3.2 in terms of Section 41(1) of the Companies Act, to authorise the issue of Shares to Directors and their related persons, in terms of the Private Placement;

50.3.3 in terms of Section 41(1) of the Companies Act, to authorise the issue of Shares to Directors and their related persons, in terms of the Shoprite Transaction; and

50.3.4 In terms of Section 41(3) of the Companies Act, to authorise the issue of STAR Shares for the Shoprite Transaction that exceed 30% of the voting power of all the Shares held by STAR shareholders immediately prior to the implementation of the Shoprite Transaction.

51. REPURCHASE OF SHARES

51.1 Details of all repurchases of securities by the Company, its Major Subsidiary (Pepkor) and by any other subsidiaries of the Company where such repurchases were material to the Company, during the three years preceding the Last Practicable Date, appear in **Annexure 6**.

51.2 Prior to the date of this Pre-listing Statement, Shareholder approval was granted, by way of a general authority, to the Board to repurchase up to a maximum of 20% of the Company's issued share capital of a specific class, in one financial year, for cash, subject to the provisions of the MOI and the JSE Listings Requirements, which authority shall endure until the first Annual General Meeting of the Company held after the Listing.

52. RIGHTS ATTACHING TO SHARES

52.1 The salient provisions in the MOI relating to the rights attaching to Shares, and the variation of such rights, appear in **Annexure 5** hereto.

52.2 There are no conversion or exchange rights to Shares, nor do any Shareholders have any redemption rights or preferential rights to profits or capital, other than as holders of Preference Shares, on the terms set out in the MOI.

52.3 The rights of Shareholders to participate in dividends, rights to profits or capital, including the rights of Shareholders on liquidation or distribution of capital assets of the Company, are determined by the MOI and the relevant summaries thereof are set out in **Annexure 5**.

53. OPTIONS AND PREFERENTIAL RIGHTS IN RESPECT OF SHARES

There is no contract or arrangement, either actual or proposed, whereby any option or preferential right of any kind has been or will be given to any person to subscribe for any Shares or any shares in any of the Company's subsidiaries.

54. CHANGES TO SHARE CAPITAL

Save as set out below, there have been no changes, consolidations or subdivisions of the Company's Share capital over the three years immediately preceding the date of this Pre-listing Statement:

54.1 on 14 August 2017, a special resolution was adopted, increasing the Company's authorised ordinary share capital to 20 000 000 000 Shares; and

54.2 on 14 August 2017, a special resolution was adopted, creating the various classes of Preference Shares detailed in paragraph 49.4 of this Pre-listing Statement; and

54.3 all such changes have been filed with Companies and Intellectual Property Commission.

SECTION 9: ADDITIONAL INFORMATION

55. **LISTING**

55.1 Assuming that 750 000 000 Placement Shares are issued, the Company will, following the implementation of the Private Placement, comply with the JSE Listings Requirements, in that:

55.1.1 the subscribed capital of the Company, including reserves will exceed R50 million;

55.1.2 the Company will have more than 25 million Shares in issue; and

55.1.3 it will have sufficient public shareholder spread to satisfy the JSE, in accordance with the formal dispensation granted by the JSE.

55.2 The JSE has granted the Company a listing of its issued Shares on the JSE main board under the abbreviated name "**SHRetail**", share code "**SRR**" and ISIN **ZAE000247995**, subject to the fulfilment of the Conditions Precedent. The Listing is expected to be effective from the commencement of trade on Wednesday, 20 September 2017.

55.3 As at the date of this Pre-listing Statement, no securities of the Company are listed on the JSE or on any other stock exchange.

56. **MATERIAL ACQUISITIONS**

56.1 Save for the Internal Restructuring and as set out in **Annexure 7**, the STAR Group has not undertaken any material acquisitions within the last three years and has not concluded any agreements in relation to any proposed material acquisitions, other than in respect of the Shoprite Transaction.

56.2 Details regarding the vendors in such material acquisitions, as well as the vendors in the Shoprite Transaction, appear in **Annexure 8**.

56.3 Save as elsewhere disclosed in this Pre-listing Statement, no promoter or Director had any beneficial interest, direct or indirect, in any such material acquisition, or was a member of a partnership, syndicate or other association of persons that had such an interest.

57. **MATERIAL PROPERTY DISPOSED OF OR TO BE DISPOSED OF**

The STAR Group has not disposed of any material property during the last three years and is not currently contemplating any material disposals.

58. **PRINCIPAL IMMOVABLE PROPERTY OWNED AND LEASED**

The situation, area and tenure, including, in the case of leasehold property, the rental and unexpired term of the leases, of the principal immovable properties occupied by the STAR Group, are detailed in **Annexure 14**.

59. **INTER-COMPANY FINANCIAL AND OTHER TRANSACTIONS**

59.1 All material inter-company balances between the STAR Group companies, before elimination on consolidation, are disclosed in **Annexure 13**.

59.2 Save for the inter-company balances referred to in paragraph 59.1 above, there are no material inter-company financial and other transactions.

60. **WORKING CAPITAL**

The Directors are of the opinion that the working capital available to the STAR Group is adequate for the present requirements of the STAR Group, that is, for a period of 12 months from the date of issue of this Pre-listing Statement.

61. PROMOTERS' AND OTHER INTERESTS

61.1 No amounts have been paid or have accrued as payable and no benefit was given or proposed to be given within the last three years to any promoter or to any partnership, syndicate or other association of which he is or was a member.

61.2 No Director or promoter has any material beneficial interest, direct or indirect, in the promotion of the Company or in any material property referred to in paragraph 56.3 above.

62. COMMISSIONS

62.1 No commissions were paid, or accrued as payable, by the Company within the three years preceding the date of this Pre-listing Statement in respect of any underwriting.

62.2 No commissions, discounts, brokerages or other special terms have been granted by the Company within the three years preceding the date of this Pre-listing Statement in connection with the issue or sale of any securities, stock or debentures in the capital of the Company.

63. ROYALTIES

No material royalties are payable or items of a similar nature in respect of the Company or any of its subsidiaries.

64. GOVERNMENT PROTECTION AND INVESTMENT ENCOURAGEMENT LAW

There is no Governmental protection or investment encouragement law affecting the Company or its subsidiaries.

65. EXPENSES

The Company's anticipated preliminary and issue expenses relating to the Private Placement, the Listing and the Shoprite Transaction, which have been incurred or which are expected to be incurred, including the fees payable to professional advisors, include the following (excluding VAT):

Nature of expense	**Payable to**	R millions
Transaction and Corporate Sponsor	PSG Capital	2.5
Joint Global Coordinator	RMB	Refer to note
Joint Global Coordinator	Investec	Refer to note
Joint Global Coordinator	Citi	Refer to note
Joint Global Coordinator	Morgan Stanley	Refer to note
Joint Bookrunner	J.P. Morgan	Refer to note
Joint Bookrunner	Standard Bank	Refer to note
International Legal Advisor to Joint Global Coordinators	Freshfields	4.6
South African Legal Advisor to Joint Global Coordinators	Bowmans	1.1
South African Legal Advisor to the Company	Cliffe Dekker Hofmeyr	1.0
International Legal Advisor to the Company	Linklaters	9.0
South African Legal Advisor to the Company	Girard Hayward	1.0
Independent Reporting Accountants	Deloitte & Touche	2.9
Documentation inspection fees	JSE	0.2
Listing fees	JSE	3.0
Transfer secretaries	Computershare	0.3
Strate		0.3
Printing, publication and distribution	Ince	1.0
Other (including Competition Authorities and competition lawyers)		6.0
Contingency		11.9
Estimated total (excluding Private Placement fees)		**44.8**

Note: *Costs relating to the Private Placement would depend on the size of the placement and are estimated between 1.25% and 2.0% of final capital value raised from Private Placement (excluding BEE Placement) introduced by the Joint Global Coordinators and Joint Bookrunners. As indicated in the "Private Placement Details"* ***Section 10****, the total expenses, including Private Placement fees and the costs listed in the table above, are expected to amount to approximately R226 million.*

66. **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, will be available for inspection at the registered office of the Company and at the Stellenbosch and Johannesburg offices of PSG Capital at the addresses referred to in the "*Corporate Information and Advisors*" section of this Pre-listing Statement, during normal office hours from the date of issue of this Pre-listing Statement until the Listing Date:

66.1 the MOI of the Company and the Memorandum of Incorporation of the Company's Major Subsidiary, Pepkor;

66.2 the Call Option Agreements;

66.3 the Services Agreement;

66.4 the Material Contracts, as detailed in **Annexure 9**;

66.5 the financial statements on which the historical financial information presented in **Annexures 1A, 1B, 1C** and **1D** is based as well as the voluntary profit forecast contained in **Annexures 1E-1** and **1E-2**;

66.6 the Independent Reporting Accountants' reports on the historical financial information annexed to this Pre-listing Statement, as reproduced in **Annexures 2A, 2B, 2C** and **2D**, and on the forecast financial information annexed to this Pre-listing Statement, as reproduced in **Annexures 2E-1, 2E-2** and **2F**;

66.7 the Independent Reporting Accountants' report on the *pro forma* financial information of the Company, as reproduced in **Annexure 4**;

66.8 service contracts or summaries of the service contracts of the executive Directors of the Company and its Major Subsidiary;

66.9 written consent letters by experts and advisors, including the Independent Reporting Accountants, as referred to in paragraph 85 of this Pre-listing Statement;

66.10 a copy of this Pre-listing Statement and all other annexures hereto;

66.11 Shoprite's published audited annual financial statements for the financial years ended 30 June 2014, 2015, 2016 and the latest audited results for the financial year ended 30 June 2017;

66.12 Thibault's audited financial statements for the period ended 31 March 2017; and

66.13 the Performance Share Plan Rules, the salient terms of which appear in **Annexure 16**.

SECTION 10: PRIVATE PLACEMENT DETAILS

67. THE OFFER

The Private Placement comprises an offer for subscription by the Company to Invited Investors of up to 750 000 000 Placement Shares (including those Placement Shares to be placed to Lancaster pursuant to the BEE Placement), to be placed within the Placement Price Range, subject to the fulfilment (or waiver, where capable, by the Company in its sole discretion) of the Conditions Precedent. In addition, the Overallotment Shares, being up to a further 50 000 000 Shares, may be sold by Steinhoff Group pursuant to the Overallotment Option which Steinhoff Group intends to grant to the Stabilisation Manager for the purpose of covering short position resulting from the overallotment of Shares or from the sale of Shares at or before the end of the Stabilisation Period.

The Directors reserve the right to reduce or increase the amount sought to be placed and/or raised in terms of the Private Placement in the Directors' sole and absolute discretion.

The Private Placement does not constitute an invitation to the public to subscribe for Shares in the Company and is only directed at Invited Investors.

The Placement Shares will only be issued in the form of Uncertificated Shares.

The Shares issued in terms of the Private Placement shall rank *pari passu* in all respects with the remaining Shares in the Company's issued share capital, including as to voting rights and dividends.

There are no convertibility or redemption provisions relating to the Placement Shares offered in terms of the Private Placement.

No fractions of Placement Shares will be offered in terms of the Private Placement.

The Private Placement will not be underwritten.

The Company has agreed to place to Lancaster on a preferential basis and Lancaster has agreed to subscribe for such number of the Placement Shares as have a value of approximately R6.2 billion at the Placement Price pursuant to the BEE Placement. The Placement Shares to be placed to Lancaster represent approximately 8.83% of the total issued Shares immediately after Listing.

68. INVITED INVESTORS

The following persons ("**Invited Investors**") may participate in the Private Placement:

- in South Africa, selected persons falling within the exemptions set out in Section 96(1)(a) of the Companies Act and/or selected investors who subscribe for Placement Shares, the total contemplated acquisition cost of which is not less than R1 000 000 per single addressee acting as principal (as contemplated in Section 96(1)(b) of the Companies Act) and to whom the Private Placement is specifically addressed (the Private Placement is not an invitation to the public to subscribe for or purchase the Placement Shares;
- in the United States, persons who are reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in transactions not subject to, the registration requirements of the Securities Act; and
- outside South Africa and the United States, to selected institutional investors in reliance on Regulation S.

Any person who is not an Invited Investor may not participate in the Private Placement.

69. CONDITIONS PRECEDENT

The Private Placement and the Listing are subject to the fulfilment of the following conditions precedent ("**Conditions Precedent**"):

- approval for the Listing having been granted by the JSE and not been revoked or withdrawn; and
- as at the Listing Date, at least 12.5% of the Company's Shares being held by at least 1 000 public shareholders, this being the level acceptable to the JSE in terms of a formal dispensation granted to the Company in connection with the Listing, and the JSE being satisfied that there will be sufficient liquidity on the Listing Date.

Although the Placement Shares will represent up to 21.74% of the Shares in the Company after the Private Placement (and the Placement Shares and the Overallotment Shares (if the Overallotment Option is implemented in full) will together represent up to 23.19% of the Shares in the Company after the Private Placement), approximately 8.83% will be placed in terms of the BEE Placement. Given the involvement of the chairman of the Company in the BEE Placement, the Board has excluded the BEE Placement from the calculation of the spread requirement of the JSE. To this end, only the balance of the Placement Shares, representing up to 12.90% of the issued Shares (or up to 14.35% of the issued Shares, if the Overallotment Option is exercised in full) will be regarded as public shareholding for purposes of the 12.5% minimum public shareholder spread required from the JSE.

There is no minimum capital requirement to be realised by the Private Placement. The minimum subscription which must be realised by the Company is that which enables it to ensure that Company has, once the Private Placement is completed, such number and composition of shareholders as will enable it to meet the minimum free-float and public shareholder spread requirements acceptable to the JSE.

Should any of the Conditions Precedent fail or should the Directors determine not to proceed with the Private Placement, the Private Placement and any acceptance thereof shall not be of any force or effect and no person shall have any claim of whatsoever nature against the Company or any other person as a result thereof, there being no duty on the Company, Steinhoff International or their respective Directors or officers to procure that the Conditions Precedent are fulfilled.

70. PLACEMENT PRICE

It is currently anticipated that the Placement Shares will be offered for subscription within the Placement Price Range. If the Placement Price is below the Placement Price Range for any reason, or if the Directors in their discretion so determine that it would not be advisable to proceed, the Company shall not be obliged to proceed with the Private Placement, but reserves the right to do so.

The Private Placement Price will be payable in full in Rand without deduction or set-off.

Following a book building process, the Private Placement Price will be determined by the Joint Global Coordinators and the Company either prior to, or on the Closing Date, and will be announced on SENS on Friday, 15 September 2017. Any change to these dates and times will be announced on SENS.

Among the factors which may be considered by the Joint Global Coordinators and the Company in determining the Placement Price are the prices at which investors bid to acquire the Placement Shares during the book building process and the desire to establish an orderly after-market in the Shares.

71. TERMS, CONDITIONS AND PROCEDURES FOR ACCEPTANCE

71.1 Participation in the Private Placement

The Joint Global Coordinators are seeking indications of interest from Invited Investors to subscribe for the Placement Shares as part of a book building process.

Invited Investors wishing to participate in the Private Placement should contact the Joint Global Coordinators prior to the Closing Date, which is expected to be on Thursday, 14 September 2017. Indications of interest for the Private Placement must be submitted to the Joint Bookrunners by 22:00 (South Africa time) on the Closing Date.

The times and dates applicable to the Private Placement appear in the "*Salient Dates and Times*" section of this Pre-listing Statement. Any material change thereto will be announced on SENS and published in the South African press.

71.2 Over-applications and basis of allocation

In the event of an over-application for Placement Shares, the Board, in consultation with the Joint Global Coordinators, shall determine an appropriate basis for allocating the Placement Shares. In considering same, the Board will take into account the spread requirements of the JSE, and promoting liquidity, tradability and an orderly market in the Shares. There is no intention to extend a preference on allotment to any particular company or group in the event of an over-application.

Depending upon the level of demand, Invited Investors may receive no Placement Shares or fewer than the number of Placement Shares applied for. Any dealing in Placement Shares prior to delivery of the Placement Shares is at the risk of the applicant.

It is intended that notice of the allocations will be given on Friday, 15 September 2017.

71.3 **Payment and delivery of Placement Shares**

Each successful applicant must, as soon as possible after being notified of their allocation of Placement Shares, make the necessary arrangements to enable their CSDP or Broker, as the case may be, to accept and make payment for the allocated Placement Shares, against delivery of such Placement Shares, on the Settlement Date, which is expected to be on Wednesday, 20 September 2017.

The applicant's CSDP or Broker must commit to Strate to the receipt of the applicant's allocation of Placement Shares against payment by no later than 12:00 on Monday, 18 September 2017.

On the Settlement Date, the applicant's allocation of Placement Shares will be credited to the applicant's CSDP or Broker against payment during the Strate settlement runs.

The CSDP or Broker concerned will receive and hold the Placement Shares on the applicants' behalf.

72. REPRESENTATION AND WARRANTIES

Any Invited Investor applying for or accepting an offer of Placement Shares in the Private Placement shall be deemed to have represented to the Company that a copy of this Pre-listing Statement was specifically addressed and delivered to, and was in the possession of such Invited Investor.

Any person applying for or accepting an offer of Placement Shares in the Private Placement in South Africa shall be deemed to have represented, warranted and undertaken to the Company that such person is a person falling within the categories envisaged in Section 96(1)(a) of the Companies Act or that such Invited Investor's total contemplated placement consideration will be above the amount prescribed in terms of Section 96(1)(b) of the Companies Act, and that such person is therefore entitled to participate in the Private Placement.

Any person applying for or accepting an offer of Placement Shares on behalf of another person shall be deemed to have represented to the Company that they are duly authorised to do so and warrant that they and the purchaser for whom they are acting as agent are duly authorised to do so in accordance with all relevant laws and such person guarantees the payment of the Placement Price and that a copy of this Pre-listing Statement was specifically addressed and delivered to and was in the possession of the purchaser for whom they are acting as agent.

73. AUTHORISATIONS

As at the Last Practical Date, the following Shareholder resolutions relating to the creation and issue of the Placement Shares have been passed:

- a special resolution increasing the authorised ordinary share capital of the Company to 20 000 000 000 Shares, was approved on or about 14 August 2017 and was subsequently filed with the Companies and Intellectual Property Commission; and
- a special resolution in terms of Section 41(1) of the Companies Act was approved prior to the date of this Pre-listing Statement, to authorise the issue of Shares to Directors and their related persons, in terms of the Private Placement, at the same price at which Shares are issued to other investors under the Private Placement.

74. EXCHANGE CONTROL REGULATIONS

Capital (including currency and shares) is not freely transferable to and from South Africa and must be dealt with in terms of the Exchange Control Regulations of the South African Reserve Bank as described more fully under "*South African Exchange Control – Exchange Control Regulations*" in paragraph 83 of this Pre-listing Statement. The Exchange Control Regulations also regulate the acquisition by former residents and non-residents of Placement Shares. Applicants who are resident outside the Common Monetary Area should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an application for, or an acceptance of, the Private Placement.

75. **APPLICABLE LAW**

The Private Placement, applications, allocations and acceptances will be exclusively governed by the laws of South Africa and each Invited Investor will be deemed, by applying for Placement Shares, to have consented and submitted to the jurisdiction of the courts of South Africa in relation to all matters arising out of or in connection with the Private Placement.

76. **STRATE**

Shares may be traded on the JSE only in electronic form (as Uncertificated Shares) and will be trading for electronic settlement in terms of Strate immediately following the Listing.

Strate is a system of "paperless" transfer of securities. If you have any doubt as to the mechanics of Strate please consult your Broker, CSDP or other appropriate advisor and you are referred to the Strate website (http://www.strate.co.za) for more detailed information.

Some of the principal features of Strate are:

- electronic records of ownership replace certificates and physical delivery of certificates;
- trades executed on the JSE must be settled within three business days;
- all investors owning uncertificated shares or wishing to trade their securities on the JSE are required to appoint either a Broker or a CSDP to act on their behalf and to handle their settlement requirements; and
- unless investors owning uncertificated shares specifically request their CSDP to register them as an "own-name" holder (which entails a fee), their respective CSDP's or Broker's nominee company holding shares on their behalf, will be the holder (member) of the relevant company and not the investor. Subject to the agreement between the investor and the CSDP or Broker (or the CSDP's or Broker's nominee company), generally in terms of the rules of Strate, the investor is entitled to instruct the CSDP or Broker (or the CSDP's or Broker's nominee company), as to how it wishes to exercise the rights attaching to the shares and/or to attend and vote at shareholder meetings.

77. **PLACEMENT AGREEMENT**

On or about 4 September 2017, the Company and Ainsley Holdings Proprietary Limited, a member of the Steinhoff Group that will provide the Overallotment Option and the Joint Bookrunners will enter into the Placement Agreement in connection with the Private Placement, which is subject to certain conditions, including the execution of a placement memorandum setting forth, among other things, the number of Private Placement Shares and the Placement Price. Upon execution of the placement memorandum, the Company will, subject to customary terms and conditions set out in the Placement Agreement, agree to issue the Placement Shares, and the Joint Bookrunners will agree, severally and not jointly and severally, to procure subscribers for or, failing that, to subscribe for themselves, the Placement Shares (other than the Placement Shares to be placed to Lancaster pursuant to the BEE Placement) at the Placement Price in accordance with their respective purchase commitments.

78. **OVERALLOTMENT**

The Stabilisation Manager, may, for the account of the Joint Global Coordinators and the Joint Bookrunners, during the Stabilisation Period, overallot or effect transactions in accordance with the rules of the JSE Listings Requirements in relation to stabilisation, with a view to supporting the market price of the Placement Shares at a higher level than that which might otherwise prevail for a limited period after the Listing.

However, there is no obligation for the Stabilisation Manager to do so. Such stabilising action, if commenced, may be discontinued at any time, provided that two business days' notice is given to the JSE, but may under no circumstances continue beyond the 30th calendar day after the Listing.

The Stabilisation Manager may allocate more Shares than the Company is obliged to issue under the Placement Agreement, creating a short position. The short sale is covered if the short position is no greater than the number of Shares available for purchase under the Overallotment Option. The Stabilisation Manager may, for the account of the Joint Global Coordinators and the Joint Bookrunners, close out a covered short sale by exercising the Overallotment Option or purchasing Placement Shares in the open market.

If the Placement Agreement becomes unconditional, the Joint Global Coordinators and the Joint Bookrunners may also borrow Shares from Steinhoff Group under an Overallotment Option arrangement to enable the Joint Global Coordinators and the Joint Bookrunners to satisfy their delivery obligations in connection with overallotments and syndicate short positions.

This arrangement will be limited to the size of the Overallotment Option. Shares borrowed under this arrangement will be returned through the exercise of the Overallotment Option or purchase of Shares in the market or otherwise. Save as required by the JSE Listings Requirements, the Joint Global Coordinators and the Joint Bookrunners do not intend to disclose to the public the extent of any stabilising transactions or the amount of any long or short position.

79. LOCK-UP ARRANGEMENTS

Under the Placement Agreement, the Company has undertaken to each of the Joint Global Coordinators that, without the prior written consent of the Joint Global Coordinator, on behalf of the Joint Global Coordinators, it will not, subject to certain exceptions including the issuance of the Shoprite Consideration Shares, during the period ending 180 days after the Listing, (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, brant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for such Shares or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any such transaction described in (1) or (2) above is to be settled by delivery of Shares or such other securities, in cash or otherwise. Steinhoff Group and Lancaster are also subject to similar lock-up arrangements pursuant to separate lock-up agreements.

80. SELLING AND TRANSFER RESTRICTIONS

The distribution of this document and the offer for subscription and offer for sale of Placement Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. No action has been taken or will be taken in any jurisdiction that would permit a public offering or sale of the Placement Shares, or possession or distribution of this document or any other offering or publicity material relating to the Placement Shares, in any country or jurisdiction where action for that purpose is required.

None of the Placement Shares may be offered for subscription, sale or purchase or be delivered, or be subscribed, sold or delivered, and this document and any other offering material in relation to the Placement Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

80.1 AUSTRALIA

This document and the Private Placement is only made available in Australia to persons to whom a disclosure document is not required to be given under Chapter 6D of the Australian Corporations Act, 2001 (Cth) ("**Australian Corporations Act**"). This document is not a prospectus, product disclosure statement or any other form of formal "disclosure document" for the purposes of the Australian Corporations Act, and is not required to, and does not, contain all the information which would be required in a disclosure document under the Australian Corporations Act. If you are in Australia, this offering memorandum is made available to you provided you are a person to whom an offer of securities can be made without a disclosure document such as a professional investor or sophisticated investor for the purposes of Chapter 6D of the Australian Corporations Act.

This document has not been and will not be lodged or registered with the Australian Securities and Investments Commission or Australian Stock Exchange or any other regulatory body or agency in Australia.

The persons referred to in this document may not hold Australian financial services licences and may not be licenced to provide financial product advice in relation to the securities. No "cooling-off" regime will apply to an acquisition of any interest in the Company.

Any securities issued upon acceptance of the Offer may not be offered for sale or transferred to any person located in, or a resident of, Australia for a period of at least 12 months after the issue, except in circumstances where the person is a person to whom a disclosure document is not required to be given under Chapter 6D of the Australian Corporations Act. Accordingly, each investor acknowledges these restrictions and, by applying for the securities under this document, gives an undertaking not to sell these securities (except in the circumstances referred to above) for 12 months after their issue.

80.2 **CANADA**

The Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Pre-listing Statement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

80.3 **DUBAI INTERNATIONAL FINANCIAL CENTRE ("DIFC")**

This Pre-listing Statement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("**DFSA**"). This Pre-listing Statement is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Pre-listing Statement nor taken steps to verify the information set forth herein and has no responsibility for the Pre-listing Statement. The shares to which this Pre-listing Statement relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers and subscribers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this Pre-listing Statement you should consult an authorised financial adviser. In relation to its use in the DIFC, this Pre-listing Statement is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Placement Shares may not be offered or sold directly or indirectly to the public in the DIFC.

80.4 **EUROPEAN ECONOMIC AREA ("EEA")**

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**") no Placement Shares have been offered or will be offered pursuant to the Private Placement to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Placement Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Placement Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Placement Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Placement Shares to be offered so as to enable an investor to decide to purchase any Placement Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto), and includes any relevant implementing measure in each Relevant Member State.

80.5 **JAPAN**

The Placement Shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**"). Accordingly, Placement Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

80.6 **SOUTH AFRICA**

In South Africa, the Private Placement will only be made by way of private placement to, and be capable of acceptance by, persons falling within the exemptions set out in Section 96(1)(a) of the Companies Act and/or selected investors who subscribe for Placement Shares, the total contemplated acquisition cost of which is not less than R1 000 000 per single addressee acting as principal (as contemplated in Section 96(1)(b) of the Companies Act) and to whom the Private Placement is specifically addressed ("**Qualifying Investors**") and this Pre-listing Statement is only being made available in South Africa to such Qualifying Investors. The Private Placement does not constitute an offer for subscription for, or the advertisement or the solicitation of an offer to subscribe for, Shares to the public as defined in the Companies Act and will not be distributed to any person in South Africa in any manner that could be construed as an offer to the public in terms of the Companies Act. Should any person who is not a Qualifying Investor receive this Pre-listing Statement, they should not and will not be entitled to acquire any Placement Shares or otherwise act thereon. This Pre-listing Statement does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act. Accordingly, this Pre-listing Statement does not comply with the substance and form requirements for prospectuses set out in the Companies Act and the South African Companies Regulations of 2011 and has not been approved by, and/or registered with, the Companies and Intellectual Property Commission, or any other South African authority. The JSE has approved this Pre-listing Statement.

The Private Placement offer will only be made to, and be capable of acceptance by, selected Invited Investors, to whom the Private Placement will specifically be addressed. Should any person who is not an Invited Investor receive this Pre-listing Statement, they should not and will not be entitled to acquire any Placement Shares or otherwise act thereon.

Any Invited Investor applying for or accepting the Private Placement Shares in South Africa shall be deemed to have represented, warranted and undertaken to the Company in the terms set out in paragraph 72.

80.7 SWITZERLAND

The Placement Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This Pre-listing Statement has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland.

Neither this Pre-listing Statement nor any other offering or marketing material relating to the Placement Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland. Neither this Pre-listing Statement nor any other offering or marketing material relating to the Private Placement, the Company or the Placement Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Pre-listing Statement will not be filed with, and the offer of Ordinary Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**"), and the offer of Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Placement Shares.

80.8 UNITED KINGDOM

This Pre-listing Statement is only being distributed to and is only directed at: (i) persons who are outside the United Kingdom or, in the United Kingdom, to (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net-worth entities falling within Articles 49(2)(a) to (d) of the Order, and other persons to whom it may lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

80.9 UNITED STATES

Selling restrictions

The Placement Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Placement Shares are being offered and sold outside of the United States in reliance on Regulation S. The Placement Agreement provides that the Joint Global Coordinators may, directly or through their respective U.S. broker-dealer affiliates, arrange for the offer and resale of the Placement Shares within the United States only to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in transactions not subject to, the registration requirements of the Securities Act. In addition, until 40 days after the commencement of the offering of the Placement Shares an offer or sale of the Placement Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Transfer restrictions

Each purchaser of Placement Shares within the United States pursuant to Rule 144A will be deemed by its acceptance of delivery of this document to have represented, agreed and acknowledged on its behalf and on behalf of any investor accounts for which it is subscribing for or purchasing the shares as follows:

i. it: (i) is a QIB; (ii) is aware, and each beneficial owner of such Placement Shares has been advised, that the sale of Placement Shares to it is being made in reliance on Rule 144A; (iii) is acquiring such Placement Shares for its own account or for the account of a QIB; and (iv) is aware that the Placement Shares are "restricted securities" within the meaning of the Securities Act and may not be deposited into any unrestricted depository facility, unless at the time of such deposit such Placement Shares are no longer restricted securities under the Securities Act;

ii. it is aware that the Placement Shares have not been and will not be registered under the Securities Act and are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;

iii. it understands and agrees that the Placement Shares may not be offered, sold, pledged or otherwise transferred except: (i) to a person whom the seller and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in accordance with Rule 903 or 904 of Regulation S; (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available); (iv) pursuant to any other exemption from the registration requirements of the Securities Act; or (v) pursuant to an effective registration statement under the Securities Act, in each case, in accordance with any applicable securities laws and regulations of any state or territory of the United States or any other jurisdiction;

iv. any offer, sale, pledge or other transfer made other than in compliance with the above stated restrictions shall not be recognised by us in respect of the Shares; and

v. it acknowledges that the Company, the registrars, the Joint Global Coordinators, their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Placement Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective investors are hereby notified that sellers of the Placement Shares may be relying on the exemption from the provisions of section 5 of the Securities Act provided by Rule 144A.

SECTION 11: TAXATION

The following summary provides an overview of the tax consequences of the purchase, ownership and disposition of the Placement Shares. It is not a complete description of all the possible tax consequences of such purchase, ownership or disposition. This summary is based on the laws as in force and as applied in practice on the date of this Pre-listing Statement and is subject to changes to those laws and practices subsequent to the date of this Pre-listing Statement. In the case of persons who are non-residents of South Africa for income tax purposes, it should be read in conjunction with the provisions of any applicable double tax agreement between South Africa and their country of tax residence. Investors should consult their own advisors as to the tax consequences of the purchase, ownership and disposal of the Placement Shares in light of their particular circumstances, including, in particular, the effect of any state, regional, local or other tax laws.

81. SOUTH AFRICAN TAXATION

This summary of certain material South African income tax consequences only deals with initial purchasers of Placement Shares that are SA Holders and Non-SA Holders, as defined below, and that will hold the Placement Shares as capital assets. As used herein the term "SA Holder" means a "shareholder" who is: (i) a natural person ordinarily resident in South Africa; (ii) a natural person not ordinarily resident in South Africa but whose physical presence in South Africa exceeds certain prescribed thresholds or; (iii) a person, other than a natural person, which is incorporated, established or formed in South Africa or which has its place of effective management in South Africa. The term does not include a non-natural person incorporated, established or formed in South Africa, if that person is deemed to be exclusively the resident of another country for purposes of the application of any agreement entered into between South Africa and that other country for the avoidance of double taxation. The term "Non-SA Holders" means a "shareholder" other than a "SA Holder". In general, a "shareholder" means the registered shareholder in respect of a share or, where some person other than the registered shareholder is entitled to all or part of the benefit of the rights of participation in the profits, income or capital attaching to that share, that other person to the extent of that entitlement. Prospective investors with questions regarding their status as either South African residents or shareholders should consult their tax advisors.

The following paragraphs contain a general summary of South African tax implications. The tax analysis is therefore not comprehensive or determinative and should not be regarded as tax advice given by the Company or any of its advisors to the Private Placement.

81.1 Dividends

81.1.1 A "dividend" is broadly defined as any amount transferred or applied by a company for the benefit of any shareholder by virtue of any share held by that shareholder in that company, whether by way of a distribution, or as consideration for a share buy-back. The "dividend" definition contains certain exclusions. Firstly, amounts resulting in a reduction of contributed tax capital ("**CTC**") (as described below) will not constitute a dividend. Secondly, dividends will not include capitalisation awards. Thirdly, an open market purchase (i.e. general repurchase) by a listed company of its own shares on the exchange operated by the JSE will not constitute a dividend.

81.1.2 CTC, in its basic form, will comprise amounts received by or accrued to a company as consideration for the issue of its shares. This would therefore typically be share capital and share premium (excluding any portion thereof which comprises capitalised reserves).

81.1.3 In general, dividends paid by the Company to SA Holders will be exempt from South African Income Tax in their hands. The position of the non-SA Holders will depend on the tax legislation of the jurisdiction in which they are tax resident.

81.2 Dividends Tax

81.2.1 Dividends Tax ("**DWT**") is a withholding tax imposed on dividends paid to shareholders.

81.2.2 DWT is imposed in respect of any dividend paid by a company and is levied at a rate of 20%. Subject to certain administrative requirements being complied with by the shareholders, this rate may be reduced to as low as 0% under the provisions of certain double tax agreements. In addition, the DWT legislation includes a number of exemptions, including exemptions for dividends declared to a South African tax resident company (subject to certain administrative requirements) and dividends paid to certain exempt entities. Dividends paid to natural persons should be subject to the DWT at a rate of 20%.

81.3 **Distributions of CTC**

As mentioned above, a distribution by a company of CTC does not constitute a dividend for DWT purposes. Instead, for Capital Gains Tax ("**CGT**") purposes the distribution of CTC could reduce the base cost of the share, dependent on where the shareholder is tax resident. SA Holders should be subject to CGT on any capital gain realised as a result of a distribution of CTC which is in excess of the base cost of the shares (the base cost would include, *inter alia*, the original consideration for the shares).

81.4 **Taxation of capital gains and losses**

81.4.1 ***South African resident shareholders – individuals***

A disposal of shares by an individual shareholder who is resident in South Africa for tax purposes, and who holds the shares as capital assets may give rise to a gain (or loss) for the purposes of CGT. The capital gain (or loss) on disposal of the shares is equal to the difference between the disposal proceeds and the base cost. A shareholder's base cost for the shares will generally be the consideration paid for those shares. The base cost for the listed shares may be increased by one-third of any interest incurred to finance the cost of acquiring the shares, and other direct costs incurred in acquiring the shares, to the extent that such amounts are not otherwise allowable for deduction in the determination of taxable income. A gain on a disposal of shares, together with other capital gains, less allowable capital losses in a year of assessment, is subject to tax at the individual's marginal tax rate (currently a maximum of 45%) to the extent that it exceeds the annual exclusion (R40 000 for the years of assessment ended 28 February 2018). Only 40% of the net capital gain is included in taxable income, resulting in a maximum effective tax rate on capital gains of 18%. On the death of a taxpayer, there is a deemed disposal of the shares at market value, unless the shares are bequeathed to, or in favour of, a surviving spouse. Deemed disposals to a surviving spouse, who is a South African resident, are currently treated, in practical effect, as taking place at no gain or loss. The annual exclusion where death occurs during the year of assessment ending 28 February 2018 is R300 000. Where a taxpayer emigrates (i.e. gives up South African tax residence) there will also be a deemed disposal of the shares at market value and this may trigger CGT.

81.4.2 ***South African resident shareholders – corporates***

A disposal of shares by a South African tax resident corporate shareholder, which holds the shares as capital assets, may give rise to a capital gain (or loss) for the purposes of CGT. The capital gain (or loss) on disposal of the shares should be equal to the difference between the disposal proceeds and the base cost. A shareholder's base cost for the shares will generally be the consideration paid for the shares. The base cost for the shares may be increased by one-third of any interest incurred to finance the cost of acquiring the shares, and other direct costs incurred in acquiring the shares, to the extent that such amounts are not otherwise allowable for deduction in the determination of taxable income. A capital gain on a disposal of shares by a corporate shareholder, together with other capital gains, less allowable losses in a year of assessment, is subject to tax at the normal tax rate for companies (currently 28%). Only 80% of the net capital gain is included in taxable income, resulting in a maximum effective tax rate on capital gains of 22.4%.

81.4.3 ***Non-South African resident shareholders – individuals and corporates***

81.4.3.1 A disposal of shares by a Non-SA Holder would only give rise to a gain (or loss) for the purposes of CGT to the extent that the gains are realised pursuant to the disposal of any interest in immovable property situated in South Africa. An interest in immovable property situated in South Africa includes shares if:

81.4.3.1.1 80% or more of the market value of the interest in immovable property, at the time of disposal, is attributed directly or indirectly to immovable property held otherwise than as trading stock; and

81.4.3.1.2 the shareholder (alone or together with any connected person in relation to that shareholder), directly or indirectly holds at least 20% of the shares.

81.4.3.2 Currently not more than 80% of the market value of the shares is attributable to immovable property and consequently the shares will not fall within the ambit of the South African CGT legislation. Even if this were the case, the provisions of an applicable double tax agreement between South Africa, and their country of tax residence would need to be consulted in order to determine which country has taxing rights in respect of any gain realised.

81.5 **Estate duty**

Where a person who is ordinarily resident in South Africa holds shares at the date of his or her death, the market value of such shares will be included in the estate. Estate duty is levied at a flat rate of 20% on the dutiable amount of the deceased estate to the extent that it exceeds R3.5 million per estate. In determining the dutiable amount of an estate, deductions are, *inter alia*, allowed for the value of bequests and property left to a surviving spouse, and estate liabilities, including capital gains tax paid on the deemed disposal of the shares on date of death.

81.6 **Securities transfer tax**

81.6.1 Securities transfer tax ("**STT**") of 0.25% of the applicable taxable amount is payable in respect of every "transfer" of securities issued by a company incorporated in South Africa. "Transfer" includes any cancellation or redemption of a security, but does not include the issue of a security or any event that does not result in a change in beneficial ownership of a security. A purchase of shares from or through the agency of a JSE registered broker is subject to STT of 0.25% of the purchase consideration. The STT is payable by the broker, which may recover it from the transferee. Where shares are not purchased from or through the agency of a broker, but the change in beneficial ownership is effected by a CSDP, STT of 0.25% of the greater of the declared purchase consideration or the JSE closing price of shares on the date of the transaction is payable by the CSDP, which may recover it from the transferee.

81.6.2 In any other case of a change in beneficial ownership of shares, STT of 0.25% of the greater of the declared purchase consideration or the JSE closing price of shares is payable by the transferee through the broker or CSDP, which holds the shares in custody. If the shares are not held in custody by a broker or CSDP, the STT is payable by the transferee through the issuing company.

82. CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

82.1 The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Placement Shares by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Placement Shares that are U.S. Holders and that will hold the Placement Shares as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Placement Shares by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly, indirectly or by attribution) 5% or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Placement Shares as part of straddles, hedging, or other integrated transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Placement Shares in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

82.2 As used herein, the term "**U.S. Holder**" means a beneficial owner of Placement Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

82.3 The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Placement Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Placement Shares by the partnership.

82.4 Except as otherwise noted, the summary assumes that the Company is not a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes. The Company's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for U.S. Holders.

82.5 This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions as well as on the income tax treaty between the United States and South Africa (the "**Treaty**"), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. IT IS NOT INTENDED TO BE RELIED UPON BY PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE CODE. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF THE PLACEMENT SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

82.6 **Dividends**

82.6.1 *General.* Distributions paid by the Company out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any South African withholding tax paid by the Company with respect thereto, generally will be taxable to a U.S. Holder as dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Placement Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Company with respect to Placement Shares will be reported as ordinary dividend income. U.S. Holders should consult their own tax advisers with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company.

82.6.2 Dividends paid by the Company generally will be taxable to a non-corporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the Treaty, the U.S. Holder satisfies a minimum holding period and certain other requirements are met. The Company expects to be eligible for the benefits of the Treaty as long as there is regular trading of the ordinary Shares (including the Placement Shares) on the JSE. U.S. Holders should consult their own tax advisers to determine whether the reduced rate of taxation will apply to any dividends received from the Company.

82.6.3 A U.S. Holder will not be able to claim the reduced rate on dividends received from the Company if the Company is treated as a PFIC in the taxable year in which the dividends are received or in the preceding taxable year. See "Passive Foreign Investment Company Considerations" below.

82.6.4 *Foreign Currency Dividends.* Dividends paid in Rand will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the Rand are converted into U.S. dollars at that time. If dividends received in Rand are converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

82.6.5 *Effect of South African Withholding Taxes.* As discussed in "Taxation – South African Taxation", under current law payments of dividends by the Company to foreign investors generally are subject to a 20% South African withholding tax. The rate of withholding tax applicable to U.S. Holders that are eligible for benefits under the Treaty is reduced to a maximum of 15%. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of South African taxes withheld by the Company, and as then having paid over the withheld taxes to the South African taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Company with respect to the payment.

82.6.5.1 A U.S. Holder generally will be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for South African income taxes withheld by the Company. U.S. Holders that are eligible for benefits under the Treaty will not be entitled to a foreign tax credit or deduction for the amount of any South African taxes withheld in excess of the 15% maximum rate.

82.6.5.2 For purposes of the foreign tax credit limitation, foreign source income is classified in one of two "baskets", and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Dividends paid by the Company generally will constitute foreign source income in the "passive category income" basket.

82.6.5.3 Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of South African taxes.

82.7 **Sale or Other Disposition**

82.7.1 Upon a sale or other disposition of Placement Shares, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition (which may be reduced by any STT incurred) and the U.S. Holder's adjusted tax basis in the Placement Shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Placement Shares exceeds one year. However, regardless of a U.S. Holder's actual holding period, any loss may be long-term capital loss to the extent the U.S. Holder receives a dividend that qualifies for the reduced rate described above under "Dividends – General", and exceeds 10% of the U.S. Holder's basis in its Placement Shares. The deductibility of capital losses is subject to significant limitations. Any gain or loss generally will be U.S. source.

82.7.2 A U.S. Holder's tax basis in a Placement Share generally will be its U.S. dollar cost. The amount realised on a sale or other taxable disposition of Placement Shares for an amount in foreign currency generally will be the U.S. dollar value of such amount on settlement date of such sale or other taxable disposition in the case of a cash basis U.S. Holder, or the trade date in the case of an accrual basis U.S. Holder. On the settlement date, an accrual basis U.S. Holder generally will recognise U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to any difference between the U.S. dollar value of the amount received based on the exchange rates in effect on the trade date and the settlement date. However, in the case of Placement Shares traded on an established securities market, accrual basis U.S. Holders may elect to determine the U.S. dollar value of the amount realised on the sale or other taxable disposition of the Placement Shares based on the exchange rate in effect on the settlement date, and no exchange gain or loss will be recognised on such date.

82.7.3 To the extent you incur STT in connection with a transfer, cancellation or redemption of Placement Shares as described above under "South African Taxation – Securities transfer tax", such STT will not be a creditable tax for U.S. foreign tax credit purposes.

82.8 **Disposition of Foreign Currency**

Foreign currency received on the sale or other disposition of a Placement Share will have a tax basis equal to the U.S. dollar value on the settlement date. Any gain or loss recognised on a sale or other disposition of a foreign currency will be U.S. source ordinary income or loss.

82.9 **Passive Foreign Investment Company Considerations**

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either

(i) at least 75% of its gross income is "passive income", or

(ii) at least 50% of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income.

The Company does not believe that it should be treated as a PFIC for U.S. federal income tax purposes but the Company's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be treated as a PFIC, U.S. Holders of Placement Shares would be required:

(i) to pay a special U.S. addition to tax on certain distributions and gains on sale, and

(ii) to pay tax on any gain from the sale of Placement Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Additionally, dividends paid by the Company would not be eligible for the reduced rate of tax described above under "Dividends – General". Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

82.10 **Backup Withholding and Information Reporting**

Payments of dividends on and proceeds from the sale of Placement Shares, by a U.S. paying agent or other U.S. intermediary will be reported to the U.S. Internal Revenue Service and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Placement Shares, including requirements related to the holding of certain foreign financial assets.

SECTION 12: SOUTH AFRICAN EXCHANGE CONTROL

83. **GENERAL**

83.1 Currency and shares are not freely transferable from South Africa to any jurisdiction outside the geographical borders of South Africa or jurisdictions outside of the Common Monetary Area. These transfers must comply with the Exchange Control Regulations as described below. The Exchange Control Regulations also regulate the acquisition by former residents and non-residents of Placement Shares.

83.2 Applicants who are resident outside the Common Monetary Area should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an application to be made in response to the Private Placement. The following summary is intended as a guide and is therefore not comprehensive. If investors are in any doubt regarding Exchange Control Regulations, they should consult their professional advisor.

84. **EXCHANGE CONTROL REGULATIONS**

84.1 In terms of the Exchange Control Regulations:

84.1.1 a former resident of the Common Monetary Area who has emigrated, may use emigrant blocked funds to subscribe for Placement Shares in terms of the Private Placement detailed in this Pre-listing Statement;

84.1.2 all payments in respect of the subscriptions for Placement Shares by an emigrant, using emigrant blocked funds, must be made through the authorised dealer in foreign exchange controlling the blocked assets;

84.1.3 any Placement Shares issued pursuant to the use of emigrant blocked funds, will be credited to their blocked share accounts at the CSDP controlling their blocked portfolios;

84.1.4 Shares subsequently re-materialised and issued in certificated form, will be endorsed "Non-Resident" and will be sent to the authorised dealer in foreign exchange through whom the payment was made; and

84.1.5 if applicable, refund monies payable in respect of unsuccessful applications or partly successful applications, as the case may be, for Placement Shares in terms of this Pre-listing Statement, emanating from emigrant blocked accounts, will be returned to the authorised dealer in foreign exchange through whom the payments were made, for credit to such applicants' blocked accounts.

84.2 Invited Investors resident outside the Common Monetary Area should note that, where Shares are subsequently re-materialised and issued in certificated form, such share certificates will be endorsed "Non-Resident" in terms of the Exchange Control Regulations.

84.3 **Emigrants from the Common Monetary Area**

84.3.1 A former resident of the Common Monetary Area who has emigrated from South Africa may use blocked Rand to subscribe for Shares in terms of the Private Placement.

84.3.2 All payments in respect of the subscription for Placement Shares by emigrants using blocked Rands must be made through the authorised dealer in foreign exchange controlling the block assets.

84.3.3 Statements issued to emigrants will be restrictively endorsed as "NON-RESIDENT".

84.3.4 If applicable, refund monies in respect of unsuccessful applications, emanating from blocked Rand accounts, will be returned to the authorised dealer administering such blocked Rand accounts for the credit of such applicant's blocked Rand account.

84.3.5 No residents of the Common Monetary Area may, either directly or indirectly, be permitted to receive an allocation as employees of any offshore subsidiaries.

84.4 **Applicants resident outside the Common Monetary Area**

84.4.1 In terms of the Exchange Control Regulations of South Africa, non-residents of the Common Monetary Area to whom the offer under the Private Placement is addressed and made as Invited Investors, may apply for Placement Shares under the Private Placement, provided that payment is received in foreign currency or in Rands from a non-resident account. All applications by non-residents in respect of the above must be made through an authorised dealer in foreign exchange. Shares subsequently re-materialised and issued in certificated form, will be endorsed "Non-Resident".

84.4.2 A person who is not resident in the Common Monetary Area should obtain advice as to whether any government and/or legal consent is required and/or whether any other formality must be observed to enable an application to be made in terms of the Private Placement.

84.4.3 This Pre-listing Statement is accordingly not a Private Placement in any area or jurisdiction in which it is illegal to make such an offer. In such circumstances this Pre-listing Statement is provided for information purposes only.

SECTION 13: CONSENTS, RESPONSIBILITY STATEMENT

85. **ADVISORS' CONSENTS**

The Independent Reporting Accountant and each of the advisors, whose names appear in the "*Corporate Information and Advisors*" section of this Pre-listing Statement, have given and have not, prior to the formal approval of this Pre-listing Statement by the JSE, withdrawn their written consents to the inclusion of their names, and acting in the capacities stated and, where applicable, to their reports, in this Pre-listing Statement.

86. **RESPONSIBILITY STATEMENT**

The Directors, whose names are set out in the "*Corporate Information and Advisors*" section of this Pre-listing Statement, collectively and individually accept full responsibility for the accuracy of the information contained in this Pre-listing Statement and, in this regard, certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Pre-listing Statement contains all information required by the JSE Listings Requirements.

SIGNED AT STELLENBOSCH ON 1 SEPTEMBER 2017 BY BEN LA GRANGE ON BEHALF OF THE DIRECTORS OF THE COMPANY, IN TERMS OF POWERS OF ATTORNEY SIGNED BY SUCH DIRECTORS

Ben la Grange

AUDITED FINANCIAL HISTORY OF THE COMPANY

K2017221869 (SOUTH AFRICA) PROPRIETARY LIMITED

(Registration number: 2017/221869/07)

FINANCIAL STATEMENTS

22 MAY 2017

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

It is the directors' responsibility to ensure that the financial statements fairly present the state of affairs of the company. The external auditors are responsible for independently auditing and reporting on the financial statements.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance on the reliability of the financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The financial statements set out in this report have been prepared by management on the basis of appropriate accounting policies.

The directors reasonably believe that the company has adequate resources to continue in operation for the foreseeable future, and the financial statements have therefore been prepared on the going-concern basis.

The preparation of the financial statements of the company was supervised by AB la Grange CA(SA).

DIRECTORS' APPROVAL OF FINANCIAL STATEMENTS

The financial statements at date of incorporation, which appear on pages 119 to 126 were approved by the board and signed on its behalf on 23 August 2017.

DIRECTORS' REPORT
as at 22 MAY 2017

Company registration number	2017/221869/07
Registered office	336 Heuwel Street Capital Park Pretoria 0084
Postal address	336 Heuwel Street Capital Park Pretoria 0084
Directors	OA Kruger
Auditors	Deloitte & Touche
Shareholder	OA Kruger
Company secretary	Steinhoff Secretarial Services Proprietary Limited 28 Sixth Street Wynberg Sandton South Africa 2094
Date of incorporation	The company was incorporated on 22 May 2017.
Special purpose financials	These financial statements are prepared at date of incorporation. No statement of comprehensive income or statement of cash flows has been presented.

K2017221869 (SOUTH AFRICA) PROPRIETARY LIMITED
STATEMENT OF FINANCIAL POSITION
as at 22 MAY 2017

	Notes	22 May 2017 R
ASSETS		
Current assets		
Related party loan receivable	4	1
TOTAL ASSETS		**1**
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary share capital	1	1
TOTAL EQUITY AND LIABILITIES		**1**

K2017221869 (SOUTH AFRICA) PROPRIETARY LIMITED
STATEMENT OF CHANGES IN EQUITY
as at 22 MAY 2017

	Share capital R	Total R
Shares issued (net of transaction costs)	1	1
Balance at 22 May 2017	**1**	**1**

K2017221869 (South Africa) Proprietary Limited ("the company") is a South African registered company.

Basis of preparation

The financial statements are prepared in rand on the historical-cost basis.

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these annual financial statements is determined on such a basis.

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

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

Financial instruments

Initial recognition

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

Initial measurement

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

Subsequent measurement

Financial instruments at fair value through profit or loss consist of items classified as held for trading or where they have been designated as fair value through profit or loss.

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

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

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

Derecognition

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

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

Impairment of financial assets

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

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

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

Effective-interest method

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

Judgements and estimates

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

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

Impairment of assets

Investments are assessed annually for impairment.

Deferred taxation assets

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

	22 May 2017 R
1. ORDINARY SHARE CAPITAL	
Authorised	
1 000 ordinary shares at no par value	–
Issued	
1 ordinary shares at R1.00	**1**

At date of incorporation the director is still authorised, by resolution of the shareholder and until the forthcoming annual general meeting, to issue the unissued shares for any purpose and upon such terms and conditions as she sees fit.

2. COMMITMENTS AND CONTINGENCIES

Borrowing facilities

In terms of the Memorandum of Incorporation, the borrowing powers of the company have not specifically been limited.

Contingent liabilities

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

3. FINANCIAL INSTRUMENTS

The executive team is responsible for implementing the risk management strategy to ensure that an appropriate risk management framework is operating effectively across the group, embedding a risk management culture throughout the group.

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

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

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

3.1 Total financial assets and liabilities

Loans & receivables and other financial liabilities at carrying and approximate fair values

	22 May 2017 R
Related party loan receivable	1

No items were classified as “held to maturity”, “designated as at fair value through profit or loss” or “available for sale” during either period presented.

3.2 Fair values

The fair values of financial assets and financial liabilities are determined as follows:

Trade and other receivables and short-term loans receivable

The fair values of trade and other receivables and short-term loans receivable are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

3.3 Foreign currency risk

The financial assets and financial liabilities of the company are all denominated in South African rand and therefore the company does not have any exposure to foreign currency risk.

3.4 Interest rate risk

The financial assets of the company are all interest free and therefore the company is not exposed to any interest rate risk.

3.5 Credit risk

None of the financial assets of the company have been assessed to be past their due terms or to be impaired.

3.6 Liquidity risk

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

At date of incorporation the company does not have any financial liabilities.

3.7 Treasury risk

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

3.8 Capital risk

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

The capital structure of the company consists of debt and equity attributable to equity holders of the parent, comprising issued share capital, as disclosed in the statement of changes in equity.

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

4. RELATED-PARTY TRANSACTIONS

	22 May 2017 R
Related party loan receivable	
OA Kruger	1

The related party loan is unsecured, interest free and repayment terms are determined on a continued basis.

5. NEW ACCOUNTING PRONOUNCEMENTS

		Effective date – annual periods commencing on or after
At the date of authorisation of these annual financial statements, there are standards and interpretations in issue but not yet effective. These include the following standards and interpretations that have not been early adopted and may have an impact on future financial statements:		
IFRS 9	Financial Instruments	1 January 2018

IFRS 9

In July 2014, the IASB issued the completed version of IFRS 9: Financial Instruments (IFRS 9). The statement addresses the classification and measurement of financial assets and financial liabilities. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and financial liabilities and aims to reduce complexity. The company is in the process of evaluating the impact the standard will have on the company. This standard will be adopted by the effective date.

6. SUBSEQUENT EVENTS

Steinhoff International is evaluating and initiating steps to establish the separate listing of the STAR Group on the main board of JSE Limited ("the Listing"). The company will serve as the single holding company of the STAR Group.

Prior to the Listing but subsequent to the date of this report, the STAR Group underwent an internal restructuring whereby the company acquired Steinhoff's African Retail Assets in exchange for shares in the company. At the date of acquisition of such assets, the company also adopted the accounting policies of the STAR Group. The Steinhoff Africa Retail Assets include Pep Africa, JD Group, Steinbuild, Poco SA and Tekkie Town.

Subsequent to the date of this report, the following statutory changes took place:

Conversion to a public company and name change

With effect from 25 July 2017, the name of the company was changed to Steinhoff Africa Retail Proprietary Limited and with effect from 14 August 2017, the company converted from a private company to a public company.

Directorate	Date of resignation	Date of appointment
OA Kruger	1 July 2017	22 May 2017
DDW Hayward	1 July 2017	8 June 2017
AB La Grange		1 July 2017
DM van der Merwe		1 July 2017
RG Hanekom		18 August 2017
J Naidoo		18 August 2017
MJ Jooste		18 August 2017
JB Cilliers		18 August 2017
JD Wiese		18 August 2017
VP Khanyile		18 August 2017
HJ Sonn		18 August 2017
SH Müller		18 August 2017
AE Swiegers		18 August 2017

Change to registered physical and postal address

The registered physical address was changed to 28 Sixth Street, Wynberg, Sandton, 2090 and the postal address was changed to PO Box 1955, Bramley, 2018.

REVIEWED AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE 12 MONTHS ENDED 30 JUNE 2015 AND AUDITED AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE 15 MONTHS ENDED 30 SEPTEMBER 2016

DIRECTORS' STATEMENT OF RESPONSIBILITY FOR THE HISTORICAL AGGREGATED FINANCIAL INFORMATION

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial information. The historical aggregated financial information is an aggregation of the Steinhoff Africa Retail Assets group accounting records and consolidation entries and is prepared in accordance with the requirements of 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 accounting records of the underlying statutory entities have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

In accordance with the Companies Act and Regulations of South Africa 2008 ("the Act") the directors are required to maintain adequate accounting records. The directors are responsible for the preparation, integrity and fair presentation of the historical aggregated financial information included in this report.

Together with management, audit committees and external auditors the Steinhoff International Holdings N.V. group's internal auditors (through its subsidiary Steinhoff International Holdings Limited) independently evaluate the internal controls. Based on the evaluation, the group's internal auditors co-ordinate their audit coverage with management and audit committees.

Based on the information and explanations of management and internal auditors, the directors are of the opinion that the system of internal control provides reasonable assurance. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the periods under review. The directors are therefore satisfied that the financial records may be relied on for the preparation of the historical aggregated financial information.

The preparation of the historical financial information was supervised by AB la Grange CA(SA).

AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE PERIODS ENDED 30 SEPTEMBER 2016 AND 30 JUNE 2015

INCOME STATEMENT

	Notes	**15 months ended 30 September 2016 Audited** *R millions*	Year ended 30 June 2015 Reviewed *R millions*
Revenue		**61 154**	43 578
Cost of sales		**(41 154)**	(28 076)
Gross profit		**20 000**	15 502
Other income		**1 107**	824
Operating expenses		**(17 057)**	(13 288)
Capital items	1	**(408)**	(894)
Operating profit	2	**3 642**	2 144
Finance costs	3	**(1 262)**	(767)
Income from investments	3	**524**	608
Share of loss of associate companies[1]		**(5)**	–
Profit before taxation		**2 899**	1 985
Taxation	4	**(1 582)**	(866)
Profit for the period		**1 317**	1 119
Profit attributable to:			
Owners of the parent		**1 290**	1 097
Non-controlling interests		**27**	22
Profit for the period		**1 317**	1 119
Earnings attributable to ordinary shareholders	5	**1 290**	1 097
Headline earnings attributable to ordinary shareholders	5	**1 550**	1 974

STATEMENT OF COMPREHENSIVE INCOME

Profit for the period		**1 317**	1 119
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**92**	(1)
Net fair value (loss)/gain on cash flow hedges and other fair value reserves		**(751)**	171
Deferred taxation		**165**	(30)
Foreign currency translation reserve released to profit or loss on disposal of investment		**(70)**	–
Other reserves transferred to non-controlling interests		**3**	
		(561)	140
Total comprehensive income for the period		**756**	1 259
Total comprehensive income attributable to:			
Owners of the parent		**729**	1 237
Non-controlling interests		**27**	22
Total comprehensive income for the period		**756**	1 259

Per share numbers have not been disclosed for the Steinhoff African Retail Assets as these businesses did not historically constitute a separate legal entity and therefore per share numbers do not provide meaningful information before being acquired by the STAR Group.

1. The associate was initially equity accounted and disposed of during the period. No further disclosure is provided as the interest in associate was not considered to be material.

AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE PERIODS ENDED 30 SEPTEMBER 2016 AND 30 JUNE 2015

STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2016 Audited** *R millions*	30 June 2015 Reviewed *R millions*
ASSETS			
Non-current assets			
Goodwill	6	**39 857**	39 309
Intangible assets	7	**17 484**	17 427
Property, plant and equipment	8	**3 714**	3 268
Investments and loans	9	**950**	450
Deferred taxation assets	10	**2 553**	1 766
		64 558	62 220
Current assets			
Inventories	12	**8 732**	7 086
Trade and other receivables	11	**5 021**	3 881
Loans due by Steinhoff and its subsidiaries	21	**7 763**	7 646
Investments and loans	9	**–**	20
Cash and cash equivalents		**2 771**	2 326
		24 287	20 959
Total assets		**88 845**	83 179
EQUITY AND LIABILITIES			
Total equity attributable to equity holders of the parent		**52 666**	57 370
Non-controlling interests		**29**	60
Total equity		**52 695**	57 430
Non-current liabilities			
Interest-bearing loans and borrowings	13	**27**	324
Employee benefits	14	**134**	47
Deferred taxation liabilities	10	**3 724**	3 228
Provisions	15	**993**	1 598
Trade and other payables	16	**501**	476
		5 379	5 673
Current liabilities			
Trade and other payables	16	**11 364**	8 512
Loans due to Steinhoff and its subsidiaries	21	**18 196**	8 035
Employee benefits	14	**425**	437
Provisions	15	**609**	210
Interest-bearing loans and borrowings	13	**98**	2 869
Bank overdrafts and short-term facilities		**79**	13
		30 771	20 076
Total equity and liabilities		**88 845**	83 179

AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE PERIODS ENDED 30 SEPTEMBER 2016 AND 30 JUNE 2015

STATEMENT OF CASH FLOWS

	Notes	**15 months ended 30 September 2016 Audited** *R millions*	Year ended 30 June 2015 Reviewed *R millions*
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	**5 032**	4 436
Net movement in instalment sale and loan receivables		**(369)**	(643)
Net dividends (paid)/received		**(40)**	116
Net finance charges		**(744)**	(256)
Taxation paid		**(1 523)**	(1 790)
Net cash inflow from operating activities		**2 356**	1 863
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(1 706)**	(1 028)
Additions to intangible assets		**(2)**	(2)
Proceeds on disposal of property, plant and equipment and intangible assets		**194**	67
Acquisition of subsidiaries and businesses, net of cash on hand at acquisition	18	**(1 264)**	–
Increase in long-term investments and loans		**(480)**	(1)
Net (increase)/decrease in investments in equity accounted companies and joint ventures		**(16)**	44
Net cash outflow from investing activities		**(3 274)**	(920)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share buy-back		**–**	(425)
Transactions with non-controlling interests		**(9)**	(1)
Increase/(decrease) in bank overdrafts and short-term facilities		**67**	(280)
Decrease in long-term interest-bearing loans and borrowings		**(1 864)**	(3 693)
(Decrease)/increase in short-term interest-bearing loans and borrowings		**(1 215)**	1 280
Increase in related party loans and receivables		**4 384**	3 008
Net cash inflow/(outflow) from financing activities		**1 363**	(111)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**445**	832
Cash and cash equivalents at beginning of the period		**2 326**	1 494
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**2 771**	2 326

SEGMENTAL REPORTING

	15 months ended 30 September 2016 Audited *R millions*	Year ended 30 June 2015 Reviewed *R millions*
REVENUE		
Integrated retail: consumer goods	**61 154**	43 578
OPERATING PROFIT BEFORE CAPITAL ITEMS		
Integrated retail: consumer goods	**4 050**	3 038
SEGMENTAL ASSETS		
Integrated retail: consumer goods	**77 361**	72 737
RECONCILIATION BETWEEN OPERATING PROFIT PER INCOME STATEMENT AND OPERATING PROFIT BEFORE CAPITAL ITEMS PER SEGMENTAL ANALYSIS		
Operating profit per income statement	**3 642**	2 144
Capital items (note 1)	**408**	894
Operating profit before capital items per segmental analysis	**4 050**	3 038
RECONCILIATION BETWEEN TOTAL ASSETS PER STATEMENT OF FINANCIAL POSITION AND SEGMENTAL ASSETS		
Total assets per statement of financial position	**88 845**	83 179
Less: Cash and cash equivalents	**(2 771)**	(2 326)
Less: Long-term investments and loans	**(950)**	(450)
Less: Short-term investments and loans	**–**	(20)
Less: Loans due by Steinhoff and its subsidiaries	**(7 763)**	(7 646)
Segmental assets	**77 361**	72 737

Basis of segmental presentation

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

Identification of segments

Sales channels are internally segregated as discount and value. Best price leadership is actively managed by both these sales channels. While best price per product category is fiercely protected and prioritised in the discount sales channel, the more aspirational value sales channel focusses on value for money. The specialty channel focusses on leveraging the supply chain of the discount and value segment in order to stay competitive in the smaller specialty product and customer segments.

Dominant in Africa, the Steinhoff Africa Retail Assets group is a high growth discounter focused on providing everyday basic products to its value conscious customer base. Everyday products is defined as basic discretionary product that fulfills families' basic needs. To this end, the STAR Group have material market share in the key categories of non-discretionary or semi-discretionary non-food products that a family needs to manage a basic household. Steinhoff Africa Retail Assets group's longer-term strategy is focused on maximising "share of wallet" of the core customer (LSM1–6).

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

Segment revenue excludes value added taxation. Segment operating profit before capital items represents segment revenue less segment expenses, excluding capital items included in note 1. Segment expenses include distribution expenses and other operating expenses. Depreciation and amortisation have been allocated to the segments to which they relate.

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

Geographical analysis

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

Major customers

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

AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE PERIODS ENDED 30 SEPTEMBER 2016 AND 30 JUNE 2015

NOTES TO THE AGGREGATED HISTORICAL FINANCIAL STATEMENTS

General information

Steinhoff Africa Retail Asset's businesses did not historically constitute a separate legal group. The historical annual financial statements of the Steinhoff Africa Retail Assets group are prepared on the assumption that the Steinhoff Africa Retail Assets businesses traded together as set out in the "basis of preparation of aggregated historical financial information".

This section also describes how the aggregated historical financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations as issued by the International Accounting Standards Board.

Instances of departure from these reporting standards are highlighted in the "Basis of preparation of historical aggregated financial information" section. The directors of Steinhoff are responsible for the preparation of the historical aggregated financial information and believe that the basis of preparation fairly presents the Steinhoff Africa Retail Assets historical information in the circumstances set out below.

The historical aggregated financial information is prepared in accordance with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

Basis of preparation of aggregated historical financial information

The aggregated historical financial information, being the Steinhoff Africa Retail Assets group recorded historical information, has been prepared in accordance with IFRS and section 8.1 to 8.13 of the JSE Listings Requirements.

IFRS does not provide for the preparation of aggregated historical financial information, and accordingly in preparing the aggregated historical financial information certain accounting conventions commonly used in the preparation of consolidated financial information for inclusion in circulars have been applied. IFRS does not provide guidance on the accounting for common control transactions. In the absence of specific guidance relating to common control transactions, entities should select an appropriate accounting policy using the hierarchy described in IAS 8: *Accounting policies, changes in accounting estimates and errors*. The hierarchy permits the consideration of pronouncements of other standard-setting bodies.

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

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

When accounting for a transfer of assets or exchange of shares between entities under common control, the entity that receives the net assets or the equity interests shall initially measure the recognised assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer. If the carrying amounts of the assets and liabilities transferred differ from the historical cost of the parent of the entities under common control, for example, because pushdown accounting had not been applied, then the financial statements of the receiving entity shall reflect the transferred assets and liabilities at the historical cost of the parent of the entities under common control.

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

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

The aggregated historical financial information is prepared in millions of rand (R million) on the historical-cost basis, except for certain assets and liabilities which are carried at amortised cost, and certain financial instruments which are stated at their fair value. The Steinhoff board reasonably believe that the Steinhoff

Africa Retail Assets group has adequate resources to continue in operation for the foreseeable future, and the aggregated Historical Financial Information have therefore been prepared on the going-concern basis.

The aggregated historical financial information of the Steinhoff Africa Retail Assets group for the 15 months 30 September 2016 and 12 months ended 30 June 2015 ("the Reporting Period") have been prepared by aggregating the historical financial information relating to the statutory entities that will be acquired by Steinhoff Africa Retail and is not directly comparable to previously published information.

The historical financial information comprises an aggregation of the following:

- Pepkor Group is included from 1 July 2014, but excluding the Pepkor Australian and Pepkor European businesses for both periods presented.
- JD Group is included from 1 July 2014, but excluding Unitrans Automotive, JD Financial Services, Insurance and JD Property Holdings businesses for both periods presented.
- SA Poco is included from 1 July 2014.
- The Iliad Africa Group acquisition is not considered a material acquisition to the Steinhoff Africa Retail group and is treated as an acquisition in the aggregated Historical Financial Statements on the acquisition date for the Steinhoff group, being 1 January 2016.

For purposes of combining the Steinhoff Africa Retail Assets, the aggregated historical financial information assumed assets were acquired at R58.6 billion (net asset value for Steinhoff on 1 July 2014) on the inclusion dates listed above. The purchase price was credited to equity.

Any intergroup restructurings that took place between the above-mentioned companies during the periods presented has been eliminated to present the aggregated Historical Financial Information as it would be structured in the newly listed entity.

This historical aggregated financial information has previously been reported as part of the annual financial statements of Steinhoff International Holdings N.V. for the Reporting Period, which were prepared in accordance with IFRS. The principles of IFRS 3: *Business combinations* are not applicable to the acquisition of the Steinhoff Africa Retail Assets group by the Company. In addition, the principles of IFRS 10: *Consolidated Financial Statements* are applicable to the aggregated information except insofar as the elimination of the investment in subsidiaries and share capital of the subsidiaries.

The historical aggregated financial information has been prepared with the objective of presenting the results and net assets of the Steinhoff Africa Retail Assets group for the Reporting Period. The Steinhoff Africa Retail Assets group have, for the periods presented, been under the control of Steinhoff International Holdings N.V.. Consequently, this historical aggregated financial information may not necessarily be indicative of the financial performance that would have been achieved, had the Steinhoff Africa Retail Assets group operated independently for the Reporting Period.

Furthermore, it may not be indicative of the financial results in future periods.

Share capital and retained income

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

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

As at 30 September 2016, Steinhoff Africa Retail had not yet issued any ordinary shares, it is not considered meaningful to disclose a historical analysis of share capital, therefore, it is not meaningful to disclose a historical analysis of various earnings per share metrics.

SUMMARY OF ACCOUNTING POLICIES

Adoption of revised standards

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

Basis of preparation

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

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

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

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

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

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

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

The accounting policies have been applied consistently by all the Steinhoff Africa Retail Assets group entities.

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

Any increases or decreases in ownership interest in subsidiaries without a change in control are recognised as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognised directly in equity and attributed to owners of the company.

Goodwill

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

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

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

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

Intangible assets

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

Subsequent expenditure

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

Amortisation

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

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

Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost to the group, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the costs of materials, direct labour, the initial estimate, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, borrowing costs capitalised and an appropriate proportion of production overheads.

Leased assets

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

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

Subsequent costs

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

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis at rates that will reduce the book values to estimated residual values over the estimated useful lives of the assets.

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

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

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

Taxation

Current taxation

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

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

Deferred taxation

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

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

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

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

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

Inventories

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

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

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

Share-based payment transactions

Equity-settled

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

Group share-based payment transactions

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

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

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

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

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

Provisions

Provisions are recognised when the group has a present constructive or legal obligation as a result of a past event, and when it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

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

Warranties

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

Restructuring

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

Dilapidation and onerous contracts

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

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

Net investment in foreign operations

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

Financial instruments

Initial recognition

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

Initial measurement

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

Subsequent measurement

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

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

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

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

Embedded derivatives

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

Derecognition

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

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

Impairment of financial assets

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

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

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

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

Effective-interest method

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

Hedge accounting

The group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges in foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Fair value hedges

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

Cash flow hedges

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

Amounts deferred in other comprehensive income are recycled to profit or loss in the periods when the hedged item is recognised in profit or loss, and it is included in the same line of the income statement as the recognised hedged item.

Hedges of net investments in foreign operations

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

Gains and losses deferred in the FCTR are recognised in profit or loss on disposal of the foreign operation.

Revenue recognition

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

Goods sold and services rendered

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

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

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

Interest

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

Rental income

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

Dividend income

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

Royalty income

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

Other income

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

Operating leases

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

Segmental reporting

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

The basis of segmental allocation is determined as follows:

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

JUDGEMENTS AND ESTIMATES

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

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

Useful lives and residual values

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

Intangible assets

Customer relationship and trade and brand names	10 – 20 years
Contracts and licences	Over the term of the contract or project
Software	1 – 8 years

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

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

Property, plant and equipment

Buildings	5 – 80 years
Computer equipment	2 – 4 years
Motor vehicles	4 – 10 years
Office equipment and furniture	3 – 16 years
Plant and machinery	3 – 60 years

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

Impairment of assets

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

Deferred taxation assets

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

Contingent liabilities

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

Provision for bad debts

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

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

Fair values in business combinations

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

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

NOTES TO THE AGGREGATED HISTORICAL FINANCIAL INFORMATION

	15 months ended 30 September 2016		Year ended 30 June 2015	
	Gross of taxation and non-controlling interests Audited *R millions*	**Net of taxation and non-controlling interests Audited** *R millions*	Gross of taxation and non-controlling interests Reviewed *R millions*	Net of taxation and non-controlling interests Reviewed *R millions*
1. **CAPITAL ITEMS**				
Capital items reflect and affect the resources committed in producing operating/trading performance and are not the performance itself. These items deal with the platform/capital base of the entity.				
(Income)/expenses of a capital nature are included in the "capital items" line in the income statement. These (income)/expense items are:				
1.1 **Impairment/(Reversals of impairment)**	**485**	**331**	875	866
Goodwill	**–**	**–**	801	801
Intangible assets	**383**	**276**	49	40
Property, plant and equipment	**184**	**132**	1	1
Other	**(82)**	**(77)**	24	24
1.2 **Foreign currency translation reserve released to profit or loss on disposal of investment**	**(70)**	**(70)**	**–**	**–**
1.3 **(Profit)/Loss on disposal of property, plant and equipment and intangible assets**	**(7)**	**(1)**	20	12
1.4 **Profit on sale and dilution of investments**	**–**	**–**	(1)	(1)
	408	**260**	894	877

		15 months ended 30 September 2016 Audited *R millions*	Year ended 30 June 2015 Reviewed *R millions*
2.	**OPERATING PROFIT**		
	Operating profit is stated after taking account of the following items:		
2.1	**Amortisation and depreciation**		
	Amortisation	**59**	90
	Depreciation	**1 072**	783
		1 131	873
	Recognised in:		
	Operating expenses	**1 131**	873
2.2	**Auditor's remuneration**		
	Audit fees	**48**	27
	Expenses and fees for other services	**2**	3
		50	30
2.3	**Personnel expenses**		
	Retirement plans	**155**	61
	Salaries and wages	**7 239**	5 390
	Share-based payments – equity-settled	**72**	16
		7 466	5 467
2.4	**Post-retirement benefit contributions to defined benefit and contribution plans**	**155**	61
2.5	**Net foreign exchange (gains)/losses**		
	Net (gain)/loss on forward exchange contracts	**(120)**	1
	Other foreign exchange losses	**91**	–
		(29)	1
2.6	**Fair value gains (excluding forward exchange contracts)**		
	Other fair value adjustments	**–**	(8)
2.7	**Operating lease charges – properties**		
	Rental of properties	**3 781**	2 546
		3 781	2 546
2.8	**Operating lease charges – other**		
	Leases of plant, equipment, vehicles and other	**7**	27
2.9	**Number of employees**	**46 889**	47 309

	Expense *R millions*	Income *R millions*	Net (income)/ expense *R millions*
3. **FINANCE COSTS AND INCOME FROM INVESTMENTS**			
Audited			
15 months ended 30 September 2016			
Dividends received	**–**	**(5)**	**(5)**
Interest			
Banks	**23**	**(58)**	**(35)**
Loans	**137**	**(18)**	**119**
Related party loan	**1 038**	**(312)**	**726**
Other	**64**	**(131)**	**(67)**
	1 262	**(524)**	**738**
Reviewed			
Year ended 30 June 2015			
Dividends received	–	(123)	(123)
Interest			
Banks	11	(57)	(46)
Loans	314	–	314
Related party loan	438	(424)	14
Other	4	(4)	–
	767	(608)	159

		15 months ended 30 September 2016 Audited *R millions*	Year ended 30 June 2015 Reviewed *R millions*
4.	**TAXATION**		
4.1	**Taxation charge**		
	Normal taxation		
	South African normal taxation – current year	**1 251**	1 528
	South African normal taxation – prior year adjustment	**57**	(13)
	South African normal taxation – capital gains taxation	**–**	1
	Foreign normal taxation – current year	**215**	171
	Foreign normal taxation – prior year adjustment	**4**	–
	Withholding taxation – South African	**91**	75
	Withholding taxation – Foreign	**75**	–
		1 693	1 762
	Deferred taxation		
	South African deferred taxation – current year	**(739)**	(915)
	South African deferred taxation – prior year adjustment	**45**	(17)
	South African deferred taxation – rate change adjustment	**624**	–
	Foreign deferred taxation – current year	**(23)**	31
	Foreign deferred taxation – prior year adjustment	**(18)**	5
		(111)	(896)
		1 582	866
	For detail on deferred taxation assets/(liabilities) refer to note 10.		
		%	%
4.2	**Reconciliation of rate of taxation**		
	South African standard rate of taxation	**28.0**	28.0
	Effect of different statutory taxation rates of subsidiaries in other jurisdictions	**(0.9)**	(0.3)
	Net creation of unrecognised taxation losses and deductible temporary differences	**2.1**	2.2
	Prior year adjustments	**3.0**	(1.3)
	Withholding taxes	**5.7**	3.8
	Tax-exempt income and non-deductible expenses	**(5.3)**	–
	Normalised rate of taxation	**32.6**	33.0
	Change in rate adjustments	**21.5**	–
	Non-deductible expenses on one-off capital items	**0.5**	10.6
	Effective rate of taxation	**54.6**	43.6
		R millions	*R millions*
5.	**EARNINGS AND HEADLINE EARNINGS**		
	Profit for the period	**1 317**	1 119
	Attributable to non-controlling interests	**(27)**	(22)
	Earnings attributable to ordinary shareholders	**1 290**	1 097
	Capital items	**408**	894
	Taxation effect of capital items	**(148)**	(17)
	Headline earnings	**1 550**	1 974

	30 September 2016 Audited R millions	30 June 2015 Reviewed R millions
6. GOODWILL		
Carrying amount at beginning of the period	**39 309**	40 138
Arising on business combinations (note 18)	**498**	–
Impairments	**–**	(801)
Other	**50**	(28)
Carrying amount at end of the period	**39 857**	39 309
Cost	**40 711**	40 163
Accumulated impairment	**(854)**	(854)
Carrying amount at end of the period	**39 857**	39 309

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

Review of impairment

The impairment test compares the carrying amount of the unit, including goodwill to the value-in-use, or fair value of the unit. The recoverable amount of the CGU is determined from the value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and the expected changes to the selling prices and the direct costs during the period. The discount rates are based on the weighted average cost of capital, while growth rates are based on management's experience and expectations. Growth rates used do not exceed the long-term average growth rate for the area in which the CGU operates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market and are derived from the most recent financial budgets and forecasts that have been prepared by management.

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

An impairment charge is required for both goodwill and other indefinite life intangible assets when the carrying amount exceeds the recoverable amount. An impairment charge of R801 million was recorded in 2015 relating to JD Group Proprietary Limited.

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

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

Impairment tests for CGUs containing goodwill

The following units have significant carrying amounts of goodwill:

	Pre-tax discount rate	**Forecasted cash flows**	**30 September 2016 Audited** *R millions*	30 June 2015 Reviewed *R millions*
Pepkor Holdings Proprietary Limited	13.70%	Budget years 1 to 3, thereafter decreasing growth rates to year 10, and a growth rate of 5.0% thereafter.	**39 300**	39 300
Iliad Group[1]			**524**	–
Other			**33**	9
Carrying amount at end of the year			**39 857**	39 309

1. The acquisition of this subsidiary took place on 1 January 2016 and therefore the goodwill allocated to this CGU has not been tested for impairment. The goodwill allocated to this CGU will be tested for impairment in the next year and thereafter.

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

Sensitivity analysis

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

	Trade and brand names *R millions*	Software and ERP systems *R millions*	Other *R millions*	Total *R millions*
7. **INTANGIBLE ASSETS**				
Balance at 1 July 2014	17 293	328	4	17 625
Additions	–	1	1	2
Amortisation	(34)	(52)	(4)	(90)
Disposals	–	(79)	–	(79)
Impairment	(49)	–	–	(49)
Reclassification from property, plant and equipment	–	17	–	17
Exchange differences on consolidation of foreign subsidiaries	1	1	(1)	1
Reviewed balance at 30 June 2015	**17 211**	**216**	**–**	**17 427**
Additions	**–**	**2**	**–**	**2**
Amortisation	**(5)**	**(53)**	**(1)**	**(59)**
Acquired on acquisition of businesses (note 18)	**478**	**–**	**–**	**478**
Impairment	**(329)**	**(54)**	**–**	**(383)**
Transfer from property, plant and equipment	**–**	**17**	**–**	**17**
Exchange differences on consolidation of foreign subsidiaries	**1**	**–**	**1**	**2**
Audited balance at 30 September 2016	**17 356**	**128**	**–**	**17 484**
Cost	17 271	732	17	18 020
Amortisation and impairment	(60)	(516)	(17)	(593)
Net book value at 30 June 2015	17 211	216	–	17 427
Cost	**17 994**	**757**	**17**	**18 768**
Amortisation and impairment	**(638)**	**(629)**	**(17)**	**(1 284)**
Net book value at 30 September 2016	**17 356**	**128**	**–**	**17 484**

Patents and trademarks have been aggregated with trade and brand names

Review of impairment

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

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

Impairment

All intangible assets were tested for impairment during the periods presented and a R383 million impairment was recognised for the period ended 30 September 2016 and R49 million for the period ended 30 June 2015. The majority of the impairments for both periods presented relate to the brand names in the JD Group. There is no indication based on a reasonable fluctuation in the key assumptions that the remaining balance of the intangible assets are impaired.

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

Useful lives

Under IAS 38, the useful life of an asset is either finite or indefinite. An indefinite life does not mean an infinite useful life, but rather that there is no foreseeable limit to the period over which the asset can be expected to generate cash flows for the entity. Intangible assets with an indefinite useful life are not amortised; an impairment test is performed at least annually as well as an annual review of the assumptions used to determine the useful life.

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

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

Royalty rates

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

A database search of the RoyaltySource Intellectual Property Database for comparable worldwide licensing or franchising transactions of trademarks in the retail industry, focusing on furniture and/or household goods, revealed royalty rates varying from 2.5% to 5.0%, with an average rate of 4.0%. The royalty rates used in assessing the value-in-use of the Steinhoff Africa Retail Assets trade names and brand names all fall within or below this recommended range and vary from 0.25% to 4.0%.

	Land and buildings *R millions*	Plant and machinery *R millions*	Leasehold improvements *R millions*	Other assets *R millions*	Total *R millions*
8. **PROPERTY, PLANT AND EQUIPMENT**					
Balance at 1 July 2014	594	1 601	550	389	3 134
Additions	49	704	123	152	1 028
Depreciation	(12)	(465)	(148)	(158)	(783)
Disposals	(18)	–	(40)	(29)	(87)
Reclassification	(68)	–	2	66	–
Transfer to intangible assets	–	–	–	(17)	(17)
Exchange differences on consolidation of foreign subsidiaries	(2)	(3)	–	(2)	(7)
Reviewed balance at 30 June 2015	**543**	**1 837**	**487**	**401**	**3 268**
Additions	**186**	**1 121**	**161**	**238**	**1 706**
Depreciation	**(17)**	**(693)**	**(177)**	**(185)**	**(1 072)**
Disposals	**(10)**	**(52)**	**(25)**	**–**	**(87)**
Impairment	**–**	**–**	**(138)**	**(46)**	**(184)**
Acquisition of businesses (note 18)	**–**	**47**	**6**	**123**	**176**
Reclassification	**–**	**–**	**7**	**(7)**	**–**
Transfer to intangible assets	**–**	**–**	**–**	**(17)**	**(17)**
Exchange differences on consolidation of foreign subsidiaries	**(13)**	**(78)**	**45**	**(30)**	**(76)**
Audited balance at 30 September 2016	**689**	**2 182**	**366**	**477**	**3 714**
Cost	611	4 464	976	1 132	7 183
Accumulated depreciation and impairment	(68)	(2 627)	(489)	(731)	(3 915)
Net book value at 30 June 2015	543	1 837	487	401	3 268
Cost	**760**	**5 041**	**739**	**1 356**	**7 896**
Accumulated depreciation and impairment	**(71)**	**(2 859)**	**(373)**	**(879)**	**(4 182)**
Net book value at 30 September 2016	**689**	**2 182**	**366**	**477**	**3 714**

Capital work-in-progress is aggregated as part of other assets.

Land and buildings

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

Other assets

Other assets comprise; Capital-work-in-progress, office equipment, computer equipment and furniture.

Encumbered assets

Assets with a book value of R633 million as at 30 September 2016 and R719 million as at 30 June 2015 are encumbered.

Insurance

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

Impairment losses

Refer to "Capital items" (note 1).

Useful lives

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

	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
9. **INVESTMENTS AND LOANS**		
Long-term investments and loans		
Loans and receivables at amortised cost		
Interest-bearing loans	**709**	446
Non-interest-bearing loans	**241**	4
	950	450
Short-term investments and loans	**–**	20
Loans and receivables at amortised cost		
Non-interest-bearing loans		
	–	20

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

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

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

The fair value of loans are disclosed in note 20.

	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
10. DEFERRED TAXATION (LIABILITIES)/ ASSETS		
10.1 Deferred taxation movement		
(Liabilities)/Assets		
Balance at beginning of the period	**(1 462)**	(2 326)
Deferred taxation of businesses acquired	**(25)**	–
Amounts charged directly to other comprehensive income and equity		
Other	**269**	(30)
Current year charge	**111**	896
Exchange differences on consolidation of foreign subsidiaries	**(64)**	(2)
Balance at end of the period	**(1 171)**	(1 462)

10.2 Deferred taxation balances

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

	30 September 2016	30 June 2015
Total deferred taxation liabilities	**(3 724)**	(3 228)
Total deferred taxation assets	**2 553**	1 766

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

Deferred taxation balance comprises:	30 September 2016	30 June 2015
Intangible assets	**(3 870)**	(3 200)
Property, plant and equipment	**184**	162
Prepayments and provisions	**458**	711
Share-based payments	**10**	6
Taxation losses	**1 691**	1 259
Doubtful debts	**85**	47
Other	**271**	(447)
	(1 171)	(1 462)

10.3 Unrecognised deferred taxation assets

Deferred taxation assets have not been recognised in respect of the following items:

	30 September 2016	30 June 2015
Taxation losses	**1 349**	**2 544**

The taxation losses and deductible temporary differences do not expire under current taxation legislation. Deferred taxation assets have not been recognised in respect of these items because it is not yet certain that future taxable profits will be available against which the group can realise the benefits therefrom. Deferred taxation assets are assessed at each statutory entity individually.

10.4 Taxation losses

	30 September 2016	30 June 2015
Estimated taxation losses available for offset against future taxable income	**7 490**	**6 779**

	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
11. **TRADE AND OTHER RECEIVABLES**		
Current trade and other receivables		
Trade receivables	**1 354**	372
Related-party receivables (note 21)	**63**	347
Instalment sale and loan receivables	**2 002**	1 998
Other amounts due	**1 311**	696
Less: Provision for bad debts (note 20)	**(470)**	(395)
Derivative financial assets	**83**	138
Current trade and other receivables (financial assets)	**4 343**	3 156
Prepayments	**226**	202
Taxation receivable	**149**	137
Value added taxation receivable	**303**	386
	5 021	3 881

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

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

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

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

Given the diverse nature of the group's operations, it does not have significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers. Accordingly, the directors believe that no further credit provision is required in excess of the provision for bad debts.

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

The group's exposure to currency and credit risk related to trade and other receivables is disclosed in note 20.

	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
12. **INVENTORIES**		
12.1 **Inventories at cost less provisions**		
Finished goods and merchandise	**8 137**	6 475
Goods in transit	**492**	547
Raw materials and other inventories	**103**	64
	8 732	7 086
12.2 **Amount of write-down of inventories to net realisable value included as an expense**	**112**	81

Inventories carried at net realisable value are immaterial.

	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
13. **INTEREST-BEARING LOANS AND BORROWINGS**		
13.1 **Analysis of closing balance**		
Secured financing		
Capitalised finance lease and instalment sale agreements	**40**	32
	40	32
Unsecured financing		
JD Group domestic medium-term note programme	**–**	1 860
Syndicated term loans and facilities	**–**	1 300
Other loans	**85**	1
	85	3 161
Total interest-bearing loans and borrowings	**125**	3 193
Portion payable within 12 months included in current liabilities	**(98)**	(2 869)
Total non-current interest-bearing loans and borrowings	**27**	324

The book value of assets encumbered in favour of the above mortgage and term loans and finance lease and instalment sale agreements amounts to R633 million as at 30 September 2016 and R719 million as at 30 June 2015 (note 8). No financial assets have been pledged as collateral for either periods presented.

	30 September 2016	30 June 2015
13.2 **Analysis of repayment**		
Repayable within the next year and thereafter		
Next year	**98**	2 869
Within two years	**16**	9
Within three years	**6**	307
Within four years	**3**	5
Within five years	**1**	2
Thereafter	**1**	1
	125	3 193

The undiscounted cash flows of the remaining contractual maturity as well as the fair values of interest-bearing loans and borrowings are disclosed in note 20.

	Facility million	Maturity date	Interest rate	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
13.3 **Loan details**					
Secured					
Capitalised finance lease and instalment sale agreements	–	–	Various	**40**	32
Secured hire purchase and lease agreements repayable in monthly or annual instalments over periods of one to five years. These leases are with various counterparties.					
Unsecured					
JD Group domestic medium-term note programme: senior unsecured notes repaid during the period.				**–**	1 860
Syndicated loan facilities repaid during the period				**–**	1 300
Other loans				**85**	1
				125	3 193

	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
14. **EMPLOYEE BENEFITS**		
Post-retirement medical benefits	**74**	75
Performance-based bonus accrual	**237**	21
Leave pay accrual	**228**	371
Other	**20**	17
Total liability	**559**	484
Transferred to short-term employee benefits	**(425)**	(437)
Long-term employee benefits	**134**	47

14.1 **Defined contribution plans**

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

14.2 **Defined benefit plans**

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

		Performance-based bonus *R millions*	Leave pay *R millions*	Total *R millions*
14.3	**Performance-based bonus and leave pay accruals**			
	Balance at 1 July 2014	26	337	363
	Accrual raised	25	105	130
	Amounts unused reversed	(13)	(1)	(14)
	Amounts utilised	(16)	(71)	(87)
	Exchange differences on consolidation of foreign subsidiaries	(1)	1	–
	Reviewed balance at 30 June 2015	**21**	**371**	**392**
	Accrual raised	**508**	**78**	**586**
	Amounts unused reversed	**(42)**	**4**	**(38)**
	Amounts utilised	**(556)**	**(69)**	**(625)**
	Net acquisition and disposal of subsidiaries and businesses	**27**	**18**	**45**
	Reclassification from/(to) accruals	**279**	**(174)**	**105**
	Audited balance at 30 September 2016	**237**	**228**	**465**

Performance-based bonus accrual

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

Leave pay accrual

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

		Dilapidation, onerous lease and onerous contract provisions *R millions*	Contingent liabilities raised on business combi-nations *R millions*	Other *R millions*	Total *R millions*
15.	**PROVISIONS**				
	Balance at 1 July 2014	–	1 598	46	1 644
	Provision raised	–	–	289	289
	Amounts unused reversed	–	–	(7)	(7)
	Amounts utilised	–	–	(119)	(119)
	Reviewed balance at 30 June 2015	**–**	**1 598**	**209**	**1 807**
	Provision raised	**230**	**–**	**461**	**691**
	Amounts unused reversed	**(3)**	**–**	**(60)**	**(63)**
	Amounts utilised	**(58)**	**(676)**	**(199)**	**(933)**
	Net acquisition and disposal of subsidiaries and businesses	**–**	**–**	**10**	**10**
	Reclassification from accruals	**–**	**–**	**88**	**88**
	Exchange differences on consolidation of foreign subsidiaries	**1**	**–**	**1**	**2**
	Audited balance at 30 September 2016	**170**	**922**	**510**	**1 602**

	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
Long-term provisions	**993**	1 598
Short-term provisions	**609**	210
	1 602	1 807

Dilapidation, onerous lease and onerous contract provisions

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

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

Contingent liabilities raised on business combinations

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

Other provisions

Other provisions are recognised when the group has a present constructive or legal obligation as a result of a past event, and when it is probable that it will result in an outflow of economic benefits that can be reasonably estimated. Included in other provisions are estimated costs related to product warranties and other transaction-related or tax, legal and regulatory matters.

	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
16. **TRADE AND OTHER PAYABLES**		
Non-current trade and other payables		
Equalisation of operating lease payments	**501**	476
	501	476
Current trade and other payables		
Trade payables	**6 471**	5 556
Related-party payables (note 21)	**118**	30
Accruals	**887**	17
Cash received in advance, other payables and amounts due	**1 875**	1 753
Derivative financial liabilities	**825**	1
Trade and other payables (financial liabilities)	**10 176**	7 357
Equalisation of operating lease payments	**50**	2
Taxation payable	**1 092**	911
Value added taxation payable	**12**	242
Recharge payable to Steinhoff International Holdings N.V. for share-based payment	**34**	–
	11 364	8 512

The fair value of trade and other payables is disclosed in note 20.

	15 months ended 30 September 2016 Audited *R millions*	Year ended 30 June 2015 Reviewed *R millions*
17. **CASH GENERATED FROM OPERATIONS**		
Operating profit	**3 642**	2 144
Adjusted for:		
Debtors' costs	**425**	215
Depreciation and amortisation	**1 131**	873
Fair value profit on financial assets	**–**	(8)
Impairments	**485**	875
Inventories written down to net realisable value and movement in provision for inventories	**288**	128
Net (profit)/loss on disposal of property, plant and equipment and intangible assets	**(7)**	20
Profit on disposal and dilution of investments and disposal groups	**(70)**	(1)
Share-based payment expense	**72**	16
Other non-cash adjustments	**50**	27
Cash generated before working capital changes	**6 016**	4 289
Working capital changes		
Increase in inventories	**(967)**	(384)
Increase in trade and other receivables	**(2 027)**	(542)
Movement in net derivative financial liabilities/assets	**128**	(31)
(Decrease)/Increase in non-current and current provisions	**(215)**	163
Increase/(Decrease) in non-current and current employee benefits	**29**	(108)
Increase in trade and other payables	**2 068**	1 049
Net changes in working capital	**(984)**	147
Cash generated from operations	**5 032**	4 436

	30 September 2016 Audited *R millions*

18. NET CASH FLOW ON ACQUISITION OF SUBSIDIARIES AND BUSINESSES

Iliad was purchased for a total cash consideration of R1.3 billion. All conditions precedent were fulfilled and Iliad became an indirect subsidiary on 1 January 2016. Iliad delisted from the JSE on 12 January 2016.

Other small immaterial acquisitions were made during the period and comprise the balance of the consideration paid.

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

	30 September 2016 Audited R millions
Assets	
Intangible assets	**478**
Property, plant and equipment	**176**
Deferred taxation assets	**73**
Cash on hand	**179**
Liabilities	
Non-current interest-bearing loans and borrowings	**(10)**
Deferred taxation liability	**(98)**
Working capital	**147**
Total assets and liabilities acquired	**945**
Goodwill attributable to acquisition	**498**
Total consideration	**1 443**
Cash on hand at date of acquisition	**(179)**
Net cash outflow on acquisition of subsidiaries	**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.

18.2 The carrying value of identifiable assets and liabilities of the Iliad group immediately prior to the acquisition

	30 September 2016 Audited R millions
Assets	
Goodwill	**203**
Intangible assets	**27**
Property, plant and equipment	**161**
Deferred taxation assets	**40**
Cash on hand	**159**
Liabilities	
Non-current interest-bearing loans and borrowings	**(10)**
Working capital	**316**
Total assets and liabilities acquired	**896**

	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
19. COMMITMENTS AND CONTINGENCIES		
19.1 Capital expenditure		
Contracts for capital expenditure authorised	**589**	144
Capital expenditure authorised but not contracted for	**128**	860

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

	Property Audited *R millions*	**Plant, equipment, vehicles and other Audited** *R millions*	**30 September 2016 Total Audited** *R millions*	30 June 2015[1] Reviewed *R millions*
19.2 Operating leases				
Amounts outstanding under non-cancellable operating lease agreements for payable within the next year and thereafter:				
Next year	**2 245**	**2**	**2 247**	2 341
Within two to five years	**4 567**	**5**	**4 572**	3 967
Thereafter	**394**	**–**	**394**	382
Total	**7 206**	**7**	**7 213**	6 690

1. *All amounts outstanding during this period related to operating leases of fixed property.*

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

19.3 **Contingent liabilities**

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

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

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

20. FINANCIAL INSTRUMENTS

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

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

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

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

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

1. *This category includes derivative financial instruments.*

	At fair value through profit or loss[1] *R millions*	Loans and receivables and other financial liabilities at amortised cost *R millions*	Total carrying values *R millions*	Loans and receivables and other financial liabilities at fair value *R millions*	Total fair values *R millions*
Reviewed					
30 June 2015					
Investments and loans	–	450	450	450	450
Non-current financial assets	–	450	450	450	450
Trade and other receivables (financial assets)	138	3 018	3 156	3 018	3 156
Investments and loans	–	20	20	20	20
Related party loan receivables	–	7 646	7 646	7 646	7 646
Cash and cash equivalents	–	2 326	2 326	2 326	2 326
Current financial assets	138	13 010	13 148	13 010	13 148
Long-term interest-bearing loans and borrowings	–	(324)	(324)	(324)	(324)
Non-current financial liabilities	–	(324)	(324)	(324)	(324)
Short-term interest-bearing loans and borrowings	–	(2 869)	(2 869)	(2 869)	(2 869)
Bank overdrafts and short-term facilities	–	(13)	(13)	(13)	(13)
Trade and other payables (financial liabilities)	(1)	(7 356)	(7 357)	(7 356)	(7 357)
Related party loan payables	–	(8 035)	(8 035)	(8 035)	(8 035)
Current financial liabilities	(1)	(18 273)	(18 274)	(18 273)	(18 274)
	137	(5 137)	(5 000)	(5 137)	(5 000)
Net (gains) and losses recognised in profit or loss	(8)	–	(8)		
Net (gains) and losses recognised in other comprehensive income	(171)	–	(171)		
	(179)	–	(179)		
Total interest income			(558)		
Total interest expense			717		
			159		

1. *This category includes derivative financial instruments.*

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

	Fair value hierarchy	Valuation techniques and key inputs	Fair value 30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
20.2 Fair values				
Trade and other receivables – derivative financial assets – foreign currency forward contracts	Level 2	The fair values of forward exchange contracts are based on their listed market price, if available. If a listed market price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and current forward price for the residual maturity of the contract using a risk – free interest rate (based on government bonds).	**83**	138
Trade and other payables – derivative financial liabilities – foreign currency forward contracts	Level 2		**(825)**	(1)

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

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

20.3 Foreign currency risk

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

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

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

Exposure to currency risk

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

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

Foreign currency sensitivity analysis

The group is mainly exposed to fluctuations in Botswana pula, Angola kwanza, Zambian kwatcha, United States dollar and Chinese yuan. The spot rates used to translate assets and liabilities denominated in foreign currency at year-end were as follows:

	Reporting date spot rate 30 September 2016 Audited	Reporting date spot rate 30 June 2015 Reviewed
South African rand		
Botswana pula	**1.3080**	1.3177
Zambian kwatcha	**1.4000**	1.6200
Angola kwanza	**0.0832**	0.1029
US dollar	**13.8485**	12.1262
Chinese yuan	**2.0757**	1.9566

	R millions	*R millions*
Forward exchange contracts		
It is the policy of the group to enter into forward exchange contracts to cover specific foreign currency payments based on a predefined profile that takes into account the future expected date of payment.		
The group uses forward exchange contracts to hedge its foreign currency risk against the functional currency of its various global operations. Most of the forward exchange contracts have maturities of less than one year after reporting date. As a matter of policy, the group does not enter into derivative contracts for speculative purposes. The fair values of such contracts at period-end, by currency, were:		
Short-term derivatives		
Assets		
Fair value of foreign exchange contracts		
US dollar	**75**	138
Other	**8**	–
	83	138
Liabilities		
Fair value of foreign exchange contracts		
US dollar	**(421)**	(1)
Chinese yuan	**(381)**	–
Other	**(23)**	–
	(825)	(1)
Net short-term derivative (liabilities)/assets	**(742)**	137

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

	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
Cash flow hedges The group classifies certain of its forward exchange contracts that hedge forecast transactions as cash flow hedges. The fair value of such contracts recognised as derivative assets and liabilities and adjusted against the hedging reserve at year-end was:		
Fair value loss for the period recognised in other comprehensive income	**751**	(171)

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.

20.4 **Interest rate risk**

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

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

The interest and related terms of the group's interest-bearing loans are disclosed in note 13.

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

	Subject to interest rate movement				
	Variable SA prime *R millions*	**Variable JIBAR** *R millions*	**Fixed rate** *R millions*	**Non-interest-bearing** *R millions*	**Total** *R millions*
Audited 30 September 2016					
Non-current financial assets	**709**	**–**	**–**	**241**	**950**
Current financial assets	**5 247**	**1 031**	**88**	**8 511**	**14 877**
Non-current financial liabilities	**(26)**	**–**	**–**	**(1)**	**(27)**
Current financial liabilities	**(4 326)**	**(13 610)**	**(250)**	**(10 363)**	**(28 549)**
	1 604	**(12 579)**	**(162)**	**(1 612)**	**(12 749)**
Reviewed 30 June 2015					
Non-current financial assets	445	–	–	5	450
Current financial assets	6 845	–	–	6 303	13 148
Non-current financial liabilities	(24)	(300)	–	–	(324)
Current financial liabilities	(1 178)	(6 574)	(1 926)	(8 596)	(18 274)
	6 088	(6 874)	(1 926)	(2 288)	(5 000)

Sensitivity analysis

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

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

	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
Through (profit)/loss		
SA Prime – 100 basis point increase	**(16)**	(61)
JIBAR – 100 basis point increase	**126**	69

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

20.5 Credit risk

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

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

	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
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	**950**	450
Current financial assets	**14 877**	13 148
Less: Instalment sale and loan receivables[1]	**(2 002)**	(1 998)
	13 825	11 600

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

	30 September 2016 Audited *R millions*	**30 September 2016 Audited** %	30 June 2015 Reviewed *R millions*	30 June 2015 Reviewed %
Ageing of financial assets, excluding instalment sales and loan				
Not past due or impaired	**13 578**	**98.2**	11 512	99.2
Past due 1 to 30 days but not impaired	**120**	**0.9**	45	0.4
Past due 31 to 60 days but not impaired	**50**	**0.4**	22	0.2
Past due more than 60 days but not impaired	**77**	**0.6**	21	0.2
Past due but not impaired in full	**–**	**–**	–	–
	13 825	**100.0**	11 600	100.0

	Secured *R millions*	Unsecured *R millions*	Total *R millions*
Credit exposure by class to instalment sale and loans receivables			
Audited			
30 September 2016			
Up to date	**26**	**1 512**	**1 538**
Performing	**17**	**282**	**299**
Non-performing	**21**	**144**	**165**
	64	**1 938**	**2 002**
Reviewed			
30 June 2015			
Up to date	70	1 503	1 573
Performing	55	207	262
Non-performing	23	144	167
	148	1 854	1 998

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

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

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

Up to date	These accounts have no arrears, are therefore up to date and are neither past due nor impaired. An unidentified impairment is raised for these accounts.
Performing	These accounts are in arrears by less than four contractual instalments and are considered to be past due. Arrears are defined as less than 95% of a contractual instalment. An unidentified impairment is raised for these accounts.
Non-performing	These accounts are in arrears by four or more contractual instalments. Arrears are defined as less than 95% of a contractual instalment. An identified impairment provision is raised against accounts that are four or more instalments in arrears.

	Secured *R millions*	Unsecured *R millions*	Total *R millions*
Risk analysis for up to date accounts			
Audited			
30 September 2016			
Low risk	**20**	**1 508**	**1 528**
Medium risk	**6**	**4**	**10**
	26	**1 512**	**1 538**
Reviewed			
30 June 2015			
Low risk	39	1 492	1 531
Medium risk	24	10	34
High risk	7	1	8
	70	1 503	1 573

	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
Movement in provision for bad debts		
Balance at beginning of the period	**(395)**	(362)
Provision raised	**(475)**	(216)
Amounts unused reversed	**66**	9
Amounts used during the year	**426**	175
Acquired on acquisition of subsidiaries and businesses	**(91)**	–
Exchange differences on consolidation of foreign subsidiaries	**(1)**	(1)
Balance at end of the period	**(470)**	(395)

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.

20.6 **Liquidity risk**

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

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

The following table details the group's remaining contractual maturity for its financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows:

	30 September 2016 Audited *R millions*	30 June 2015 Reviewed *R millions*
0 to 3 months	**(16 905)**	(11 506)
4 to 12 months	**(11 882)**	(5 740)
Years 1 to 2	**(16)**	(9)
Years 3 to 5	**(10)**	(314)
After 5 years	**–**	(2)
	(28 813)	(17 571)

20.7 **Treasury risk**

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

20.8 **Capital risk**

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

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 13, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

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

21. RELATED-PARTY TRANSACTIONS

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

These transactions are concluded at arm's-length in the normal course of business and include transactions as a result of the group-wide treasury management of foreign currency movements. All material intergroup transactions are eliminated on consolidation.

21.1 **Trading transactions**

Key management personnel did not have any material transaction with the group. All transactions were at market-related prices.

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

	15 months ended 30 September 2016 Audited *R millions*	12 months ended 30 June 2015 Reviewed *R millions*
Related-party receivables		
Steinhoff at Work Proprietary Limited and its subsidiaries	**4**	287
Steinhoff Africa Property Services Proprietary Limited and its subsidiaries	**–**	1
Unitrans Automotive Proprietary Limited and its subsidiaries	**59**	59
	63	347
Related-party payables		
Steinhoff Services Proprietary Limited	**(47)**	(2)
Steinhoff at Work Proprietary Limited and its subsidiaries	**(4)**	(28)
Steinhoff Africa Holdings Proprietary Limited	**(65)**	–
Steinhoff Africa Property Services Proprietary Limited and its subsidiaries	**(2)**	–
	(118)	(30)
Loans due by Steinhoff and its subsidiaries		
JD Property Holdings Proprietary Limited	**1 813**	1 794
Ainsley Holdings Proprietary Limited	**4 056**	–
Unitrans Automotive Proprietary Limited and its subsidiaries	**1 894**	1 894
JD Financial Services	**–**	3 958
	7 763	7 646
Loans due to Steinhoff and its subsidiaries		
Steinhoff at Work Proprietary Limited and its subsidiaries	**(101)**	(69)
Steinhoff Africa Holdings Proprietary Limited	**(4 688)**	(3 339)
Steinhoff Services Proprietary Limited	**(5 050)**	(2 964)
Ainsley Holdings Proprietary Limited	**(6 810)**	–
Unitrans Automotive Proprietary Limited and its subsidiaries	**(1 547)**	(1 063)
JDG Micro Insurance Proprietary Limited	**–**	(181)
JDG Micro Life Insurance Proprietary Limited	**–**	(419)
	(18 196)	(8 035)

AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE PERIODS ENDED 30 SEPTEMBER 2016 AND 30 JUNE 2015

	15 months ended 30 September 2016 Audited *R millions*	12 months ended 30 June 2015 Reviewed *R millions*
Dividends (paid to)/received from:		
Steinhoff Africa Holdings Proprietary Limited	**(1 041)**	(1 388)
Newshelf 1093 Proprietary Limited	**(459)**	(612)
Ainsley Holdings Proprietary Limited (*in specie*)	**(2 879)**	–
Unitrans Motors Enterprises Proprietary Limited and its subsidiaries	**–**	123
	(4 379)	(1 877)
Sales to/(purchases from):		
KAP Industrial Holdings Limited and its subsidiaries[1]	**(1)**	(198)
Steinhoff Europe Group	**–**	(1)
Steinhoff Africa Property Services Proprietary Limited and its subsidiaries	**(2)**	–
Unitrans Motors Enterprises Proprietary Limited and its subsidiaries	**(38)**	–
	(41)	(199)
Net operating fees (including administration and management fees (paid to)/received from:		
Steinhoff at Work Proprietary Limited and its subsidiaries	**(45)**	259
Steinhoff Africa Property Services Proprietary Limited and its subsidiaries	**–**	(2)
Steinhoff Africa Holdings Proprietary Limited	**(9)**	(6)
Unitrans Motors Enterprises Proprietary Limited and its subsidiaries	**40**	40
	(14)	291
Net rent paid to:		
Steinhoff Africa Property Services Proprietary Limited and its subsidiaries	**(27)**	(5)
JD Group Property Holding Proprietary Limited and its subsidiaries	**(117)**	(109)
	(144)	(114)
Finance costs paid to:		
Steinhoff Services Proprietary Limited	**(464)**	(61)
Steinhoff Africa Holdings Proprietary Limited	**(474)**	(326)
Unitrans Motors Enterprises Proprietary Limited and its subsidiaries	**(100)**	(51)
	(1 038)	(438)
Interest received from:		
Steinhoff Africa Property Services Proprietary Limited and its subsidiaries	**145**	181
JD Financial Services	**108**	192
Unitrans Motors Enterprises Proprietary Limited and its subsidiaries	**59**	51
	312	424

1. *KAP Industrial Holdings Limited is an equity accounted associate of Steinhoff for both periods presented.*

21.2 **Significant subsidiaries**

	Country of incorporaton	**30 September 2016 Audited Ownership %**	30 June 2015 Reviewed Ownership %
Pepkor Holdings Proprietary Limited	South Africa	**100**	100
Pepkor Trading Proprietary Limited[1]	South Africa	**100**	100
JD Group Proprietary Limited	South Africa	**100**	100
Iliad Africa Trading Proprietary Limited[2]	South Africa	**100**	–

[1] *JDG Trading Proprietary Limited changed its name to Pepkor Trading Proprietary Limited during 2016.*
[2] *The Iliad Group was acquired effective 1 January 2016.*

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

21.3 **Directorate**

Executive directors
AB la Grange – Chief Executive Officer *(Appointed 1 July 2017)*
RG Hanekom – Chief Financial Officer *(Appointed 18 August 2017)*

Non-executive directors
J Naidoo – Chairperson *(Appointed 18 August 2017)*
MJ Jooste *(Appointed 18 August 2017)*
DM van der Merwe *(Appointed 1 July 2017)*
JD Wiese *(Appointed 18 August 2017)*
VP Khanyile (independent) *(Appointed 18 August 2017)*
S Müller (independent) *(Appointed 18 August 2017)*
AE Swiegers (independent) *(Appointed 18 August 2017)*
JB Cilliers (independent) *(Appointed 18 August 2017)*
HJ Sonn (independent) *(Appointed 18 August 2017)*

21.4 **Compensation of key management personnel**

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

Remuneration paid to the executive and non-executive directors were paid by Steinhoff International Holdings N.V. and its subsidiaries. This remuneration includes services rendered to the broader Steinhoff International Holdings N.V. group.

Details relating to directors' emoluments are disclosed in note 22.

	Basic remuneration and other company contributions[1] ’000	Company directors’ fees ’000	Annual bonus ’000	Strategic bonus ’000	Deferred bonus[2] ’000	Total remuneration and fees converted to rands R’000
22. REMUNERATION REPORT						
22.1 Remuneration of the executive directors						
Audited						
30 September 2016						
AB la Grange	**€1 100**	**–**	**€484**	**€416**	**€416**	**38 718**
RG Hanekom	**R2 775**	**–**	**R3 945**	**–**	**–**	**6 720**
Total executive directors						**45 438**
Reviewed						
30 June 2015						
AB la Grange	€497	€57	€729	€485	–	24 278
RG Hanekom	R1 810	–	R2 887	–	–	4 697
Total executive directors						28 975
22.2 Remuneration of the non-executive committee						
Audited						
30 September 2016						
J Naidoo[3]	**–**	**–**	**–**	**–**	**–**	**–**
MJ Jooste	**€2 753**	**–**	**€1 980**	**€476**	**€416**	**90 145**
DM van der Merwe	**€1 356**	**–**	**€1 000**	**€312**	**€156**	**45 257**
JD Wiese	**–**	**R147**	**–**	**–**	**–**	**147**
VP Khanyile[3]	**–**	**–**	**–**	**–**	**–**	**–**
S Müller[3]	**–**	**–**	**–**	**–**	**–**	**–**
AE Swiegers[3]	**–**	**–**	**–**	**–**	**–**	**–**
JB Cilliers[3]	**–**	**–**	**–**	**–**	**–**	**–**
HJ Sonn	**–**	**R548**	**–**	**–**	**–**	**548**
Total non-executive committee						**136 097**
Reviewed						
30 June 2015						
J Naidoo[3]	–	–	–	–	–	–
MJ Jooste	€2 158	€57	€1 855	€485	€875	74 574
DM van der Merwe	€1 078	€57	€954	€182	€650	40 125
JD Wiese	–	–	–	–	–	–
VP Khanyile[3]	–	–	–	–	–	–
S Müller[3]	–	–	–	–	–	–
AE Swiegers[3]	–	–	–	–	–	–
JB Cilliers[3]	–	–	–	–	–	–
HJ Sonn	–	R451	–	–	–	451
Total non-executive committee						115 150

1. *Other contributions mainly includes company contributions to the medical aid and pension schemes as well as expense allowances.*
2. *Annual and strategic bonus payments may be deferred at the discretion of the Remuneration Committee. The terms of deferral are agreed upon on an annual basis.*
3. *These directors were appointed subsequent to 30 September 2016 and have received no remuneration for services rendered to any of the businesses comprising the STAR Group during either period presented.*

		30 September 2016 Audited R'000	30 June 2015 Reviewed R'000
22.3	**Directors' fees and remuneration**		
	Remuneration paid by:		
	– Steinhoff N.V. and its subsidiary companies	**181 535**	144 125

			Effective date – annual periods commencing on or after
23.	**NEW ACCOUNTING PRONOUNCEMENTS**		
	At the date of authorisation of these annual financial statements, there are standards and interpretations in issue but not yet effective. These include the following standards and interpretations that have not been early adopted and may have an impact on future financial statements:		
	IFRS 2	Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
	IFRS 9	Financial Instruments	1 January 2018
	IFRS 15	Revenue from Contracts with Customers	1 January 2018
	IFRS 16	Leases	1 January 2019
	IAS 7	Statement of Cash Flows: Disclosure initiative	1 January 2017
	IAS 12	Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
	IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
	IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
	Annual Improvements to IFRSs 2014–2016 Cycle		1 January 2017

23.1 **IFRS 2**

In June 2016, the IASB issued amendments to IFRS 2: *Share-based Payments* (IFRS 2). The amendment clarifies how to account for certain types of share-based payment transactions. The group is in the process of evaluating the impact the standard will have on the group. This standard will be adopted by the effective date.

23.2 **IFRS 9**

In July 2014, the IASB issued the completed version of IFRS 9: *Financial Instruments* (IFRS 9). The statement addresses the classification and measurement of financial assets and financial liabilities. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and financial liabilities and aims to reduce complexity. The group is in the process of evaluating the impact the standard will have on the group. This standard will be adopted by the effective date.

23.3 **IFRS 15**

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

23.4 **IFRS 16**

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

23.5 **IAS 7**

In January 2016, the IASB issued amendments to IAS 7: *Statement of Cash Flows* (IAS 7). The amendments require entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The group is in the process of evaluating the impact the amendments will have on the group. The amendments will be adopted by the effective date.

23.6 **IAS 12**

In January 2016, the IASB issued amendments to IAS 12: *Income Taxes* (IAS 12). The amendments clarify how to account for deferred taxation assets related to debt instruments measured at fair value. The group is in the process of evaluating the impact the amendments will have on the group. The amendments will be adopted by the effective date.

23.7 **IFRIC 22**

In December 2016, the IASB issued IFRIC 22: *Foreign Currency Transactions and Advance Consideration* (IFRIC 22). The interpretation clarifies how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The group is in the process of evaluating the impact the standard will have on the group. This standard will be adopted by the effective date.

23.8 **IFRIC 23**

In June 2017, the IASB issued IFRIC 23: *Uncertainty over Income Tax Treatments* (IFRIC 23). The interpretation clarifies how to reflect uncertainty in accounting for income taxes. The group is in the process of evaluating the impact the standard will have on the group. This standard will be adopted by the effective date.

23.9 **Annual Improvements to IFRSs 2014–2016**

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

REVIEWED AGGREGATED INCOME STATEMENT OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2016

COMPARATIVE INCOME STATEMENT

	12 months 30 September 2016 Reviewed *R millions*
Revenue	51 234
Cost of sales	(34 101)
Gross profit	17 133
Other income	1 010
Other operating expenses	(13 746)
Operating profit before capital items, depreciation, amortisation, interest and taxation	4 397
Depreciation and amortisation	(912)
Capital items	(373)
Operating profit	3 112
Finance costs	(1 055)
Income from investments	422
Share of loss of associate companies	–
Profit before taxation	2 479
Taxation	(1 507)
Profit for the period	972
Profit attributable to:	
Owners of the parent	952
Non-controlling interests	20
Profit for the period	972
REVENUE	
Integrated retail: consumer goods	51 234
OPERATING PROFIT BEFORE CAPITAL ITEMS	
Integrated retail: consumer goods	3 485

Basis of preparation

The aggregated income statement for the 12 months ended September 2016 has been prepared in accordance with the measurement and recognition principles of International Financial Reporting Standards (IFRS). The purpose of the aggregated income statement is to illustrate the performance of the STAR Group as if the most recent financial statements had been for a 12-month period rather than a 15-month period to enhance comparability. The aggregated historical financial information for the 12 months ended 30 September 2016 is not intended to comply with all of the presentation and disclosure requirements of IFRS.

The aggregated historical information for the 12 months ended 30 September 2016 comprises the aggregated statement of comprehensive income for the period then ended and selected segmental information.

The preparation of the historical financial information was supervised by AB la Grange CA(SA).

REVIEWED AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE 6 MONTHS ENDED 31 MARCH 2017

CHIEF FINANCIAL OFFICER'S REPORT

CONCLUSION OF AUDITOR

The interim aggregated financial statements of the Steinhoff Africa Retail Assets group have been reviewed by the auditor of the STAR group in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

CORPORATE ACTIVITY

Tekkie Town Proprietary Limited (Tekkie Town)

On 29 August 2016, Steinhoff International Holdings N.V. 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. Refer to note 6.

RELATED PARTY TRANSACTIONS

Related party relationships exist between shareholders, subsidiaries, joint-venture companies and associate companies within the group and its company directors and group key management personnel. Related party transactions are concluded at arm's-length in the normal course of business and include transactions as a result of the group-wide treasury management of foreign currency movements. All material intergroup transactions are eliminated on aggregation.

The related party transactions during the 6 months ended 31 March 2017 do not significantly deviate from the transactions as reflected in the aggregated historical financial statements as at and for the period ended 30 September 2016.

The group's aggregated historical financial statements for the period ended 30 September 2016 contains details of the group's related party relationships and should be read in conjunction with this report.

EVENTS AFTER THE REPORTING DATE

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

Building Supplies Group (BSG)

On 1 April 2017, Steinhoff N.V. (through its subsidiary Steinhoff Doors and Building Materials) acquired 100% of BSG (BSG is the parent company of the MacNeil and Tiletoria groups) for R294 million. The acquisition is pending the approval of the relevant regulatory authorities which is expected before the end of the financial year.

CHIEF FINANCIAL OFFICER'S REPORT

DIRECTORS' STATEMENT OF RESPONSIBILITY FOR THE HISTORICAL AGGREGATED FINANCIAL INFORMATION

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial information. The historical aggregated financial information is an aggregation of the Steinhoff Africa Retail Assets group accounting records and consolidation entries and is prepared on the basis of preparation described in Annexure 1B and in accordance with the requirements of 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 accounting records of the underlying statutory entities have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

In accordance with the Companies Act and Regulations of South Africa 2008 ("the Act") the directors are required to maintain adequate accounting records. The directors are responsible for the preparation, integrity and fair presentation of the historical aggregated financial information included in this report.

The Steinhoff International Holdings N.V. group's internal auditors (through its subsidiary Steinhoff International Holdings Limited) independently evaluate the internal controls and co-ordinate their audit coverage with management, audit committees and external auditors.

Based on the information and explanations of management and internal auditors, the directors are of the opinion that the system of internal control provides reasonable assurance. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the periods under review. The directors are therefore satisfied that the financial records may be relied on for the preparation of the historical aggregated financial information.

The preparation of the historical financial information was supervised by AB la Grange CA(SA).

AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE 6 MONTHS ENDED 31 MARCH 2017

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2017

	Notes	**6 Months ended 31 March 2017 Reviewed** *R millions*
Revenue		**28 490**
Cost of sales		**(18 283)**
Gross profit		**10 207**
Other income		**467**
Other operating expenses		**(7 403)**
Operating profit before capital items, depreciation, amortisation, interest and taxation		**3 271**
Depreciation and amortisation		**(483)**
Capital items	2	**(37)**
Operating profit	2	**2 751**
Net finance costs		**(283)**
Profit before taxation		**2 468**
Taxation	3	**(639)**
Profit for the period		**1 829**
Profit attributable to:		
Owners of the parent		**1 824**
Non-controlling interests		**5**
Profit for the period		**1 829**
Earnings attributable to ordinary shareholders	4	**1 824**
Headline earnings attributable to ordinary shareholders	4	**1 857**
STATEMENT OF COMPREHENSIVE INCOME		
Profit for the period		**1 829**
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations		**(21)**
Net fair value loss on cash flow hedges and other fair value reserves, net of taxation		**(1)**
		(22)
Total other comprehensive loss for the period		**(22)**
Total comprehensive income for the period		**1 807**
Total comprehensive income attributable to:		
Owners of the parent		**1 802**
Non-controlling interests		**5**
Total comprehensive income for the period		**1 807**

Per share numbers have not been disclosed for the Steinhoff African Retail Assets as these businesses did not historically constitute a separate legal entity and therefore per share numbers do not provide meaningful information before being acquired by STAR.

AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE 6 MONTHS ENDED 31 MARCH 2017

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Notes	31 March 2017 Reviewed *R millions*
ASSETS		
Non-current assets		
Goodwill and intangible assets	5	**60 652**
Property, plant and equipment		**3 993**
Investments and loans		**1 050**
Deferred taxation assets		**2 333**
		68 028
Current assets		
Inventories		**10 510**
Trade and other receivables		**4 743**
Related party loans receivable		**7 978**
Cash and cash equivalents		**2 263**
		25 494
Total assets		**93 522**
EQUITY AND LIABILITIES		
Total equity attributable to equity holders of the parent		**57 251**
Non-controlling interests		**23**
Total equity		**57 274**
Non-current liabilities		
Interest-bearing loans and borrowings		**26**
Deferred taxation liabilities		**3 835**
Provisions		**854**
Trade and other payables		**508**
		5 223
Current liabilities		
Trade and other payables		**10 075**
Employee benefits		**692**
Provisions		**382**
Related party loan payables		**19 505**
Interest-bearing loans and borrowings		**198**
Bank overdrafts and short-term facilities		**173**
		31 025
Total equity and liabilities		**93 522**

AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE 6 MONTHS ENDED 31 MARCH 2017

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017

	6 Months ended 31 March 2017 Reviewed *R millions*
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating profit	**2 751**
Adjusted for:	
Debtors' costs	**115**
Depreciation and amortisation	**483**
Non-cash adjustments	**4**
	3 353
Working capital changes	
Inventories	**(1 236)**
Receivables	**126**
Payables	**(897)**
Changes in working capital	**(2 007)**
Cash generated from operations	**1 346**
Net movement in instalment sale and loan receivables	**(190)**
Net dividends paid	**(3)**
Net finance charges	**(283)**
Taxation paid	**(662)**
Net cash inflow from operating activities	**208**
CASH FLOWS FROM INVESTING ACTIVITIES	
Additions to property, plant and equipment	**(682)**
Additions to intangible assets	**(22)**
Proceeds on disposal of property, plant and equipment and intangible assets	**56**
Acquisition of subsidiaries and businesses, net of cash on hand at acquisition	**(428)**
Increase in long-term investments and loans	**(89)**
Net cash outflow from investing activities	**(1 165)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Transactions with non-controlling interests	**(3)**
Increase in bank overdrafts and short-term facilities	**15**
Decrease in long-term interest-bearing loans and borrowings	**(5)**
Increase in short-term interest-bearing loans and borrowings	**99**
Increase in related party loans, receivables and payables	**343**
Net cash inflow from financing activities	**449**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(508)**
Cash and cash equivalents at beginning of the period	**2 771**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2 263**

AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE 6 MONTHS ENDED 31 MARCH 2017

SEGMENTAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2017

	6 Months ended 31 March 2017 Reviewed *R millions*
REVENUE	
Integrated retail: Consumer goods	**28 490**
OPERATING PROFIT BEFORE CAPITAL ITEMS	
Integrated retail: Consumer goods	**2 788**
SEGMENTAL ASSETS	
Integrated retail: Consumer goods	**82 231**
RECONCILIATIONS	
Reconciliation between operating profit per income statement and operating profit before capital items per segmental analysis	
Operating profit per income statement	**2 751**
Capital items (note 2.2)	**37**
Operating profit before capital items per segmental analysis	**2 788**
Reconciliation between total assets per statement of financial position and segmental assets	
Total assets per statement of financial position	**93 522**
Less: Cash and cash equivalents	**(2 263)**
Less: Long-term investments and loans	**(1 050)**
Less: Related party loans receivable	**(7 978)**
Segmental assets	**82 231**

1. **GENERAL**

The interim aggregated financial statements for the 6 months ended 31 March 2017 have been prepared by management in accordance with International Financial Reporting Standards (IFRS), International Accounting Standard (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act, 71 of 2008, as amended, of South Africa and the basis of preparation described in **Annexure 1B**. The intention is not for the interim financial statements to fully comply with IAS 34 *Interim Financial Reporting.* These interim aggregated financial statements should be read in conjunction with the aggregated historical financial statements for the periods ended 30 September 2016 and 30 June 2015 as contained in **Annexure 1B**. The accounting policies applied in the aggregated historical financial statements for the period ended 30 September 2016 have been applied to these interim aggregated financial statements. The group adopted all the IFRS and interpretations that were effective for financial years beginning on or after 1 January 2016. None of these standards and interpretations had a material impact on the results.

The interim aggregated financial statements have been presented in millions of rands (R millions) and are prepared on the historical-cost basis, except for certain assets and liabilities carried at amortised cost, and certain financial instruments which are carried at fair value.

The results of operations for the 6 months ended 31 March 2017 are not necessarily indicative of the results to be expected for the entire financial year.

	6 Months ended 31 March 2017 Reviewed *R millions*
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.	
Loss on disposal of property, plant and equipment	**(37)**

	%
3. TAXATION	
Reconciliation of rate of taxation	
South African standard rate of taxation	**28.0**
Effect of different statutory taxation rates of subsidiaries in other jurisdictions	**–**
Net utilisation of previously unrecognised taxation losses and deductible temporary differences	**(2.5)**
Prior year adjustments	**1.5**
Withholding taxes	**1.7**
Tax-exempt income and non-deductible expenses	**(2.8)**
Effective rate of taxation	**25.9**

	R millions
4. EARNINGS AND HEADLINE EARNINGS	
Profit for the period	**1 829**
Attributable to non-controlling interests	**(5)**
Earnings attributable to ordinary shareholders	**1 824**
Capital items	**37**
Taxation effect of capital items	**(4)**
Headline earnings	**1 857**
5. GOODWILL AND INTANGIBLE ASSETS	
Carrying amount at beginning of the period	**57 341**
Additions	**22**
Disposals	**(1)**
Arising on business combinations (note 6)	**3 262**
Amortisation	**(42)**
Other	**70**
Carrying amount at end of period	**60 652**

Intangible assets comprise of the group's trade and brand names, software and ERP systems.

Goodwill is allocated to CGUs and is tested annually for impairment, or more frequently when there is an indication that the unit may be impaired. Goodwill and intangible assets were tested for impairment on 30 September 2016 and will be tested again before 30 September 2017. There have been no indications that goodwill or intangible assets should be impaired.

	Tekkie Town *R millions*	Financial Services *R millions*	Total *R millions*
6. **ACQUISITION OF SUBSIDIARIES AND BUSINESSES**			
On 1 February 2017, Tekkie Town was acquired for a purchase price of R3.4 billion settled in shares of STAR. On 1 October 2016, a financial services and call center company was acquired for R470 million.			
The value of the assets and liabilities acquired were as follows:			
Intangible assets	**–**	**56**	**56**
Other assets	**201**	**126**	**327**
Liabilities	**(84)**	**(6)**	**(90)**
Working capital	**289**	**32**	**321**
Total assets and liabilities acquired	**406**	**208**	**614**
Goodwill	**2 944**	**262**	**3 206**
Total consideration paid	**3 350**	**470**	**3 820**
Less: Cash on hand at date of acquisition	**(32)**	**(10)**	**(42)**
Less: Shares issued as consideration	**(3 350)**	**–**	**(3 350)**
Net of cash on hand at acquisition	**(32)**	**460**	**428**

The group has applied initial accounting for its business combinations, and therefore has a period of one year after the acquisition date to adjust the provisional amounts recognised.

7. RELATED-PARTY TRANSACTIONS

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

These transactions are concluded at arm's-length in the normal course of business and include transactions as a result of the group-wide treasury management of foreign currency movements. All material intergroup transactions are eliminated on consolidation.

Trading transactions

Key management personnel did not have any material transaction with the group. All transactions were at market-related prices.

AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE 6 MONTHS ENDED 31 MARCH 2017

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

	31 March 2017 Reviewed *R millions*
Related-party receivables	
Steinhoff at Work Proprietary Limited and its subsidiaries	**77**
JD Property Holdings Proprietary Limited	**31**
Unitrans Motors Enterprises Proprietary Limited	**31**
	139
Related-party payables	
Steinhoff Services Proprietary Limited	**(38)**
Steinhoff at Work Proprietary Limited and its subsidiaries	**(8)**
Steinhoff Africa Holdings Proprietary Limited	**(46)**
Steinhoff Europe AG and its subsidiaries	**(1)**
KAP Industrial Holdings Limited and its subsidiaries	**(2)**
	(95)
Loans due by Steinhoff and its subsidiaries	
Steinhoff Africa Holdings Proprietary Limited	**80**
JD Property Holdings Proprietary Limited	**1 084**
Ainsley Holdings Proprietary Limited	**4 782**
Unitrans Motors Enterprises Proprietary Limited	**1 894**
	7 840
Loans due to Steinhoff and its subsidiaries	
Steinhoff International Holdings N.V.	**(158)**
Steinhoff at Work Proprietary Limited and its subsidiaries	**(127)**
Steinhoff Africa Holdings Proprietary Limited	**(6 312)**
Steinhoff Services Proprietary Limited	**(4 660)**
Ainsley Holdings Proprietary Limited	**(6 810)**
Unitrans Motors Enterprises Proprietary Limited	**(1 343)**
	(19 410)

	At fair value through profit or loss *R millions*	Loans and receivables and other financial liabilities at amortised cost *R millions*	Total carrying values *R millions*
8. **FINANCIAL INSTRUMENTS**			
8.1 **Total financial instruments 31 March 2017**			
Non-current investments and loans	–	**1 050**	**1 050**
Current trade and other receivables (financial assets)	–	**4 385**	**4 385**
Related party loans receivable	–	**7 978**	**7 978**
Cash and cash equivalents	–	**2 263**	**2 263**
Non-current interest-bearing loans and borrowings	–	**(26)**	**(26)**
Current interest-bearing loans and borrowings	–	**(198)**	**(198)**
Bank overdrafts and short-term facilities	–	**(173)**	**(173)**
Current trade and other payables (financial liabilities)	**(786)**	**(8 517)**	**(9 303)**
Related party loans payable	–	**(19 505)**	**(19 505)**
Total financial instruments	**(786)**	**(12 743)**	**(13 529)**

	Fair value hierarchy	31 March 2017 Reviewed *R millions*
8.2 **Fair values**		
Derivative financial liabilities	**Level 2**	**(786)**

Level 2

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 include published interest rate yield curves and foreign exchange rates.

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

There were no level 1 or level 3 financial assets or financial liabilities at 31 March 2017. There were no transfers during the year.

9. CONTINGENT LIABILITIES

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

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

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

PRO FORMA PROFIT FORECAST OF THE STAR GROUP FOR THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2017

The *pro forma* profit forecast of the Company is set out below to illustrate the effects of the acquisition of Tekkie Town and the JD Group discontinued brands ("**the Adjustments**") on the EBIT and EBITDA for the year ending 30 September 2017.

The *pro forma* profit forecast has been prepared for illustrative purposes only, in order to provide information about the impact of the Adjustments on the EBIT and EBITDA of the Company had the Adjustments occurred on 1 October 2016 for statement of comprehensive income purposes.

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 of the Company's results of operations after the Adjustments.

The accounting policies applied in quantifying *pro forma* adjustments are consistent with the STAR Group's accounting policies at 30 September 2016 and 31 March 2017.

The reporting accountants' report relating to the *pro forma* profit forecast is included in **Annexure 2E-1** to this Pre-listing Statement. The *pro forma* profit forecast is the responsibility of the Board.

R millions	**STAR Group profit forecast 12 months ending 30 September 2017 (1)**	**Tekkie Town reviewed 4 months ended 31 January 2017 (2)**	**JD Group discontinued brands 12 months ending 30 September 2017 (3)**	**Group *pro forma* forecast after adjustments**
EBIT	5 800	191	72	6 063
EBITDA	6 744	200	72	7 016

Notes and assumptions

1. The column titled "STAR Group profit forecast 12 months ending 30 September 2017" agrees to the "Profit Forecast for the financial year ending 30 September 2017" as per **Annexure 1E-2**.
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, audit partner C Minie, for the four months ended 31 January 2017. Tekkie Town was acquired by STAR Group and consolidated as part of the STAR Group results from 1 February 2017. This column agrees to the adjustment in the "*Pro forma* Financial Information of the Company" as per **Annexure 3**.
3. The column titled "JD Group discontinued brands 12 months ending 30 September 2017" includes 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 2016 financial year.

PROFIT FORECAST OF THE STAR GROUP FOR THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2017

The profit forecast, consisting of the EBIT and EBITDA, of the STAR Group for the financial year ending 30 September 2017, the preparation of which is the responsibility of the Directors of the STAR Group, is set out below.

The profit forecast has been prepared using the measurement and recognition criteria of the accounting policies in the reviewed aggregated historical financial information of the Steinhoff Africa Retail Assets per **Annexure 1B** as well as the JSE Listings Requirements.

The profit forecast does not constitute a warranty of profits by Directors, but have been prepared for illustrative purposes only, to provide information on what the Directors believe will be the results of the STAR Group for the financial year ending 30 September 2017. Because of its nature, the profit forecast may not fairly present the STAR Group's financial results after Listing. The profit forecast has been prepared in accordance with paragraph 8.43 of the JSE Listings Requirements.

R millions	**12 months ending 30 September 2017**
EBIT	5 800
EBITDA	6 744

NOTES TO THE PROFIT FORECAST:

The reporting accountant's report relating to the profit forecast is included in **Annexure 2E-2** to this Pre-listing Statement.

PRINCIPLE ASSUMPTIONS THAT ARE UNDER THE CONTROL OF THE DIRECTORS

The principle assumptions utilised in the profit forecast for the financial year ending 30 September 2017 and which are considered by management to be significant or are key factors on which the results of the STAR Group will depend, are disclosed below. The assumptions disclosed are not intended to be an exhaustive list. The actual results achieved during the forecast period may vary from the forecast and the variations may or may not be material.

1. In terms of revenues, the following critical assumptions were made in producing the profit forecast for the financial year ending 30 September 2017:

   (a) Volumes are determined by individual business component with reference to merchandise plans, like for like sales estimates, new store openings, closures, refurbishments and enlargements as well as seasonality.

   (b) Selling prices are based on ruling selling prices, adjusted only for increases in operating costs as and when such increases in costs are forecasted to occur.

2. Gross profit is determined by applying stable margins over the forecast period to revenues. The buyers of merchandise determine the selling price points of items before placing orders, based on market conditions. Buying of products take place months prior to the start of the season and forward exchange cover is taken in advance to remove volatility in product prices. The buyers are incentivised to achieve a specific landed cost of merchandise. The targeted gross profit will be affected by markdowns. Markdowns are included at a historical average rate in the forecast.

3. Other income includes commissions on ancillary service transactions. Management forecast the expected volume of ancillary transactions and applies the fixed rate ruling at the forecast date per transaction to the volumes.

4. Operating expenses, in general, have been increased by approximately 6%, in line with forecasted consumer price index. Where applicable, and where known, different rates of increase have been applied. This would apply to contracted expenses, for example leases, where specific annual rate of increase is specified. New leases store openings and closures are considered. Employee costs are determined based on inflationary increases with store incentives being determined with reference to sales volumes and sales targets. Performance bonuses are determined with reference to an increase in performance to prior year. Distribution costs are driven by fuel price forecasts as well as predicted volumes of merchandise transported.
5. Depreciation and amortisation are based on a roll forward of the fixed asset register of each division, giving due consideration to the value and timing of items of capital expenditure still to be capitalised. Capital expenditure is based on a combination of store roll out plans, planned increase in distribution capacity and committed plans for other capital projects.

COMMENTS ON THE PROFIT FORECAST

The profit forecast is based on the assumption that the approved business plan and strategies are expected to remain in favour of the STAR Group and that circumstances outside the control of the Directors will not materially alter in such a way as to affect the trading of the STAR Group.

The assumptions above are all under the influence or control of the Directors, but remain subject to economic and trading conditions, which are not under the direct influence and control of the Directors, not being materially different in the forecast period compared to the year-to-date.

PRO FORMA HISTORICAL FINANCIAL INFORMATION OF THE STAR GROUP

12 MONTHS ENDED 30 SEPTEMBER 2016

The *pro forma* limited income statement of the Company is set out below to illustrate the effects of acquiring the Steinhoff Africa Retail Assets ("SARA"), acquiring Tekkie Town and Iliad ("the Transactions") and removing one-off JD Group discontinued brands and related restructuring costs.

The *pro forma* limited income statement has been prepared for illustrative purposes only, in order to provide information about the impact of the Transactions on the results of operations of the Company had the Transactions occurred on 1 October 2015 for statement of comprehensive income purposes.

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* limited income statement may not give a fair reflection of the Company's results of operations after the Transactions.

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

The reporting accountants' report relating to the *pro forma* limited income statement is included in **Annexure 2F** to this Pre-listing Statement. The *pro forma* limited income statement is the responsibility of the Board.

PRO FORMA LIMITED INCOME STATEMENT

R millions	Steinhoff Africa Retail (1)	SARA reviewed 12 months ended 30 September 2016 (2)	JD Group discontinued brands and related restructure costs 12 months ended 30 September 2016 (3)	Tekkie Town audited 12 months ended 28 February 2017 (4)	Iliad 3 months ended 31 December 2015 (5)	STAR Group *pro forma* after all adjustments
Revenue	–	51 234	(2 087)	1 513	1 106	51 766
Cost of sales	–	(34 101)	1 639	(812)	(792)	(34 066)
Gross profit	**–**	17 133	(448)	701	314	17 700
Net operating expenses	–	(12 736)	1 423	(357)	(254)	(11 924)
EBITDA	**–**	4 397	975	344	60	5 776
Depreciation and amortisation	–	(912)	23	(22)	(10)	(921)
EBIT	**–**	3 485	998	322	50	4 855
Capital items	–	(373)	216	(2)	(1)	(160)
Operating profit	**–**	**3 112**	**1 214**	**320**	**49**	**4 695**

Assumptions and notes

1. The column titled "Steinhoff Africa Retail" has been prepared based on the Steinhoff Africa Retail Limited financial statements as at the date of incorporation, being 22 May 2017. All of the numbers are below R500 000 and have therefore been rounded to zero.
2. The column titled "SARA reviewed 12 months ended 30 September 2016" refers to the unadjusted reviewed aggregated historical financial information of the SARA Group for the 12 months ended 30 September 2016 as included in **Annexure 1C**.
3. The column titled "JD Group discontinued brands and related restructure costs 12 months ended 30 September 2016" has been extracted from the SARA reviewed 12 months ended 30 September 2016 results. The JD Group consolidated 9 retail brands to four brands during the 12 months ended 30 September 2016 and closed approximately 300 stores as a result. This column represents revenues and one-off expenses related to the stores and warehouses closed, rebranding and consolidation expenses as part of this major brand consolidation process.
4. The column titled "Tekkie Town audited 12 months ended 28 February 2017" has been extracted from the Tekkie Town financial statements audited by Grant Thornton, audit partner C Minie, for the 12 months ended 28 February 2017.
5. The column titled "Iliad three months ended 31 December 2015" has been extracted from management accounts for the 12 months ended 31 December 2015, which has been agreed to the Iliad financial statements audited by Deloitte & Touche, audit partner M Bierman, for the 12 months ended 31 December 2015. Iliad was acquired by Steinhoff on 1 January 2016, as such 9 months of earnings for the period 1 January 2016 to 30 September 2016 was already included in the column "SARA reviewed 12 months ended 30 September 2016";
6. The *pro forma* limited income statement is based on the assumption that the Transactions occurred on 1 October 2015.

12 MONTHS ENDED 30 JUNE 2015

The *pro forma* limited income statement of the Company is set out below to illustrate the effects of acquiring the Steinhoff Africa Retail Assets ("SARA"), acquiring Tekkie Town and Iliad ("the Transactions") and removing one-off JD Group discontinued brands costs.

The *pro forma* limited income statement has been prepared for illustrative purposes only, in order to provide information about the impact of the Transactions on the results of operations of the Company had the Transactions occurred on 1 July 2014 for statement of comprehensive income purposes.

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* limited income statement may not give a fair reflection of the Company's results of operations after the Transactions.

The accounting policies applied in quantifying *pro forma* adjustments are consistent with the STAR Group's accounting policies at 30 June 2015.

The reporting accountants' report relating to the *pro forma* limited income statement is included in **Annexure 2F** to this Pre-listing Statement. The *pro forma* limited income statement is the responsibility of the Board.

PRO FORMA LIMITED INCOME STATEMENT

R millions	Steinhoff Africa Retail (1)	SARA reviewed 12 months ended 30 June 2015 (2)	JD Group discontinued brands 12 months ended 30 June 2015 (3)	Tekkie Town audited 12 months ended 28 February 2016 (4)	Iliad audited 12 months ended 31 December 2014 (5)	STAR Group *pro forma* after all adjustments
Revenue	–	43 578	(3 551)	1 279	4 365	45 671
Cost of sales	–	(28 076)	1 996	(683)	(3 146)	(29 909)
Gross profit	**–**	15 502	(1 555)	596	1 219	15 762
Net operating expenses	–	(11 591)	1 694	(300)	(1 052)	(11 249)
EBITDA	**–**	3 911	139	296	167	4 513
Depreciation and amortisation	–	(873)	30	(18)	(36)	(897)
EBIT	**–**	3 038	169	278	131	3 616
Capital items	–	(894)	16	–	1	(877)
Operating profit	**–**	2 144	185	278	132	2 739

Assumptions and notes

1. The column titled "Steinhoff Africa Retail" has been prepared based on the Steinhoff Africa Retail Limited financial statements as at the date of incorporation, being 22 May 2017. All of the numbers are below R500 000 and have therefore been rounded to zero.
2. The column titled "SARA reviewed 12 months ended 30 June 2015" refers to the unadjusted reviewed aggregated historical financial information of the SARA Group for the 12 months ended 30 June 2015 as included in **Annexure 1B**.
3. The column titled "JD Group discontinued brands 12 months ended 30 June 2015" has been extracted from the SARA reviewed 12 months ended 30 June 2015 results. The JD Group consolidated 9 retail brands to four brands during the 12 months ended 30 September 2016 and closed approximately 300 stores as a result. This column represents revenues and one-off expenses related to the stores and warehouses closed in the brand consolidation process.
4. The column titled "Tekkie Town audited 12 months ended 28 February 2016" has been extracted from the Tekkie Town financial statements audited by Grant Thornton, audit partner C Minie, for the 12 months ended 28 February 2016.
5. The column titled "Iliad audited 12 months ended 31 December 2014" has been extracted from the Iliad financial statements for the 12 months ended 31 December 2014, audited by Deloitte & Touche, partner M Bierman.

The *pro forma* limited income statement is based on the assumption that the Transactions occurred on 1 July 2014.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE AUDITED FINANCIAL HISTORY OF THE COMPANY

The Directors
Steinhoff Africa Retail Limited
28 Sixth Street
Wynberg
Sandton
2090

Dear Sirs

Opinion

We have audited the financial statements of K2017221869 (South Africa) Proprietary Limited set out in **Annexure 1A**, which comprise the statement of financial position and the statement of changes in equity as at 22 May 2017, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of K2017221869 (South Africa) Proprietary Limited as at 22 May 2017 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the Statement of Director's Responsibility and Approval and the Director's Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Director for the Financial Statements

The Director is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as the Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte & Touche
Registered Auditor

Per: X Botha
Partner
29 August 2017
Deloitte & Touche
Building 1 Deloitte Place
The Woodlands
Woodlands Drive
Woodmead
Sandton
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INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE REVIEWED AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE 12 MONTHS ENDED 30 JUNE 2015 AND ON THE AUDITED AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE 15 MONTHS ENDED 30 SEPTEMBER 2016

The Directors
Steinhoff Africa Retail Limited
28 Sixth Street
Wynberg
Sandton
2090

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS INCLUDED IN THE PRE-LISTING STATEMENT

At your request and for the purpose of this Pre-listing Statement, we have audited the aggregated historical financial information of Steinhoff Africa Retail Assets ("2016 Aggregated Historical Financial Information") in respect of the 15-month period ended 30 September 2016 set out in **Annexure 1B**. We have also reviewed the aggregated historical financial information of the Steinhoff Africa Retail Assets ("2015 Aggregated Historical Financial Information") in respect of the year ended 30 June 2015 set out in **Annexure 1B**. These comprise the aggregated statement of financial position as at the period-end dates, and the aggregated statement of comprehensive income, aggregated statement of changes in equity and aggregated statement of cash flows for the periods then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE AGGREGATED HISTORICAL FINANCIAL INFORMATION

The Company's directors are responsible for the compilation, contents and preparation of the Pre-listing Statement, including the aggregated historical financial information, in accordance with the basis of preparation as disclosed in the "Basis of preparation" paragraph in **Annexure 1B** in this Pre-listing Statement, prepared with the specific purpose to meet paragraph 8.2 of the JSE Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF THE INDEPENDENT REPORTING ACCOUNTANT

Our responsibility is to express an opinion on the 2016 Aggregated Historical Financial Information based on our audit. We conducted our audit of the 2016 Aggregated Historical Financial Information in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 2016 Aggregated Financial Information is free from material misstatement.

Our responsibility is further to express a review conclusion on the 2015 Aggregated Historical Financial Information, based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the 2015 Aggregated Financial Information is not prepared, in all material respects, in accordance with the applicable financial reporting framework. This standard also requires that we comply with ethical requirements.

SCOPE OF AUDIT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Aggregated Historical Financial Information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Aggregated Historical Financial Information of the Steinhoff Africa Retail Assets for the period ended 30 September 2016, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Aggregated Historical Financial Information of the Steinhoff Africa Retail Assets for the period ended 30 September 2016 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 2016 Aggregated Historical Financial Information.

We believe that the evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

SCOPE OF REVIEW

A review in accordance with ISRE 2410 is a limited assurance engagement. A review of interim financial statements in accordance with this standard consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures and evaluating the evidence obtained. A review is substantially less in scope than an audit conducted in accordance with the ISAs and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 2015 Aggregated Historical Financial Information.

OPINION

In our opinion, the Aggregated Historical Financial Information of the Steinhoff Africa Retail Assets in respect of the 15 months ended 30 September 2016, as set out in **Annexure 1B** of the Pre-listing Statement, is prepared, in all material respects, in accordance with the "Basis of preparation" paragraph included in **Annexure 1B** to the Pre-listing Statement and in accordance with the requirements of the JSE Listings Requirements.

CONCLUSION

Based on our review nothing has come to our attention that causes us to believe that the 2015 Aggregated Historical Financial Information of the Steinhoff Africa Retail Assets for the year ended 30 June 2015 are not prepared, in all material respects, in accordance with the "Basis of preparation" paragraph included in **Annexure 1B** to the Pre-listing Statement and in accordance with the requirements of the JSE Listings Requirements.

EMPHASIS OF MATTER – BASIS OF ACCOUNTING

Without modifying our opinion and conclusion, we draw attention to Basis of Preparation to the Aggregated Historical Financial Information of the Steinhoff Africa Retail Assets in **Annexure 1B** in the Pre-listing Statement, which describes the basis of accounting. We also draw attention to the fact that this Aggregated Historical Financial Information has been prepared specifically to meet the requirements of the JSE Listings Requirements in respect of this Pre-listing Statement and may not be suitable for another purpose.

Deloitte & Touche
Registered Auditor

Per: X Botha
Partner
29 August 2017
Deloitte & Touche
Building 1 Deloitte Place
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INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE REVIEWED AGGREGATED INCOME STATEMENT OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2016

The Directors
Steinhoff Africa Retail Limited
28 Sixth Street
Wynberg
Sandton
2090

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS INCLUDED IN THE PRE-LISTING STATEMENT FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2016

At your request and for the purpose of this Pre-listing Statement, we have reviewed the Aggregated Historical Financial Information of the Steinhoff Africa Retail Assets for the 12 months ended 30 September 2016 which comprises the aggregated statement of comprehensive income for the period then ended, and selected segmental information.

DIRECTORS' RESPONSIBILITY FOR THE AGGREGATED HISTORICAL FINANCIAL INFORMATION

The Company's directors are responsible for the compilation, contents and preparation of the Pre-listing Statement, including the aggregated historical financial information, in accordance with the basis of preparation as disclosed in the "Basis of preparation" paragraph in **Annexure 1C** in this Pre-listing Statement, prepared with the specific purpose to meet paragraph 8.2 of the JSE Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF THE INDEPENDENT REPORTING ACCOUNTANT

Our responsibility is to express a review conclusion on the Aggregated Historical Financial Information, based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Aggregated Historical Financial Information is not prepared, in all material respects, in accordance with the applicable financial reporting framework. This standard also requires that we comply with ethical requirements.

SCOPE OF REVIEW

A review in accordance with ISRE 2410 is a limited assurance engagement. A review of interim financial statements in accordance with this standard consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures and evaluating the evidence obtained. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Aggregated Historical Financial Information of the Steinhoff Africa Retail Assets for the 12 months ended 30 September 2016.

CONCLUSION

Based on our review nothing has come to our attention that causes us to believe that the Aggregated Historical Financial Information of the Steinhoff Africa Retail Assets in respect of the 12 months ended 30 September 2016 is not prepared, in all material respects, in accordance with the "Basis of preparation" paragraph included in **Annexure 1C** to the Pre-listing Statement and in accordance with the requirements of the JSE Listings Requirements.

EMPHASIS OF MATTER – BASIS OF ACCOUNTING

Without modifying our conclusion, we draw attention to Basis of Preparation to the Aggregated Historical Financial Information of the Steinhoff Africa Retail Assets in **Annexure 1C** in the Pre-listing Statement, which describes the basis of accounting. We also draw attention to the fact that this Aggregated Historical Financial Information has been prepared specifically to meet the requirements of the JSE Listings Requirements in respect of this Pre-listing Statement and may not be suitable for another purpose.

Deloitte & Touche
Registered Auditor

Per: X Botha
Partner
29 August 2017
Deloitte & Touche
Building 1 Deloitte Place
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INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE REVIEWED AGGREGATED HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS FOR THE 6 MONTHS ENDED 31 MARCH 2017

The Directors
Steinhoff Africa Retail Limited
28 Sixth Street
Wynberg
Sandton
2090

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE AGGREGATED INTERIM HISTORICAL FINANCIAL INFORMATION OF THE STEINHOFF AFRICA RETAIL ASSETS INCLUDED IN THE PRE-LISTING STATEMENT FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2017

At your request and for the purpose of this Pre-listing Statement, we have reviewed the aggregated interim historical financial information of the Steinhoff Africa Retail Assets for the 6 month period ended 31 March 2017, set out in **Annexure 1D** which comprises the aggregated statement of financial position as at 31 March 2017, the aggregated statement of comprehensive income, aggregated statement of changes in equity and aggregated statement of cash flows for the period then ended, related notes and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE AGGREGATED INTERIM HISTORICAL FINANCIAL INFORMATION

The Company's directors are responsible for the compilation, contents and preparation of the Pre-listing Statement, including the aggregated interim historical financial information, in accordance with the basis of preparation as disclosed in the "Basis of preparation" paragraph in **Annexure 1D** in this Pre-listing Statement, prepared with the specific purpose to meet paragraph 8.2 of the JSE Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF THE INDEPENDENT REPORTING ACCOUNTANT

Our responsibility is to express a review conclusion on the Aggregated Interim Historical Financial Information, based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Aggregated Interim Historical Financial Information is not prepared, in all material respects, in accordance with the applicable financial reporting framework. This standard also requires that we comply with ethical requirements.

SCOPE OF REVIEW

A review in accordance with ISRE 2410 is a limited assurance engagement. A review of interim financial statements in accordance with this standard consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures and evaluating the evidence obtained. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Aggregated Interim Historical Financial Information.

CONCLUSION

Based on our review nothing has come to our attention that causes us to believe that the Aggregated Interim Historical Financial Information of the Steinhoff Africa Retail Assets for the 6 months ended 31 March 2017, is not prepared, in all material respects, in accordance with the "Basis of preparation" paragraph included in **Annexure 1D** to the Pre-listing Statement and in accordance with the requirements of the JSE Listings Requirements.

EMPHASIS OF MATTER – BASIS OF ACCOUNTING

Without modifying our conclusion, we draw attention to Basis of Preparation to the Aggregated Historical Financial Information of the Steinhoff Africa Retail Assets in **Annexure 1D** in the Pre-listing Statement, which describes the basis of accounting. In addition the intention is not for the interim historical information to fully comply with IAS34 *Interim Financial Reporting*, including a lack of comparatives. We also draw attention to the fact that this Aggregated Historical Financial Information has been prepared specifically to meet the requirements of the JSE Listings Requirements in respect of this Pre-listing Statement and may not be suitable for another purpose.

Deloitte & Touche
Registered Auditor

Per: X Botha
Partner
29 August 2017
Deloitte & Touche
Building 1 Deloitte Place
The Woodlands
Woodlands Drive
Woodmead
Sandton
2196

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF A *PRO FORMA* PROFIT FORECAST

The Directors
Steinhoff Africa Retail Limited
28 Sixth Street
Wynberg
Sandton
2090

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF A *PRO FORMA* PROFIT FORECAST INCLUDED IN A PRE-LISTING STATEMENT FOR STEINHOFF AFRICA RETAIL LIMITED (STEINHOFF AFRICA RETAIL)

We have completed our assurance engagement to report on the compilation of a *pro forma* profit forecast of Steinhoff Africa Retail by the directors. The *pro forma* profit forecast, as set out in **Annexure 1E-1** of the Pre-listing Statement, to be dated on or about 4 September 2017, consists of *pro forma* EBIT and EBITDA for the year ending 30 September 2017 (the "***Pro Forma* Profit Forecast**"). The *pro forma* profit forecast has been compiled on the basis of the applicable criteria specified in the JSE Listings Requirements and described in **Annexure 1E-1** of the Pre-listing Statement.

The *pro forma* profit forecast has been compiled by the directors to illustrate the impact of the corporate action or event, described in **Annexure 1E-1** of the Pre-listing Statement, on the Company's EBIT and EBITDA for the year ending 30 September 2017, as if the corporate action or event had taken place at 1 October 2016, being the commencement date of the financial period for the purposes of the *pro forma* profit forecast. As part of this process, information about the Company's financial performance has been extracted by the directors based on the profit forecast included in the Pre-listing Statement.

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA PROFIT FORECAST

The directors are responsible for compiling the *pro forma* profit forecast on the basis of the applicable criteria specified in the JSE Listings Requirements and described in **Annexure 1E-1** of the Pre-listing Statement.

Quality control

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independence and other ethical requirements

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), which is consistent with Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion about whether the *pro forma* profit forecast has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements and described in **Annexure 1E-1** of the Pre-listing Statement based on our procedures performed. We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* profit forecast has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements and described in **Annexure 1E-1** of the Pre-listing Statement.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* profit forecast, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* profit forecast.

As the purpose of *pro forma* profit forecast included in a prospectus is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction for the year ending 30 September 2017, would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* profit forecast has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* profit forecast provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* profit forecast reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the corporate action or event in respect of which the *pro forma* profit forecast has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* profit forecast.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the *pro forma* profit forecast has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in **Annexure 1E-1** of the Pre-listing Statement.

PURPOSE OF THE REPORT

This report has been prepared for the purpose of satisfying the requirements of paragraph 8.43 of the JSE Listings Requirements and for no other purpose.

Deloitte & Touche
Registered Auditor

Per: X Botha
Partner
29 August 2017
Deloitte & Touche
Building 1 Deloitte Place
The Woodlands
Woodlands Drive
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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE PROFIT FORECAST

The Directors
Steinhoff Africa Retail Limited
28 Sixth Street
Wynberg
Sandton
2090

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE PROFIT FORECAST INCLUDED IN A PRE-LISTING STATEMENT

We have undertaken a reasonable assurance engagement in respect of the accompanying profit forecast consisting of EBIT and EBITDA of Steinhoff Africa Retail Limited and its subsidiaries ("the Company") for the financial year ending 30 September 2017, as set out in **Annexure 1E-2** of the Pre-listing Statement to the Company's shareholders to be dated on or around 4 September 2017 (the "**profit forecast**").

We have also undertaken a limited assurance engagement in respect of the directors' assumptions used to prepare and present the profit forecast, disclosed in the notes to the profit forecast, as required by paragraph 8.43 of the JSE Listings Requirements.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation and presentation of the profit forecast and for the reasonableness of the assumptions used to prepare the profit forecast as set out in the notes to the profit forecast in accordance with paragraph 8.43 of the JSE Listings Requirements. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the profit forecast on the basis of those assumptions that is free from material misstatement, whether due to fraud or error.

INHERENT LIMITATIONS

Actual results are likely to be different from the profit forecast since anticipated events frequently do not occur as expected and the variation may be material. Consequently, readers are cautioned that this forecast may not be appropriate for purposes other than described in the purpose of the report paragraph below.

OUR INDEPENDENCE AND QUALITY CONTROL

The firm applies International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (the IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

LIMITED ASSURANCE ENGAGEMENT ON THE REASONABLENESS OF THE DIRECTORS' ASSUMPTIONS

Reporting accountants' responsibility

Our responsibility is to provide a limited assurance conclusion on whether anything has come to our attention that causes us to believe that the assumptions do not provide a reasonable basis for the preparation and presentation of the profit forecast in accordance with the JSE Listings Requirements for profit forecast, based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3400, The Examination of Prospective Financial Information (ISAE 3400), issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform this engagement to obtain limited assurance about whether the Directors' assumptions provide a reasonable basis for the preparation and presentation of the profit forecast.

A limited assurance engagement undertaken in accordance with ISAE 3400 involves assessing the source and reliability of the evidence supporting the Directors' assumptions. Sufficient appropriate evidence supporting such assumptions would be obtained from internal and external sources including consideration of the assumptions in the light of historical information and an evaluation of whether they are based on plans that are within the entity's capacity. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included inquiries, observations of processes performed, inspection of documents, analytical procedures, evaluating the reasonableness of best-estimate assumptions and agreeing or reconciling with underlying records.

Our procedures included evaluating the Directors' best-estimate assumptions on which the profit forecast is based for reasonableness.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the directors' assumptions provide a reasonable basis for the preparation and presentation of the profit forecast.

Limited assurance conclusion on the reasonableness of the directors' assumptions

Based on the procedures we have performed and evidence we have obtained, nothing has come to our attention that causes us to believe that the directors' assumptions, do not provide a reasonable basis for the preparation and presentation of the profit forecast for the year ending 30 September 2017.

REASONABLE ASSURANCE ENGAGEMENT ON THE PROFIT FORECAST

Reporting accountant's responsibility

Our responsibility is to express an opinion based on the evidence we have obtained about whether the profit forecast is properly prepared and presented on the basis of the directors' assumptions disclosed in the notes to the profit forecast (the assumptions) and in accordance with the JSE Listings Requirements for profit forecast. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3400, The Examination of Prospective Financial Information (ISAE 3400), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether such profit forecast is properly prepared and presented on the basis of the directors' assumptions disclosed in the notes to the profit forecast and in accordance with the JSE Listings Requirements for profit forecast.

A reasonable assurance engagement in accordance with ISAE 3400 involves performing procedures to obtain evidence that the profit forecast is properly prepared and presented on the basis of the assumptions and in accordance with the JSE Listings Requirements for profit forecast. The nature, timing and extent of procedures selected depend on the reporting accountant's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, of the profit forecast. In making those risk assessments, we considered internal control relevant to the Company's preparation and presentation of the profit forecast.

Our procedures included:

- Inspecting whether the profit forecast is properly prepared on the basis of the assumptions;
- Inspecting whether the profit forecast is properly presented and all material assumptions are adequately disclosed, including a clear indication as to whether they are best-estimate assumptions; and

- Inspecting whether the profit forecast is prepared on a consistent basis with the historical financial statements, using appropriate accounting policies.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION ON THE PROFIT FORECAST

In our opinion, the profit forecast is properly prepared and presented on the basis of the assumptions and in accordance with the JSE Listings Requirements for profit forecast for the year ending 30 September 2017.

PURPOSE OF THE REPORT

This report has been prepared for the purpose of satisfying the requirements of paragraph 8.43 of the JSE Listings Requirements and for no other purpose.

Deloitte & Touche
Registered Auditor

Per: X Botha
Partner
29 August 2017
Deloitte & Touche
Building 1 Deloitte Place
The Woodlands
Woodlands Drive
Woodmead
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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* HISTORICAL FINANCIAL INFORMATION

The Directors
Steinhoff Africa Retail Limited
28 Sixth Street
Wynberg
Sandton
2090

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* HISTORICAL FINANCIAL INFORMATION INCLUDED IN A PRE-LISTING STATEMENT FOR STEINHOFF AFRICA RETAIL LIMITED (STEINHOFF AFRICA RETAIL)

We have completed our assurance engagement to report on the compilation of *pro forma* historical financial information of Steinhoff Africa Retail by the directors. The *pro forma* historical financial information, as set out **Annexure 1F** of the Pre-listing Statement, to be dated on or about 4 September 2017, consists of a limited income statement for the 12 months ended 30 June 2015 and 30 September 2016. The *pro forma* historical financial information has been compiled on the basis of the applicable criteria specified in the JSE Listings Requirements.

The *pro forma* historical financial information has been compiled by the directors to illustrate the impact of the corporate action or event, described in **Annexure 1F** of the Pre-listing Statement, on the Company's financial performance for the 12 months ended 30 June 2015 and 30 September 2016, as if the corporate action or event had taken place at 1 July 2014 and 1 October 2015, respectively, being the commencement date of the financial period for the purposes of the limited income statement for the 12 months ended 30 June 2015 and 30 September 2016. As part of this process, information about the Company's financial performance has been extracted by the directors from the reviewed aggregated historical financial information of the STAR Group for the 12 months ended 30 June 2015 and 30 September 2016, on which a review opinion was issued and contained an emphasis of matter paragraph.

DIRECTORS' RESPONSIBILITY FOR THE *PRO FORMA* FINANCIAL INFORMATION

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in **Annexure 1F** of the Pre-listing Statement.

Quality control

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independence and other ethical requirements

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), which is consistent with Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion about whether the *pro forma* historical financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* historical financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* historical financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* historical financial information.

As the purpose of *pro forma* historical financial information included in a prospectus is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction for the 12 months ended 30 June 2015 and 30 September 2016, would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* historical financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* historical financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the *pro forma* historical financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in **Annexure 1F** of the Pre-listing Statement.

Deloitte & Touche
Registered Auditor

Per: X Botha
Partner
29 August 2017
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PRO FORMA FINANCIAL INFORMATION OF THE COMPANY

The *pro forma* income statement and statement of financial position *("pro forma* financial information") of the Company are set out below to illustrate the effects of acquiring the Steinhoff Africa Retail Assets ("SARA"), implementing the Capital Raise, paying the Steinhoff distribution and exercising the Call Options to obtain interests in Thibault and Shoprite ("the Transactions").

The *pro forma* financial information has been prepared for illustrative purposes only, in order to provide information about the impact of the Transactions on the financial position and results of operations of the Company had the Transactions occurred on 1 October 2016 for statement of comprehensive income purposes and on 31 March 2017 for statement of financial position purposes.

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 on a basis consistent with the accounting policies adopted by SARA in relation to its consolidated financial statements for the 15 months ended 30 September 2016 and 6 months ended 31 March 2017. Because of its nature, the *pro forma* financial information may not give a fair reflection of the Company's financial position, changes in equity, results of operations or cash flows after the Transactions.

The accounting policies applied in quantifying *pro forma* adjustments are consistent with the STAR Group's accounting policies at 30 September 2016 and 31 March 2017.

The reporting accountants' report relating to the *pro forma* financial information is included in **Annexure 4** to this Pre-listing Statement. The *pro forma* financial information is the responsibility of the Board.

STATEMENT OF COMPREHENSIVE INCOME

R millions		Steinhoff Africa Retail audited at incorporation 22 May 2017 (1)	SARA reviewed at 31 March 2017 (2)
Revenue		–	28 490
Cost of sales		–	(18 283)
Gross profit		–	10 207
Operating income		–	467
Operating expenses (including depreciation and amortisation)		–	(7 886)
Operating profit before capital items		–	2 788
Capital items		–	(37)
Earnings before finance charges, dividend income, equity accounted earnings and taxation		–	2 751
Net finance costs		–	(283)
Share of loss of equity accounted companies		–	–
Profit before taxation		**–**	**2 468**
Taxation		–	(639)
Profit for the period		**–**	**1 829**
Profit attributable to:			
Owners of the parent		–	1 824
Non-controlling interests		–	5
Profit for the period		**–**	**1 829**
Headline earnings per ordinary share	(cents)	–	
Diluted headline earnings per ordinary share	(cents)	–	
Basic earnings per ordinary share	(cents)	–	
Diluted earnings per ordinary share	(cents)	–	
Number of ordinary shares in issue	(millions)	–	–
Weighted average number of ordinary shares in issue	(millions)	–	–
Diluted number of ordinary shares in issue	(millions)	–	–
Diluted weighted average number of ordinary shares in issue	(millions)	–	–
Headline earnings attributable to ordinary shareholders	(R millions)	–	1 857
Diluted headline earnings attributable to ordinary shareholders	(R millions)	–	1 857
Earnings attributable to ordinary shareholders	(R millions)	–	1 824
Diluted earnings attributable to ordinary shareholders	(R millions)	–	1 824

ASSUMPTIONS AND NOTES (refer to pages 216 and 217)

Tekkie Town reviewed 4 months ended 31 January 2017 (3)	*Pro forma* SARA transaction adjust-ments (4)	Capital raise (5)	Distribution paid to Steinhoff (6)	*Pro forma* after SARA acquisition, transaction adjust-ments, Capital Raise and Steinhoff distribution	Shoprite unreviewed 6 months ended 31 December 2016 (7)	*Pro forma* Exercise Call Options and Shoprite transaction adjust-ments (8)	STAR Group *pro forma* after all trans-actions
732	–	–	–	29 222	71 297	–	100 519
(388)	–	–	–	(18 671)	(54 591)	–	(73 262)
344	–	–	–	10 551	16 706	–	27 257
4	–	–	–	471	1 207	–	1 678
(157)	(15)	–	–	(8 058)	(14 194)	(7)	(22 259)
191	(15)	–	–	2 964	3 719	(7)	6 676
–		–	–	(37)	(57)	–	(94)
191	(15)	–	–	2 927	3 662	(7)	6 582
(5)	(363)	–	–	(651)	(130)	184	(597)
–	–	–	–	–	(23)	–	(23)
186	**(378)**	**–**	**–**	**2 276**	**3 509**	**177**	**5 962**
(53)	74	–	–	(618)	(1 068)	(24)	(1 710)
133	**(304)**	**–**	**–**	**1 658**	**2 441**	**153**	**4 252**
133	(304)	–	–	1 653	2 438	(1 732)	2 359
–	–	–	–	5	3	1 885	1 893
133	**(304)**	**–**	**–**	**1 658**	**2 441**	**153**	**4 252**
				48.9			46.19
				48.9			46.19
				47.9			45.38
				47.9			45.38
–	2 700	750	–	3 450	–	1 748	5 198
–	2 700	750	–	3 450	–	1 748	5 198
–	2 700	750	–	3 450	–	1 748	5 198
–	2 700	750	–	3 450	–	1 748	5 198
133	(304)	–	–	1 686	2 478	(1 763)	2 401
133	(304)	–	–	1 686	2 478	(1 763)	2 401
133	(304)	–	–	1 653	2 438	(1 732)	2 359
133	(304)	–	–	1 653	2 438	(1 732)	2 359

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

R millions	Steinhoff Africa Retail audited at incorporation 22 May 2017 (1)	SARA reviewed at 31 March 2017 (2)
Profit for the period	–	1 829
Items that may be reclassified subsequently to profit or loss, net of taxation	–	(22)
Total other comprehensive income for the period	**–**	**1 807**
Total comprehensive income attributable to:		
Owners of the parent	–	1 802
Non-controlling interests	–	5
Total comprehensive income for the period	**–**	**1 807**
Headline earnings reconciliation		
Earnings attributable to owners of the parent	–	1 824
Adjusted for capital items (net of tax and non-controlling interests)	–	33
Headline earnings attributable to ordinary shareholders	**–**	**1 857**

ASSUMPTIONS AND NOTES

1 The column titled "Steinhoff Africa Retail audited at incorporation 22 May 2017" has been prepared based on the Steinhoff Africa Retail Limited financial statements as at the date of incorporation, being 22 May 2017. All of the numbers are below R500 000 and have therefore been rounded to zero.

2 The column titled "SARA reviewed 6 months ended 31 March 2017" refers to the unadjusted reviewed aggregated historical financial information of the SARA Group for the 6 months ended 31 March 2017 as included in **Annexure 1D**.

3 The column titled "Tekkie Town reviewed 4 months ended 31 January 2017" has been extracted from the Tekkie Town financial statements reviewed by Grant Thornton (partner C Minnie) for the four months ended 31 January 2017. Tekkie Town was acquired by SARA and consolidated as part of the SARA reviewed 31 March 2017 results from 1 February 2017.

4 The column titled "*Pro forma* SARA transaction adjustments" refers to the transaction expenses and share issuances.

i. Steinhoff will increase its shareholder loan to the STAR Group by R4.4 billion. Interest was calculated at a blended rate of 9.21% on all existing and additional shareholder loans. Of this additional R363 million interest an amount of R97 million is not expected to be tax deductible. 28% tax was provided on all other interest balances.

ii. The Internal Restructure was funded by the issue of 2.7 billion Steinhoff Africa Retail Shares.

iii. The Internal Restructure is classified as a common control transaction in terms of IFRS, as the shareholder of the combined group before and after the acquisition is Steinhoff. IFRS provides no guidance for common control transactions. As described in the hierarchy in IAS 8 – *Accounting policies, changes in accounting estimates and errors*, the Company should select an appropriate accounting policy by considering pronouncements or standards of other standard-setting bodies. The Company elected to apply Common Control principles as contained in US GAAP. This includes that no fair value exercise will be performed on the SARA assets and liabilities acquired; all existing book values will be carried over to the STAR Group consolidation; all previous Steinhoff-related consolidation entries will be pushed down to the STAR Group; no additional goodwill will be introduced by this Internal Restructure and any difference between the value of the shares issued by Steinhoff Africa Retail and the net asset value of SARA at its acquisition date will be recognised in equity reserves.

iv. The STAR group will declare a cash dividend to Steinhoff of R4.4 billion to ensure that the net debt position of the STAR group before the Capital Raise is R14 billion.

v. Transaction costs of R15 million have been expensed. The costs are not expected to be tax deductible as it is not in the production of income.

vi. All the adjustments are of a continuing nature except the Transaction costs which are one-off.

5 The Company is expecting to raise R15.2 billion in cash through the issue of 750 million shares through a private placement at R20.34 per share. Fees of R204 million were capitalised to stated capital.

6 A distribution, equal to the balance of the Capital Raise after paying Transaction costs, will be paid to Steinhoff.

7 The column titled "Shoprite unreviewed 6 months ended 31 December 2016" has been prepared based on the Shoprite interim results. These interim results are prepared from the published results of Shoprite.

8 The column titled "*Pro forma* Exercise Call Options and Shoprite transaction adjustments" refers to the requirements of IFRS 3 and management's best estimate at this stage:

Tekkie Town reviewed 4 months ended 31 January 2017 (3)	*Pro forma* SARA transaction adjust-ments (4)	Capital raise (5)	Distribution paid to Steinhoff (6)	*Pro forma* after SARA acquisition, transaction adjust-ments, Capital Raise and Steinhoff distribution	Shoprite unreviewed 6 months ended 31 December 2016 (7)	*Pro forma* Exercise Call Options and Shoprite transaction adjust-ments (8)	STAR Group *pro forma* after all trans-actions
133	(304)	–	–	1 658	2 441	153	4 252
–	–	–		(22)	(724)	–	(746)
133	**(304)**	**–**	**–**	**1 636**	**1 717**	**153**	**3 506**
133	(304)	–	–	1 631	1 714	(1 172)	2 173
–	–	–	–	5	3	1 325	1 333
133	**(304)**	**–**	**–**	**1 636**	**1 717**	**153**	**3 506**
133	(304)	–	–	1 653	2 438	(1 732)	2 359
	–	–		33	40	(31)	42
133	**(304)**	**–**	**–**	**1 686**	**2 478**	**(1 763)**	**2 401**

i. STAR will issue 1.7 billion ordinary shares to acquire shares and claims in Thibault from Titan and Lancaster and to acquire Shoprite ordinary shares from the PIC, Titan and Lavender Sky. This will result in STAR holding approximately 22.7% of the economic rights and 49.85% of the voting rights in Shoprite and net loan claims of R10.1 billion against Thibault.

ii. The acquisition has been accounted for in terms of IFRS 3, as the Company assessed it has control over Shoprite and Thibault after exercising the Call Options. Management's best estimate is that no significant fair value adjustments in terms of IFRS 3 are required to the statement of financial position of Shoprite or Thibault. The final allocation will require a detailed identification and valuation exercise which will be completed as part of the acquisition process.

iii. At the time of implementation of the Thibault acquisition, Thibault will only own Shoprite ordinary and deferred shares and R4 billion cash and cash equivalents, and Thibault will only have net interest free shareholder loan liabilities and equity. As Shoprite was consolidated separately in these *pro forma* results, all Shoprite returns in the Thibault audited financials statements were excluded from these *pro forma* results.

iv. The Thibault cash balance of R4 billion will be utilised to reduce existing debt.

v. Standard consolidation journal entries in terms of IFRS which include *inter alia* attributing Shoprite earnings to non-controlling interests.

vi. An interest saving of R184 million on the debt settlement of R4 billion was calculated at a blended rate of 9.21% for 6 months. Of this interest saving an amount of R97 million is not expected to be taxable. Tax was provided at 28% on all taxable amounts.

vii. One-off Transaction costs of R7 million have been expensed.

viii. All the adjustments are of a continuing nature except the Transaction costs which are one-off.

9 The *pro forma* statement of comprehensive income is based on the assumption that the Transactions occurred on 1 October 2016.

STATEMENT OF FINANCIAL POSITION

R millions	Steinhoff Africa Retail audited at incorporation 22 May 2017 (1)	SARA reviewed at 31 March 2017 (2)
ASSETS		
Non-current assets		
Goodwill and intangible assets	–	60 652
Property, plant and equipment	–	3 993
Investments in equity accounted companies and joint ventures	–	–
Investments and loans	–	1 050
Deferred taxation assets	–	2 333
Trade and other receivables	–	–
	–	**68 028**
Current assets		
Inventories	–	10 510
Trade and other receivables	–	4 743
Investments and loans	–	–
Cash and cash equivalents	–	2 263
	–	**17 516**
Assets held for sale	–	–
Total assets	**–**	**85 544**
EQUITY AND LIABILITIES		
Ordinary stated share capital	–	–
Reserves	–	57 251
Total equity attributable to equity holders of the parent	–	57 251
Non-controlling interests	–	23
Total equity	**–**	**57 274**
Non-current liabilities		
Interest-bearing loans and borrowings	–	26
Deferred taxation liabilities	–	3 835
Provisions	–	854
Trade and other payables	–	508
	–	**5 223**
Current liabilities		
Trade and other payables	–	10 075
Employee benefits	–	692
Provisions	–	382
Interest-bearing loans and borrowings	–	11 725
Bank overdrafts and short-term facilities	–	173
	–	**23 047**
Total equity and liabilities	**–**	**85 544**
NAV per share (cents)	–	
Tangible NAV per share (cents)	–	
Number of ordinary shares in issue (millions)	–	–

ASSUMPTIONS AND NOTES (refer to pages 220 and 221)

Tekkie Town reviewed 4 months ended 31 January 2017 (3)	*Pro forma* SARA transaction adjust-ments (4)	Capital raise (5)	Distribution paid to Steinhoff (6)	*Pro forma* after SARA acquisition, transaction adjustments, Capital Raise and Steinhoff distribution	Shoprite unreviewed 6 months ended 31 December 2016 (7)	*Pro forma* Exercise Call Options and Shoprite transaction adjust-ments (8)	STAR Group *pro forma* after all trans-actions
–	–	–	–	60 652	2 152	26 686	89 490
–	–	–	–	3 993	17 553	–	21 546
–	–	–	–	–	30	–	30
–	–	–	–	1 050	750	–	1 800
–	–	–	–	2 333	737	–	3 070
–	–	–	–	–	677	–	677
–	**–**	**–**	**–**	**68 028**	**21 899**	**26 686**	**116 613**
–	–	–	–	10 510	18 481	–	28 991
–	–	–	–	4 743	6 195	–	10 938
–	–	–	–	–	347	–	347
–	–	15 052	(15 052)	2 263	7 586	(7)	9 842
–	**–**	**15 052**	**(15 052)**	**17 516**	**32 609**	**(7)**	**50 118**
–	–	–	–	–	15	–	15
–	**–**	**15 052**	**(15 052)**	**85 544**	**54 523**	**26 679**	**166 746**
–	70 177	15 052	(15 052)	70 177	4 148	31 413	105 738
–	(74 548)	–	–	(17 297)	17 326	(17 333)	(17 304)
–	(4 371)	15 052	(15 052)	52 880	21 474	14 080	88 434
–	–	–	–	23	58	16 599	16 680
–	**(4 371)**	**15 052**	**(15 052)**	**52 903**	**21 532**	**30 679**	**105 114**
–	11 000	–	–	11 026	–	–	11 026
–	–	–	–	3 835	141	–	3 976
–	–	–	–	854	283	–	1 137
–	–	–	–	508	1 061	–	1 569
–	**11 000**	**–**	**–**	**16 223**	**1 485**	**–**	**17 708**
–	–	–	–	10 075	23 159	–	33 234
–	–	–	–	692	–	–	692
–	–	–	–	382	163	–	545
–	(6 629)	–	–	5 096	6 632	(4 000)	7 728
–	–	–	–	173	1 552	–	1 725
–	**(6 629)**	**–**	**–**	**16 418**	**31 506**	**(4 000)**	**43 924**
–	**–**	**15 052**	**(15 052)**	**85 544**	**54 523**	**26 679**	**166 746**
				1 533			1 701
				(225)			(20)
–	2 700	750	–	3 450	–	1 748	5 198

ASSUMPTIONS AND NOTES

1 The column titled "Steinhoff Africa Retail audited at incorporation 22 May 2017" has been prepared based on the Steinhoff Africa Retail Limited financial statements as at the date of incorporation, being 22 May 2017. All of the numbers are below R500 000 and have therefore been rounded to zero.

2 The column titled "SARA reviewed 6 months ended 31 March 2017" refers to the unadjusted reviewed aggregated historical financial information of the SARA Group for the 6 months ended 31 March 2017 as included in **Annexure 1D**. The share capital, share premium and reserve balances were aggregated in the reserves line as the separate balances were not calculated as part of the historical financial information. The entire equity balance will be eliminated with the "at acquisition" entries on the Internal Restructure date.

3 The column titled "Tekkie Town reviewed four months ended 31 January 2017" has no impact on the statement of financial position, as the 31 March 2017 statement of financial position of Tekkie Town is already aggregated in the SARA 31 March 2017 statement of financial position.

4 The column titled "*Pro forma* SARA transaction adjustments" refers to the shares issued, transaction expenses and related adjustments.

i. Steinhoff Africa Retail purchased 100% of the share capital of the underlying SARA companies.

ii. Steinhoff will increase its shareholder loan to the STAR Group by R4.4 billion.

iii. R3.5 billion of the total Steinhoff loan is repayable after five years, and R7.5 billion of the total Steinhoff loan is repayable after three years. As such these balances have been reallocated to non-current liabilities to reflect their contractual payment dates.

iv. The Internal Restructure was funded by the issue of 2.7 billion Steinhoff Africa Retail Shares for a value of R70.2 billion.

iv. The Internal Restructure is classified as a common control transaction in terms of IFRS, as the shareholder of the combined group before and after the acquisition is Steinhoff. IFRS provides no guidance for common control transactions. As described in the hierarchy in IAS 8 – *Accounting policies, changes in accounting estimates and errors*, the Company should select an appropriate accounting policy by considering pronouncements or standards of other standard-setting bodies. The Company elected to apply Common Control principles as contained in US GAAP. This includes that no fair value exercise will be performed on the SARA assets and liabilities acquired; all existing book values will be carried over to the STAR Group consolidation; all previous Steinhoff-related consolidation entries will be pushed down to the STAR Group; no additional goodwill will be introduced by this Internal Restructure and any difference between the value of the shares issued by STAR and the net asset value of SARA at its acquisition date will be recognised in equity reserves.

v. The STAR Group will declare a cash dividend to Steinhoff of R4.4 billion to ensure that the net debt position of the STAR group before the Capital Raise is R14 billion.

vi. Transaction costs of R15 million have been expensed and set off against cash balances.

vii. Standard consolidation journal entries in terms of IFRS which include *inter alia* the elimination of SARA's "at acquisition" share capital and accumulated reserves (disclosed together in "reserves") of R57.3 billion and the recognition of an equity reserve in terms of US GAAP for the difference between the value of the shares issued and the net asset value of SARA at acquisition date of R12.9 billion. All the adjustments are of a continuing nature except one-off Transaction costs.

vii. In summary, the R74 548 million reserve adjustment consists of:

	R millions	Reference
(a) Dividend declared	(4 356)	note 4 v
(b) Transaction fees	(15)	note 4 vi
(c) Equity reserve	(12 926)	note 4 vii
(d) Acquisition equity of SARA	(57 251)	note 4 vii
	(74 548)	

viii. In summary, the R6 629 million current interest-bearing loans and borrowings adjustment consists of:

	R millions	Reference
(a) Steinhoff loan increase	4 371	note 4 ii
(b) Steinhoff loan reallocation to non-current	(11 000)	note 4 iii
	(6 629)	

5 The Company is expecting to raise R15.2 billion in cash through the issue of 750 million shares through a private placement at R20.34 per share. Fees of R204 million were paid in cash and capitalised to stated capital.

6 A distribution, equal to the balance of the Capital Raise after paying Transaction costs, will be paid to Steinhoff.

7 The column titled "Shoprite unreviewed 6 months ended 31 December 2016" has been prepared based on the Shoprite interim results. These interim results are prepared from the published results of Shoprite.

8 The column titled "*Pro forma* Exercise Call Options and Shoprite transaction adjustments" refers to the requirements of IFRS 3 and management's best estimate at this stage:

i. STAR will issue 1.7 billion ordinary shares to acquire shares and claims in Thibault from Titan and Lancaster and to acquire Shoprite ordinary shares from the PIC, Titan and Lavender Sky. This will result in STAR holding approximately 22.7% of the economic rights and 49.85% of the voting rights in Shoprite and net loan claims of R10.1 billion against Thibault.

ii. The Acquisition has been accounted for in terms of IFRS 3, as the Company assessed it has control over Shoprite and Thibault after exercising the Call Options. Management's best estimate is that no significant fair value adjustments in terms of IFRS 3 are required to the statement of financial position of Shoprite or Thibault. Goodwill and intangible assets were recognised to the value of R26.7 billion, being the difference between the purchase price paid and the net asset value of Shoprite and Thibault. The final allocation will require a detailed identification and valuation exercise which will be completed as part of the acquisition process.

iii. At the time of implementation of the Thibault acquisition, Thibault will only own Shoprite ordinary and deferred shares and R4 billion cash and cash equivalents, and Thibault will only have net interest free shareholder loan liabilities and equity.

iv. The Thibault cash balance of R4 billion will be utilised to reduce existing debt.

v. Standard consolidation journal entries in terms of IFRS which include *inter alia* the elimination of Shoprite's and Thibault's "at acquisition" share capital and accumulated reserves and recognition of non-controlling interests of R16.6 billion in Shoprite. The loan claim payable by Thibault and receivable by STAR of R10.1 billion was also eliminated.

vi. One-off Transaction costs of R7 million have been expensed and set off against cash balances.

vii. All the adjustments are of a continuing nature except the Transaction costs which are one-off.

viii. In summary, the Rnil investment and loan balance consist of:

		R millions	Reference
(a)	Investment in Thibault shares	12 805	note 8 i
(b)	Thibault loan claim recognised by STAR	10 074	note 8 i
(c)	Direct investment in Shoprite ordinary shares	12 682	note 8 i
		35 561	
(d)	Elimination of investment in Thibault and Shoprite	(25 487)	note 8 v
(e)	Elimination of intergroup Thibault loan	(10 074)	note 8 v
		–	

ix. In summary, the R31 413 million ordinary stated share capital adjustment consists of:

		R millions	Reference
(a)	Shares issued by STAR	35 561	note 8 i
(b)	At acquisition stated capital of Shoprite eliminated	(4 148)	note 8 iii
(c)	At acquisition stated capital of Thibault raised	38 721	note 8 iii
(d)	At acquisition stated capital of Thibault eliminated	(38 721)	note 8 iii
		31 413	

x. In summary, the R17 333 million reserves adjustment consists of:

		R millions	Reference
(a)	At acquisition reserves of Shoprite eliminated	(17 326)	note 8 iii
(b)	At acquisition reserves of Thibault raised	(44 795)	note 8 iii
(c)	At acquisition reserves of Thibault eliminated	44 795	note 8 iii
(d)	Transaction fees	(7)	note 8 vi
		(17 333)	

9 Apart from the above adjustments there are no other post balance sheet events which need adjustment to the *pro forma* financial information.

10 The *pro forma* statement of financial position is based on the assumption that the Transactions occurred on 31 March 2017.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION

The Directors
Steinhoff Africa Retail Limited
28 Sixth Street
Wynberg
Sandton
2090

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION INCLUDED IN A PRE-LISTING STATEMENT FOR STEINHOFF AFRICA RETAIL LIMITED (STEINHOFF AFRICA RETAIL)

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Steinhoff Africa Retail by the directors. The *pro forma* financial information, as set out in **Annexure 3** of the Pre-listing Statement, to be dated on or about 4 September 2017, consists of a statement of comprehensive income and a statement of financial position and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the corporate action or event, described in the Pre-listing Statement, on the Company's financial position as at 31 March 2017, and the Company's financial performance for the period then ended, as if the corporate action or event had taken place at 1 October 2016, being the commencement date of the financial period for the purposes of the statement of comprehensive income and at 31 March 2017, being the last day of the financial period for the purposes of the statement of financial position. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's reviewed interim financial statements for the period ended 31 March 2017, on which a review opinion was issued and contained an emphasis of matter paragraph.

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in **Annexure 3** of the Pre-listing Statement.

Quality control

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independence and other ethical requirements

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), which is consistent with Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in a prospectus is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2017 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in **Annexure 3** of the Pre-listing Statement.

Deloitte & Touche
Registered Auditor

Per: X Botha
Partner
29 August 2017
Deloitte & Touche
Building 1 Deloitte Place
The Woodlands
Woodlands Drive
Woodmead
Sandton
2196

RELEVANT PROVISIONS FROM THE MOI

*This **Annexure 5** contains extracts of various salient provisions from the MOI, as required under the JSE Listings Requirements. In each case, the numbering and wording below matches that of the applicable provisions in the MOI. References in the extracts below to "the Act", refer to the Companies Act.*

For a full appreciation of the provisions of the MOI, Shareholders are referred to the full text of the MOI, which is available for inspection, as provided for in paragraph 66 of this Pre-listing Statement.

6. **ISSUE OF SHARES AND VARIATION OF RIGHTS**

6.1 The Company is authorised to issue:

6.1.1 20 000 000 000 (twenty billion) Ordinary Shares, of the same class, each of which ranks *pari passu* in respect of all rights and entitles the holder to:

6.1.1.1 vote on any matter to be decided by the Shareholders of the Company and to 1 (one) vote in the case of a vote by means of a poll;

6.1.1.2 participate proportionally in any distribution in the form of dividends made by the Company; and

6.1.1.3 receive proportionally the net assets of the Company upon its liquidation;

6.1.2 such number of each of such further classes of Shares, if any, as are set out in Schedule 1 hereto subject to the preferences, rights, limitations and other terms associated with each such class set out therein.

6.2 For purposes of Clause 6.1, *pari passu* shall have the meaning attributed thereto in terms of the JSE Listings Requirements.

6.3 The Board shall not have the power to:

6.3.1 increase or decrease the number of authorised Shares of any class of the Company's Shares;

6.3.2 create any new class or classes of authorised but unissued Shares;

6.3.3 consolidate and reduce the number of the Company's issued and authorised Shares of any class;

6.3.4 subdivide its Shares of any class by increasing the number of its issued and authorised Shares of that class without an increase of its capital;

6.3.5 convert any class of Shares into one or more other classes of Shares;

6.3.6 reclassify any classified Shares that have been authorised but not issued; or

6.3.7 classify any unclassified Shares that have been authorised but not issued;

6.3.8 determine the preferences, rights, limitations or other terms of any Shares;

6.3.9 change the name of the Company,

and such powers shall only be capable of being exercised by the Shareholders by way of a special resolution of the Shareholders.

6.4 All Securities of a class shall rank *pari passu* in all respects, as contemplated in the JSE Listings Requirements.

6.5 The Company has the power, subject to the authority of a special resolution as contemplated in Clause 6.3 to subdivide its Shares of any class. Such subdivision may be effected through a mere splitting of, and consequential increase in, the authorised and issued Shares of the relevant class, and without an increase of its capital.

6.6 Each Share issued by the Company has associated with it an irrevocable right of the Shareholder to vote on any proposal to amend the preferences, rights, limitations and other terms associated with that Share as contemplated in this MOI. The variation of any preferences, rights, limitations and other terms associated with any class of Shares as set out in this MOI may be enacted only by an amendment of this MOI approved by special resolution adopted by the Ordinary Shareholders. If any amendment of the MOI relates to the variation of any preferences, rights, limitation or any other terms attaching to any other class of Shares already in issue, that amendment must not be implemented without a special resolution, taken by the holders of Shares of that class. In such instances, the holders of such Shares will be allowed to vote with the Ordinary Shareholders subject to Clause 22.2. No resolution of Shareholders in respect of such amendment shall be proposed or passed, unless a special resolution of the holders of the Shares of that class approve the amendment. A resolution contemplated in this clause may be adopted by way of a written resolution of the shareholders in terms of section 60 of the Act.

6.7 No Shares may be authorised in respect of which the preferences, rights, limitations or any other terms of any class of Shares may be varied in response to any objectively ascertainable external fact or facts as provided for in sections 37(6) and 37(7) of the Act.

6.8 The Company may only issue Shares which are fully paid up and freely transferable and only within the classes and to the extent that those Shares have been authorised by or in terms of this MOI.

6.9 The Board may, subject to Clauses 6.10 and 6.16, issue Shares at any time, but only within the classes and to the extent that those Shares have been authorised by or in terms of this MOI.

6.10 Subject to Clause 6.17, the Board may not issue unissued Ordinary Shares unless such Ordinary Shares have first been offered to existing Ordinary Shareholders in proportion to their shareholding (on such terms and in accordance with such procedures as the Board may determine), unless the relevant issue of Ordinary Shares:

6.10.1 is for the acquisition of assets, whether by means of an acquisition issue or a vendor consideration placing; or

6.10.2 is an issue pursuant to options or conversion rights; or

6.10.3 is an issue in terms of an approved share incentive scheme; or

6.10.4 is an issue of shares for cash (as contemplated in the JSE Listings Requirements), which has been approved by the Shareholders by ordinary resolution, either by way of a general authority (which may be either conditional or unconditional) to issue Shares in its discretion or a specific authority in respect of any particular issue of Shares, in accordance with the JSE Listings Requirements and subject to the applicable corporate action being approved by the JSE, to the extent that such approval is required under the JSE Listings Requirements, provided that, if such Shareholder approval is in the form of a general authority to the Directors, it shall be valid only until the next Annual General Meeting of the Company or for 15 (fifteen) months from the date of the passing of the ordinary resolution, whichever is the earlier, and it may be varied or revoked by any general meeting of the Shareholders prior to such Annual General Meeting;

6.10.5 is in terms of a rights offer or otherwise falls within a category in respect of which it is not, in terms of the JSE Listings Requirements, a requirement for the relevant Shares to be so offered to existing Ordinary Shareholders,

provided that fractions of Shares will not be issued and that any fractions of Shares will be rounded or otherwise dealt with in accordance with the JSE Listings Requirements. After the expiration of the time within which an offer may be accepted, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the Shares offered, the Directors may, subject to the foregoing provisions, issue such Shares in such manner as they consider most beneficial to the Company. For the avoidance of doubt, as Shareholders are entitled to participate in proportion to their Shareholding in any rights offer or dividend reinvestment undertaken by the Company, neither such rights offer or dividend reinvestment, nor the issuing of any Shares pursuant thereto will require Shareholder approval under this Clause 6.10.

6.11 For the avoidance of doubt, no approval is required from the holders of any class of preference shares to issue any further preference shares ranking *pari passu* with or in priority to such preference shares. Furthermore, no approval is required from the holders of any existing class of preference shares to authorise and/or issue a further class of preference shares that do not rank *pari passu* with or in priority to such existing preference shares

6.12 The Directors may exclude any Shareholders or category of Shareholders from an offer contemplated in Clause 6.10 if and to the extent that they consider it necessary or expedient to do so because of legal impediments or compliance with the laws or the requirements of any regulatory body of any territory, outside of South Africa, that may be applicable to the offer.

6.13 Alterations of share capital, authorised shares and rights attaching to a class/es of Shares; all issues of Shares for cash and all issues of options and convertible securities granted or issued for cash must, in addition to the foregoing provisions, be undertaken in accordance with the JSE Listings Requirements.

6.14 All Securities of the Company for which a listing is sought on the JSE and all Securities of the same class as Securities of the Company which are listed on the JSE must be freely transferable and must, notwithstanding the provisions of section 40(5) of the Act, only be issued after the Company has received the consideration approved by the Company for the issuance of such Securities.

6.15 Subject to sections 40(5) to 40(7) of the Act (which may apply only to Securities not sought to be listed on the JSE), when the Company has received the consideration approved by the Board for the issuance of any Shares:

6.15.1 those Shares are fully paid up; and

6.15.2 the Company must issue those Shares and cause the name of the holder to be entered onto the Company's Securities Register in accordance with sections 49 to 56 of the Act.

6.16 Notwithstanding anything to the contrary contained in this MOI, any issue of Shares, Securities convertible into Shares, or rights exercisable for Shares in a transaction, or a series of integrated transactions shall, if and to the extent that this may be required in terms of section 41(3) of the Act, require the approval of the Shareholders by special resolution if the voting power of the class of Shares that are issued or are issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% of the voting power of all the Shares of that class held by Shareholders immediately before that transaction or series of integrated transactions.

6.17 Except to the extent that any such right is specifically included as one of the rights, preferences or other terms upon which any class of Shares is issued or as may otherwise be provided in this MOI (as is set out in Clause 6.10), no Shareholder shall have any pre-emptive or other similar preferential right to be offered or to subscribe for any additional Shares issued by the Company.

13. DEBT INSTRUMENTS

The Board may authorise the Company to issue secured or unsecured debt instruments as set out in section 43(2), but no special privileges associated with any such debt instruments as contemplated in section 43(3) may be granted, and the authority of the Board in such regard is accordingly limited by this MOI.

14. CAPITALISATION SHARES

14.1 The Board shall have the power and authority to:

14.1.1 approve the issuing of any authorised Shares as capitalisation Shares;

14.1.2 issue Shares of one class as capitalisation Shares in respect of Shares of another class; and

14.1.3 resolve to permit Shareholders to elect to receive a cash payment *in lieu* of a capitalisation Share,

provided that such issue is effected in accordance with the requirements of section 47 and has been approved by the JSE to the extent required under the JSE Listings Requirements and that the JSE Listings Requirements have otherwise been complied with.

14.2 The Board may not resolve to offer a cash payment *in lieu* of awarding a capitalisation share, as contemplated in Clause 14.1.3, unless the Board:

14.2.1 has considered the Solvency and Liquidity Test as required by section 46, on the assumption that every such Shareholder would elect to receive cash; and

14.2.2 is satisfied that the Company would satisfy the Solvency and Liquidity Test immediately upon the completion of the distribution.

16. **FINANCIAL ASSISTANCE**

The Board may authorise the Company to provide financial assistance by way of loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any Securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any such Securities, as set out in (and in accordance with) section 44, and the authority of the Board in this regard is not limited or restricted by this MOI.

17. **ACQUISITION BY THE COMPANY OF ITS OWN SHARES**

17.1 Subject to the JSE Listings Requirements, the provisions of the Act, including section 48, and the further provisions of this Clause 17 –

17.1.1 the Board may determine that the Company acquire a number of its own Shares; and

17.1.2 the board of any subsidiary of the Company may determine that such subsidiary acquire Shares of the Company, but:

17.1.2.1 not more than 10% (ten percent), in aggregate, of the number of issued Shares of any class may be held by, or for the benefit of, all of the subsidiaries of the Company, taken together; and

17.1.2.2 no voting rights attached to those Shares may be exercised while the Shares are held by that subsidiary and it remains a subsidiary of the Company.

17.2 Any decision by the Company to acquire its own Shares must satisfy the JSE Listings Requirements and the requirements of section 46 and, accordingly, the Company may not acquire its own Shares un*less:*

17.2.1 for as long as it is required in terms of the JSE Listings Requirements, the acquisition has been approved by a special resolution of the Shareholders, whether in respect of a particular repurchase or generally approved by Shareholders and unless such acquisition otherwise complies with sections 5.67 to 5.81 of the JSE Listings Requirements (or such other sections as may be applicable from time to time);

17.2.2 the acquisition:

17.2.2.1 is pursuant to an existing legal obligation of the Company, or a court order; or

17.2.2.2 the Board, by resolution, has authorised the acquisition;

17.2.3 it reasonably appears that the Company will satisfy the Solvency and Liquidity Test immediately after completing the proposed acquisition; and

17.2.4 the Board, by resolution, has acknowledged that it has applied the Solvency and Liquidity Test and reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the proposed acquisition.

17.3 A decision of the Board referred to in Clause 17.1.1:

17.3.1 must be approved by a special resolution of the Shareholders if any Shares are to be acquired by the Company from a Director or prescribed officer of the Company, or a person related to a Director or prescribed officer of the Company; and

17.3.2 is subject to the requirements of sections 114 and 115 if considered alone, or together with other transactions in an integrated series of transactions, it involves the acquisition by the Company of more than 5% (five percent) of the issued Shares of any particular class of the Company's Shares.

17.4 Notwithstanding any other provision of this MOI, the Company may not acquire its own Shares, and no subsidiary of the Company may acquire Shares of the Company if, as a result of that acquisition, there would no longer be any Shares of the Company in issue other than:

17.4.1 Shares held by one or more subsidiaries of the Company; or

17.4.2 convertible or redeemable Shares.

22. **VOTES OF SHAREHOLDERS**

22.1 Subject to any special rights or restrictions as to voting attached to any Shares by or in accordance with this MOI, at a meeting of the Company –

22.1.1 every person present and entitled to exercise voting rights shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise;

22.1.2 on a poll any person who is present at the meeting, whether as a Shareholder or as proxy for a Shareholder, has the number of votes determined in accordance with the voting rights associated with the Securities held by that Shareholder; and

22.1.3 the holders of Securities other than Ordinary Shares shall not be entitled to vote on any resolution at a meeting of Shareholders, except as provided in Clause 22.2.

22.2 If any resolution is proposed as contemplated in Clause 6.6 or in other circumstances where a class of shares not ordinarily entitled to vote becomes so entitled, the holders of such Shares ("Affected Shareholders") shall be entitled to vote with Ordinary Shareholders as contemplated in Clause 22.1, provided that:

22.2.1 the votes of the Shares of that class held by the Affected Shareholders ("Affected Shares") shall not carry any special rights or privileges and each Affected Shareholder shall be entitled to 1 (one) vote for every Affected Share held; and

22.2.2 the total voting rights of all Securities, other than Ordinary Shares and any Securities which are special Shares created for the purpose of black economic empowerment in terms of the Broad-based Black Economic Empowerment Act, No 53 of 2004 and the Codes promulgated under such Act, shall not be more than 24.99% (twenty-four point nine nine percent) of the total votes (including the votes of the Ordinary Shareholders) exercisable on the resolution (with any cumulative fraction of a vote in respect of any Affected Shares held by an Affected Shareholder rounded down to the nearest whole number).

22.3 Voting shall be conducted by means of a polled vote in respect of any matter to be voted on at a meeting of Shareholders if a demand is made for such a vote by –

22.3.1 at least 5 (five) persons having the right to vote on that matter, either as Shareholders or as proxies representing Shareholders;

22.3.2 a Shareholder who is, or Shareholders who together are, entitled, as Shareholders or proxies representing Shareholders, to exercise at least 10% (ten percent) of the voting rights entitled to be voted on that matter; or

22.3.3 the chairperson of the meeting.

22.4 At any meeting of the Company a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with the provisions of Clause 22.3, and unless a poll is so demanded, a declaration by the chairperson that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or defeated, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for a poll may be withdrawn.

22.5 If a poll is duly demanded, it shall be taken in such manner as the chairperson directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. In computing the majority on the poll, regard shall be had to the number of votes to which each Shareholder is entitled.

22.6 In the case of an equality of votes, whether on a show of hands or on a poll, the chairperson of the meeting at which the show of hands takes place, or at which the poll is demanded, shall not be entitled to a second or casting vote.

22.7 A poll demanded on the election of a chairperson (as contemplated in Clause 20.5.2) or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairperson of the meeting directs. The demand for a poll shall not prevent the continuation of a meeting for the transaction of any business other than the question upon which the poll has been demanded.

22.8 Where there are joint registered holders of any Share, any 1 (one) of such persons may exercise all of the voting rights attached to that Share at any meeting, either personally or by proxy, as if he or she were solely entitled thereto. If more than 1 (one) of such joint holders is present at any meeting, personally or by proxy, the person so present whose name stands first in the Securities Register in respect of such Share shall alone be entitled to vote in respect thereof.

22.9 The board of any company or the controlling body of any other entity or person that holds any Securities of the Company may authorise any person to act as its representative at any meeting of Shareholders of the Company, in which event the following provisions will apply –

22.9.1 the person so authorised may exercise the same powers of the authorising company, entity or person as it could have exercised if it were an individual holder of Shares; and

22.9.2 the authorising company, entity or person shall lodge a resolution of the directors of such company or controlling body of such other entity or person confirming the granting of such authority, and certified under the hand of the chairperson or secretary thereof, with the Company before the commencement of any Shareholders' meeting at which such person intends to exercise any rights of such Shareholder, unless excused from doing so by the chairperson of such meeting in his sole discretion.

24. SHAREHOLDERS' RESOLUTIONS

24.1 For an ordinary resolution to be approved it must be supported by more than 50% (fifty percent) of the voting rights exercised, in person or by proxy, on the resolution, as provided in section 65(7). Notwithstanding anything to the contrary contained in this MOI, to the extent that the JSE Listings Requirements require a higher percentage in respect of any particular ordinary resolution, the Company shall not implement such ordinary resolution unless the Company has obtained the support of the applicable percentage prescribed in terms of the JSE Listings Requirements.

24.2 For a special resolution to be approved it must be supported by at least 75% (seventy-five percent) of the voting rights exercised, in person or by proxy, on the resolution, as provided in section 65(9).

24.3 No matters, except:

24.3.1 those matters set out in section 65(11); or

24.3.2 and any other matter required by the Act to be resolved by means of a special resolution; or

24.3.3 for so long as the Company's Securities are listed on the JSE, any other matter required by the JSE Listings Requirements to be resolved by means of a special resolution,

require a special resolution of the Company.

24.4 In the event that any Shareholder abstains from voting in respect of any resolution, such Shareholder will, for the purposes of determining the number of votes exercised in respect of that resolution, be deemed not to have exercised a vote in respect thereof.

25. SHAREHOLDERS ACTING OTHER THAN AT A MEETING

25.1 In accordance with the provisions of section 60, but subject to Clause 25.4, a resolution that could be voted on at a Shareholders' meeting may instead be –

25.1.1 submitted by the Board for consideration to the Shareholders entitled to exercise the voting rights in relation to the resolution; and

25.1.2 voted on in writing by such Shareholders within a period of 20 (twenty) business days after the resolution was submitted to them.

25.2 A resolution contemplated in Clause 25.1:

25.2.1 will have been adopted if it is supported by persons entitled to exercise sufficient voting rights for it to have been adopted as an ordinary or special resolution, as the case may be, at a properly constituted Shareholders' meeting; and

25.2.2 if adopted, will have the same effect as if it had been approved by voting at a meeting.

25.3 Within 10 (ten) business days after adopting a resolution in accordance with the procedures provided in this Clause 25, the Company shall deliver a statement describing the results of the vote, consent process, or election to every Shareholder who was entitled to vote on or consent to the resolution.

25.4 The provisions of this Clause 25 shall not apply to matters which the Act or the JSE Listings Requirements require to be passed at a meeting and not by way of section 60.

26. **COMPOSITION AND POWERS OF THE BOARD OF DIRECTORS**

26.1 **Number of Directors**

26.1.1 In addition to the minimum number of Directors, if any, that the Company must have to satisfy any requirement in terms of the Act to appoint an audit committee and a social and ethics committee, the Board must comprise at least 4 (four) Directors and the Shareholders shall be entitled, by ordinary resolution, to determine such maximum number of Directors as they from time to time shall consider appropriate.

26.1.2 All Directors shall be elected by an ordinary resolution of the Shareholders at a general or Annual General Meeting of the Company and no appointment of a Director in accordance with a resolution passed in terms of section 60 shall be competent.

26.1.3 Alternate Directors may be elected in respect of any Directors. Clause 26.4.1.1 shall apply *mutatis mutandis* to the temporary appointment of alternate Directors.

26.2 **Election of Directors**

26.2.1 In any election of Directors:

26.2.1.1 the election is to be conducted as a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, with the series of votes continuing until all vacancies on the Board have been filled; and

26.2.1.2 in each vote to fill a vacancy:

26.2.1.2.1 each vote entitled to be exercised may be exercised once; and

26.2.1.2.2 the vacancy is filled only if a majority of the votes exercised support the candidate.

26.2.2 Save as provided for in Clause 26.4.1.1 the Company shall only have elected Directors and there shall be no appointed or *ex officio* Directors as contemplated in section 66(4).

26.3 **Eligibility, Resignation and Rotation of Directors**

26.3.1 Apart from satisfying the qualification and eligibility requirements set out in section 69, a person need not satisfy any eligibility requirements or qualifications to become or remain a Director or a prescribed officer of the Company.

26.3.2 No Director shall be appointed for life or for an indefinite period and the Directors shall rotate in accordance with the following provisions of this Clause 26.3.2:

26.3.2.1 at each Annual General Meeting referred to in Clause 20.2.1, 1/3 (one third) of the non-executive Directors for the time being, or if their number is not 3 (three) or a multiple of 3 (three), the number nearest to 1/3 (one third), but not less than 1/3 (one third), shall retire from office, provided that if a Director is appointed as an executive Director or as an employee of the Company in any other capacity, he or she shall not, while he or she continues to hold that position or office, be subject to retirement by rotation and he or she shall not, in such case, be taken into account in determining the rotation or retirement of Directors;

26.3.2.2 the Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who were elected as Directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot;

26.3.2.3 a retiring Director shall be eligible for re-election;

26.3.2.4 the Company, at the general meeting at which a Director retires in the above manner, or at any other general meeting, may fill the vacancy by electing a person thereto, provided that the Company shall not be entitled to fill the vacancy by means of a resolution passed in accordance with Clause 25;

26.3.2.5 if at any meeting at which an election of Directors ought to take place the offices of the retiring Directors are not filled, unless it is expressly resolved not to fill such vacancies, the meeting shall stand adjourned and the further provisions of this MOI, including Clauses 20.4.2 to 20.4.5 (inclusive) will apply *mutatis mutandis* to such adjournment, and if at such adjourned meeting the vacancies are not filled, the retiring Directors, or such of them as have not had their offices filled, shall be deemed to have been re-elected at such adjourned meeting.

26.3.3 The Board shall, through its nomination committee if such committee has been constituted in terms of Clause 32, provide the Shareholders with a recommendation in the notice of the meeting at which the re-election of a retiring Director is proposed, as to which retiring Directors are eligible for re-election, taking into account that Director's past performance and contribution. Sufficient time shall be allowed between the date of such notice and the date of the general meeting or Annual General Meeting at which the re-election of the Director is to be proposed to allow nominations to reach the Company's office from any part of the Republic.

26.4 **Powers of the Directors**

26.4.1 The Board has the power to:

26.4.1.1 fill any vacancy on the Board on a temporary basis, as set out in section 68(3), or appoint additional Directors even if there is no vacancy, provided that such appointment must be confirmed by the Shareholders, in accordance with Clause 26.1.2, in terms of section 68(3) or the JSE Listings Requirements as the case may be; and

26.4.1.2 exercise all of the powers and perform any of the functions of the Company, as set out in section 66(1), and the powers of the Board in this regard are only limited and restricted as contemplated in this Clause 26.4.

26.4.2 The Directors may at any time and from time to time by power of attorney appoint any person or persons to be the attorney or attorneys and agent(s) of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors in terms of this MOI) and for such period and subject to such conditions as the Directors may from time to time think fit. Any such appointment may, if the Directors think fit, be made in favour of any company, the shareholders, directors, nominees or managers of any company or firm, or otherwise in favour of any fluctuating body of persons, whether nominated directly or indirectly by the Directors. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorneys and agents as the Directors think fit. Any such attorneys or agents as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them. Any reference to a power of attorney herein shall include any other form of delegation including the right to sub-delegate.

26.4.3 Save as otherwise expressly provided herein, all cheques, promissory notes, bills of exchange and other negotiable or transferable instruments, and all documents to be executed by the Company, shall be signed, drawn, accepted, endorsed or executed, as the case may be, in such manner as the Directors shall from time to time determine.

26.4.4 All acts performed by the Directors or by a committee of Directors or by any person acting as a Director or a member of a committee shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of the Directors or persons acting as aforesaid, or that any of them were disqualified from or had vacated office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of such committee.

26.4.5 If the number of Directors falls below the minimum number fixed in accordance with this MOI, the remaining Directors must as soon as possible and in any event not later than 3 (three) months from the date that the number falls below such minimum, fill the vacancy/ies in accordance with Clause 26.4.1.1 or convene a general meeting for the purpose of filling the vacancies, and the failure by the Company to have the minimum number of Directors during the said 3 (three) month period does not limit or negate the authority of the Board of Directors or invalidate anything done by the Board of Directors while their number is below the minimum number fixed in accordance with this MOI.

26.4.6 The Directors in office may act notwithstanding any vacancy in their body, but if after the expiry of the 3 (three) month period contemplated in Clause 26.4.5, their number remains below the minimum number fixed in accordance with this MOI, they may, for as long as their number is reduced below such minimum, act only for the purpose of filling vacancies in their body in terms of section 68(3) or of summoning general meetings of the Company, but not for any other purpose.

26.5 **Directors' Interests**

26.5.1 A Director may hold any other office or place of profit under the Company (except that of auditor) or any subsidiary of the Company in conjunction with the office of Director, for such period and on such terms as to remuneration (in addition to the remuneration to which he may be entitled as a Director) and otherwise as a disinterested quorum of the Directors may determine.

26.5.2 A Director of the Company may be or become a Director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, provided that the appointment and remuneration in respect of such other office must be determined by a disinterested quorum of Directors.

26.5.3 Each Director and each alternate Director, prescribed officer and member of any committee of the Board (whether or not such latter persons are also members of the Board) shall, subject to the exemptions contained in section 75(2) and the qualifications contained in section 75(3), comply with all of the provisions of section 75 in the event that they (or any person who is a related person to them) has a personal financial interest in any matter to be considered by the Board.

26.5.4 Save where the Directors have obtained the prior approval of the JSE to so propose such a resolution, the proposal of any resolution to Shareholders in terms of sections 20(2) and 20(6) to permit or ratify an act of the Directors that is inconsistent with any limitation or restriction imposed by this MOI, or the authority of the Directors to perform such an act on behalf of the Company, is prohibited.

28. DIRECTORS' COMPENSATION AND FINANCIAL ASSISTANCE

28.1 The Company may pay remuneration to the Directors for their services as Directors in accordance with a special resolution approved by the Shareholders within the previous 2 (two) years, as set out in section 66(8) and (9), and the power of the Company in this regard is not limited or restricted by this MOI.

28.2 Any Director who:

28.2.1 serves on any executive or other committee; or

28.2.2 devotes special attention to the business of the Company; or

28.2.3 goes or resides outside South Africa for the purpose of the Company; or

28.2.4 otherwise performs or binds himself to perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director,

may be paid such extra remuneration or allowances in addition to or in substitution of the remuneration to which he may be entitled as a Director, as a disinterested quorum of the Directors may from time to time determine.

28.3 The Directors may also be paid all their travelling and other expenses properly and necessarily incurred by them in connection with:

28.3.1 the business of the Company; and

28.3.2 attending meetings of the Directors or of committees of the Directors of the Company.

28.4 The Board may, as contemplated in and subject to the requirements of section 45, authorise the Company to provide financial assistance to a Director, prescribed officer or other person referred to in section 45(2), and the power of the Board in this regard is not limited or restricted by this MOI.

29. EXECUTIVE DIRECTORS

29.1 The Directors may from time to time appoint:

29.1.1 managing and other executive Directors (with or without specific designation) of the Company;

29.1.2 any Director to any other executive office with the Company, as the Directors may think fit, for a period as the Directors may think fit, (provided that, for so long as it may be required by the Act or the JSE Listings Requirements, the appointment of a managing or other executive Director in terms of Clause 29.1.1, must be confirmed by the Shareholders in general meeting) and may from time to time remove or dismiss such persons from office and appoint another or others in his or their place or places.

29.2 Any Director appointed in terms of 29.1.1:

29.2.1 shall (subject to the provisions of the contract under which he is appointed), whilst he continues to hold that position or office, not be subject to retirement by rotation; and

29.2.2 shall, subject to the provisions of any contract between himself and the Company, be subject to the same provisions as to disqualification and removal as the other Directors of the Company. If he ceases to hold office as a Director, his appointment to such position or executive office shall *ipso facto* terminate, without prejudice to any claims for damages which may accrue to him as a result of such termination.

29.3 The remuneration of a Director appointed to any position or executive office in terms of Clause 29.1.1:

29.3.1 shall be determined by a disinterested quorum of the Directors or a remuneration committee appointed by the Directors;

29.3.2 shall be in addition to or in substitution of any ordinary remuneration as a Director of the Company, as the Directors may determine;

29.3.3 may consist of a salary or a commission on profits or dividends or both, as the Directors may direct.

29.4 The Directors may from time to time entrust to and confer upon an executive Director for the time being such of the powers exercisable in terms of this MOI by the Directors as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions, and with such restrictions, as they think expedient; and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

31. **BORROWING POWERS**

31.1 Subject to the provisions of Clause 31.2 and the other provisions of this MOI, the Directors may from time to time:

31.1.1 borrow for the purposes of the Company such sums as they think fit; and

31.1.2 secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of Securities, mortgage or charge upon all or any of the property or assets of the Company.

31.2 The Directors shall procure (but as regards subsidiaries of the Company only insofar as by the exercise of voting and other rights or powers of control exercisable by the Company they can so procure) that the aggregate principal amount at any one time outstanding in respect of moneys so borrowed or raised by:

31.2.1 the Company; and

31.2.2 all the subsidiaries for the time being of the Company (excluding moneys borrowed or raised by any of such companies from any other of such companies but including the principal amount secured by any outstanding guarantees or suretyships given by the Company or any of its subsidiaries for the time being for the indebtedness of any other company or companies whatsoever and not already included in the aggregate amount of the moneys so borrowed or raised), shall not exceed the aggregate amount at that time authorised to be borrowed or secured by the Company or the subsidiaries for the time being of the Company (as the case may be).

35. **DISTRIBUTIONS**

35.1 Subject to the provisions of the Act, and particularly section 46, the Company may make a proposed distribution if such distribution:

35.1.1 is pursuant to an existing legal obligation of the Company, or a court order; or

35.1.2 is authorised by resolution of the Board, in compliance with the JSE Listings Requirements,

provided that if such distribution is a repayment of capital, the Company shall not be entitled to make such distribution on the basis that it may be called up again.

35.2 No distribution shall bear interest against the Company, except as otherwise provided under the conditions of issue of the Shares in respect of which such distribution is payable.

35.3 Distributions may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be chargeable.

35.4 The Directors may from time to time declare and pay to the Shareholders such interim distributions as the Directors consider to be appropriate.

35.5 All distributions are to be declared by the Directors in accordance with the provisions of the Act.

35.6 All distributions and monies due to Shareholders must be held by the Company in trust for a period of 3 (three) years (or such longer period as the law may prescribe for the prescription of a claim) from the date on which they were declared. All distributions and monies due to Shareholders which remain unclaimed after the aforementioned period, may be declared forfeited by the Directors for the benefit of the Company and may be invested or otherwise made use of by the Directors for the benefit of the Company. The Directors may at any time annul such forfeiture upon such conditions (if any) as they think fit.

35.7 Any distribution, interest or other sum payable in cash to the holder of a Share may be paid by electronic transfer or by cheque or warrant sent by post and addressed to:

35.7.1 the holder at his registered address; or

35.7.2 in the case of joint holders, the holder whose name appears first in the Securities Register in respect of the share, at his registered address; or

35.7.3 such person and at such address as the holder or joint holders may in writing direct.

35.8 A cheque or warrant shall:

35.8.1 be made payable to the order of the person to whom it is addressed; and

35.8.2 be sent at the risk of the holder or joint holders.

35.9 The Company shall not be responsible for the loss in transmission of any electronic funds transfer or of any cheque or warrant or of any document (whether similar to a cheque or warrant or not) sent by post as aforesaid.

35.10 A holder or any one of two or more joint holders, or his or their agent duly appointed in writing, may give valid receipts for any distributions or other moneys paid in respect of a Share held by such holder or joint holders.

35.11 When such electronic funds transfer, cheque or warrant is paid, it shall discharge the Company of any further liability in respect of the amount concerned.

35.12 A distribution may also be paid in any other way determined by the Directors, and if the directives of the Directors in that regard are complied with, the Company shall not be liable for any loss or damage which a Shareholder may suffer as a result thereof.

35.13 Without detracting from the ability of the Company to issue capitalisation Shares, any distribution may be paid wholly or in part:

35.13.1 by the distribution of specific assets; or

35.13.2 by the issue of Shares, debentures or securities of the Company or of any other company; or

35.13.3 in cash; or

35.13.4 in any other way which the Directors or the Company in general meeting may at the time of declaring the distribution determine.

35.14 Where any difficulty arises in regard to such distribution, the Directors may settle that difficulty as they think expedient, and in particular may fix the value which shall be placed on such specific assets on distribution.

35.15 The Directors may:

35.15.1 determine that cash payments shall be made to any Shareholder on the basis of the value so fixed in order to secure equality of distribution; and

35.15.2 vest any such assets in trustees upon such trusts for the benefit of the persons entitled to the distribution as the Directors deem expedient.

35.16 Any distribution must be made payable to Shareholders registered as at a date subsequent to the date of declaration thereof or the date of confirmation thereof, whichever is the later date.

37. **PAYMENT OF COMMISSION**

37.1 The Company may pay a commission at a rate not exceeding 10% (ten percent) of the issue price of a Share to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any Shares of the Company or for procuring or agreeing to procure, whether absolutely or conditionally, subscriptions for any Shares of the Company.

37.2 Commission may be paid out of capital or profits, whether current or accumulated, or partly out of the one and partly out of the other.

37.3 Such commission may be paid in cash or, if authorised by the Company in general meeting, by the allotment of fully or partly paid-up Shares, or partly in one way and partly in the other.

37.4 The Company may, on any issue of Shares, pay such brokerage as may be lawful.

39. **AMENDMENT OF MOI**

39.1 Subject to the provisions of Clause 6.6, this MOI may only be amended by way of a special resolution of the Ordinary Shareholders in accordance with section 16(1)(c), except if such amendment is in compliance with a Court order as contemplated in sections 16(1)(a) and 16(4).

39.2 An amendment of this MOI will take effect from the later of:

39.2.1 the date on, and time at, which the notice of amendment contemplated in section 16(7) is filed with the Commission; and

39.2.2 the date, if any, set out in the said notice of amendment,

save in the case of an amendment that changes the name of the Company, which will take effect from the date set out in the amended registration certificate issued by the Commission.

ADDITIONAL CLASSES OF SHARES

In addition to the Shares contemplated in Clause 6.1.1 of the MOI to which this schedule is Schedule 1, the Company is authorised to issue no more than the following further Shares:

(i) 5 000 000 (five million) non-redeemable, non-cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.1 hereto;

(ii) 2 500 000 (two million, five hundred thousand) non-redeemable, cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.2 hereto;

(iii) 2 500 000 (two million, five hundred thousand) redeemable, non-cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.3 hereto;

(iv) The following classes of redeemable, cumulative, non-participating preference shares:

a. 10 000 000 (ten million) Class A1 redeemable, cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.4 hereto.

b. 10 000 000 (ten million) Class A2 redeemable, cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.4 hereto.

c. 10 000 000 (ten million) Class A3 redeemable, cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.4 hereto.

d. 10 000 000 (ten million) Class A4 redeemable, cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.4 hereto.

e. 10 000 000 (ten million) Class A5 redeemable, cumulative, non-participating preference shares of no par value, the terms of which are described in Schedule 2 read with Schedule 2.4 hereto.

GENERAL TERMS AND CONDITIONS APPLICABLE TO ALL PREFERENCE SHARES

1. **INTERPRETATION**

1.1 **For purposes of hereof:**

1.1.1 "business day" means any day other than a Saturday, Sunday or official public holiday in the Republic of South Africa;

1.1.2 "calculation date" means 30 June and 31 December of each year;

1.1.3 "class rights" means the rights, privileges, restrictions and conditions described in this Schedule read with the additional rights, privileges, restrictions and conditions applicable to a particular class of shares as described in the applicable sub-schedule;

1.1.4 "dividend period" means, in respect of any particular preference shares, the dividend period commencing on 1 January ending 30 June, and commencing 1 July ending 31 December, respectively, the first dividend period to commence on the date of issue and ending on the first following calculation date, and the last period to end on the date of actual redemption;

1.1.5 "holders" means in the first instance the subscriber, and includes any other person who at any time acquires any relevant preference shares in accordance with the provisions of the subscription agreement;

1.1.6 "issue price" means the actual issue price of each preference share;

1.1.7 "preference dividend" means, subject to any further rights or restrictions applying to a preference share, a preference cash dividend calculated in accordance with Clause 2.1 below;

1.1.8 "preference dividend payment date" means the last day of each dividend period;

1.1.9 "preference dividend rate" means, in respect of any particular class of preference shares, the rate determined by the directors prior to the issue of such class of preference shares;

1.1.10 "preference shares" means the preference shares of the Company determined in Schedule 1 to this MOI read with Schedule 2 and any sub-schedules thereto as prescribed in Schedule 1;

1.1.11 "prime rate" means the publicly basic rate of interest expressed as a percentage per year, compounded monthly in arrear and calculated on a 365 (three hundred and sixty-five) day year factor (irrespective of whether or not the year is a leap year) from time to time quoted by ABSA Bank Limited ("ABSA") or its successors in title in South Africa as being its prime overdraft rate as certified by any manager of ABSA, whose appointment and/or designation need not to be proved. A certificate from any manager of ABSA as to the prime rate at any time shall constitute *prima facie* proof thereof;

1.1.12 "redemption date" means, in relation to a particular class of preference shares, the date on which the Company elects or, subject to the class rights associated with that class, is required to redeem those preference shares in terms of these preference share terms and the terms of the subscription agreement entered into at the date of issue of the preference share, by paying its redemption price to its holder;

1.1.13 "redemption price" means, in relation to a particular class of preference shares, an amount equal to the issue price of such preference shares together with all other amounts payable on redemption of the preference shares in terms of the applicable subscription agreement including, if applicable, any dividends in arrears at any accumulated dividends;

1.1.14 "subscription agreement" means an agreement to be concluded between the Company and the subscriber in terms of which the Company will issue the relevant preference shares to the subscriber (and the subscriber will subscribe for the relevant preference shares);

1.1.15 "unredeemed preference share" means on any day, an issued preference share which has not been redeemed;

1.1.16 "voluntary redemption" means the redemption of unredeemed preference Shares by the Company at its election under the provisions of Clause 6.2.

2. **CALCULATION AND PAYMENT OF PREFERENCE DIVIDENDS**

2.1 Subject to the terms of the subscription agreement, preference dividends for any particular class of preference shares shall be calculated in accordance with the following formula:

$a = b \times (c \div 365) \times d$

in which formula ~

a = such preference dividend;

b = the issue price of a preference share;

c = the preference dividend rate; and

d = the number of days in the dividend period.

If the preference dividend rate changes during any particular dividend period the preference dividend for such dividend period shall be calculated, in terms of the formula contained in this Clause 2.1, on the basis that the period prior to such change is one dividend period and the interest subsequent to such change is another dividend period and that the preference dividend for the entire dividend period is the aggregate of the two amounts thus calculated.

2.2 Subject to the class rights and subscription agreement in respect of a specific class of preference shares, a preference dividend shall if declared:

2.2.1 accrue on the preference dividend calculation date, calculated in accordance with Clause 2.1;

2.2.2 be payable on the preference dividend payment date; and

2.2.3 failing payment by the relevant preference dividend payment date, be considered to be in arrears.

2.3 Any arrear preference dividend, declared but not paid, shall accumulate. Accordingly, any outstanding preference dividend shall be increased by an amount equal to interest calculated on the unpaid preference dividend at the relevant prime rate, compounded monthly from the relevant preference dividend calculation date until the date of payment thereof and be paid by the Company in preference to payments to any other class of shares in the Company not ranking *pari passu* to the preference shares.

2.4 Payment of any preference dividend and/or arrears preference dividend due by the Company shall be made in accordance with Clause 35.7 of the MOI...

2.5 The preference dividends shall be declared and paid in priority to the declaration and/or payment of dividends and/or any other distributions in respect of any other classes of shares in the Company's share capital including, but without limitation, the ordinary shares. All preference shares shall, however, rank *pari passu* with one another in relation to the payment of any dividends and any other distributions.

3. **DIVIDEND ADJUSTMENTS**

3.1 The Subscription Agreement may provide for the preference dividend rate to be increased, or for further preference dividends to be paid, if any preference dividends become subject to any tax or if the holder's costs of funding and/or holding those preference shares increase.

4. **PARTICIPATION IN PROFITS OR ASSETS**

4.1 Save as set out in the class rights associated with a class of preference shares, the preference shares shall not entitle the holder thereof to any participation in the profits or assets of the Company, or on a winding-up in any of the surplus assets of the Company.

5. **VOTING RIGHTS**

5.1 The holders of any class of preference shares shall not be entitled to receive notice of any meeting of the Company and shall not be entitled to be present or to vote, either in person or by proxy, at any meeting of the Company, by virtue of or in respect of the preference shares, unless one or all of the following circumstances prevail at the date upon which notice convening the meeting in question is posted to such persons as are, in accordance with the provisions hereof, entitled to receive notice of all meetings from the Company:

5.1.1 a resolution of the Company is proposed which resolution directly affects the rights attached to the preference shares or the interests of the holders of the preference shares, including a resolution for the winding-up of the Company or for the reduction of its capital, in which event the preference shareholders shall be entitled to vote only on such resolution; or

5.1.2 otherwise in accordance with the class rights associated with a particular class of shares.

5.2 At every general meeting of the Company at which holders of the preference shares as well as other classes of shares are present and entitled to vote, voting rights shall be determined in accordance with Clause 22.2 of the Company's MOI.

5.3 No shares in the capital of the Company ranking, as regards rights to dividends or, on a winding-up as regards return of capital, in priority to a particular class of preference shares, shall be created without:

5.3.1 the consent in writing of the holders of at least 75% (seventy-five percent) of that class of preference shares; or

5.3.2 the prior sanction of a resolution passed at a separate class meeting of the holders of that class of preference shares in the same manner *mutatis mutandis* as a special resolution.

At every meeting of the holders of a class of preference shares, the provisions hereof relating to general meetings shall apply, *mutatis mutandis*, except that a quorum at any such meeting shall be any person or persons holding or representing by proxy at least one quarter of the issued preference shares of that class, provided that if at any adjournment of such meeting a quorum is not so present, the provisions hereof relating to adjourned general meeting shall apply, *mutatis mutandis*.

6. **REDEMPTION**

6.1 **Scheduled Redemption**

6.1.1 Subject to the class rights applicable to each class of preference shares, the Company shall redeem unredeemed redeemable preference shares, by way of a scheduled redemption, in accordance with the terms of the subscription agreement.

6.2 **Voluntary Redemption**

The Company shall at any time be entitled to voluntarily redeem all or any of the unredeemed preference shares of any class, subject to the terms of the subscription agreement. Subject to the class rights applicable to each class of preference shares and to the terms of the subscription agreement, if the Company elects to redeem such preference shares voluntarily:

6.2.1 the Company shall deliver written notice (a "voluntary redemption notice") to the holders of such unredeemed shares, such notice to set out the number of unredeemed preference shares (the "early redemption shares") which the Company has elected to redeem, and the date on which the Company will redeem the early redemption shares, such date to be no later than 15 (fifteen) business days after the date on which the Company delivers its voluntary redemption notice; and

6.2.2 a voluntary redemption notice shall be revocable and, after the delivery of a voluntary redemption notice, the Company shall be entitled but not obliged to redeem the applicable early redemption shares on the applicable proposed redemption date.

6.3 **Procedure for Redemption**

6.3.1 In the event of a scheduled or voluntary redemption, the Company shall redeem each unredeemed redeemable preference share qualifying for redemption in terms of Clause 6.1 or 6.2 hereof by paying its redemption price to the holder thereof in accordance with Clause 3.57 of the MOI...

6.3.2 Against payment of the redemption price of unredeemed preference shares in terms of Clause 6.3.1, the applicable holder shall surrender its share certificates in respect of that unredeemed preference share to the Company.

SCHEDULE 2.1

RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS OF NON-REDEEMABLE, NON-CUMULATIVE, NON-PARTICIPATING PREFERENCE SHARES

1. **INTERPRETATION**

1.1 Unless indicated otherwise, words in this Schedule shall bear the meanings assigned to them in Schedule 2.

1.2 "preference share" means, for the purpose of this schedule, a non-redeemable, non-cumulative, non-participating preference share associated with the rights, privileges, restrictions and conditions prescribed in terms of Schedule 2, subject and in addition to the rights, privileges, restrictions and conditions of this Schedule, as prescribed in Schedule 1.

2. **RANKING**

2.1 Each preference share ranks *pari passu* in respect of dividends and return of capital on winding up with all other preference shares defined in Schedule 1.

3. **REDEMPTION**

3.1 The preference shares confer no right of redemption on the holder thereof.

3.2 The Company retains the right of voluntary redemption envisaged in Schedule 2.

4. **RETURN OF CAPITAL**

4.1 Each preference share shall confer on the holder thereof the right to a return of capital on the winding-up of the Company equal to the issue price of the preference share in priority to any payment in respect of any other class of shares in the capital of the Company not ranking prior to or *pari passu* with the preference share.

5. **DIVIDENDS**

5.1 Each preference share shall confer on the holder thereof the right to receive out of the profits of the Company, a non-cumulative preference cash dividend which it shall determine to distribute in priority to any payment of dividends to the holders of any other class of shares in the capital of the Company not ranking prior to or *pari passu* with the preference shares, the preference dividend calculated in accordance with the formula prescribed in terms of Schedule 2, provided such right shall be subject to the Company declaring such dividend.

5.2 If a preference dividend is not declared by the Company in respect of the period to which such preference dividend calculation date relates, the preference dividend shall not accumulate.

5.3 Subject to the terms of the subscription agreement, each preference share may confer on the holder the right to a dividend adjustment as contemplated in Clause 3 of Schedule 2.

6. **VOTING RIGHTS**

6.1 In addition to the circumstances envisaged in Schedule 2 permitting holders of preference shares to vote at a general meeting, the holders of preference shares may vote at a general meeting in the circumstances envisaged in the subscription agreement.

SCHEDULE 2.2

RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS OF NON-REDEEMABLE, CUMULATIVE, NON-PARTICIPATING PREFERENCE SHARES

1. **INTERPRETATION**

1.1 Unless indicated otherwise, words in this Schedule shall bear the meanings assigned to them in Schedule 2.

1.2 "preference share" means, for the purpose of this schedule, a non-redeemable, cumulative, non-participating preference share associated with the rights, privileges, restrictions and conditions prescribed in terms of Schedule 2, subject and in addition to the rights, privileges, restrictions and conditions of this Schedule, as prescribed in Schedule 1.

2. **RANKING**

2.1 Each preference share ranks *pari passu* in respect of dividends and return of capital on winding up with all other preference shares defined in Schedule 1.

3. **REDEMPTION**

3.1 The preference shares confer no right of redemption on the holder thereof.

3.2 The Company retains the right of voluntary redemption envisaged in Schedule 2.

4. **RETURN OF CAPITAL**

4.1 Each preference share shall confer on the holder thereof the right to a return of capital on the winding-up of the Company equal to the redemption price of the preference share in priority to any payment in respect of any other class of shares in the capital of the Company not ranking prior to or *pari passu* with the preference share.

5. **DIVIDENDS**

5.1 Each preference share shall confer on the holder thereof the right to receive out of the profits of the Company, a cumulative preference cash dividend which it shall determine to distribute in priority to any payment of dividends to the holders of any other class of shares in the capital of the Company not ranking prior to or *pari passu* with the preference shares, the preference dividend calculated in accordance with the formula prescribed in terms of Schedule 2, provided such right shall be subject to the Company declaring such dividend.

5.2 If a preference dividend is not declared by the Company in respect of the period to which such preference dividend calculation date relates, the preference dividend shall accumulate and will accordingly only become payable by the Company if declared and only in preference to payment of dividends to holders of ordinary shares in the Company. The Company will not declare an ordinary dividend in respect of the period in question unless the preference dividend of such period has been declared in full.

5.3 Subject to the terms of the subscription agreement, each preference share may confer on the holder the right to a dividend adjustment as contemplated in Clause 3 of Schedule 2.

6. **VOTING RIGHTS**

6.1 In addition to the circumstances envisaged in Schedule 2 permitting holders of preference shares to vote at a general meeting, the holders of preference shares may vote at a general meeting in the circumstances envisaged in the subscription agreement.

RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS OF REDEEMABLE, NON-CUMULATIVE, NON-PARTICIPATING PREFERENCE SHARES

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1. **INTERPRETATION**

1.1 Unless indicated otherwise, words in this Schedule shall bear the meanings assigned to them in Schedule 2.

1.2 "preference share" means, for the purpose of this schedule, a redeemable, non-cumulative, non-participating preference share associated with the rights, privileges, restrictions and conditions prescribed in terms of Schedule 2, subject and in addition to the rights, privileges, restrictions and conditions of this Schedule, as prescribed in Schedule 1.

2. **RANKING**

2.1 Each preference share ranks *pari passu* in respect of dividends and return of capital on winding up with all other preference shares defined in Schedule 1.

3. **REDEMPTION**

3.1 Each unredeemed preference share shall confer the right of redemption on the holder thereof on the terms described in the subscription agreement read with Schedule 2, subject to any additional terms imposed by the Board at the date of issue.

3.2 The Company retains the right of voluntary redemption envisaged in Schedule 2.

4. **RETURN OF CAPITAL**

4.1 Each preference share shall confer on the holder thereof the right to a return of capital on the winding-up of the Company equal to the redemption price of the preference share in priority to any payment in respect of any other class of shares in the capital of the Company not ranking prior to or *pari passu* with the preference share.

5. **DIVIDENDS**

5.1 Each preference share shall confer on the holder thereof the right to receive out of the profits of the Company, a non-cumulative preference cash dividend, in accordance with the terms of the subscription agreement.

5.2 If a preference dividend is not declared by the Company in respect of the period to which such preference dividend calculation date relates, the preference dividend shall not accumulate.

5.3 Subject to the terms of the subscription agreement, each preference share may confer on the holder the right to a dividend adjustment as contemplated in Clause 3 of Schedule 2.

6. **VOTING RIGHTS**

6.1 In addition to the circumstances envisaged in Schedule 2 permitting holders of preference shares to vote at a general meeting, the holders of preference shares may vote at a general meeting in the circumstances envisaged in the subscription agreement.

RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS OF REDEEMABLE, CUMULATIVE, NON-PARTICIPATING PREFERENCE SHARES

1. **INTERPRETATION**

1.1 Unless indicated otherwise, words in this Schedule shall bear the meanings assigned to them in Schedule 2.

1.2 "preference share" means, for the purpose of this schedule, a redeemable, cumulative, non-participating preference share associated with the rights, privileges, restrictions and conditions prescribed in terms of Schedule 2, subject and in addition to the rights, privileges, restrictions and conditions of this Schedule, as prescribed in Schedule 1.

2. **RANKING**

2.1 Each preference share ranks *pari passu* in respect of dividends and return of capital on winding up with all other preference shares defined in Schedule 1.

3. **REDEMPTION**

3.1 Each unredeemed preference share shall confer the right of redemption on the holder thereof on the terms described in the subscription agreement read with Schedule 2, subject to any additional terms imposed by the Board at the date of issue.

3.2 The Company retains the right of voluntary redemption envisaged in Schedule 2.

4. **RETURN OF CAPITAL**

4.1 Each preference share shall confer on the holder thereof the right to a return of capital on the winding-up of the Company equal to the redemption price of the preference share in priority to any payment in respect of any other class of shares in the capital of the Company not ranking prior to or *pari passu* with the preference share.

5. **DIVIDENDS**

5.1 Each preference share shall confer on the holder thereof the right to receive out of the profits of the Company, a cumulative preference cash dividend, in accordance with the terms of the subscription agreement.

5.2 Subject to the terms of the subscription agreement, each preference share may confer on the holder the right to a dividend adjustment as contemplated in Clause 3 of Schedule 2.

6. **VOTING RIGHTS**

6.1 In addition to the circumstances envisaged in Schedule 2 permitting holders of preference shares to vote at a general meeting, the holders of preference shares may vote at a general meeting in the circumstances envisaged in the subscription agreement.

SHARE ISSUES AND REPURCHASES

Please see below a summary of all issues, offers or repurchases of securities by the Company, the Major Subsidiary (Pepkor) and by any other subsidiaries of the Company where such issues, offers or repurchases were material to the Company, during the three 3 years preceding the Last Practicable Date.

Share issues

Issued by	Number of securities issued or offered	Price and terms of issue or offer *(R millions)*	By whom were offers made	Issued proportionately to all securities holders? If not, explain the basis of the issue and allotment	Date of issue or offer	Value of the asset acquired or to be acquired from the proceeds of the issue or offer *(R millions)*	Details of any premium/discount on the issue/offer and details of any differentials between premiums/discounts
The Company	2 700 000 000	R70 177	Steinhoff Africa Holdings (Pty) Ltd; Ainsley Holdings (Pty) Ltd; Newshelf 1093 (Pty) Ltd; Steinhoff at Work (Pty) Ltd	Internal Restructuring not in proportion to existing holdings	1 July 2017	R70 177	n/a – First issuance prior to Listing
Pepkor	117 075 732	R22 393	Steinhoff Africa Holdings (Pty) Ltd	No, subscription by acquirer of Pepkor	23 February 2015	R22 393	At market, private entity, willing buyer, willing seller
	16 104 262	R3 080	Newshelf 1093 (Pty) Ltd	No, subscription by acquirer of Pepkor	23 February 2015	R3 080	At market, private entity, willing buyer, willing seller
	30 716 627	R5 875	Steinhoff Africa Holdings (Pty) Ltd	No, subscription by acquirer of Pepkor	23 February 2015	R5 875	At market, private entity, willing buyer, willing seller
Total Pepkor	**163 896 621**	**R31 348**					

Repurchases

Repurchased by	Number of securities repurchased	Price and terms of repurchase *(R millions)*	From whom were repurchases made	Repurchased proportionately from all securities holders? If not, explain the basis of the repurchase	Date of repurchase	Details of any premium/discount on the repurchase and details of any differentials between premiums/discounts
The Company	None					
Pepkor	135 601 238	R25 936	Fincom (Pty) Ltd	No, Specific buy back	23 February 2015	At market, private entity, willing buyer, willing seller
	10 955 684	R2 096	Titan Manor (Pty) Ltd	No, Specific buy back	23 February 2015	At market, private entity, willing buyer, willing seller
	1 235 437	R236	FI Operations (Pty) Ltd	No, Specific buy back	23 February 2015	At market, private entity, willing buyer, willing seller
	16 104 262	R3 080	Business Venture Investments no 1499 (RF) (Pty) Ltd	No, Specific buy back	23 February 2015	At market, private entity, willing buyer, willing seller
Total Pepkor	**163 896 621**	**R31 348**				

Note*: Tekkie Town was acquired by the Steinhoff group and shares were issued in this regard by Steinhoff International on 1 February 2017. As such, the aggregated historical financial information in* ***Annexure 1D*** *includes a share issuance for the acquisition of Tekkie Town. Legally, the Company has acquired Tekkie Town on 1 July 2017, together with the other sale assets as part of the Internal Restructuring.*

MATERIAL ACQUISITIONS

Material acquisitions

Nature of interest acquired	Date transferred into name of STAR Group	Disposing entity	Price paid in cash (R Millions)	Price paid in securities[1] (R Millions)	Price paid in respect of goodwill[1] (R Millions)	Loans incurred to finance acquisition[1] (R Millions)	Name of disposing entity's shareholder
Shoprite Shares	Implementation Date after fulfilment of Shoprite Conditions Precedent	Lavender Sky	Not applicable	Not applicable	Not applicable	Not applicable	Titan
Shoprite Shares	Implementation Date after fulfilment of Shoprite Conditions Precedent	Titan	Not applicable	Not applicable	Not applicable	Not applicable	Christo Wiese Trust
Shoprite Shares	Implementation Date after fulfilment of Shoprite Conditions Precedent	PIC	Not applicable	Not applicable	Not applicable	Not applicable	Government Employees Pension Fund ("**GEPF**")
Thibault Shares	Implementation Date after fulfilment of Shoprite Conditions Precedent	Lancaster 102	Not applicable	Not applicable	Not applicable	Not applicable	Lancaster 101
Thibault Shares and Titan loan claims	Implementation Date after fulfilment of Shoprite Conditions Precedent	Titan	Not applicable	Not applicable	Not applicable	Not applicable	Christo Wiese Trust

***Note** (1): As STAR will issue approximately 33.63% Shares for an approximate 22.7% economic interest and approximately a 49.85% voting interest, being the Shoprite Consideration Shares, in Shoprite after the fulfilment of the Shoprite Conditions Precedent, the Shoprite Transaction is effectively concluded on an agreed exchange ratio. However, the issue price per STAR share will only be determinable once the Shoprite Transaction is implemented. For reference kindly refer to Section 3 for further details of the Share issuances.*

DETAILS OF VENDORS

MATERIAL ACQUISITION: SHOPRITE TRANSACTION – SHAREHOLDER 1

Name of vendor	Lavender Sky
Address of vendor	36 Stellenberg Rd, Parow, Industria, 7530
Asset acquired from vendor	18 922 862 Shoprite ordinary shares
Cost of the asset to the vendor and the date of purchase by the vendor (if within the preceding three years)	Approximately R4 068 million
Effective date of acquisition	The date on which the last Shoprite Conditions Precedent has been fulfilled
Were book debts or other assets guaranteed by the vendor?	No
Were normal warranties provided by the vendor?	Yes
Were restraints imposed on the vendor under the acquisition and was any amounts payable in respect of such restraints?	No
Did the acquisition involve any liability for accrued taxation?	No
Has the asset acquired been transferred into the name of the Company or one of its subsidiaries?	No, only on implementation date
Were securities purchased in a company that became a subsidiary of the Company?	No
Has the asset acquired been ceded or pledged?	No

MATERIAL ACQUISITION: SHOPRITE TRANSACTION – SHAREHOLDER 2

Name of vendor	Lancaster
Address of vendor	Ground Floor, The Place, 1 Sandton Drive, Sandton, 2196
Asset acquired from vendor	Shares in Thibault
Cost of the asset to the vendor and the date of purchase by the vendor (if within the preceding three years)	R4 000 million
Effective date of acquisition	The date on which the last Shoprite Conditions Precedent has been fulfilled
Were book debts or other assets guaranteed by the vendor?	No
Were normal warranties provided by the vendor?	Yes

Were restraints imposed on the vendor under the acquisition and was any amounts payable in respect of such restraints?	No
Did the acquisition involve any liability for accrued taxation?	No
Has the asset acquired been transferred into the name of the Company or one of its subsidiaries?	No, only on implementation date
Were securities purchased in a company that became a subsidiary of the Company?	Thibault will become a subsidiary
Has the asset acquired been ceded or pledged?	No

MATERIAL ACQUISITION: SHOPRITE TRANSACTION – SHAREHOLDER 3

Name of vendor	Titan
Address of vendor	36 Stellenberg Road, Parow, Industria, 7530
Asset acquired from vendor	Shares and claims in Thibault; as well as 10 062 744 Shoprite ordinary shares
Cost of the asset to the vendor and the date of purchase by the vendor (if within the preceding three years)	Approximately R18 879 million for the shares and claims in Thibault and approximately R2 163 million for the Shoprite ordinary shares
Effective date of acquisition	The date on which the last Shoprite Conditions Precedent has been fulfilled
Were book debts or other assets guaranteed by the vendor?	No
Were normal warranties provided by the vendor?	Yes
Were restraints imposed on the vendor under the acquisition and was any amounts payable in respect of such restraints?	No
Did the acquisition involve any liability for accrued taxation?	No
Has the asset acquired been transferred into the name of the Company or one of its subsidiaries?	No, only on implementation date
Were securities purchased in a company that became a subsidiary of the Company?	Thibault will become a subsidiary
Has the asset acquired been ceded or pledged?	No

MATERIAL ACQUISITION: SHOPRITE TRANSACTION – SHAREHOLDER 4

Name of vendor	PIC
Address of vendor	Block C, Riverwalk Office Park, 41 Matroosberg Road, Ashlea Gardens, Extension 6, Menlo Park
Asset acquired from vendor	30 000 000 Shoprite ordinary shares
Cost of the asset to the vendor and the date of purchase by the vendor (if within the preceding three years)	Approximately R6 450 million
Effective date of acquisition	The date on which the last Shoprite Conditions Precedent has been fulfilled
Were book debts or other assets guaranteed by the vendor?	No
Were normal warranties provided by the vendor?	Yes
Were restraints imposed on the vendor under the acquisition and was any amounts payable in respect of such restraints?	No
Did the acquisition involve any liability for accrued taxation?	No
Has the asset acquired been transferred into the name of the Company or one of its subsidiaries?	No, only on implementation date
Were securities purchased in a company that became a subsidiary of the Company?	No
Has the asset acquired been ceded or pledged?	No

MATERIAL CONTRACTS

The Call Option Agreements collectively:

- the agreement concluded on 4 May 2017 between SAH and the PIC, together with the addendum signed on 15 August 2017 ("**PIC Call Option Agreement**");
- the agreement concluded on 4 August 2017 between Titan, SAH and the Company in respect of Thibault ("**Thibault Call Option Agreement**");
- the agreement concluded on 4 August 2017 between SAH, the Company and Titan ("**Titan Call Option Agreement**");
- the agreement concluded on 4 August 2017 between SAH, the Company and Lavender Sky ("**Lavender Sky Call Option Agreement**"); and
- the agreement concluded on 4 August 2017 between SAH, the Company and Lancaster in respect of Thibault ("**Lancaster Call Option Agreement**"),

which, between them, set out the terms upon which the Call Options are to be exercised and the Shoprite Transaction is to occur, subject to the fulfilment of the Shoprite Conditions Precedent copies of which agreements are available for inspection, as indicated in paragraph 66 of this Pre-listing Statement.

Together with the Shareholder Loans, as disclosed in **Annexure 13**.

DIRECTOR PROFILES

EXECUTIVE DIRECTORS

Chief Executive Officer

Ben la Grange (42) BCom (Law), CA (SA) Appointed: 1 July 2017 Nationality: South African **Board sub-committee(s)** None	**Expertise and experience:** Ben is the group chief financial officer for Steinhoff International Holdings N.V. He completed his articles with PricewaterhouseCoopers Inc. and spent two-and-a-half years in its international and corporate tax division. Ben joined Steinhoff in 2003 as manager of the corporate tax division, where after he moved to the Steinhoff corporate finance division before his appointment as chief financial officer for the group's Southern Hemisphere operations. In 2009, he was appointed as an alternate Director to the Steinhoff International Holdings Limited board and was appointed as group chief financial officer in March 2013. Ben also serves as an alternate Director of PSG Group Limited.

Chief Financial Officer

Riaan Hanekom (47) BAcc, BCom Hons (Acc) (ACSA) Appointed: 18 August 2017 Nationality: South African **Board sub-committee(s)** None	**Expertise and experience:** Riaan has been appointed as the group chief financial officer for STAR and is currently the group financial director of Pepkor Holdings (Pty) Ltd. He completed his articles with Ernst & Young Inc. in 1995 where after he spent 6 years with Shoprite as a financial manager. He joined Woolworths in 2001 and was the Woolworths Retail Operations group head of finance and admin when he joined the Pepkor Group in 2006 as commercial director of Shoe City. He became the commercial director of Ackermans in 2008 and financial director of Ackermans in 2009. He was appointed as the group financial director of Pepkor Holdings in February 2016. Riaan also serves as a director on a number of subsidiaries in the STAR Group.

NON-EXECUTIVE BOARD MEMBERS

Non-executive Director

Markus Jooste (56) BAcc, CA (SA) Appointed: 18 August 2017 Nationality: South African **Board sub-committee(s)** Remuneration committee	**Expertise and experience:** Markus is group chief executive officer for Steinhoff International Holdings N.V. He obtained a B Accounting degree at the University of Stellenbosch in 1982 and a certificate in the Theory of Accounting from the University of Cape Town in 1983 before qualifying as a Chartered Accountant in 1986. In 1988, Markus joined Gommagomma Holdings Proprietary Limited (now Steinhoff Africa Holdings Proprietary Limited) as financial director. In 1998, he was appointed as executive director and took responsibility for the European operations of the Steinhoff Group. In 2000, Markus was appointed chief executive officer of Steinhoff International Holdings Limited and chairman of Steinhoff Africa, and in 2013, he was appointed chief executive officer for the Steinhoff group's operations. Markus serves on the boards of various unlisted Steinhoff group companies, including Conforama Holdings S.A. and the following listed companies: PSG Group Limited (member of the remuneration committee), Phumelela Gaming and Leisure Limited (member of the remuneration committee).

Non-executive Director

Danie van der Merwe (59)

BCom, LLB

Appointed: 1 July 2017

Nationality: South African

Board sub-committee(s)

Nomination committee

Expertise and experience:

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

Non-executive Director

Jacob Wiese (36)

BA MIEM (Italy) LLB

Appointed: 18 August 2017

Nationality: South African

Board sub-committee(s)

None

Expertise and experience:

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

Independent Non-executive Chairperson

Jayendra Naidoo (56)

B.Proc

Appointed: 18 August 2017

Nationality: South African

Board sub-committee(s)

Remuneration committee;

Nomination committee (chairman)

Expertise and experience:

Jayendra was appointed as a supervisory board director of Steinhoff International Holdings N.V. on 14 March 2017. Having been an activist in student and community organisations and struggles in South Africa, Jayendra became a full-time trade union organiser in 1981. 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, the forerunner to the CODESA negotiations that led to the peaceful democratic transition in South Africa. He was part of the 9-member multi-party National Peace Secretariat that established a network of Peace Committees throughout South Africa. Following his appointment as Congress of South African Trade Unions (COSATU) negotiations coordinator in 1992, Jayendra was at the forefront of establishing the government, business and labour forum known as the National Economic Forum. In 1995, he became the first executive director of the newly established National Economic Development and Labour Council (NEDLAC), serving until 1998. In 1999, he was appointed as government chief negotiator, representing the South African Presidency, and leading a multi-governmental department project, negotiating and contracting with several multinational bidders on a large high-priority government procurement programme. In 2000, he co-founded the J&J Group, an infrastructure-orientated investment company. Jayendra is the founder of the Lancaster Group, a broad-based investment holding company. He has served on several committees and boards, including the Human Sciences Research Council, the selection panel appointed by President Mandela in 1995 to interview and shortlist candidates for South Africa's Truth and Reconciliation Commission, and the board of the Steinhoff subsidiary company, Pepkor. In 1997, Jayendra was nominated by the World Economic Forum as a Global Leader of Tomorrow.

Independent non-executive Director

Johann Cilliers (57)

CA (SA)

Appointed: 18 August 2017

Nationality: South African

Board sub-committee(s)

Audit and risk committee

Expertise and experience:

Johann joined Langeberg Foods Ltd as the group financial manager in 1990, after which he was appointed as the financial director in 1991. After 7 years he joined PEPSA to become the operations director in 1998, followed by executive director of Pep Ltd. Johann served in various executive roles as a member of the Pepkor executive team including chairman of Pepco Poland and the John Craig division. Johann was appointed non-executive director of Pepkor Holdings (Pty) Ltd in 2011 and served in this position until 2015. Johann currently manages various private investments.

Independent non-executive Director

Vusi Khanyile (66)

BCom (Hon) Accounting and Finance (Birmingham);

Fellowship: Development Finance (Princeton);

Honorary Doctorate (Walter Sisulu University).

Appointed: 18 August 2017

Nationality: South African

Board sub-committee(s)

Nomination committee

Expertise and experience:

Vusi began his career in the finance division of Anglo American Corporation and thereafter formed his own finance company before taking an appointment as special assistant to the vice chancellor at the University of Cape Town, where he became deputy registrar. He acted as head of finance for the African National Congress from 1990 to 1992. In 1992, he established Thebe Investment Corporation, fulfilling his passion to support communities and community development. Vusi has played a role in various community development programmes, as well as community-based organisations, primarily in the education and civic movements. He has served as a director for numerous listed and unlisted companies. He is currently chairman of Thebe Investment Corporation Proprietary Limited, and in his executive capacity serves on the boards of some of Thebe's investments companies.

Independent non-executive Director

Steve Müller (55)

BAcc (Hons), CA (SA), Sanlam EDP

Appointed: 18 August 2017

Nationality: South African

Board sub-committee(s)

Remuneration committee (chairman);
Audit and risk committee

Expertise and experience:

Steve joined Genbel Investments in 1995. Over the following 13 years he held various positions within that group. He has been appointed as a non-executive director on the boards of several companies. Steve was appointed as an independent non-executive director of KAP Industrial Holdings Ltd in 2012.

Independent non-executive Director

Heather Sonn (45)

BA (Political Science),
MSc (International Business)

Appointed: 18 August 2017

Nationality: South African

Board sub-committee(s)

Social and ethics committee

Expertise and experience:

Ms Sonn was appointed as a supervisory board director of Steinhoff International Holdings N.V. in November 2015, having previously served as an independent non-executive director of Steinhoff International Holdings Limited since December 2013. On completion of her studies in 1997, Ms Sonn joined Merrill Lynch New York as an investment banking analyst. She returned to South Africa in 1999 and took up a position with Sanlam Investment Management in Cape Town. Ms Sonn has served as chief executive for Legae Securities, deputy chief executive for WIP Capital, chief executive for The Citizens Movement, is a former director of Strate and was instrumental in building the basis for Barclays' global integrated bank initiative while at Barclays Bank plc. She currently serves on the board of Gamiro Investment Group, Prescient Limited and as an alternate director for Macsteel Service Centres SA Limited. She is also a fellow and moderator of the Aspen Institute's Global Leadership Network.

Independent non-executive Director

Allen Swiegers (56)

BCom (Hons) (Acct), CA (SA)

Appointed: 18 August 2017

Nationality: South African

Board sub-committee(s)

Audit and risk committee (chairman)

Expertise and experience:

Allen retired from Deloitte in 2016 after 33 years at the firm. He completed his articles at Deloitte in 1986 and worked at Deloitte in Dallas, USA from 1987 – 1989. He was admitted to the partnership in 1991 and became the office managing partner of the Pretoria office in 2000. He was appointed as chief operating officer of Deloitte Southern Africa in 2006 and, after integration of the Deloitte Africa practices (15 countries) as the chief operating officer of Deloitte Africa. He was a partner in Deloitte for 25 years of which the last 10 years were served as chief operating officer. He served on the Deloitte Africa board for 13 years and was a member of the Deloitte Africa exco for 11 years.

He is currently the chairman of the board of Atterbury Property Fund (Pty) Ltd.

OTHER DIRECTORSHIPS

The table below sets out the names of the companies and other entities of which the Company's Directors, as well as the Directors of its Major Subsidiary ("**Pepkor**") are or have been Directors, members or partners during the five years preceding the Last Practicable Date.

DIRECTORS OF THE COMPANY

Director	Name of Company or Entity	Capacity	Active/ Resigned
Markus Jooste			
	Bravoscar Finance Company (Pty) Ltd	Director	Active
	Casaspec Properties (Pty) Ltd	Director	Active
	Cape Thoroughbred Sales (Pty) Ltd	Director	Active
	Conforama Holding SA	Director	Active
	Conforama Investissiment 2	Director	Active
	Erf 2825 Hermanus (Pty) Ltd	Director	Active
	Galicia Investments (Pty) Ltd	Director	Active
	IEP Group (Pty) Ltd	Director	Active
	Jomar Services (Pty) Ltd	Director	Active
	Kenilworth Racing (Pty) Ltd	Director	Active
	Klawervlei Stud (Pty) Ltd	Director	Active
	Mamaf Investment SAS	Director	Active
	Mattress Firm Holding Corp	Director	Active
	Mayfair Holdings (Pty) Ltd	Director	Active
	Mayfair Speculators (Pty) Ltd	Director	Active
	MG Property 1 (Pty) Ltd	Director	Active
	Morning Tide Investments 82 (Pty) Ltd	Director	Active
	Phumelela Gaming & Leisure Limited	Director	Active
	PSG Financial Services Limited	Director	Active
	PSG Group Limited	Director	Active
	Relyon Group Limited	Director	Active
	Stafric Investments & Management Services (Pty) Ltd	Director	Active
	Steinhoff Africa Holdings (Pty) Ltd	Director	Active
	Steinhoff Africa Retail Limited	Director	Active
	Steinhoff Asia Pacific Limited	Director	Active
	Steinhoff Asia Pacific Holdings (Pty) Ltd	Director	Active
	Steinhoff Europe AG (Austria)	Director	Active
	Steinhoff Europe AG (Swiss)	Director	Active
	Steinhoff Europe Group Services GmbH	Director	Active
	Steinhoff Finance Holding GmbH	Director	Active
	Steinhoff International Holdings N.V.	Management Board Director	Active
	Steinhoff Möbel Holding Alpha GmbH	Director	Active
	Steinhoff UK Beds Limited	Director	Active
	Steinhoff (UK) Holdings Limited	Director	Active
	Steinhoff UK Retail Limited	Director	Active
	Stripes US Holding Inc	Director	Active
	Tekkie Town (Pty) Ltd	Director	Active
	Uhambo Property Investments (Pty) Ltd	Director	Active
	Kika Lakberendezesi Kft.	Supervisory Board Director	Active

Director	Name of Company or Entity	Capacity	Active/ Resigned
	Capitec Bank Limited	Director	Resigned
	Capitec Bank Holdings (Pty) Ltd	Director	Resigned
	Capstone 556 (Pty) Ltd	Director	Resigned
	JD Group (Pty) Ltd	Director	Resigned
	KAP Diversified Industrial (Pty) Ltd	Director	Resigned
	KAP Industrial Holdings Limited	Director	Resigned*
	Pepkor Holdings (Pty) Ltd	Director	Resigned**
	PG Bison (Pty) Ltd	Director	Resigned
	Steinhoff International Holdings Limited	Director	Resigned
	Unitrans Holdings (Pty) Ltd	Director	Resigned
	*** Effective 1 September 2017 **Effective 25 August 2017**		
Jayendra Naidoo			
	Aurora-Rietvlei Solar Power (RF) (Pty) Ltd	Director	Active
	Vredendal Solar Power Park (RF) (Pty) Ltd	Director	Active
	Bold Moves 614 (Pty) Ltd	Director	Active
	Calshelf Investments 179 (Pty) Ltd	Director	Active
	Calshelf Investments 190 (Pty) Ltd	Director	Active
	Calshelf Investments 193 (Pty) Ltd	Director	Active
	Calshelf Investments 213 (Pty) Ltd	Director	Active
	Consilience Technologies (Pty) Ltd	Director	Active
	Dinokaneng Commercial Ventures (Pty) Ltd	Director	Active
	Element Capital (Pty) Ltd	Director	Active
	Element Investment Managers (Pty) Ltd	Director	Active
	First South Financial Services (Pty) Ltd	Director	Active
	First South Group (Pty) Ltd	Director	Active
	First South Risk Solutions (Pty) Ltd	Director	Active
	First South Specialised Finance (Pty) Ltd	Director	Active
	Foundation for a Safe South Africa NPC – YouthZone	Director	Active
	Glendal Power & Industries (Pty) Ltd	Director	Active
	Glendal Trading (Pty) Ltd	Director	Active
	J&J Infrastructure Holdings (Pty) Ltd	Director	Active
	Jay and Jayendra (Pty) Ltd	Director	Active
	JNSN Investments (Pty) Ltd	Director	Active
	Lancaster 101 (RF) (Pty) Ltd	Director	Active
	Lancaster 102 (Pty) Ltd	Director	Active
	Lancaster Capital (Pty) Ltd	Director	Active
	Lancaster Electricity Solutions (Pty) Ltd	Director	Active
	Lancaster Group (Pty) Ltd	Director	Active
	Lesedi Nuclear Services (Pty) Ltd	Director	Active
	MJ Naidoo Foundation for Social Justice NPC	Director	Active
	Mmamabula Power Plant Development (Pty) Ltd	Director	Active
	Naidoo Estate (Pty) Ltd	Director	Active
	Open Planet Networks (Pty) Ltd	Director	Active
	Pan-African Nuclear Corporation	Director	Active
	Solaire Contracting (Pty) Ltd	Director	Active
	Southern Goshawk Resources (Pty) Ltd	Director	Active
	Steinhoff Africa Retail Limited	Director	Active
	Util Labs (Pty) Ltd	Director	Active
	Utilvest (Pty) Ltd	Director	Active
	V Salig (Pty) Ltd	Director	Active
	Vrendendal Solar Power Park (Pty) Ltd	Director	Active

Director	Name of Company or Entity	Capacity	Active/ Resigned
	Warwick Grey Capital (Pty) Ltd	Director	Active
	Calshelf Investments 222 (Pty) Ltd	Director	Resigned
	Clidet No 554 (Pty) Ltd	Director	Resigned
	Citizen Capital Group (Pty) Ltd	Director	Resigned
	Eon Consulting (Pty) Ltd	Director	Resigned
	Kutlwano Engineering Consulting (Pty) Ltd	Director	Resigned
	Tokiso Commercial Dispute Settlement (Pty) Ltd	Director	Resigned
	African Lion Resources (Pty) Ltd	Director	Resigned
	The Edge Institute NPC	Director	Resigned
	Lesaka Holdings (Pty) Ltd	Director	Resigned
	Railway Development Consortium (Pty) Ltd	Director	Resigned
	Lesaka Diversified Services (Pty) Ltd	Director	Resigned
	Duduza Rail Engineering (Pty) Ltd	Director	Resigned
	Rural Telephony and Communications – Africa (Pty) Ltd	Director	Resigned
	Efreight (Pty) Ltd	Director	Resigned
	Infinity Asset Management (Pty) Ltd	Director	Resigned
	Yeo 19 Investment (Pty) Ltd	Director	Resigned
	Kutloano Logistics (Pty) Ltd	Director	Resigned
	Low Beta Property Fund (Pty) Ltd	Director	Resigned
	Peopletech (Pty) Ltd	Director	Resigned
	Newshelf 665 (Pty) Ltd	Director	Resigned
	Venturepharm (Pty) Ltd	Director	Resigned
	Gimignano Investments (Pty) Ltd	Director	Resigned
	Really Useful General Trading No 165 (Pty) Ltd	Director	Resigned
	Calshelf Investments 102 (Pty) Ltd	Director	Resigned
	Calshelf Investments 178 (Pty) Ltd	Director	Resigned
	Pan-African Nuclear Corporation (Pty) Ltd	Director	Resigned
Riaan Hanekom			
	Ackermans (Pty) Ltd	Director	Active
	Ackermans (Bophuthatswana) (Pty) Ltd	Director	Active
	Ackermans (Transkei) (Pty) Ltd	Director	Active
	Ackermans (Transvaal) (Pty) Ltd	Director	Active
	Ackermans Management Services (Pty) Ltd	Director	Active
	Capfin (Pty) Ltd	Director	Active
	Cash-Hold (Pty) Ltd	Director	Active
	Formatix Ten (Pty) Ltd	Director	Active
	Garhold (Pty) Ltd	Director	Active
	Garlick Department Stores (Pty) Ltd	Director	Active
	Garlick Holdings (Pty) Ltd	Director	Active
	Greatermans Department Stores (Pty) Ltd	Director	Active
	H and A Payne (1934) (Pty) Ltd	Director	Active
	I L Back Properties Aandeleblokmaatskappy (Pty) Ltd	Director	Active
	Jemade Financing (Pty) Ltd	Director	Active
	K Fashion Group (Pty) Ltd	Director	Active
	Manrotrade Four (Pty) Ltd	Director	Active
	N Jacobs and Company (Pty) Ltd	Director	Active
	New Dunns (Pty) Ltd	Director	Active
	PEP (Pty) Ltd	Director	Active
	PEP Beleggings (Pty) Ltd	Director	Active
	Pepkor (Pty) Ltd	Director	Active
	Pepkor Clothing Industries (Pty) Ltd	Director	Active
	Pepkor Finance (Pty) Ltd	Director	Active

Director	Name of Company or Entity	Capacity	Active/ Resigned
	Pepkor Holdings (Pty) Ltd	Director	Active
	Pepkor Investments (Pty) Ltd	Director	Active
	Pepkor IP (Pty) Ltd	Director	Active
	Pepkor Manufacturing (Pty) Ltd	Director	Active
	Pepkor Retail (Pty) Ltd	Director	Active
	Pepkor SA (Pty) Ltd	Director	Active
	Pepkor Speciality Stores (Pty) Ltd	Director	Active
	Pepkor Trading (Pty) Ltd	Director	Active
	Pepkorfin (Pty) Ltd	Director	Active
	Rotrustfin (Pty) Ltd	Director	Active
	Shoe City (Pty) Ltd	Director	Active
	Shoe City Holdings (Pty) Ltd	Director	Active
	Steinhoff Africa Retail Limited	Director	Active
	Swanvest 85 (Pty) Ltd	Director	Active
	Tenacity Financial Services (Pty) Ltd	Director	Active
	Tots n Teens Clothing (Pty) Ltd	Director	Active
	Tulip Investments 2 (Pty) Ltd	Director	Active
	Ultimo Holdings (Pty) Ltd	Director	Active
	Ultimo Properties (Pty) Ltd	Director	Active
	U-Sac (Pty) Ltd	Director	Active
	W M Twee (Pty) Ltd	Director	Active
	Wilfred Meyersohn and Company (Pty) Ltd	Director	Active
Ben la Grange			
	IEP Group (Pty) Ltd	Alternate Director	Active
	JD Group (Pty) Ltd	Director	Active
	Mattress Firm Holding Corp	Director	Active
	Middelkraal Trust	Trustee	Active
	Mons Bella Private Partner Investments (Pty) Ltd	Director	Active
	Pepkor Holdings (Pty) Ltd	Director	Active
	Pepkor Trading (Pty) Ltd	Director	Active
	PSG Financial Services Limited	Alternate Director	Active
	PSG Group Limited	Alternate Director	Active
	Rainford Aviation Investments (Pty) Ltd	Director	Active
	SA Poco Retail (Pty) Ltd	Director	Active
	Steinhoff Africa Holdings (Pty) Ltd	Director	Active
	Steinhoff Africa Retail Limited	Director	Active
	Steinhoff International Holdings N.V.	Management Board Director	Active
	Steinhoff Services Limited	Director	Active
	Steinhoff UK Group Services Limited	Director	Active
	Stripes US Holding Inc	Director	Active
	Taycol Investments (Pty) Ltd	Director	Active
	Ainsley Holdings (Pty) Ltd	Director	Resigned
	Bemi Future Holdings (Pty) Ltd	Director	Resigned
	Bemi Water (Pty) Ltd	Director	Resigned
	Century Capital (Pty) Ltd	Director	Resigned
	Desleemattex (Pty) Ltd	Director	Resigned
	KAP Bedding (Pty) Ltd	Director	Resigned
	KAP Industrial Holdings Limited	Director	Resigned*

Director	Name of Company or Entity	Capacity	Active/ Resigned
	PG Bison (Pty) Ltd	Director	Resigned
	Phaello Finance Company (Pty) Ltd	Director	Resigned
	Phaello Finance Company Guarantor (Pty) Ltd	Director	Resigned
	Steinbuild Holdings (Pty) Ltd	Director	Resigned
	Steinhoff Doors and Building Materials (Pty) Ltd	Director	Resigned
	Steinhoff International Holdings Limited	Director	Resigned
	Unitrans Holdings (Pty) Ltd	Director	Resigned
	Unitrans Motors (Pty) Ltd	Director	Resigned
	*** Effective 1 September 2017**		
Danie van der Merwe			
	Anglo Dutch Properties	Director	Active
	Bravoscar Finance Company (Pty) Ltd	Director	Active
	DJ Trust	Trustee	Active
	Jonkersdrift Trust	Trustee	Active
	KAP Industrial Holdings Limited	Director	Active
	Klawervlei Stud (Pty) Ltd	Director	Active
	Mattress Firm Holding Corp	Director	Active
	Nelmaree Trust	Trustee	Active
	Ruby Street Investments (Pty) Ltd	Director	Active
	Sherwood Bedding	Director	Active
	Silverglade Trading 19 (Pty) Ltd	Director	Active
	Steinhoff Asia Pacific Limited	Director	Active
	Steinhoff Asia Pacific Holdings (Pty) Ltd	Director	Active
	Steinhoff Africa Holdings (Pty) Ltd	Director	Active
	Steinhoff Africa Retail Limited	Director	Active
	Steinhoff International Holdings N.V.	Management Board Director	Active
	Steinhoff UK Holdings Limited	Director	Active
	Steinhoff UK Retail Limited	Director	Active
	Tekkie Town (Pty) Ltd	Director	Active
	Uhambo Property Investments (Pty) Ltd	Director	Active
	Unitrans Motors (Pty) Ltd	Director	Active
	Ainsley Holdings (Pty) Ltd	Director	Resigned
	Bennorth Property Investments (Pty) Ltd	Director	Resigned
	Dagethoek Beleggings (Pty) Ltd	Director	Resigned
	JD Group (Pty) Ltd	Director	Resigned
	KAP Bedding (Pty) Ltd	Director	Resigned
	KAP Diversified Industrial (Pty) Ltd	Director	Resigned
	Pepkor Holdings (Pty) Ltd	Director	Resigned*
	PG Bison (Pty) Ltd	Director	Resigned
	Steinbuild Holdings (Pty) Ltd	Director	Resigned
	Steinhoff International Holdings Limited	Director	Resigned
	Steinhoff Timber Industries (Pty) Ltd	Director	Resigned
	Unitrans (Pty) Ltd	Director	Resigned
	Unitrans Holdings (Pty) Ltd	Director	Resigned
	***Effective 25 August 2017**		
Heather Sonn			
	African Star Ventures (Pty) Ltd	Director	Active
	Blake and Associates Holdings (Pty) Ltd	Director	Active

Director	Name of Company or Entity	Capacity	Active/ Resigned
	Blake and Associates Offshoring (Pty) Ltd	Director	Active
	Blank Kanvas Productions (Pty) Ltd	Director	Active
	Commdevco (Pty) Ltd	Director	Active
	Control Ways (Pty) Ltd	Director	Active
	Cornerstone Institute (RF) (Pty) Ltd	Director	Active
	Day Latte (Pty) Ltd	Director	Active
	Ekapa Minerals (Pty) Ltd	Director	Active
	Ekapa Mining (Pty) Ltd	Director	Active
	Gamiro Advisory Services (Pty) Ltd	Director	Active
	Gamiro Consult (Pty) Ltd	Director	Active
	Gamiro Holdings (Pty) Ltd	Director	Active
	Gamiro Investment Group (Pty) Ltd	Director	Active
	Gamiro Ventures (Pty) Ltd	Director	Active
	Hepax Trade and Invest (Pty) Ltd	Director	Active
	Hero Strategic Marketing (Pty) Ltd	Director	Active
	Khana Energy (Pty) Ltd	Director	Active
	Khana Economic Development (Pty) Ltd	Director	Active
	Kilowatt Audio Visual (Pty) Ltd	Director	Active
	OOZZ Trading (Pty) Ltd	Director	Active
	RGA South African Holdings Limited	Non-Executive Director	Active
	Steinhoff Africa Retail Limited	Director	Active
	Steinhoff International Holdings N.V.	Supervisory Board Director	Active
	Steinhoff Investment Holdings Limited	Non-Executive Director	Active
	Tecside (Pty) Ltd	Director	Active
	The Green Cape Sector Development Agency (Pty) Ltd	Director	Active
	The Prescient Foundation	Director	Active
	Barloworld Logistics Africa (Pty) Ltd	Director	Resigned
	BSV Holdings (Pty) Ltd	Director	Resigned
	BSV Motor Group (Pty) Ltd	Director	Resigned
	BSV Property Holdings (Pty) Ltd	Director	Resigned
	ESOR (Pty) Ltd	Director	Resigned
	Food Forward SA (Pty) Ltd	Director	Resigned
	KHEIP Investments (Pty) Ltd	Director	Resigned
	Macsteel Service Centres SA (Pty) Ltd	Director	Resigned
	PBT Group (Pty) Ltd	Director	Resigned
	Steinhoff International Holdings Limited	Director	Resigned
	The Behaviour Change Agency (Pty) Ltd	Director	Resigned
Vusumuzi Khanyile			
	Afrikan Farms (Pty) Ltd	Director	Active
	Batsumi Airport Ventures (Pty) Ltd	Director	Active
	Dyambu Holdings (Pty) Ltd	Director	Active
	Futurebank Corporation Ltd	Director	Active
	Jupicol (Pty) Ltd	Director	Active
	Main Street 1532 (Pty) Ltd	Director	Active
	Main Street 223 (Pty) Ltd	Director	Active
	Main Street 661 (Pty) Ltd	Director	Active
	Main Street 691 (Pty) Ltd	Director	Active
	Moribo Investments (Pty) Ltd	Director	Active
	Point Of View Villa (Pty) Ltd	Director	Active

Director	Name of Company or Entity	Capacity	Active/ Resigned
	Siyamilisa Agri Investments (Pty) Ltd	Director	Active
	Steinhoff Africa Retail Limited	Director	Active
	TFS Investments Ltd	Director	Active
	Thebe Identity Investments (Pty) Ltd	Director	Active
	Thebe Investment Corporation (Pty) Ltd	Director	Active
	Thebe Mining Resources (Pty) Ltd	Director	Active
	Thebe Mohebi Logistics (Pty) Ltd	Director	Active
	Thebe Services Holdings (Pty) Ltd	Director	Active
	Thebe Tourism Group (Pty) Ltd	Director	Active
	Thebe Tourism Holdings (Pty) Ltd	Director	Active
	Umhlomulo Equity Participation (Pty) Ltd	Director	Active
	Wegrow Farming Enterprises (Pty) Ltd	Director	Active
	CMH Holdings (Pty) Ltd	Director	Resigned
	Combined Motor Holdings Limited	Director	Resigned
	Compass Group SA (Pty) Ltd	Director	Resigned
	Datcentre Motors (Pty) Ltd	Director	Resigned
	JD Group (Pty) Ltd	Director	Resigned
	Kempster Sedgwick (Pty) Ltd	Director	Resigned
	Safripol (Pty) Ltd	Director	Resigned
	Safripol Holdings (Pty) Ltd	Director	Resigned
	Santam Limited	Director	Resigned
	Shell Downstream South Africa (Pty) Ltd	Director	Resigned
	Sparks And Ellis (Pty) Ltd	Director	Resigned
	Supercare Services Group (Pty) Ltd	Director	Resigned
	TDR Curios (Pty) Ltd	Director	Resigned
	Thebe Asset Management (Pty) Ltd	Director	Resigned
	Thebe Energy (Pty) Ltd	Director	Resigned
	Thebe Incubator	Director	Resigned
	Thebe Risk Services Holdings (Pty) Ltd	Director	Resigned
	Traceworx (Pty) Ltd	Director	Resigned
	Travelex Africa Foreign Exchange (Pty) Ltd	Director	Resigned
	Vodacom (Pty) Ltd	Director	Resigned
	Whitehouse Motors (Pty) Ltd	Director	Resigned
Steve Müller			
	Kap Industrial Holdings Limited	Director	Active
	Steinhoff Africa Retail Limited	Director	Active
	JD Group (Pty) Ltd	Director	Resigned
	Sacoil Holdings Limited	Director	Resigned
	Home Of Living Brands Group (Pty) Ltd	Director	Resigned
	Steinhoff International Holdings N.V.	Director	Resigned
	Punt Media (Pty) Ltd	Director	Resigned
Allen Swiegers			
	Atterbury Property Fund (Pty) Ltd	Chairman	Active
	Steinhoff Africa Retail Limited	Director	Active
	Ascot Park Properties One (Pty) Ltd	Director	Resigned
	Ascot Park Properties Two (Pty) Ltd	Director	Resigned
	Deloitte Consulting (Pty) Ltd	Director	Resigned
	Deloitte Consulting (Sa) Holdings (Pty) Ltd	Director	Resigned
	Deloitte and Touche Actuaries And Consultants (Pty) Ltd	Director	Resigned
	Deloitte and Touche Global Participation (Pty) Ltd	Director	Resigned
	Deloitte and Touche Group Services (Pty) Ltd	Director	Resigned

Director	Name of Company or Entity	Capacity	Active/ Resigned
	Deloitte and Touche Human Capital Corporation (Pty) Ltd	Director	Resigned
	Deloitte and Touche International Assignments (Pty) Ltd	Director	Resigned
	Deloitte and Touche Sharetrust (Pty) Ltd	Director	Resigned
	Deloitte and Touche Sponsor Services (Pty) Ltd	Director	Resigned
	Deloitte and Touche Partnership	Partner	Resigned
	Deloitte and Touche Tax Technologies (Pty) Ltd	Director	Resigned
	H P H Nominees (Pty) Ltd	Director	Resigned
	Recdiv (Botswana) (Pty) Ltd	Director	Resigned
	Recdiv (Namibia) (Pty) Ltd	Director	Resigned
	Recdiv (SA) (Pty) Ltd	Director	Resigned
	Wenlev Trading (Pty) Ltd	Director	Resigned
	XYZ Holdings (Pty) Ltd	Director	Resigned
Johann Cilliers			
	Cellier Holdings (Pty) Ltd	Director	Active
	Finbes Capital CC	Member	Active
	Johnic Properties (Pty) Ltd	Director	Active
	Ricci Real Estates CC	Member	Active
	Samdav Properties CC	Member	Active
	Steinhoff Africa Retail Limited	Director	Active
	Hicor Properties (Namibia)	Member	Active
	Pepkor Holdings (Pty) Ltd	Director	Resigned
	Shoe City (Pty) Ltd	Director	Resigned
Jacob Wiese			
	Afropulse 500 (Pty) Ltd	Director	Active
	Alenti 252(Pty) Ltd	Director	Active
	Alenti 254 (Pty) Ltd	Director	Active
	Auburn Avenue Trading 142 (Pty) Ltd	Director	Active
	Auburn Avenue Trading 143 (Pty) Ltd	Director	Active
	Auburn Avenue Trading 144 (Pty) Ltd	Director	Active
	Brait Investment Services Holdings (Pty) Ltd	Director	Active
	Brait Sout Africa (Pty) Ltd	Director	Active
	Brisktrade 113 (Pty) Ltd	Director	Active
	Cape Town 7 Properties (Pty) Ltd	Director	Active
	Caro Art Trading Pty) Ltd	Director	Active
	Cenfund Investments (Pty) Ltd	Director	Active
	Ceta Trading (Pty) Ltd	Director	Active
	Chaldean Trading 24 (Pty) Ltd	Director	Active
	Coala Bear Trading (Pty) Ltd	Director	Active
	CWP Wine Brands (Pty) Ltd	Director	Active
	Dorsland Diamante (Pty) Ltd	Director	Active
	Fairvest Property Holdings (Pty) Ltd	Director	Active
	FI Funding And Investment Holdco (Pty) Ltd	Director	Active
	FI Funding And Investments Finance (Pty) Ltd	Director	Active
	FI Operations (Pty) Ltd	Director	Active
	Fincom (Pty) Ltd	Director	Active
	Fundex Investments (Pty) Ltd	Director	Active
	Granadino Investments (Pty) Ltd	Director	Active
	Incapart Investments (Pty) Ltd	Director	Active
	Incaprox Investments (Pty) Ltd	Director	Active
	International Mining and Dredging Holdings (Pty) Ltd	Director	Active
	Invicta Holdings Limited	Director	Active

Director	Name of Company or Entity	Capacity	Active/ Resigned
	Lavender Sky Investments (Pty) Ltd	Director	Active
	Lourensford Events (Pty) Ltd	Director	Active
	Lourensford Financial Services (Pty) Ltd	Director	Active
	Lourensford Fruit Company (Pty) Ltd	Director	Active
	Lourensford Holdings (Pty) Ltd	Director	Active
	Lourensford Leasing (Pty) Ltd	Director	Active
	Lourensford Marketing (Pty) Ltd	Director	Active
	Lourensford Properties (Pty) Ltd	Director	Active
	Lourensford Sawmills (Pty) Ltd	Director	Active
	Lourensford Winery (Pty) Ltd	Director	Active
	Luna Group Pty) Ltd	Director	Active
	Matrix Development (Pty) Ltd	Director	Active
	Mayborn Investments 143 (Pty) Ltd	Director	Active
	Metcap 5 (Pty) Ltd	Director	Active
	Mettle Solar Investments (Pty) Ltd	Director	Active
	Misty Mountain Trading 86 (Pty) Ltd	Director	Active
	Move-On-Up 289 (Pty) Ltd	Director	Active
	Navy Sky Investments 201 (Pty) Ltd	Director	Active
	Oryx Management Services (Pty) Ltd	Director	Active
	Own My Ride (Pty) Ltd	Director	Active
	RADAJ 2 (Pty) Ltd	Director	Active
	Schonengevel Holdings (Pty) Ltd	Director	Active
	Shoprite Holdings Limited	Director	Active
	Steinhoff Africa Retail Limited	Director	Active
	Steinhoff International Holdings N.V.	Director	Active
	Texton Property Fund (Pty) Ltd	Director	Active
	Thibault Square Financial Services (Pty) Ltd	Director	Active
	Titan Asset Management (Pty) Ltd	Director	Active
	Titan Financial Services (Pty) Ltd	Director	Active
	Titan Funding (Pty) Ltd	Director	Active
	Titan Global Investments (Pty) Ltd	Director	Active
	Titan Group Investments (Pty) Ltd	Director	Active
	Titan Manor (Pty) Ltd	Director	Active
	Titan Nominees (Pty) Ltd	Director	Active
	Titan Portfolio (Pty) Ltd	Director	Active
	Titan Premier Investments (Pty) Ltd	Director	Active
	Titan Share Dealers (Pty) Ltd	Director	Active
	Titan Trademarks (Pty) Ltd	Director	Active
	Toerama (Pty) Ltd	Director	Active
	Tomil Holdings (Pty) Ltd	Director	Active
	Tradehold (Pty) Ltd	Director	Active
	Upington Investments BV Incorporated (in the Netherlands)	Director	Active
	VRE Investments (Pty) Ltd	Director	Active
	Wiesfam Trust	Director	Active
	Wikalox Investments (Pty) Ltd	Director	Active
	Worldquest Investment Resources (Pty) Ltd	Director	Active
	Xantium Trading 326 (Pty) Ltd	Director	Active
	Zenco Investments (Pty) Ltd	Director	Active
	Auburn Avenue Trading 145 (Pty) Ltd	Director	Resigned
	Bon View Trading 164 (Pty) Ltd	Director	Resigned
	Digicore Holdings (Pty) Ltd	Director	Resigned

Director	Name of Company or Entity	Capacity	Active/ Resigned
	Excentric By Flo (Pty) Ltd	Director	Resigned
	Frejen (Pty) Ltd	Director	Resigned
	Gwen To Oxford 1 (Pty) Ltd	Director	Resigned
	Higlo Trading (Pty) Ltd	Director	Resigned
	Idada Trading 141 (Pty) Ltd	Director	Resigned
	Incapoint Investments (Pty) Ltd	Director	Resigned
	Incarite Investments (Pty) Ltd	Director	Resigned
	Lourensford Trout Farming (Pty) Ltd	Director	Resigned
	Main Street 290 (Pty) Ltd	Director	Resigned
	Masimong Technologies (Pty) Ltd	Director	Resigned
	Massif Investments (Pty) Ltd	Director	Resigned
	Mayborn Investments 144 (Pty) Ltd	Director	Resigned
	McDuck Investment Holdings (Pty) Ltd	Director	Resigned
	Mettle Solar (RF) (Pty) Ltd	Director	Resigned
	Mettle Vehicle Finance (Pty) Ltd	Director	Resigned
	Paladin Capital (Pty) Ltd	Director	Resigned
	Palaeofin (Pty) Ltd	Director	Resigned
	Palaeofin Security SPV (Pty) Ltd	Director	Resigned
	Pepkor Holdings (Pty) Ltd	Director	Resigned
	Pepkor IP (Pty) Ltd	Director	Resigned
	Premier Group (Pty) Ltd	Director	Resigned
	Seven Seasons Trading 144 (Pty) Ltd	Director	Resigned
	Valex Investments (Pty) Ltd	Director	Resigned

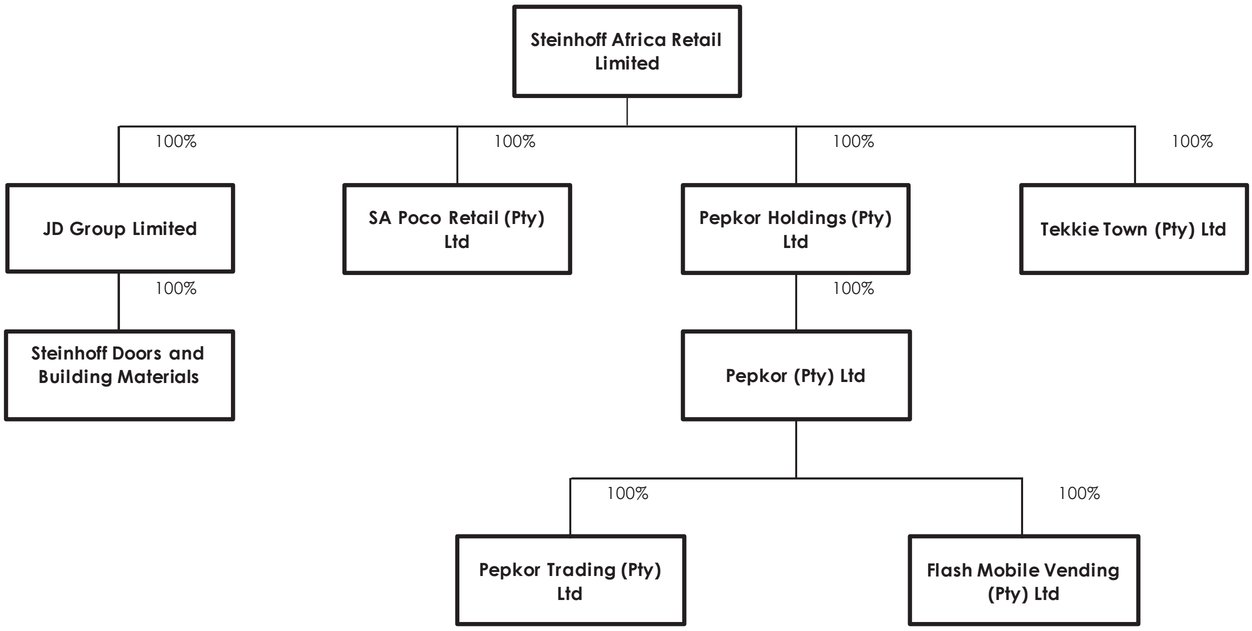
DIRECTORS OF MAJOR SUBSIDIARY – PEPKOR

Louis Brand			
	Flash IP (Pty) Ltd	Director	Active
	Flash Mobile Vending (Pty) Ltd	Director	Active
	Pepkor Holdings (Pty) Ltd	Director	Active
	Pepkor IT (Pty) Ltd	Director	Active
	Pepkor Speciality Stores (Pty) Ltd	Director	Active
	Pepkor Trading (Pty) Ltd	Director	Active
	Printkor (Pty) Ltd	Director	Active
	Chaircorp (Pty) Ltd	Director	Resigned
	Pepkor Retail (Pty) Ltd	Director	Resigned*
	Tenacity Financial Services (Pty) Ltd	Director	Resigned*
	***Effective 1 September 2017**		
Leon Lourens			
	Flash Mobile Vending (Pty) Ltd	Director	Active
	Leon Lourens Beleggings (Pty) Ltd	Director	Active
	Pep (Pty) Ltd	Director	Active
	Pep Reef Properties (Pty) Ltd	Director	Active
	Pepkor Holdings (Pty) Ltd	Director	Active
	Pepkor SA (Pty) Ltd	Director	Active
	Pepkor Trading (Pty) Ltd	Director	Active*
	Printkor (Pty) Ltd	Director	Active
	Pep Retail (Pty) Ltd	Director	Resigned
	Pep Stores Peninsula Holdings(Pty) Ltd	Director	Resigned
	Pepkor Retail (Pty) Ltd	Director	Resigned
	Pepprop (Michell's Plain) (Pty) Ltd	Director	Resigned
	***Effective 1 September 2017**		

Director	Name of Company or Entity	Capacity	Active/ Resigned
Jaap Hamman			
	Flash IP (Pty) Ltd	Director	Active
	Flash Mobile Vending (Pty) Ltd	Director	Active
	Future Cell (Pty) Ltd	Director	Active
	Hamman Bothan En Van Wyk (Pty) Ltd	Director	Active
	Obvest 155 (Pty) Ltd	Director	Active
	Pep (Pty) Ltd	Director	Active
	Pep Reef Properties (Pty) Ltd	Director	Active
	Pep Retail (Pty) Ltd	Director	Active
	Pep SA (Pty) Ltd	Director	Active
	Pep Stores Peninsula Holdings (Pty) Ltd	Director	Active
	Pep Vervaardiging (Pty) Ltd	Director	Active
	Pepclo (Pty) Ltd	Director	Active
	Pepkor Holdings (Pty) Ltd	Director	Active
	Pepprop (Mitchell's Plain) (Pty) Ltd	Director	Active
	Printkor (Pty) Ltd	Director	Active
	Sim Dynamix (Pty) Ltd	Director	Active
	Sim Dynamix IP (Pty) Ltd	Director	Active
	I L Black Properties Aandeleblokmaatskappy (Pty) Ltd	Director	Resigned
	Pepkor Africa (Pty) Ltd	Director	Resigned
	Pepkor Retail (Pty) Ltd	Director	Resigned
	Ultimo Holdings (Pty) Ltd	Director	Resigned
	Ultimo Properties (Pty) Ltd	Director	Resigned
Charl Cronjé			
	Ackermans (Pty) Ltd	Director	Active*
	Cheefprops 1047 (Pty) Ltd	Director	Active
	Pepkor Holdings (Pty) Ltd	Director	Active
	Ackermans Management Services (Pty) Ltd	Director	Resigned
	K Fashion Group (Pty) Ltd	Director	Resigned
	Pepkor Africa (Pty) Ltd	Director	Resigned*
	Pepkor Retail (Pty) Ltd	Director	Resigned
	***Effective 1 September 2017**		

STRUCTURE OF THE STAR GROUP

The structure of the STAR Group on the Last Practicable Date was as follows:



***Note**:*

(1) The diagram above depicts the STAR Group's main legal subsidiaries, with Pepkor being a Major Subsidiary of the STAR Group for purposes of the JSE Listings Requirements; and

(2) Should the maximum number of 750 000 000 Shares be issued under the Private Placement and the Overallotment Option be exercised in full, Steinhoff International's indirect 100% shareholding in the Company will reduce to not less than 76.81% (78.26% excluding the Overallotment Shares)

DETAILS OF MAJOR SUBSIDIARIES AND MATERIAL INTERGROUP LOANS

MAJOR SUBSIDIARIES

Subsidiary	Reg No	Place	Incorporation Date	Issued share capital held	Nature of Business
Pepkor Holdings (Pty) Ltd	2003/020009/07	Parow	20 August 2003	100%	Retail holding company

MATERIAL INTERGROUP LOANS

Subsidiary	Intergroup loan balance *(R millions) dt/(ct)*	Rate of interest p.a.	Counterparty Name of subsidiary/ holding company	Security provided	Conversion or redemption rights	Short-term capital repayments (within 12 months) and how same are to be financed
Loans due by the Company and its subsidiaries:						
The Company	R10.6 billion	Note 1	Steinhoff Group	Note 1	No	No

***Note 1**: As at the Last Practicable Date, the STAR Group has consolidated inter-company loans due to the Steinhoff Group amounting to approximately R10.6 billion. All intercompany loans will be consolidated into the Shareholder Loans as part of an internal loan clean-up, the terms of this loan are set out below. It is furthermore anticipated that the Shareholder Loans balance at date of Listing would be approximately R14 billion.*

MATERIAL TERMS OF THE FACILITIES

FROM STEINHOFF AFRICA HOLDINGS (PTY) LIMITED

TO STEINHOFF AFRICA RETAIL LIMITED

in an amount not exceeding R16 000 000 000 (sixteen billion Rand)

For the purposes hereof, the following terms shall have the following meaning:

Lender: Steinhoff Africa Holdings (Pty) Limited

or such other holding or subsidiary company as the Lender may from time to time nominate

Borrower: Steinhoff Africa Retail Limited

or any one or more of the companies forming part of the Steinhoff Africa Retail Limited group as defined in the Sale Agreements or in respect of any future loans, advances or financing to be granted and/or to be extended to any nominated subsidiary of the Borrower

Parent: Steinhoff International Holdings N.V.

FACILITIES' COMPONENTS

TERM LOAN A – 5-YEAR TERM LOAN

Amount:	R3 500 000 000 (three billion five hundred million Rand)
Interest Rate:	Three Month JIBAR plus 225 bps
Commitment Fee:	No fees
Repayment Terms:	Subject to the repayment waterfall set out below, any portion, or the entire loan, is repayable on at least 6 (six) months' prior written notice and provided that the repayment is on an interest reset date, there will be no penalties or breakage costs. To the extent that existing banking facilities held by the Borrower are retained and assigned, the parties will agree on an appropriate reduction of this Term Loan A.
Final Maturity Date:	15 October 2022

TERM LOAN B – 3-YEAR TERM LOAN

Amount:	R7 500 000 000 (seven billion five hundred million Rand)
Interest Rate:	JIBAR plus 200 bps Interest periods at the election of the Borrower – 3 (three) or 6 (six) months.
Commitment Fee:	No fees but to the extent that portions may become undrawn and the Borrower gives the Lender written notice to have the facility remain committed – a fee of 50% of margin.
Repayment Terms:	Subject to the repayment waterfall set out below, any portion of this loan may be repaid on 1 (one) month's prior notice on any interest period end date in multiples of R10 000 000 (ten million Rand). Unless the Borrower gives the Lender written notice to have the Term Loan B, or any portion thereof, remain committed, the facility will be reduced by any repayment.
Final Maturity Date:	15 October 2020

DEMAND FACILITY C – OVERNIGHT OR SHORT-TERM (LESS THAN 30 DAYS)

Amount:	R5 000 000 000 (five billion Rand) which will be subject to annual review, commencing with the first review during February 2019.
Interest Rate:	Standard Bank prime lending rate minus 200bps. Interest payable 3 (three) monthly (quarterly) in arrears.
Commitment Fee:	On the undrawn portion of this facility from time to time, 50bps, provided that to the extent that this facility is drawn in excess of 85%, no commitment fee will be payable. The commitment fees are payable 3 (three) monthly in arrears.
Repayment Terms:	Subject to the repayment waterfall set out below, this facility is repayable on demand provided that to the extent that existing banking facilities held by the Borrower are retained and assigned, the parties will agree on an appropriate reduction of this Demand Facility C.
Final Maturity Date:	Annually reviewable, save in the event of any material adverse change in the financial condition of the Borrower or its ability to comply with its obligations under this facility; the first review date being February 2019.

ADDITIONAL TERMS

1. INTEREST RATES/CREDIT MARGINS

The parties agree that, depending on ruling market conditions, the credit margins in respect of the interest rates of the various components of the facilities, as set out above, will be reviewable by the parties on the earlier of the Borrower obtaining a credit rating from a recognised credit rating agency approved by the Lender or 31 March 2018.

2. REPAYMENT WATERFALL

In the event of the Borrower requesting early repayment of these facilities and unless agreed to otherwise between the parties, the parties agree that the facilities will be repaid in the following order:

- Demand Facility C;
- Term Loan B; and
- Term Loan A.

Notwithstanding the above repayment waterfall, in the event that Demand Facility C has been repaid in full, the Lender is willing to afford the Borrower the opportunity to reinstate Demand Facility C up to a maximum amount of R1 500 000 000 (one billion five hundred million Rand) on terms and conditions to be agreed between the parties.

3. GUARANTORS

1.1 It is acknowledged that the members of the Borrower group currently guarantee several third party funding lines and/or funding programmes which are the ultimate sources of funding in providing the facilities under these loans.

1.2 The parties will co-operate with a view to collectively raising funding in the most efficient way and will provide and/or consider providing appropriate guarantees, on an ongoing basis, in maintaining these collective facilities.

1.3 To the extent that the Lender refinances or finances any new third party borrowing for the exclusive use of, or extending a new loan or refinances an existing loan for utilisation by, the Borrower, the Borrower undertakes to procure and/or provide such guarantee(s) by itself or any of its subsidiaries, with a view to fulfilling the obligations under such financing transaction independent of the Lender and/or the Parent.

1.4 Within a reasonable period of time, the Borrower will procure that Pepkor Trading (Pty) Limited and Steinhoff Doors and Building Materials (Pty) Limited, jointly and severally with the Borrower, guarantee these facilities.

1.5 The parties will co-operate to procure the release of, *inter alia*, Pepkor Holdings (Pty) Limited as guarantor of any third party facilities or financings in place for the Lender or any member of the Parent group (excluding the Borrower group).

1.6 The Parties commit that, within a reasonable period of time, any third party funding with any bank or financial institution will be structured/restructured in such a way that:

- third party funders/financiers of the Borrower group will have no recourse to the Lender and/or the Parent group (excluding the Borrower group); and
- third party funders/financiers of the Lender and/or the Parent group (excluding the Borrower group) will have no direct recourse to the Borrower group.

4. ADDITIONAL FACILITIES OF THE BORROWER

The Lender acknowledges and confirms that at the date of these facilities, the Borrower and its subsidiaries hold various facilities with financing and banking institutions. The Borrower undertakes not to enter into or extend any of the existing facilities and/or increase and/or enter into any new financing agreements without the express prior written consent of the Lender, whose consent will not be unreasonably delayed or withheld.

The Borrower acknowledges that all its liabilities will be consolidated into, and all its borrowings will form part of, any consolidated borrowings of the Parent and will form part of any financial covenant applicable to the Parent group.

5. **FINANCIAL COVENANTS**

The Borrower shall ensure that with respect to the Borrower group, for each measurement period (i.e. each period of 12 (twelve) months which ends on the last day of each half year and the last day of each financial year) that ends on or before the ultimate discharge date:

– the Net Debt to EBITDA Ratio is not greater than 2.75 (two point seven five) times; and

– the EBITDA to Net Interest Cover Ratio is not less than 5 (five) times.

Subject to annualisation of EBITDA and net interest.

6. **SECURITY**

The Borrower will not provide any security, save for exiting security at date of the Sale Agreements becoming unconditional or any security arising from its ordinary business activities and/or for purposes of *bona fide* cash pooling agreements, without the prior written consent of the Lender, whose consent will not be unreasonably delayed or withheld.

7. **MAINTENANCE**

The Borrower acknowledges that it will be a subsidiary of the Lender and the parties will co-operate on a *bona fide* basis with a view to maintaining and/or refinancing and/or financing new requirements of the Borrower and will take all such steps that may be necessary in maintaining existing third party financing with a view to raising new financing of the Borrower group on market-related rates and on a cost-efficient basis, subject to the provisions set out herein.

8. **CHANGE OF CONTROL**

Upon the occurrence of a Change of Control (as defined below), the Lender may by written notice elect to cancel the facilities and require the Borrower to prepay the outstanding loans owing to the Lender; and the Borrower shall, as soon as reasonably possible after receipt of such notice, prepay the Lender such outstanding loans and the facilities will be cancelled on the date of receipt, by the Borrower, of such notice.

For purposes hereof, "Change of Control" means that the Parent ceases to beneficially hold, directly or indirectly, more than 40% (forty percent) of the issued share capital of the Borrower (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital); provided that no Change of Control will occur if the Parent so ceases to beneficially hold, directly or indirectly, more than 40% (forty percent) of the issued share capital of the Borrower, but the Parent continues to have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:

– cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of the Borrower; or

– appoint or remove all, or the majority, of the Directors or other equivalent officers of the Borrower; or

– give directions with respect to the operating and financial policies of the Borrower with which the Directors or other equivalent officers of the Borrower are obliged to comply.

9. **DISPUTES**

9.1 The parties enter into these facilities on a *bona fide* basis and will at all times endeavour to settle any dispute between them, arising from or in terms of the interpretation of these facilities, amicably.

9.2 To the extent that any matter cannot be resolved, such matter will be referred to the chairman of the Audit Committee of the Parent, whose decision regarding the dispute and in respect of any associated costs or interest, will be final and binding on the parties.

DETAILS REGARDING PRINCIPAL PROPERTIES OCCUPIED

PRINCIPAL PROPERTY – OWNED

Location	Area (m^2)	Property Description
Kuilsrivier	7 475	Ackermans – New Head Quarters
Parow Industria	48 719	Pep – Head Office
Kuilsrivier	26 893	Ackermans – Distribution Centre and Old Head Quarters
Kuilsrivier	60 864	Pepkor – Logistics and Distribution Centre

DIRECTORS OF MAJOR SUBSIDIARIES

The table below contains particulars of the Directors of the Company's Major Subsidiary, Pepkor as at the Last Practicable Date.

Full name	Age	Capacity	Business Address
Louis Stephanus Brand	56	Director	36 Stellenberg Rd, Parow, Industria, 7493
Charl André Cronjé	56	Director	36 Stellenberg Rd, Parow, Industria, 7493
Jaap Lester Hamman	46	Director	36 Stellenberg Rd, Parow, Industria, 7493
Riaan Hanekom	47	Director	36 Stellenberg Rd, Parow, Industria, 7493
Leon Marius Lourens	51	Director	36 Stellenberg Rd, Parow, Industria, 7493
Ben la Grange	42	Non-Executive Director	Block D, De Wagenweg Office Park, Stellentia Road, Stellenbosch,7600

SALIENT TERMS OF THE PERFORMANCE SHARE PLAN

*This **Annexure 16** contains extracts of various provisions from the Performance Share Plan Rules. In each case, the numbering and wording below matches that of the applicable provisions in the Performance Share Plan Rules. For a full appreciation of the provisions of the Performance Share Plan Rules, Shareholders are referred to the full text of the Performance Share Plan Rules, which is available for inspection, as provided for in paragraph 66 of this Pre-listing Statement.*

"1. **INTRODUCTION AND PURPOSE**

1.1 The Board considers it important and appropriate that the Group has a competitive long-term incentive scheme in place to attract and retain key Executives and senior Employees (collectively "**Employees**").

1.2 The purpose of the Scheme is to attract, retain, motivate and reward Employees of the Group who are able to influence the performance of the Group, on a basis which aligns the interests of such Employees with those of the Company, the relevant Employer Company and the Company's Shareholders.

2. **DEFINITIONS**

In this Scheme –

2.3 In this Scheme, unless the context indicates a contrary intention, the following words and expressions bear the meanings assigned to them and cognate expressions bear corresponding meanings –

2.3.2 "**Allocation Date**" means the date upon which SRs are annually allocated to a Participant;

2.3.3 "**Allocation Value**" means the total value of the SRs allocated to a Participant, determined by Remco in the manner set out in 6.3;

2.3.4 "**Board**" means the Board of Directors of the Company;

2.3.5 "**Company**" means Steinhoff Africa Retail Limited, registration number 2017/221869/06;

2.3.6 "**Employee**" means an employee of any entity in the Group;

2.3.7 "**Employer Company**" means that company in the Group that is the employer of a particular Participant;

2.3.10 "**Listing**" means the listing of the Company on the main board of the JSE;

2.3.11 "**Measurement Date**" means a date, after the expiry of the relevant Measurement Period on which the performance criteria set by the Remco is tested or measured;

2.3.12 "**Measurement Period**" means the 3 (three) financial year period commencing on the relevant Allocation Date;

2.3.13 "**Participant**" means an Employee that is a participant in the Scheme;

2.3.14 "**Remco**" means the Remuneration Committee of the Board;

2.3.15 "**Scheme**" means the Steinhoff Africa Retail Limited Executive Share Rights Scheme, the terms of which are set out in this document;

2.3.16 "**SR**" means share rights granted to Participants in terms of the Scheme;

2.3.17 "**Share**" means an ordinary share with a no par value in the capital of the Company once issued, ranking *pari passu* with all ordinary shares in issue;

2.3.20 "**Vesting Date**" means the day when rights in terms of the Scheme vest and from which date Shares may be delivered to a Participant, subject to the fulfilment of the performance criteria set by the Remco.

4. PARTICIPANTS

4.1 Participants in the Scheme shall be senior Employees of the Group, in managerial and leadership roles, as recommended by the relevant Employer Companies and approved by Remco on an annual basis.

4.2 Remco shall in its sole discretion, offer Participants a right, on an annual basis, to receive SRs on the terms and conditions described more fully below.

5. SHARE RIGHTS

5.1 Participants shall, if Remco so resolves, be granted, by way of an allocation letter, a number of SRs upon the terms summarised below, for which no consideration is payable, subject to the performance criteria set by the Remco.

5.2 The allocation letter shall allocate SRs to Participants and shall record the Allocation Date, the number of SRs allocated to the Participant and that the SR's are allocated at zero allocation price.

5.3 The SR's will be granted to qualifying participants on an annual basis and such SR's will vest on the 3rd anniversary of the allocation date, provided the performance criteria, set for the specific annual allocation, are achieved.

5.4 Remco shall be entitled, but not obliged, to authorise the issue allocation letters annually only in respect of Employees employed during the first 6 (six) months of each financial year to newly qualifying and appointed staff on a *pro rata* basis.

5.5 All rights, obligations and manner of implementation relating to SRs, set out in this Scheme shall apply *mutatis mutandis* to all SRs granted in terms of the annual allocation letters.

6. NUMBER OF SHARES MADE AVAILABLE FOR THE PLAN

6.1 500 000 000 (five hundred million) unissued ordinary shares of no par value in the company may be used for the implementation of the Scheme.

6.2 The aggregate number of SRs that may be allocated at any time to any one Participant in terms of the Scheme shall not exceed 50 000 000 (fifty million).

6.3 The Allocation Value of the SRs allocated to Participants in terms of the Scheme shall be within a range of 33% (thirty-three percent) to 167% (one hundred and sixty-seven percent), or as may be reviewed by Remco from time to time, of each Participants remuneration package, calculated on a total cost to company basis (excluding annual performance bonuses) and dependent on fixed levels taking into account the Participant's position within the Company and the Participant's promotion potential. Remco shall, in its exclusive discretion determine annually the Allocation Value of the SRs allocated to Participants. The number of Shares corresponding to the SRs allocated to a Participant shall be determined by dividing the Allocation Value by the volume weighted average traded price of the Company's shares on the JSE for the 30 (thirty) days immediately prior to the commencement date of such grant or the relevant Allocation date, as determined by Remco.

6.4 Rolling over of shares which have already been issued and delivered in terms of the Scheme is prohibited. Therefore, the company will be required to obtain shareholder approval for a further reservation of shares for the Scheme should the number of shares reserved for the Scheme be fully utilised.

6.5 Any shares reserved as a result of SR's granted will revert back to the Scheme if such shares are not issued or reallocated to the identified participant/s as a result of, for example, forfeiture or lapsing of rights.

6.6 All Shares delivered to Participants in terms of the Scheme shall rank *pari passu* in all respects with the existing issued Shares of the Company. Prior to delivery of Shares to Participants in terms of the Scheme, Participants have no rights in relation to such Shares, even in the case of liquidation.

7. PERFORMANCE CRITERIA

7.1 The reserved shares will be allotted and issued or delivered to Participants on the 3rd anniversary of each annual grant, provided that the performance criteria, set by the Remco at or about the time of the grant, have been achieved.

7.2 The performance criteria set by Remco will take into account targets relating to growth, cash generation, returns and sustainability of the relevant Employer Companies and the Group.

9. **FAILURE TO FULFILL THE PERFORMANCE CRITERIA**

Should the Company or any Employer Company or any Participant (as the case may be), fail to achieve the performance criteria during any Measurement Period, the SRs granted to such Participant and linked to that Measurement Period, shall lapse and be of no further force or effect.

10. **TERMINATION OF EMPLOYMENT**

10.1 Should a Participant's employment with any Employer Company in the Group terminate for reasons of death, incapacitation or retirement, the Company shall deliver to that Participant (or the Participant's executor or curator) such Shares to which that Participant (or the Participant's executor or curator) is entitled to in terms of the Scheme, within a period of 60 (sixty days) after the expiry of such Measurement Period provided the applicable SR's have vested, or subject to paragraph 10.2.

10.2 Should a Participant's employment with any Employer Company in the Group terminate for reasons of death, incapacitation or retirement, that Participant (or the Participant's executor or curator) shall be entitled, at the discretion of the Remco, to such portion of the SRs that have been allotted and the corresponding Shares, as equates to a *pro rata* number of SRs and corresponding Shares duly time-weighted over the period of fulfilment of the performance criteria calculated from the Allocation Date to the date of termination of employment and granted to that Participant, subject to the performance criteria being fulfilled for that period. The corresponding Shares will be delivered to Participants within a period of 60 (sixty days) after the fulfilment of performance criteria applicable. Remco has, however, the full discretionary rights to apply the most appropriate principles under these circumstances.

10.3 If a Participant's employment with any Employer Company in the Group terminates for any other reason other than that detailed in paragraph 10.1, all of his SRs and corresponding Shares will, unless Remco determines otherwise, automatically be cancelled, including those SRs which have qualified, but the corresponding shares have not yet been delivered. Remco also has full discretionary rights in this regard.

11. **CORPORATE ACTIVITY – E.G. CAPITALISATION ISSUES, CONSOLIDATIONS, SPECIAL DIVIDENDS, SCRIP DIVIDENDS, MERGERS AND TAKEOVERS**

11.1 In the event of the Company undertaking or effecting a sub-division or consolidation of shares, the number of rights granted to Participants (in respect of which the shares have as yet not been allotted or issued) will be adjusted to ensure a Participant's entitlement to the same proportion of equity capital as that to which the Participant was entitled previously ("**the adjustment event**"), provided that:

11.1.1 the issue of shares by the Company as consideration for an acquisition, or the issue of shares by the Company for cash will not be regarded as a circumstance requiring adjustment;

11.1.2 the capitalisation issue of shares by the Company will not be regarded as a circumstance requiring adjustment;

11.1.3 at the discretion of the Remuneration Committee, a rights offer, a special dividend or a reduction of capital may be regarded as a circumstance requiring an adjustment; and

11.1.4 such adjustments are to be confirmed by the Company's auditors as having been calculated on a reasonable basis and such confirmation shall be provided to the JSE and will be reported on in the Company's annual financial statements.

11.2 Should an adjustment event arise, the Remco may amend any allocation letters sent to Participants and may adjust the performance criteria set out in the allocation letter, in such a manner as it may feel appropriate with the objective that such adjustment should give a Participant rights similar to those the Participant had before the adjustment event and taking into account accounting treatment of those rights, provided that the auditors of the Company, acting as experts, shall confirm in writing that in their opinion such adjustments are fair and reasonable.

11.3 If the Company or the Employer company is taken over, delisted or becomes the subject of a merger which results in the listing of the Shares being suspended or terminated ("**the Corporate action**") during a Measurement Period and/or prior to a Measurement Date, the Vesting Date will then automatically coincide with the effective date of the corporate action, and the rights will be adjusted on a time weighted basis and 1) in the case of a successor listed on the JSE or on a foreign exchange, provide that the successor has procured the necessary exchange control approval, exchanged for equivalent valued rights in the Company's successor (as determined and approved by the Remco where necessary) or 2) in the case of an unlisted successor or successor listed on a foreign exchange that is not able to procure the necessary exchange control approval, be settled in accordance with the provisions of this scheme on the effective date of the corporate action, provided, however, that all the performance criteria have been duly achieved up to the effective date of the corporate action.

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