STEINHOFF AFRICA RETAIL
INTEGRATED REPORT 2017

CONTENTS

THIS REPORT forms part of the integrated report suite and should be read together with the full audited annual financial statements, the corporate governance report and corporate responsibility report, all of which are available on the company's website at www.steinhoffafricaretail.co.za.

STAR
STEINHOFF
AFRICA RETAIL

Highlights 2017

Pro forma results

13.2%	25.2%	100 bps	R6.5bn
INCREASE IN REVENUE	INCREASE IN OPERATING PROFIT*	MARGIN INCREASE	CASH FROM OPERATIONS•
	* Before capital items		• Statutory information

Financial overview#

	STATUTORY AUDITED			PRO FORMA		
	12 months ended 30 Sept 2017	15 months ended 30 Sept 2016	% change	12 months ended 30 Sept 2017	12 months ended 30 Sept 2016	% change
Revenue (Rm)	57 850	61 154	(5%)	58 582	51 766	13.2%
Operating profit (Rm)*	5 815	4 050	44%	6 078	4 855	25.2%
Headline earnings per share (c)	133.6	60.4	121%			

Refer to the CFO's report on page 10 for further information pertaining to pro forma results.
* Before capital items

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

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

Steinhoff Africa Retail Limited (STAR) listed on the Johannesburg Stock Exchange on 20 September 2017

The purpose of the listing was to create a diversified listed retail company of significant size and scale. The listing allowed investors wishing to access opportunities in Africa to invest directly in a truly African company.

Building on the legacy and solid foundations of the retail brands, STAR will continue to:

- Provide value offerings through its broad product base;
- Focus on efficiencies derived from the scale and capabilities in the supply chain to prioritise the low cost of doing business across the brands and throughout the extensive store footprint, passing the price benefit onto our value-conscious customers; and
- Enhance customer satisfaction by providing a relevant and convenient shopping experience.

STAR has a rich and long history of doing business in Africa.

- 1901 BRADLOWS
- 1911 W&B HARDWARE
- 1916 ACKERMANS
- 1943 RUSSELLS
- 1947 JOHN CRAIG
- 1957 BUCHEL
- 1965 PEP STORES
- 1972 DUNNS
- 1975 TIMBERCITY
- 1980 CITIWOOD
- 1986 SHOE CITY
- 1989 TEKKIE TOWN
- 1991 INCREDIBLE CONNECTION
- 1993 HIFI CORP
- 1994 ROCHESTER
- 2007 TENACITY
- 2011 BUCO
- 2014 POCO
- 2015 SLEEPMASTERS

A listed, diversified, multi-format retail champion of significant size and scale with its roots in Africa

2.3 million m²
RETAIL SPACE

43 000+
EMPLOYEES

4 900+
STORES ACROSS 12 AFRICAN COUNTRIES

STAR is the preferred destination for delivering value to customers with its well-managed businesses that focus on providing value-for-money products and services. **STAR** has well-experienced retailers that are focused on opportunities and passionate about customers, supported by a solid infrastructure and, within its brands, a solid and established track record.

The group's operations are spread across two business divisions, consisting of **discount and value** and **speciality** retailers.

Discount and value retailers

STATUTORY INFORMATION		
R44.1bn REVENUE	76% GROUP REVENUE	96% OPERATING PROFIT

Discount brands are mainly focused on best price, while **value brands** focus on a bigger assortment, quality and range.

Speciality retailers

STATUTORY INFORMATION		
R13.7bn REVENUE	24% GROUP REVENUE	4% OPERATING PROFIT

Brands operating through the **speciality channel** are divided into four categories:

- **Do-it-yourself** (DIY)
- **Consumer electronics and appliances** (G2)
- **Fashion and footwear**
- **Beds, bedsets and mattresses** (Bedding)

If we serve our customers in such a way that they continue to support our brands, we have established trust.


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Chairman's letter

Jayendra Naidoo
INDEPENDENT NON-EXECUTIVE CHAIRMAN

The listing of STAR provided investors with an opportunity to directly access an African group with significant scale

On an operational level, STAR is focused on doing business proficiently and ethically, contributing positively to the wellbeing of the communities we serve, and ensuring that our staff and investors prosper.

STAR is of importance to South Africa. It is a substantial employer and a consistent provider of familiar, trusted products and services, relied on by millions of loyal customers. We have experienced great success this year, while also encountering considerable circumstantial challenges.

Our focus is to ensure that the best interests of our employees, customers, shareholders and lenders lead our actions. This is a commitment and responsibility we are collectively proud of and take very seriously.

THE LISTING

Our listing on the Johannesburg Stock Exchange on 20 September 2017 exceeded expectations. The day of listing was met with an oversubscribed book, which was testament to the market's belief in our offering. Trading opened at R20.50 a share, and with 69 million shares having traded on the first day, our market cap was raised to R74.2 billion. We thank all stakeholders, related parties and employees who contributed to the success of this milestone

UNFORESEEN EVENTS

The operating businesses and brands that make up STAR are known for being operationally strong and sound businesses. While the association with our majority shareholder, Steinhoff International Holdings N.V, presented unfortunate and unanticipated challenges this year, our experienced management team and board have responded appropriately to keep STAR moving forward.

Key actions taken included governance changes to the board, the resignation of Ben la Grange as CEO and the appointment of Leon Lourens as CEO.

While the share price was temporarily affected during this period of change, it has confidently rallied back above its IPO listing price (as at the time of writing).

CORPORATE GOVERNANCE AND LEADERSHIP

Good governance and leadership serve as our ruling compass at STAR. Particularly at this time, our directors and advisors support and consult our executive team in such a way that they are able to focus on their day-to-day activities. In addition to our board committees currently in place, we are consulting with independent advisors to review the composition of the board and committees. This vigilant approach to our management is directed at providing further levels of assurance to our shareholders and broader stakeholders and to ensure that STAR remains a socially and economically responsible company.

FOCUSING ON THE BUSINESS

STAR will continue to focus on what it has always done well – competently executing on the basics and, consequently, driving profit. This trend of positive results is a reflection of what all our operations have been doing independently and with great success for many years.

Despite a flat or low economic growth rate in many of our operating territories, our STAR brands have done well and are

JSE MAIN BOARD LISTING COMPLETED ON 20 SEPTEMBER 2017

R15 billion

RAISED THROUGH PLACEMENT OF 750 MILLION SHARES

growing their market share. This means that they are attracting more customers, remaining relevant and competitive, and satisfying our customers' needs.

In addition to South Africa and the BLNS countries (Botswana, Lesotho, Namibia and Swaziland), we will continue to grow in the rest of Africa. Although doing business in Africa and operating in different countries, markets and cultures is not without its challenges, we will carefully seek out opportunities. We understand Africa and have invested in the African market since opening our first store in Zambia in 1995. Since then, we have expanded into more markets and now have a footprint of more than 330 stores in these markets.

The informal market is also growing, and we will endeavour to supply and grow that market. Our Flash business is a good example of what is achievable when you open yourself up to new opportunities and entrepreneurial thinking. Our diverse range of everyday products and our store footprint is what will continue to make STAR successful. We provide clothing, footwear, homeware, furniture, appliances, DIY, cellular connectivity, and even electricity. The reason for our existence is our ability to deliver products that our customers can afford.

PERIOD UNDER REVIEW

The group's operations had another successful year, reporting strong growth in both revenue and profitability. This is testament to how much STAR's brands resonate with customers.

SHOPRITE TRANSACTION

As reported on 15 December 2017, the call option agreements with Titan and Lavender Sky will not be implemented and will not become unconditional. Discussions are ongoing with the remaining parties in terms of their call options.

GRATITUDE

I want to thank our many employees, the board of directors and the management team for their dedication and commitment – our strength lies not only in our expertise, but the ability to work as a team.

Thank you to our investors for believing in STAR and our business. I assure you that your investment will be managed with the utmost respect and diligence.

Jayendra Naidoo
Independent non-executive chairman

CEO's report

2017 has been a groundbreaking year for STAR

The combination of some of South Africa's most iconic retail brands resulted in the creation of a diversified retail champion of significant size and scale with its proud roots in Africa, all within one JSE-listed company.

Many of the STAR retail brands have helped shape the South African retail landscape over a number of years and are beacons in the communities where they trade.

South Africa is a country with close to 60 million people, the vast majority of whom need to survive on very little money every month. STAR's strength lies in its focus on these customers and its vision to be the preferred destination for delivering value to them, making it possible for them to live with dignity and pride.

This is achieved through our strategy of providing everyday products at affordable prices at customers' convenience. The group's product range focuses on fulfilling basic everyday customer needs for the whole family. The focus on price leadership and minimising the cost of doing business keeps prices low and affordable, ultimately adding value to customers' lives. Convenience is achieved through the group's extensive store footprint of more than 4 950 stores, ensuring that we remain close to our customers and make it easy for them to visit our stores on their daily commutes. This creates opportunities to leverage the store footprint with convenient in-store service offerings, including cellular services, money transfers, bill payments and financial services. The group's footprint is further expanded in a virtual manner through more than 121 000 Flash traders. Flash devices enable these traders to onsell airtime, electricity and other financial services to customers in the informal market. These devices provide convenience to our customers as well as an important source of income to the traders.

2017 PERFORMANCE

The group reported strong results during a period characterised by downbeat consumer confidence and low growth. Continued focus on price leadership and value offerings across STAR's expanding store footprint drove market share gains, resulting in the group achieving the forecasted performance as included in the pre-listing statement prepared as part of the Johannesburg Stock Exchange listing process.

The discount and value segment reported strong growth in both revenue and operating profit. This was driven by PEP and Ackermans, which, in aggregate, represent 85% of this segment's revenue. Like-for-like revenue growth of 6.5% in aggregate was achieved by these two brands on the back of best price leadership in PEP's case, and providing exceptional value in Ackermans' case. Both these chains are still growing aggressively, which resulted in space growth of 5.3%.

The turnaround in the furniture and appliances business continued, and the management team have done very well in maintaining revenue levels despite the closure of approximately 300 stores. A number of furniture brands were consolidated and repositioned to serve the various market segments in South Africa. The progress has been very positive and the group is now well positioned for future growth and profitability.

The speciality segment performed well during the year, supported by a very respectable performance by the DIY business, which managed to grow margin in a weak building materials market.

PRO FORMA REVENUE GROWTH OF 13.2% TO

R58.6bn

272

NET STORE OPENINGS

The acquisition of Building Supply Group (BSG) will add further scale to the business and will contribute to STAR's results from October 2017.

The electronics and appliances (G2) business reported good results in a difficult market. Changes have been made to the respective business formats and customer value propositions to capture the needs of this market segment. Focus on the development of ranges within core product categories and private label brands has had very positive results.

The speciality clothing division acquired Tekkie Town during the year and this brand has maintained its stellar performance. Three of the five brands in the division have been repositioned to provide lower prices and better value to its consumers in a market where affordability has become even more important. The central support structure for this division is now well established and will continue to assist new and sub-scale brands by leveraging operating costs and enhancing profitability.

Sleepmasters continued to expand its store footprint to 163 stores, supported by strong performance in consumer demand for speciality bedding.

OUTLOOK

While market growth is expected to be subdued, positive sales momentum is expected to continue as STAR's more affordable offer and lower prices resonate with a constrained consumer. The strengthening of the rand during this buying period led to price deflation in most of the businesses, which is always challenging for a retailer to manage, but is ultimately to the benefit of our remarkable customers. The positive momentum in the speciality division is expected to continue at improved margins, further supporting group margins. Store expansion is still strong and we are well on track to open another 350 stores during the 2018 financial year.

Maintaining a low cost of doing business will remain a focus area within all brands. STAR is expanding its distribution capacity in South Africa with the fit out of two new distribution centres and the development of a new distribution centre in Angola.

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

APPRECIATION

I would like to thank the management teams and employees of the various STAR brands for their dedication and continued resilience that resulted in another successful year for the group's operations. Everyone's contribution was important in the achievement of our goals.

We are a group of well-established and proud retail brands that serve more than one million customers on a daily basis, making us an integral part of local communities. Our focus will continue to be on serving our customers and making their lives easier and better.

I would also like to thank the STAR board for their support and the work done to ensure that STAR remains a strong independently listed company, and I look forward to taking STAR to new heights. The past few months have indeed been challenging for all, but our resolve is stronger than ever to build and grow the STAR group of companies.

To our investors, I appreciate that recent times have been turbulent with uncertainty created in the market. I am very grateful for your continued support and trust in the STAR board and management, and, most importantly, the underlying strength of the group and its brands. I am very confident in our future and believe that the best is yet to come.

Leon Lourens
Chief executive officer

CFO's report

Riaan Hanekom
CHIEF FINANCIAL OFFICER

STAR maintained good revenue growth momentum in 2017

STAR was established in July 2017, based on the principles of common control transactions of the African operations from the Steinhoff International Holdings N.V. (Steinhoff) structure. These operations include the Pepkor African operations, encompassing the historic JD Group brands, together with SteinBuild, Tekkie Town and POCO. The operations were structured into a new company, which is known as Steinhoff Africa Retail Limited (STAR).

On 20 September 2017, the African operations, under STAR, were listed on the main board of the Johannesburg Stock Exchange. Upon listing, a total of 750 million shares were issued at a share price of R20.50, raising R15.2 billion net of costs. The net proceeds were subsequently distributed to Steinhoff, which indirectly held 76.8% of the issued share capital of STAR at 30 September 2017.

PERFORMANCE DURING 2017

The 2017 financial year (FY17) has been a successful year for STAR, with good revenue growth momentum maintained and increased profitability achieved during the year. As described in STAR's pre-listing statement and the results published on 4 December 2017, caution should be exercised when comparing the statutory 12-month audited financial statements with the 15-month comparative period. In particular, earnings growth on a statutory basis is not representative and should be considered on a pro forma basis.

In evaluating the FY17 performance, the following three factors need to be considered, as they influence comparability and overall understanding of results. Pro forma results were adjusted for these three factors to provide additional context.

1 Change in financial year-end

STAR's financial year-end was changed from June to September in 2016, and therefore the comparative statutory numbers pertain to a 15-month period. The pro forma results include a comparable 12-month FY16 period.

2 Impact of acquisitions and one-off restructuring

Tekkie Town was acquired on 1 February 2017 and as a result is consolidated for only eight months in the FY17 statutory results. On a pro forma basis, Tekkie Town is consolidated for the full 12 months of FY17 and FY16. Tekkie Town forms part of the speciality fashion and footwear business.

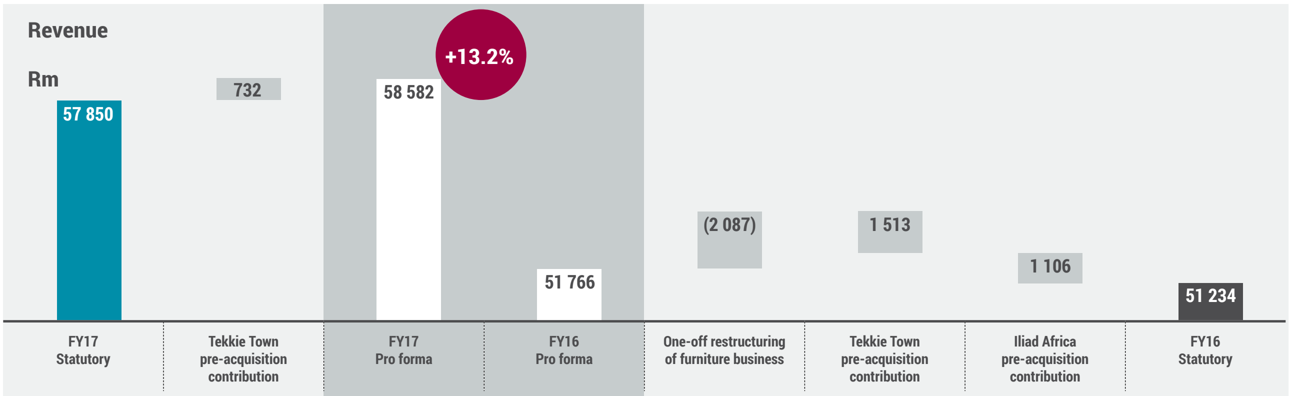
Iliad Group was acquired on 1 January 2016 and therefore only consolidated for nine months in the FY16 statutory results. On a pro forma basis, Iliad Group is consolidated for the full 12 months of FY16. Iliad Group was integrated into the building materials and DIY business within the speciality segment.

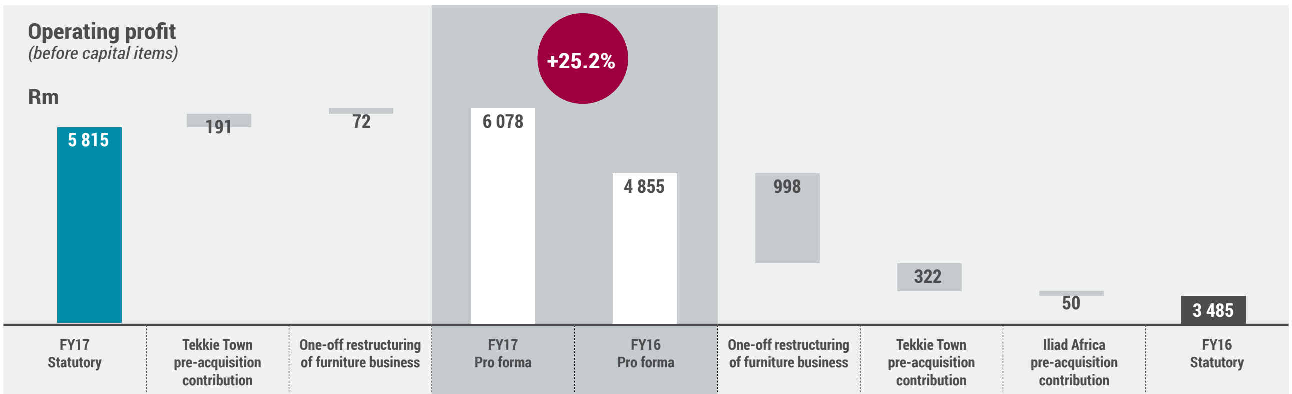
The restructuring of the furniture and appliances business (JD Group) spanned over three years and was completed during FY17. In this process, approximately 300 stores were closed and the impact of these store closures have been removed from the pro forma results due to it being one-off in nature.

③ Impact of listing on earnings per share

Issuing 750 million new shares on 20 September 2017, 11 days before year-end, increased the total number of shares in issue to 3 450 million, and resulted in a weighted average number of shares of 2 678 million shares. This disproportionately inflates earnings per share metrics.

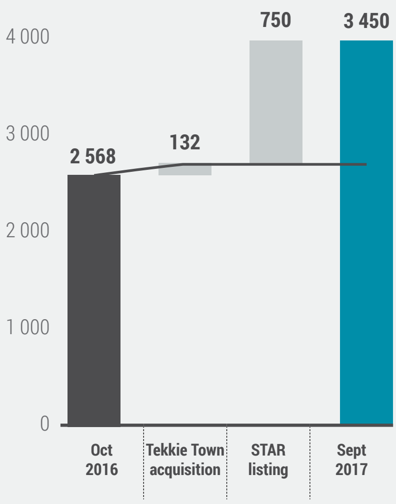
The impact of the above-mentioned factors are illustrated below.





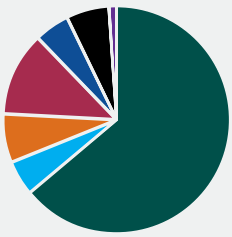
Highlights	PRO FORMA			STATUTORY	
	12 months ended 30 Sept 2017 Rm	12 months ended 30 Sept 2016 Rm	Growth	12 months ended 30 Sept 2017 Rm	15 months ended 30 Sept 2016 Rm
Revenue	**58 582**	51 766	13.2%	57 850	61 154
Operating profit before capital items	**6 078**	4 855	25.2%	5 815	4 050
Operating margin	**10.4%**	9.4%	100 bps	10.1%	6.6%

Shares in issue (million)



— Weighted average number of shares: 2 678 million

Group revenue contribution FY17



PEP and Ackermans	65%
PEP Africa	5%
Furniture and appliances	7%
DIY	12%
G2	6%
Fashion and footwear	4%
Bedding	1%

PRO FORMA REVENUE

Revenue growth of 13.2% to R58.6 billion (FY16: R51.8 billion) was led by an exceptional performance in PEP and Ackermans and the turnaround within the furniture and appliances business.

STAR maintained its credit sales mix at 12% of total revenue, which comprises the following:

Brand/business	Credit sales as a percentage of total revenue FY17	Exposure to credit
PEP	0%	N/A
PEP Africa	0%	N/A
Ackermans	18%	Revolving credit is provided to customers by Tenacity and credit risk lies with STAR.
Furniture and appliances	27%	Instalment sales services are provided to customers by an external party and STAR has no credit exposure to this. In essence, only cash sales are made from a STAR perspective. A distribution fee is earned by STAR and included in other income.
DIY	56%	Normal trade terms are provided to customers and credit risk lies with STAR.
Speciality fashion and footwear	15%	Revolving credit is provided to customers by Tenacity and credit risk lies with STAR.
STAR group	**12%**	

The introduction of lay-bys has also assisted the furniture and appliances business to reduce its exposure to credit sales. With lay-bys, customers pay a series of instalments and only take delivery of the product once the full purchase price is settled. The sales transaction is only recognised once delivery is made. This is favourable from a working capital perspective as it improves inventory, supply chain planning and cash flow.

PRO FORMA OPERATING PROFIT AND MARGIN

All divisions contributed to the enhanced operating margin of 10.4%, with group pro forma operating profit (before capital items) of R6 078 million (FY16: R4 855 million), representing growth of 25.2%. Cost of doing business remained a key strategic focus area, with expenses being well contained, specifically in PEP and Ackermans.

STATUTORY NET FINANCE COSTS AND NET DEBT

The net interest expense was driven by the increase in debt levels only occurring closer to the end of the financial period, upon listing of the STAR group. Shareholder loans were structured at an approximate level of two times EBITDA (earnings before interest, tax, depreciation and amortisation) cover before listing with an average interest rate of 9%.

STATUTORY TAXATION

Lower withholding taxes were paid in the current year due to higher than normal profit repatriation during the previous financial period. Management remains of the opinion that STAR's sustainable rate of taxation approximates 31% as a result of withholding taxes payable in terms of the repatriation of profits from other African countries.

STATUTORY STATEMENT OF FINANCIAL POSITION

The net asset value per share amounted to 1 534 cents (FY16: 2 051 cents).

The increase in the net deferred taxation liability mainly relates to the reduction of the deferred taxation asset through the utilisation of the assessed tax losses that originated in the furniture business.

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

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

It was always management's intention to obtain independent third-party funding for STAR, and this process was initiated after listing in September. The process is continuing, and management expects to raise sufficient funding for the group at rates similar to that applicable in the shareholder loans.

A subsidiary of STAR forms part of a guarantor group of companies in respect of Steinhoff debt. Notwithstanding the events that unfolded at STAR's parent company, Steinhoff, management remains of the view that this exposure is unlikely to have a material impact on STAR.

STATUTORY CASH FLOW

Cash generated from operations before working capital changes increased by 20.8% to R7 269 million (15 months to 30 September 2016: R6 016 million). The cash conversion (cash generated from operations/operating profit before capital items) was 111%, despite cyclical increased inventory levels in anticipation of the build-up to the festive season. Cash flow was further supported by the furniture retail business's focus on lay-by products and the group's limited credit sales.

DIVIDEND

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

I would like to thank the executive team and STAR board for their support and commitment during FY17 and I look forward to working together in the next year.

Riaan Hanekom
Chief financial officer

The group is reporting strong growth in both revenue and profitability.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Summarised financial statements

SUMMARISED CONSOLIDATED INCOME STATEMENT

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

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

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

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

Statement of compliance

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

Basis of preparation

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

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

Internal restructure accounting

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

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

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

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

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

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

Financial statements

The consolidated financial statements for the year, from which these summarised financial statements have been extracted, which have been audited by Deloitte & Touche, and their accompanying unmodified audit report is available for inspection at the company's registered office. Shareholders are advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report, together with the accompanying financial information, from the issuer's registered office. The consolidated financial statements were approved for release on 1 December 2017.

Accounting policies

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

Events subsequent to the balance sheet date, up to approval of the annual financial statements on 1 December 2017

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

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

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

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

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

2. OPERATING PROFIT

Capital items

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

Impairments	**7**	485
Loss/(profit) on disposal of intangible assets	**27**	(7)
Profit on disposal and dilution of investment	**(5)**	–
Foreign currency translation reserve released to profit or loss on disposal of investment	**–**	(70)
	29	408

3. TAXATION

Reconciliation of profit before taxation to adjusted profit before taxation		
Profit before taxation	**5 166**	2 899
Share of profit of equity accounted companies	**–**	5
Capital items	**29**	408
Adjusted profit before taxation	**5 195**	3 312
Reconciliation of taxation to taxation before capital items		
Taxation	**1 599**	1 582
Taxation on capital items	**3**	148
Taxation before capital items	**1 602**	1 730
	%	%
Effective rate of taxation based on adjusted profit before taxation (%)	**30.8**	52.2

4. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

6. NET CASH FLOW ON ACQUISITION OF BUSINESSES

On 1 October 2016, a call centre and debt collector company was acquired for R471 million. On 1 February 2017, Tekkie Town was acquired for a purchase price of R3.4 billion settled through the issue of Steinhoff Africa Retail shares. For Steinhoff N.V. group purposes the Tekkie Town purchase was settled through a combination of shares and cash. (2016: Iliad was purchased for a net cash consideration of R1.3 billion).

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

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

ADDITIONAL INFORMATION

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

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

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

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

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

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

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

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

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

Pro forma year ended 30 September 2017

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

Notes and assumptions

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

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

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

Pro forma period ended 30 September 2016

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

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

STAR provides everyday products at affordable prices and serves customers at their convenience.


FROM
79^95

Business model

STAR's operations are positioned in the discount and value segments, providing exposure to consumers who, on a limited budget, make it possible for their families to live with dignity and pride.

OUR VISION

STAR's vision is to be the preferred destination for delivering **value to the African consumer** and all other stakeholders.

OUR BUSINESS

A listed, diversified, multi-format retail champion of significant size and scale with its **roots in Africa**

12 African countries

Multiple well-known and trusted local brands that resonate with consumers across the value spectrum

OUR STRATEGY

Providing **everyday products** at **affordable prices** and serving customers at their **convenience**

Product

The right product adds value to customers' lives

An extensive product range focusing on everyday needs

The right merchandise

Increasing demand from Africa's emerging consumer class for well-known and trusted local brands.

Established multi-brand strategy that provides a diverse portfolio of essential products.

Long-standing sourcing and trading relationships ensure quality products

Scale and long-term relationships create control over direct sourcing, manufacturing and access to raw materials, which in turn create sufficient flexibility to maximise product quality.

Worldwide sourcing and trading platforms offer the lowest prices through the best sourcing solutions.

Price

Customer loyalty through value for money

Best price leadership ensures product differentiation

Ability to keep prices low

Prioritising long-term quality over short-term fashion trends, determined by the simplicity of our product range.

Pricing is actively managed across sales channels and best price per product fiercely protected and prioritised.

Cost efficiencies through direct influence over supply chain

Sourcing at low cost through scale and simplicity, which determines low product prices.

Convenience

Enhanced customer shopping experience

Largest footprint in formalising African market

Convenient shopping experience

More than 4 950 stores across all shopping nodes with a footprint in the top 20 retail markets in Africa. Customers have access to stores during daily commute or on weekends.

Technology and services

Mobile technology and services, offering online shopping.

More than 121 000 Flash technology devices offer consumers 24-hour access to financial services.

Strategic drivers

Critical elements that help determine our **success** and our **plans** for the future

1

We are a retail champion with **the largest footprint** in the formalising African market

The success of our brands and expansive product offering generates annual revenue exceeding R50 billion, making STAR the leading non-grocery retailer in Africa, with strong market positions in various product categories, including apparel and footwear; electronics and appliances; home and furnishings; and home improvement and gardening. STAR also has the largest non-grocery store footprint in Africa, providing access to an increasingly urbanised and sophisticated consumer base and fuelling demand for consumer goods.

2

We have **high exposure** to Africa's emerging consumer class

STAR is focused on the discount and value segments of the consumer retail markets in Africa, which have grown as a result of consumers becoming increasingly price sensitive and migrating to lower-price segments for everyday products. This means that in South Africa alone, our STAR brands serve more than half of the total population.

3

We have a **defensive discount** model

STAR's discount and value positioning has benefited from consumer behaviour and spending patterns being influenced by weak macroeconomic conditions, as well as more stringent credit regulations over the past number of years.

This has resulted in reduced levels of discretionary spending and consumers favouring discount and value retailers, trading down in search of value for money.

STAR's diverse portfolio of everyday, essential products, meets the needs of these consumers, and STAR is not exposed to seasonality and fashion trends.

Using our size and negotiating power, we source products at low cost to make it more affordable for customers, allowing them to transact in cash as opposed to on credit.

4

Best price leadership underpins the business

Best price leadership is ingrained in everything we do. Our businesses are designed to protect price positioning and to achieve the best mix between volume and price, while making products and services more affordable. By keeping this promise we keep our customers loyal and our brands in business.

5

We established a **multi-brand product offering** across the entire discount and value spectrum

Our retail brands have built strong relationships with customers over the years, providing a wide range of products that they can rely on. This has resulted in customers preferring to shop with our brands and in our stores.

6

We provide **easy access** for customers and serve them at their convenience

STAR stores can be found throughout South Africa and in key locations in other African countries, making it convenient for consumers to visit our stores. We use this footprint to meet customers' product and service needs.

7

We **protect prices** through superior supply chain management expertise and extensive sourcing scale

We use our worldwide sourcing and trading platforms to source and manufacture products at low cost, in order to give our customers products at affordable prices. The combination of our scale and long-term supplier relationships allows us to influence and negotiate with suppliers to optimise prices. Our in-depth knowledge of the supply chain, coupled with expertise and infrastructure, including logistics and effective management of warehouse and distribution networks, enable us to serve our customers quickly and efficiently. Our own clothing factory further supports our ability to keep prices down.

8

We continuously create opportunities **for strong organic and innovative growth**

STAR's growth is supported by:

- Our ability to roll out new stores.
- A focus on adult wear, with ladies' wear being the largest market.
- Using our store footprint to grow new business lines. These will include our mobile phone proposition, bill payments and involvement in money transfers and the insurance market.
- Working together as a group to lower our cost of doing business, specifically using the benefits we get from property, our supply chain and logistics.
- Developing our digital platforms and capability, using common data capability, launching new digital campaigns, increasing social media interaction, and increasing our search engine optimisation.
- Increasing our homeware footprint to benefit from this very successful and profitable category.
- Broadening product ranges by the introduction of standalone fast-moving consumer goods (FMCG) stores to increase our range of general merchandise products.
- Restructuring of the furniture business over the past three years included a change to the cash vs credit mix to rely less on in-store credit, and this will support margin growth.

9

10

We generate cash through a **robust operating model** with a track record of strong financial performance

STAR's business model supports high cash generation due to its low price positioning, which allows consumers to transact mainly in cash. The focus on everyday products also allows us to plan and manage stock effectively.

We have an **experienced** management team and **loyal and committed** employees

STAR's overall performance is dependent on our reputation and recognition of each of our brands and business operations. The glue that keeps this together is our ability to maintain the highest levels of customer service and professionalism. Our growth-driven management team has years of collective experience and a proven track record, and they all support a customer-focused culture. Local managers and employees at store level are all dedicated and passionate about our business and our customers. We believe in making a difference every day in the lives of our customers, building relationships and making our stores a destination of choice.

Servicing the increasingly urbanised and sophisticated African consumer with an increasing demand for everyday products.


ANY
FOR ONLY
99.99 ea
TOPS OR SKIRTS

STAR's discount and value division represents nearly 76% of the group's revenue and contributed 96% of operating profit[1] in the 2017 financial year.

[1] *Before capital items*

TOTAL NUMBER OF STORES

3 679

TOTAL RETAIL SPACE

1.6 million m²

GROSS REVENUE

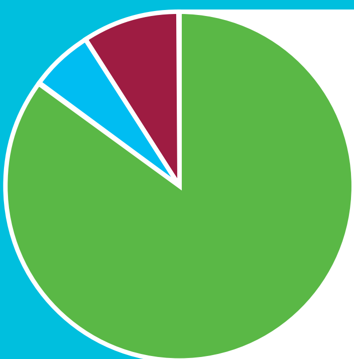
R44.1 billion*

OPERATING PROFIT

R5.6 billion*

** Statutory information*

REVENUE CONTRIBUTION



85%	PEP and Ackermans
6%	PEP Africa
9%	Furniture and appliances

Like-for-like revenue growth: **PEP** and **Ackermans** in aggregate **6.5%**

222 net store openings

Space growth of 3% to **1.6 million m²**

PEP

PEP in South Africa and BLNS countries (Botswana, Lesotho, Namibia and Swaziland) sells a discount range of merchandise, including clothing, footwear and homeware. PEP also includes the 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.

NUMBER OF EMPLOYEES
14 000

NUMBER OF STORES
2 113

RETAIL SPACE
770 000 m²

For the 18th consecutive year, PEP achieved double-digit operating profit growth. This success is based on its defensive market positioning and strategy to leverage its scale, to achieve best price leadership and minimise the cost of doing business.

In terms of best price leadership, 98% of products sold in-store are priced lower when compared to other retailers. This performance remains within PEP's minimum target of 95%, while the cost of doing business remains below the historic 25% threshold.

Adult clothing, in particular ladies' wear, performed very well in line with the strategy to expand exposure to this product category. The focus on basic adult merchandise at iconic price points, launched via promotional events, supported this performance. These promotional events included ladies' denim jeans, summer dresses and lingerie, as well as men's hoodies. In addition, strong growth was achieved by the PEP Home store format, which focuses on homeware, supported by the opening of 25 new PEP Home stores during the year.

A strong performance was reported in the mobile category, which sells more than 10 million handsets annually, in addition to prepaid airtime and data. The group aims to directly source one third of all handsets sold, creating a flexible diverse supplier base and resulting in margin expansion. The PEP Cell store format and brand continues to be successful and was voted as the best cellular store in South Africa for the fourth consecutive year in the Times Sowetan Retail Awards survey.

PEP continues to leverage its store footprint with fast-moving consumer goods (FMCG). The FMCG assortment remains small and focuses on convenience, and currently includes 400 SKUs (stock-keeping units) within areas such as confectionery, health and beauty and household cleaning. In terms of general merchandise, the Dealz discount variety brand concept was launched in November with three store openings and performance exceeding expectations.

PEP Money had a successful year, supported by strong DSTV (pay television) decoder sales. PEP Money also reported healthy growth in commissions earned from bill payments and money transfers.

PEP continued to increase its store footprint with 132 new stores to 2 113 stores at 30 September 2017, across PEP, PEP Home and PEP Cell formats. The first two phases of PAXI (Parcel in a taxi), the parcel distribution concept, are in place, which will allow customers to send and collect parcels from PEP stores. The group's vision is to leverage its entire footprint of more than 4 950 stores with this initiative.

To further strengthen PEP's distribution capacity, the Kuils River distribution centre is in the process of being expanded to 20 000 m^2.

10 MILLION
HANDSETS SOLD

132 NEW STORES
ACROSS **PEP**, **PEP HOME** AND **PEP CELL**

PEP HOME OPENED
25 NEW STORES
DURING THE YEAR

KUILS RIVER **DISTRIBUTION CENTRE** BEING EXPANDED TO
20 000 m^2

Ackermans

A value retailer selling everyday contemporary casual wear at affordable prices. Ackermans offers an exciting range of coordinated mainstream fashion in clothing, footwear, homeware and accessories that appeals to the mass middle market of value-seeking consumers.

NUMBER OF EMPLOYEES
8 000

NUMBER OF STORES
655

RETAIL SPACE
413 000 m^2

ACKERMANS

In 2017 Ackermans achieved double-digit revenue growth and double-digit operating profit growth for the eighth consecutive year. Ackermans is a value brand for children and mothers and was rated the number one retailer for children's wear in the Times Sowetan Retail Awards survey. The brand focuses on providing value and quality products while optimising the cost of doing business.

The Ackermans store footprint was expanded to 655 stores with the addition of 81 new stores. The A.Dot concept store trial, being smaller stores focused on ladies and children, is continuing with promising indications from the focused ladies' wear stores. The success in ladies' wear is part of the STAR group strategy and includes the exiting of men's wear, which, at year-end, was achieved in more than 90% of stores.

Credit sales were maintained at 18% with consistent activation of in-store accounts via the Tenacity capability.

Strong growth was reported in the cellular and bill payments and money transfer services. These services are conveniently available in-store.

The development of the 90 000 m^2 Hammarsdale distribution centre is underway, with completion expected by the middle of the 2018 calendar year.


The Hammarsdale distribution centre

RATED
#1 RETAILER
FOR CHILDREN'S WEAR BY ACHIEVING THE HIGHEST NET PROMOTER SCORE IN **ASK AFRIKA RESEARCH**

81 NEW STORES
ADDED TO THE **ACKERMANS** FOOTPRINT

90 000 m^2
HAMMARSDALE **DISTRIBUTION CENTRE** TO BE COMPLETED IN 2018

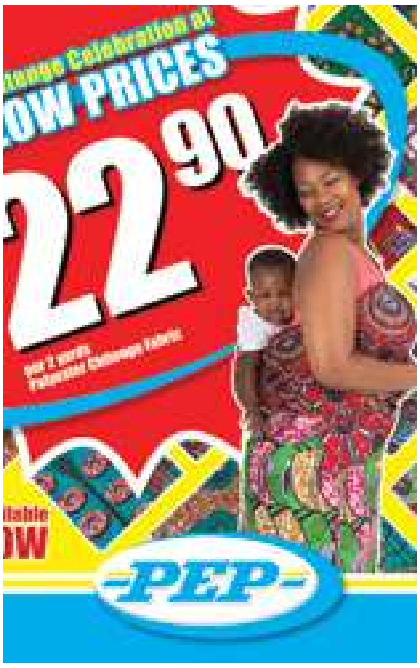
PEP Africa

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.

NUMBER OF EMPLOYEES
3 000

NUMBER OF STORES
322

RETAIL SPACE
128 000 m²



PEP | AFRICA

POWER SALES

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

Low commodity prices, a constrained economic environment and currency volatility in some of these countries continued to weigh on operations, resulting in reduced momentum in store openings. The store network was expanded to 322 stores with 36 new store openings during the year.

Revenue growth in excess of 25% on a comparable basis was achieved in local currencies in Nigeria, Mozambique, Zimbabwe and Malawi. In addition, adjustment of product costing rates to manage exchange rate volatility slowed growth in Angola. Operations in Nigeria have stabilised and reported good like-for-like revenue growth.

Growth continued in strategic product categories, including baby, kids and footwear, with strong growth achieved in accessories and FMCG.

Based on performance, plans are in motion to develop a distribution centre in Angola to strengthen and support operations in both Angola and surrounding countries, while international supply chain efficiencies are being explored.

Furniture and appliances

Brands offer a wide range of furniture and appliances for the bedroom, kitchen, dining room and lounge, as well as audio and visual components, all with payment options tailored to suit its value-conscious customers.

NUMBER OF EMPLOYEES
4 000

NUMBER OF STORES
589

RETAIL SPACE
329 000 m²

Russells BRADLOWS POCO YOUR DISCOUNT HOME MEGASTORE ROCHESTER

The furniture and appliances business continues to operate in a depressed durable goods market. The business completed its major restructuring of brands, store footprint and logistics during the year – a process that spanned over three years and included the closure of approximately 300 stores. Despite closing uneconomical trading locations and the operational disruption caused by the restructuring, the business maintained revenue on a comparable basis. At year-end, the store footprint comprised 589 stores.

In addition, in-store facilitated credit sales now represent 27% of total revenue, compared to historic levels of up to 65%. The introduction of lay-bys, where customers make payments for products in a series of instalments and only take delivery once 100% of the selling price has been paid, has been very successful and represents close to 15% of furniture sales. The lay-by concept supports working capital management in terms of stock planning and cash flow, with no credit risk to the business.

STAR's speciality division contributed 24% of group revenue and 4% of operating profit[1] in the 2017 financial year.

[1] Before capital items

TOTAL NUMBER OF STORES	TOTAL RETAIL SPACE
1 274	0.7 million m²

GROSS REVENUE

R13.7 billion*

OPERATING PROFIT

R0.2 billion*

** Statutory information*

REVENUE CONTRIBUTION

49%		DIY
25%		G2*
23%		Fashion and footwear
3%		Bedding

Stable like-for-like revenue

50 net store openings

Space decline of **3%** to **666 000 m²** excluding Tekkie Town acquired stores

** Consumer electronics and appliances*

DIY

BUCO, the most significant revenue-contributing brand within the DIY business, provides hardware and building merchandise and expertise for residential, commercial and industrial building. Building contractors and DIY enthusiasts are offered an extensive product range, from roof trusses to paint, tools and decor items.

NUMBER OF EMPLOYEES

6 000

NUMBER OF STORES

121

RETAIL SPACE

340 000 m²

In line with its peers, the DIY business experienced a challenging year. Weak market demand for building materials and a store portfolio review resulted in a revenue contraction and reduction in the store footprint of 17 stores. This includes the consolidation of stores at certain sites, and the consolidation of the Pennypinchers and Hardware Warehouse brands to BUCO, which is now complete. That said, the portfolio review, which is nearing completion, has contributed to improved profitability through integration cost benefits, resulting in operating margin growth.

The implementation of the Building Supplies Group (BSG) acquisition, effective 1 October 2017, has commenced with a focus on integration initiatives.

BRAND CONSOLIDATION

CONTRIBUTED TO IMPROVED PROFITABILITY THROUGH **INTEGRATION COST BENEFITS**, RESULTING IN OPERATING MARGIN GROWTH

G2*

Incredible Connection is a specialist provider of information technology solutions, with the widest range of quality products and brands. **HiFi Corp** targets the mass market as the destination of choice for home appliances, entertainment and technology products.

** Consumer electronics and appliances*

NUMBER OF EMPLOYEES
1 500

NUMBER OF STORES
114

RETAIL SPACE
85 000 m^2

The consumer electronics and appliances brands (Incredible Connection and HiFi Corp) performed better during 2017. Growth was supported by the e-commerce platform that was established, with full system integration into the supply chain function.

Performance was further supported by good growth in core product categories, including computing in Incredible Connection and television and large appliances in HiFi Corp, in addition to strong growth in private label brands like Sansui and Diamond.

A new smaller HiFi Corp store concept was launched with positive initial performance indications.

GROWTH IN CORE CATEGORIES

COMPUTING IN **INCREDIBLE CONNECTION** AND TELEVISION AND LARGE APPLIANCES IN **HIFI CORP**

NEW CONCEPT STORE

SMALLER **HIFI CORP** STORE CONCEPT LAUNCHED

Fashion and footwear

Tekkie Town offers a wide range of branded sport and lifestyle footwear and accessories for the whole family. **Shoe City** is a speciality retailer of adult and children's footwear and accessories, offering high-quality and high-fashion brands at competitive prices. **Refinery** is a specialist fashion retailer that caters for young adults. **John Craig** is dedicated to classic styling, quality and exclusivity, offering a variety of brands and stylish men's fashion. **Dunns** offers contemporary, well-priced quality fashion for men and women, as well as a competitive cellular range.

NUMBER OF EMPLOYEES

6 000

NUMBER OF STORES

876

RETAIL SPACE

218 000 m²

The strategy in this business is to establish a central support structure to assist new and sub-scale retail brands to develop and test retail concepts, thereby diluting central costs in order to support brands.

This represents a significant opportunity to reduce the cost of doing business in these brands. The acquisition of Tekkie Town on 1 February 2017, with 308 stores, adds scale to this structure, expanding the total fashion and footwear store footprint to 876 stores at 30 September 2017.

The repositioning of Dunns, with 241 stores, was completed during the year and is expected to grow market share in the adult wear market through innovation in terms of product pricing and sourcing.

Shoe City reported a stable performance and is in the process of reassessing its market positioning to ensure that its value proposition is unique and identifiable to achieve future growth. Shoe City's store footprint comprised 140 stores at 30 September 2017.

John Craig, with 99 stores, successfully exited external clothing brands, with success reported in its Muratti private label brand. The brand is developing a strong following in the emerging class male clothing market, with focus on entry price points within the jackets, shirts and denim departments.

The Refinery brand, with 51 stores, is less than two years old and has achieved great brand acceptance and credibility among customers, with outwardly Refinery-branded items performing very well. The implementation of 'famous for' product categories, including sweat apparel across both genders, further supported performance.

Bedding

Sleepmasters offers its customers an affordable and exclusive range of bedding products through well-known, quality bedding brands, including its own Sleepmasters bedding brand.

NUMBER OF EMPLOYEES

500

NUMBER OF STORES

163

RETAIL SPACE

24 000 m^2

Sleepmasters
for a better night's sleep
the bed experts

Speciality bedding continues to resonate with customers who prefer to purchase beds from a specialist retailer. Sleepmasters is now the largest national bedding chain in South Africa with 163 stores and is performing well ahead of management's expectations. The growth of private label brands is also exceeding that of other brands.

LARGEST

NATIONAL BEDDING CHAIN IN SOUTH AFRICA

PROVIDING CUSTOMERS WITH THE BEST QUALITY BEDS, BEDSETS AND MATTRESSES AT UNBEATABLE VALUE FOR MORE THAN

20 YEARS

Reporting lines are defined to ensure that the divisions' approach to their business and corporate governance is in line with group policies.


Electra

Decentralised management

Effective corporate governance and remuneration policies are key factors in the group's decentralised management structure.

The board and its committees

The ultimate responsibility for ensuring full and effective control of the group's businesses rests with the board of STAR. The operations and management of the group have been structured under two separate divisions, namely:

- **Discount and value retail**
- **Speciality retail**

The company has adopted a decentralised approach to the management of its day-to-day divisional operations, subject to compliance by each division with the group control and approvals framework and the systems and governance policies set by the board. To facilitate effective monitoring by the board of compliance by the divisions with group and divisional policies, there are defined reporting lines from divisional management level to the board.

Save where pre-approved materiality levels apply, decisions on material matters are reserved for the board, including but not limited to decisions on the allocation of capital resources, the authorisation of capital expenditure, property transactions, borrowings and investments. Decisions are made by the board, taking into account the reasonable interests and expectations of stakeholders and the sustainability of the group's operations.

The detailed responsibilities and powers of the board are contained in a formal charter, which is available on the group's website at www.steinhoffafricaretail.co.za, together with the corporate governance report.

Remuneration

The company's approach to remuneration is outlined in the remuneration report on page 64 of this integrated report.

The remuneration policy and the implementation report for the period under review will be presented to shareholders for a non-binding advisory vote at the company's annual general meeting. Copies of the remuneration policy and the implementation report will be circulated to shareholders with the notice of the annual general meeting. The company's remuneration policy is aligned with the principles contained in the King Report on Corporate Governance for South Africa 2016 (King IV).

Compliance with legal and best practice guidelines and regulatory requirements

The group applies the principles of King IV, which operates on an 'apply and explain' basis. Explanations as to how the group has applied the 17 King IV principles are contained within the King IV application schedule, available on the group's website at www.steinhoffafricaretail.co.za.

During the period under review, STAR met its compliance requirements relating to King IV, the Listings Requirements of the JSE and the 2008 Companies Act (as amended) together with the Companies Regulations (jointly 'the Companies Act').

Results of implementation

The application by the group of the principles contained in King IV, has served to further strengthen the group's approach to corporate governance.

The committee and reporting structures in place across the group are designed to afford stakeholders the assurance that the group's businesses are managed responsibly.

Responsibilities framework

The decentralised structure adopted supports the development and retention of specialised expertise within the group. Divisional management has specialised industry and market experience that supports the ability of the group to grow sustainable earnings.

FORMULATION OF STRATEGIC INTENT

BOARD OF DIRECTORS

HOLDING COMPANY

GOVERNANCE AND COMPLIANCE

BOARD COMMITTEES

HOLDING COMPANY

Board committees support the board of directors with regard to specific functions. These official board committees are constituted in accordance with the recommendations of King IV and the requirements of the Companies Act. Each committee's responsibility is outlined in formal terms of reference that will be reviewed on a regular basis.

Committees include:

- **Audit and risk committee**
- **Human resources and remuneration committee**
- **Nomination committee**

The requirement for the company to appoint a social and ethics committee was fulfilled during the period under review by the Steinhoff Investments Holdings Limited governance and sustainability committee. Going forward, consideration will be given to the establishment of a separate social and ethics committee for STAR.

Management teams have the autonomy to employ the appropriate people to implement group strategy in a way that best aligns with their businesses. Management teams are supported by human resources, risk, health and safety, legal, compliance, social and ethics and information technology functions that monitor legal, regulatory and best practice compliance across all operations.

For more information, please refer to the corporate governance report available on the STAR website: www.steinhoffafricaretail.co.za

STRATEGY DEVELOPMENT

EXECUTIVE COMMITTEE

DIVISIONAL STRUCTURE

DISCOUNT AND VALUE RETAIL

SPECIALITY RETAIL

STRATEGY IMPLEMENTATION

Business unit management teams are responsible for management of the following brands:

PEP in South Africa and the rest of Africa
POCO
Russells
Flash
Ackermans
Bradlows
Rochester

BUCO
Timbercity
The Tile House
Incredible Connection
HiFi Corporation
Dunns
John Craig
Refinery
Shoe City
Tekkie Town
Sleepmasters

EXECUTIVE MANAGEMENT

Name	Position	Years in the relevant industry
Leon Lourens	CEO – STAR	27
Riaan Hanekom	CFO – STAR	22
Eugene Beneke	CEO – Steinbuild	9
Charl Cronjé	CEO – Ackermans	34
Peter Griffiths	CEO – JD Group & POCO SA	14
Jaap Hamman	CEO – PEP SA & BLNS	20
Corné Klem	Executive: Alternative income, logistics, sourcing, manufacturing, customer data	17
Bernard Mostert	CEO – Speciality	12
Garth Napier	CEO – PEP Africa	10
Braam van Huyssteen	Chairperson of the property committee	23

***Note:** On 6 December 2017, Ben la Grange stepped down as CEO of STAR in order to focus on his responsibilities within Steinhoff International Holdings N.V. and Leon Lourens was appointed as CEO of STAR.*

IMPLEMENTATION

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Independent non-executive	5
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***Note:** On 5 December 2017, Markus Jooste resigned as a non-executive director and, on 10 January 2018, Vusi Khanyile resigned as an independent non-executive director.*

CVs of the board members can be viewed on pages 60 to 63 of this report.

Board of directors

EXECUTIVE DIRECTORS

Leon Lourens (51)
BCom (Marketing)
Chief executive officer

Leon was appointed as the chief executive officer of Steinhoff Africa Retail (STAR) on 6 December 2017. He completed a Higher National Diploma in Human Resources in 1987 before attaining a BCom degree in Marketing (UNISA) in 1994. He joined PEP in 1990. In 2000 he joined the supermarket group Panda in the Middle East as head of operations before returning to PEP in 2002. He was appointed as operations director in 2004 and became managing director of PEPSA in 2011. In 2016, Leon was appointed as Group MD: Pepkor Africa and he became chief operating officer of STAR at its listing on 20 September 2017. He has more than 27 years' experience in retail with most of it stemming from store operations in the discount sector of the market.

Riaan Gustav Hanekom (47)
BAcc, BCom Hons (Acc) CA(SA)
Chief financial officer

Riaan was appointed as the group chief financial officer for STAR on 18 August 2017. He completed his articles with Ernst & Young Inc. in 1995 whereafter he spent six 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 DIRECTORS

Jayendra Naidoo (56)
BProc
Independent non-executive chairperson
Member of the human resources and remuneration committee
Chairman of the nomination committee

Jayendra was appointed as the independent non-executive chairperson of STAR on 18 August 2017. As a full-time trade unionist in his youth, he played a significant role in the negotiation of the National Peace Accord in 1991, as well as in the establishment of a network of peace committees throughout South Africa. In 1995 he became the first executive director of NEDLAC, serving until 1998. In 2000, he co-founded the J&J Group and is the founder of the Lancaster Group. Jayendra has served on several committees and boards, including the board of Pepkor Holdings Proprietary Limited. In 1997, Jayendra was nominated by the World Economic Forum as a Global Leader of Tomorrow.

Note: *This integrated report reflects the directorate as at 31 January 2018.*

Louis du Preez (48)
BCom, LLB
Non-executive director

Louis was appointed to the STAR board as a non-executive director on 24 January 2018. He qualified as an attorney of the High Court of South Africa in 1997 after completing his articles. Louis joined Jan S de Villiers and was appointed a partner of the firm in 1998. With the merger of Werksmans Attorneys in 2009, he became a member of the national executive committee of the combined firm and served as such until early 2017. While practising as an attorney, he advised clients on a variety of corporate and commercial matters. Louis was appointed to the board of KAP Industrial Holdings Limited on 1 October 2017 as a non-executive director. He joined the Steinhoff group as general counsel in mid-2017 and was appointed as Steinhoff's commercial director on 19 December 2017.

Daniël Maree (Danie) van der Merwe (59)
BCom, LLB
Non-executive director
Member of the nomination committee
Member of the human resources and remuneration committee

Danie was appointed as a non-executive director of the STAR on 1 July 2017. He was admitted as an attorney of the High Court of South Africa in 1986 and practised 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 as a non-executive director of KAP Industrial Holdings Limited.

Jacob Daniel Wiese (37)
BA (Stellenbosch), MA, International Economics & Management (Universita Commerciale Luigi Bocconi, Italy), LLB (UCT)
Non-executive director

Jacob was appointed as a non-executive director of STAR on 18 August 2017. 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 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, Invicta Holdings, Texton Property Fund and Tradehold. Jacob is also extensively involved in the management of Lourensford Wine Estate.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Johann Bernard Cilliers (58)
BAcc (Cum laude), BAcc Hons, CA(SA)
Independent non-executive director
Member of the audit and risk committee
Member of the nomination committee

Johann was appointed to the STAR board as an independent non-executive director and as a member of STAR's audit and risk committee on 18 August 2017. He was subsequently appointed to the nomination committee on 10 January 2018.
Johann completed his articles at PwC in 1988, following which he was appointed as financial director of Hicor Limited. In 1990 he joined Langeberg Foods Limited as group financial manager, serving on the board of that company from 1991 to 1998 as financial director. In 1998, Johann joined the Pepkor group as operations director of PepSA and as an executive director. In 2004 he was appointed as an executive director of Pepkor Retail Limited and, until 2011, served on the group executive committee of Pepkor Retail Limited in various capacities. In 2011 he relinquished his executive role within the Pepkor group and was appointed as a non-executive director of Pepkor Holdings Proprietary Limited, which non-executive position he held until the acquisition of the Pepkor group by Steinhoff in 2015. Johann currently manages various private investments.

Steve Hilgard Müller (55)
BAcc (Hons), CA(SA), Sanlam EDP
Independent non-executive director
Chairman of the remuneration committee
Member of the audit and risk committee

Steve was appointed to the STAR board as an independent non-executive director on 18 August 2017. Steve worked at KPMG until 1992, after which he worked as a senior manager at Rand Merchant Bank Limited until 1994. In 1995 he joined Genbel Investments Limited inter alia as an executive director of Gensec Bank Limited, heading the Investment Banking division from 1999 to 2004. 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 Limited in 2012. He has chaired or served on the audit and risk committees and the human resources and remuneration committees of several companies over the last 22 years.

Heather Joan Sonn (45)
BA (Political Science), MSc (International Business)
Independent non-executive director
Representative on the social and ethics committee

Heather was appointed to the STAR board as an independent non-executive director on 18 August 2017. On completion of her studies in 1997, Heather joined Merrill Lynch New York as an investment banking analyst. She returned to South Africa in 1999 and took up a position with Sanlam Investment Management in Cape Town. Heather 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 boards of Gamiro Investment Group and 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. Heather 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.

Allen Edwin Swiegers (56)
CA(SA)
Independent non-executive director
Chairman of the audit and risk committee

Allen was appointed to the STAR board as an independent non-executive director on 18 August 2017. 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 to 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 on 1 June 2006 and, after integration of the Deloitte Africa practices (15 countries), as the chief operating officer (COO) of Deloitte Africa, a position he held until his resignation as COO on 31 May 2016. He was a partner in Deloitte for 25 years of which the last 10 years were served as COO. 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 Proprietary Limited.

Remuneration report

STAR's remuneration philosophy is to remunerate employees fairly and responsibly, in a market-related and competitive manner, in order to attract, motivate and retain a competent workforce.

1. BACKGROUND STATEMENT

The King Report on Corporate Governance for South Africa 2016 ('King IV') is effective in respect of financial years commencing on or after 1 April 2017. STAR endorses King IV's inclusive, interconnected approach to corporate governance and its recognition of the importance of ensuring sustainability over the longer term. Fair, responsible and transparent remuneration is viewed as a key factor in ensuring the sustainability of the group.

Human resources and remuneration committee

The board's human resources and remuneration committee ('the committee') operates within defined terms of reference and authority granted to it by the board. The board oversees that the implementation and execution of the remuneration policy achieves its objectives.

The committee comprises two independent non-executive directors, one of whom is appointed as chairman, as well as a non-executive director. The chief executive officer and certain executive managers attend parts of the meetings by invitation. This committee meets at least once a year and, should this be required, additional ad hoc meetings are convened.

Due to the group's decentralised management structure, the committee may establish separate human resources and remuneration subcommittees ('the subcommittees') for the discount and value retail and the speciality retail divisions. The subcommittees will be responsible for all human capital management and employee remuneration matters at divisional unit level, within the parameters set by the committee. The subcommittees will be supported by established human resource practitioners at group, divisional and business unit level, responsible for the implementation and management of human resource and remuneration strategies, policies and practices.

Internal and external factors influencing remuneration

STAR competes for industry-specific management skills and succession talent in a challenging marketplace, and therefore its approach to remuneration needs to remain competitive.

The success of STAR's business is critically dependent on its human resources in order to remain competitive. Operational efficiency must be maintained within formally approved staff remuneration costs.

Employees are remunerated and incentivised with short and long-term incentives in order to drive retention and leadership development.

Shareholder approval

Following the introduction of King IV, in addition to the requirement to obtain shareholder approval for the payment of fees to the non-executive directors, the remuneration policy and an implementation report will be tabled each year for a separate non-binding advisory vote by shareholders at the annual general meeting. In the event that either the remuneration policy or the implementation report, or both, are voted against by shareholders exercising 25% or more of the total voting rights exercised at the annual general meeting, the committee will issue an invitation to dissenting shareholders to engage with them in a mutually accepted manner and timing in order to address legitimate and reasonable concerns.

Prior to the listing of STAR on the JSE on 20 September 2017, STAR shareholders approved a remuneration policy. The board has recommended that this remuneration policy, with minor changes, will accordingly be presented to shareholders at the forthcoming annual general meeting of shareholders to be held on 15 March 2018. Salient details of the policy, a copy of which will be circulated with the notice of the annual general meeting, are included under the section of this report headed 'Remuneration policy' on page 65.

Key areas of focus of the committee going forward shall include:

- a review of the group's remuneration policy, which is presented annually for a non-binding advisory vote by shareholders;
- a review and approval of the remuneration packages of all senior executives, including annual and longer-term incentive schemes, in order to ensure that they remain appropriate and act as drivers to the achievement of the business strategy;
- the fulfilment of delegated responsibilities for STAR's performance share plan;
- a review of the human capital management practices in place across the group to ensure fairness, responsibility and transparency, alignment with King IV and compliance with the specific requirements of South African labour and transformation legislation; and
- a review of the recommendations of the divisional subcommittees and their assessment of compliance with the terms of reference prescribed by the committee, in order to establish whether the committee can rely on the work of the subcommittees and to ensure that the subcommittees remain aligned with the group's remuneration policy.

Key considerations for the subcommittees include the review of divisional:

- pay structures and equitable base salary increases for all employees;
- performance management systems and processes;
- annual performance incentive schemes;
- longer-term incentive schemes; and
- employee relations management, talent management and succession planning, taking due cognisance of employment equity. In determining appropriate levels of remuneration, the views of expert external parties will, where appropriate, be taken into consideration.

Alignment with strategy

STAR's remuneration structures are aligned with the group's long-term strategic business priorities, namely to:

- develop and grow the group within South Africa and selected African territories;
- grow sustainable long-term revenue, having due regard to the longevity of the business;
- sustainably increase its operating profit and cash flows; and
- sustainably improve return on equity.

Service contracts
Executives' contracts are subject to terms and conditions of employment as governed by the Labour Relations Act of South Africa. The contracts of the top executives or any other executive directors do not contain termination packages or excessive notice periods.

Directors are subject to regulations on appointment and/or rotation in terms of the company's memorandum of incorporation and the Companies Act No. 71 of 2008.

Non-executive directors' remuneration
At the forthcoming annual general meeting to be held on 15 March 2018, shareholders will be asked to approve, for a further period up to the date of the following annual general meeting, unchanged directors' fees as detailed in the pre-listing statement dated 4 September 2017, with the addition of a R4 000 per hour fee for special board and/or committee meetings attended by non-executive directors (excluding travel and preparation time and not applicable in respect of scheduled board and committee meetings). Going forward, independent surveys will be obtained from specialist human resource consultants to assist the committee with their annual reviews of non-executive directors' fees. The non-executive directors' remuneration is not linked to the company's share price or share performance. Non-executive directors do not qualify for shares in terms of the STAR performance share plan and do not hold share rights under this scheme.

Areas of future focus
The committee will focus on its commitment to the application of King IV and, in adhering to the King IV principle of fair, responsible and transparent remuneration, will consider all new developments and best practices in this field, in order to further the best interests of all stakeholders.

2. REMUNERATION POLICY

The King IV Report on Corporate Governance 2016 ('King IV') requires that the remuneration policy of the company, applied group-wide, prescribe that the group remunerate fairly, responsibly and transparently, so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. The remuneration policy of the company is designed to align with this principle, based on the following:

- Remuneration practices throughout the group at all levels are aligned with the applicable business strategies and objectives.
- Remuneration is set at levels that are competitive and appropriate within the specific markets and industries in which the group operates.
- Incentive-based remuneration, applicable to management involved in determining and implementing the strategy of the group and/or different businesses in the group, is determined with reference to demanding performance targets with due regard for the sustainable well-being of the group over the short, medium and long term, but also taking into account the different drivers and targets for each of the respective business units. Incentive-based remuneration applicable to other staff levels is to be introduced, where appropriate, and this will be performance enhancing. Business-specific (divisional) remuneration committees have been established in order to ensure the execution of directives and to cater for industry-specific remuneration drivers, including business-specific incentive-based remuneration.

As detailed above, this unchanged remuneration policy, together with an implementation report, will be presented to shareholders at the forthcoming annual general meeting of the company for their non-binding approval.

Elements of remuneration
The remuneration policy covers three elements of remuneration, namely:

- total cost to company base salary, applicable to all staff;
- short-term incentives (typically annual incentives), applicable to management who are involved in determining and implementing the strategy of the group or divisions; and
- longer-term incentives applicable to management who are involved in determining and implementing the strategy of the group or different businesses in the group.

The committee seeks to ensure an appropriate balance between the fixed and performance-related elements of managerial remuneration, and also between short-term financial performance and longer-term sustainable stakeholder value creation. The committee is responsible for ensuring that the remuneration of executive management is fair and responsible in the context of overall employee remuneration in the group and directives on levels of remuneration are provided to the business-specific remuneration committees.

The committee considers each element of remuneration relative to the market and, in determining its quantum, takes into account the performance of the group and/or relevant business, the management team and the individual concerned.

Total cost to company base salary ('salary')
The salary element of remuneration incorporates all guaranteed cash benefits. Its purpose is to provide a competitive level of remuneration for each level of employee. The salary is subject to annual review. It is intended to be competitive with reference to market practice in companies comparable in size, market sector, business complexity and geographic location. Company performance, individual performance and changes in responsibilities are also taken into consideration when determining annual base salaries.

Benefits provide security for employees and typically include membership of a retirement fund and medical aid scheme, where employees have the flexibility in both offerings to decide on the level of their participation in both benefits.

Remuneration and other benefits for bargaining council and related levels of employees are set through a process of collective bargaining with the major labour unions and employee representative bodies active in the various industries and countries in which the group operates.

Payments on termination of employment or office, sign-on, retention and restraint payments, commissions and allowances are limited to the contractual and legal obligations of the company.

Short-term incentives (STIs)
STIs payable in cash will be implemented to incentivise applicable management to achieve the group's and/or businesses' short and medium-term targets/goals.

STIs of the executive committee will be based on the achievement of group or relevant business financial targets, as well as strategic and personal performance objectives as approved by the committee. Financial targets will be set, taking into account various factors, including the prevailing economic environment, relevant market conditions in the sectors within which the group operates, as well as the group's objective of improving its growth in earnings to shareholders over time. STIs of the individual business units' executive committee will be based on the units' achievements and performance objectives, and will be approved by the units' CEO and the company CFO and CEO.

These objectives will be set after taking into account that management is obliged to grow the group's assets on a sustainable basis. Relevant performance targets may be adjusted to account for material unbudgeted acquisitions or capital expenditure approved according to the group's approval framework during the financial year.

Appropriate objectives and metrics relating to the achievement of STI payments will be determined by the executive committee of the company and approved by the committee. Objectives will include:

1. Achievement of operational and financial growth objectives
2. Implementation of key strategic initiatives related to the strategic development and competitive positioning of the group or relevant business, including but not limited to:
   - Implementation of risk management policy and framework;
   - Successful conclusion and implementation of strategic mergers;
   - Implementation of long-term growth initiatives; and
   - Their criteria such as broad-based black economic empowerment ratings, health and safety record, internal audit ratings, and succession planning.

Should the first component (operational and financial growth objectives) not be met, no STI payment will be payable in respect of the second component, and progress against the relevant objectives is to be monitored on an ongoing basis to ensure that, where required, corrective action is implemented to ensure achievement of all objectives. STI allocations to the group's senior management will be determined by the committee.

The performance objectives for individual businesses in the group will be assessed, taking into account their specific industry sector, identified peers and/or competitors and the maturity of the business. The executive management shall perform regular reviews to ensure that the performance measures and the targets set are appropriate within the economic context and the performance expectations for the relevant businesses or group.

The committee retains the discretion to make adjustments to STI payments, taking into account both group performance and the overall and specific contribution of the management teams to meeting the group's objectives.

Longer-term incentives (LTIs)
The company competes for management skills and talent in the African marketplace and its approach to remuneration takes account of the need to retain key management over the longer term. LTIs are awarded with the primary aim of promoting the sustainability of the company through business cycles, aligning performance of key management with the interests of key stakeholders and retaining key management over the longer term. Appropriate LTI schemes will be considered by the executive management and approved by the committee.

The allocation and target criteria of incentives will be at the discretion of the committee, and will apply to individuals who are key to determining and implementing the long-term business strategy at group and/or different business levels. Benchmark performance criteria will therefore be aligned with the group's long-term strategic priorities. The allocation and quantum of LTIs will be based on the responsibility and salary packages of relevant individuals. LTIs will either be a performance-related share rights scheme or a performance-related cash-settled scheme, or a combination of both, where applicable.

A performance-related share rights scheme has been adopted for senior employees (or young identified talent) of the group in managerial and leadership roles, as recommended by the relevant employer companies and approved by the committee on an annual basis. Share rights will vest only when, over the relevant three-year period, the group has achieved its cumulative targets set by the committee relating to growth, cash generation, returns and sustainability of the relevant employer company and the group. Participants of the cash-settled scheme are required to achieve their own business's cumulative targets over the same period in order to qualify for the LTI, but group achievement of group targets will also be required.

Scheme rules, the application thereof and quantum of allocations will be reviewed regularly by the committee to ensure equity and compliance with legislative and regulatory requirements.

Fees payable to non-executive directors
The committee shall recommend the payment of fees payable to the non-executive directors of the company, having due regard to fees payable to directors of comparable groups and to additional responsibilities and committee memberships. The committee's recommendation shall be reviewed by the board for submission to shareholders for approval at each annual general meeting.

Shareholder approval
In addition to the requirement to obtain shareholder approval for the payment of fees to the non-executive directors, the remuneration policy and implementation report will be tabled each year for a separate non-binding advisory vote by shareholders at the annual general meeting. In the event that either the remuneration policy or the implementation report, or both, are voted against by shareholders exercising 25% or more of the voting rights exercised, in order to address legitimate and reasonable concerns, the committee will:

- Issue an invitation to dissenting shareholders to engage with them; and
- Provide for the manner and timing of such engagement.

3. IMPLEMENTATION REPORT

During the 2017 financial year the remuneration policy of the group was applied with no deviations.

The base salaries of executive management were benchmarked by an external service provider, with reference to market practice by companies comparable in size, market sector, business complexity and geographic location, to ensure that they provide a competitive level of remuneration. Base salary increases were awarded based on inflation, except where there were changes in responsibilities and roles that warranted higher increases.

Bonuses are determined in line with the remuneration policy.

For the period ended 30 September 2017, the following can be reported in terms of performance:

1. STAR reported strong growth of 13% in revenue to R58.6 billion (FY16: R51.8 billion for the 12 months ended 30 September 2016). Operating profit before capital items increased to R6 078 million, representing a 25% increase on the prior year's R4 855 million for the 12 months ended 30 September 2016 (on a pro forma basis).
2. During the year cash generation in relation to operating profit before capital items of 111% was achieved.
3. The following strategic development initiatives were implemented during the year:

3.1 Tekkie Town: Subsequent to the conclusion of an agreement to acquire Tekkie Town in South Africa during August 2016, all the required regulatory approvals were obtained and Tekkie Town was consolidated from 1 February 2017.

3.2 Building Supplies Group (BSG): On 1 April 2017, Steinhoff Doors and Building Materials acquired 100% of BSG (BSG is the parent company of the MacNeil and Tiletoria groups) for R645.7 million. The acquisition was approved by the relevant regulatory authorities, with an effective date of 1 October 2017.

3.3 Listing of STAR businesses: On 20 September 2017 Steinhoff's African retail businesses were listed on the main board of the Johannesburg Stock Exchange Limited ('JSE'), raising R15.2 billion net of costs.

Remuneration of the executive directors

It should be noted that the remuneration disclosure that follows comprise remuneration earned by directors paid by both STAR and its holding company, Steinhoff International Holdings N.V. (Steinhoff).

	Basic remuneration	Company and pension fund contributions	Annual bonus	Strategic bonus	Deferred bonus[2]	Total remuneration and fees
2017	R000	R000	R000	R000	R000	R000
AB la Grange[1]	**14 440**	**351**	**13 701**	**8 333**	**13 333**	**50 158**
RG Hanekom	**2 154**	**390**	**2 035**	**2 627**	**–**	**7 206**
Total executive directors	**16 594**	**741**	**15 736**	**10 960**	**13 333**	**57 364**
2016						
AB la Grange[1]	17 188	424	7 762	6 672	6 672	38 718
RG Hanekom	2 273	502	1 963	1 982	–	6 720
Total executive directors	19 461	926	9 725	8 654	6 672	45 438
Remuneration of the other executive committee members						
2017						
Total other executive committee members	**23 661**	**4 056**	**14 634**	**9 360**	**–**	**51 711**
2016						
Total other executive committee members	**18 878**	**3 481**	**20 675**	**5 417**	**–**	**48 451**

[1] Paid by Steinhoff International Holdings N.V. for services to the group. Resigned as chief executive officer of STAR on 6 December 2017 and as non-executive director on 24 January 2018.
[2] Annual and strategic bonus payments may be deferred at the discretion of the remuneration committee of Steinhoff International Holdings N.V. The terms of deferral are agreed upon on an annual basis.

Long-term incentives

Note these share rights pertain to Steinhoff International Holdings N.V. shares.

	Offer date	Conditional vesting date	Number of rights as at 30 September 2016	Number of rights (exercised)/awarded duringthe year[1]	Number of rights as at 30 September 2017	Value of rights exercised during the year	Value of rights awarded during the year
Share rights						**R**	**R**
AB la Grange[2]	December 2013	March 2017	487 490	(487 490)	–	34 177 924	–
	December 2014	March 2018	233 499	–	233 499	–	–
	March 2016	March 2019	259 257	–	259 257	–	–
	March 2017	March 2020	–	392 387	392 387	–	25 493 383
			980 246	**(95 103)**	**885 143**	**34 177 924**	**25 493 383**
RG Hanekom							
	March 2016	March 2019	89 550	–	89 550	–	–
	March 2017	March 2020	–	111 251	111 251	–	7 227 977
			89 550	**111 251**	**200 801**	**–**	**7 227 977**
Total executive directors			**1 069 796**	**16 148**	**1 085 944**	**34 177 924**	**32 721 360**

No rights were forfeited during the year under review.

[1] The fair value at date of vesting was R70.11 per share. The fair value at date of grant was R64.97 per share.

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

Remuneration of the non-executive directors

	Basic remuneration	Company and pension fund contributions	Company directors' fees[4]	Annual bonus	Strategic bonus	Deferred bonus[3]	Total remuneration and fees
2017	**R000**	**R000**	**R000**	**R000**	**R000**	**R000**	**R000**
J Naidoo[1]	**–**	**–**	**947**	**–**	**–**	**–**	**947**
MJ Jooste[2]	**36 524**	**356**	**–**	**39 935**	**8 333**	**36 667**	**121 815**
DM van der Merwe[2]	**18 132**	**356**	**–**	**16 270**	**8 333**	**5 000**	**48 091**
JD Wiese[2]	**–**	**–**	**1 521**	**–**	**–**	**–**	**1 521**
VP Khanyile[1]	**–**	**–**	**51**	**–**	**–**	**–**	**51**
SH Müller[1]	**–**	**–**	**92**	**–**	**–**	**–**	**92**
AE Swiegers[1]	**–**	**–**	**88**	**–**	**–**	**–**	**88**
JB Cilliers[1]	**–**	**–**	**71**	**–**	**–**	**–**	**71**
HJ Sonn[2]	**–**	**–**	**1 523**	**–**	**–**	**–**	**1 523**
Total non-executive directors	**54 656**	**712**	**4 293**	**56 205**	**16 666**	**41 667**	**174 199**
2016							
MJ Jooste[2]	43 093	992	–	31 754	7 634	6 672	90 145
DM van der Merwe[2]	20 748	965	–	16 038	5 004	2 502	45 257
JD Wiese[2]	–	–	147	–	–	–	147
HJ Sonn[2]	–	–	548	–	–	–	548
Total non-executive directors	63 841	1 957	695	47 792	12 638	9 174	136 097

[1] Appointed as a non-executive director during 2017.

[2] Includes remuneration received for services provided to the Steinhoff International Holdings N.V.

[3] Annual and strategic bonus payments may be deferred at the discretion of the remuneration committee of Steinhoff International Holdings N.V. The terms of deferral are agreed upon on an annual basis.

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

Long-term incentives

Note these share rights pertain to Steinhoff International Holdings N.V. shares.

	Offer date	Conditional vesting date	Number of rights as at 30 September 2016	Number of rights (exercised)/awarded duringthe year[1]	Number of rights as at 30 September 2017	Value of rights exercised during the year	Value of rights awarded during the year
						R	R
MJ Jooste[2]	December 2013	March 2017	1 669 183	(1 669 183)	–	**117 026 420**	**–**
	December 2014	March 2018	869 301	–	869 301	**–**	**–**
	March 2016	March 2019	671 017	–	671 017	**–**	**–**
	March 2017	March 2020	–	980 968	980 968	**–**	**63 733 491**
			3 209 501	**(688 215)**	**2 521 286**	117 026 420	63 733 491
DM van der Merwe[2]	December 2013	March 2017	858 437	(858 437)	–	**60 185 018**	–
	December 2014	March 2018	439 041	–	439 041	–	–
	March 2016	March 2019	335 509	–	335 509	–	–
	March 2017	March 2020	–	490 484	490 484	–	31 866 745
			1 632 987	**(367 953)**	**1 265 034**	**60 185 018**	31 866 745
Total non-executive directors			**4 842 488**	**(1 056 168)**	**3 786 320**	177 211 438	95 600 236

[1] The fair value at date of vesting was R70.11 per share. The fair value at date of grant was R64.97 per share.
[2] Paid by Steinhoff International Holdings N.V. for services to the group.

The fees below were included in the pre-listing statement and the same fees will be proposed for the 2018 financial year, with the addition of a R4 000 per hour fee for special board and/or committee meetings attended by non-executive directors (excluding travel and preparation time and not applicable in respect of scheduled board and committee meetings). The 2018 fees are subject to the approval of shareholders at the annual general meeting to be held on 15 March 2018.

Board fees	**R**
Chairperson (all-inclusive)	**1 750 000**
Non-executive directors	**600 000**
Committee fees	**R**
Audit	
Chairperson	**450 000**
Member	**250 000**
Human resources and remuneration	
Chairperson	**250 000**
Member	**125 000**
Nomination	
Chairperson	**25 000**
Member	**15 000**
Social and ethics	
Representative	**25 000**
Fee for special board and/or committee meetings	**4 000/hour**

Annexures

Retail footprint

RETAIL STORES	30 September 2016	Openings	Closures	Net movement	30 September 2017	Retail area m² (000)
PEP	1 990	132	(9)	123	2 113	770
PEP Africa	292	36	(6)	30	322	128
Ackermans	577	81	(3)	78	655	413
Furniture and appliances[1]	598	55	(64)	(9)	589	329
Discount and value	**3 457**	**304**	**(82)**	**222**	**3 679**	**1 641**
DIY[2]	137	1	(17)	(16)	121	340
G2[3]	110	10	(6)	4	114	85
Fashion and footwear[4]	514	382	(20)	362	876	218
Bedding	155	26	(18)	8	163	24
Speciality	**916**	**419**	**(61)**	**358**	**1 274**	**666**
STAR	**4 373**	**723**	**(143)**	**580**	**4 953**	**2 307**

[1] *Includes: Russells, POCO, Bradlows and Rochester brands*
[2] *Includes do-it-yourself brands of the SteinBuild business*
[3] *Electronics and appliance brands: Incredible Connection and HiFi Corp*
[4] *Includes the acquisition of Tekkie Town (308 stores). Excluding this, the net store movement in speciality amounts to 50 stores and 272 for STAR group*

Shareholder analysis

SHAREHOLDER SPREAD	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	4 049	41.52	1 860 214	0.05
1 001 – 10 000 shares	4 360	44.71	12 470 135	0.36
10 001 – 100 000 shares	920	9.43	26 474 652	0.77
100 001 – 1 000 000 shares	333	3.41	105 139 084	3.05
1 000 001 shares and over	90	0.92	3 304 055 915	95.77
Totals	**9 752**	**100.00**	**3 450 000 000**	**100.00**

DISTRIBUTION OF SHAREHOLDERS	Number of shareholdings	%	Number of shares	%
Holding company	3	0.03	2 650 000 000	76.81
Banks and brokers	85	0.87	182 891 701	5.30
Close corporations	81	0.83	851 058	0.02
Endowment funds	70	0.72	2 799 627	0.08
Individuals	7 089	72.69	16 758 009	0.49
Insurance companies	52	0.53	28 674 832	0.83
Investment companies	4	0.04	321 260	0.01
Medical schemes	29	0.30	2 247 385	0.07
Mutual funds	322	3.30	155 366 356	4.50
Other corporations	50	0.51	189 031	0.01
Private companies	277	2.84	306 451 680	8.88
Public companies	4	0.04	91 708	0.00
Retirement funds	395	4.05	87 502 434	2.54
Sovereign wealth funds	3	0.03	6 655 194	0.19
Trusts	1 288	13.21	9 199 725	0.27
Totals	**9 752**	**100.00**	**3 450 000 000**	**100.00**

PUBLIC / NON-PUBLIC SHAREHOLDERS	Number of shareholdings	%	Number of shares	%
Non-public shareholders	**4**	**0.04**	**2 952 439 024**	**85.58**
Directors and associates of the company shareholdings	0	0.00	0	0.00
BEE placement	1	0.01	302 439 024	8.77
Holding company	3	0.03	2 650 000 000	76.81
Public shareholders	**9 748**	**99.96**	**497 560 976**	**14.42**
Totals	**9 752**	**100.00**	**3 450 000 000**	**100.00**

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE	Number of shares	%
Steinhoff International Holdings Limited	2 650 000 000	76.81
Lancaster 101 Proprietary Limited	302 439 024	8.77
Totals	**2 952 439 024**	**85.58**

About this report

This integrated report aims to provide stakeholders with insight into the group's performance and the way in which it manages its business. This report focuses on the group's strategy and its ability to create long-term sustainable value.

To comprehensively review the group, this report should be read together with the audited financial statements, the corporate governance and corporate responsibility reports.

The group listed on 20 September 2017. Although the listing of the group required a detailed pre-listing statement to be published, much of the integrated reporting principles will be established and developed during the next financial year. Management will aim to enhance disclosures and application as deemed appropriate.

In preparing this report, management has considered and applied the principles of:

- The South African Code of Corporate Practice and Conduct as set out in the King IV Report
- The International Financial Reporting Standards (IFRS)
- The Companies Act No. 71 of 2008 as amended
- The International Integrated Reporting Framework as issued by the International Integrated Reporting Council (IIRC)
- Materiality, which determines the context and extent of disclosure of any material issues relating to the businesses or the group.

A responsible approach towards sustainability (environmental, social, governance) practices has been part of the group's underlying businesses for many years and still underpins the fundamental approach to business practices. As a group, management will evaluate relevant and group-wide material issues to establish a sustainability strategy going forward.

In determining the material issues management will consider matters that could have a significant impact on the ability of the business to create sustainable value for stakeholders.

REPORTING

The group will provide information relevant to its strategy and in a way that aligns with global best practice.

SCOPE AND BOUNDARY

The scope of the report includes all operating subsidiaries and covers the reporting period 1 October 2016 to 30 September 2017.

The audited annual financial statements were approved for release on 1 December 2017. There were no significant restatements from prior periods other than those described in note 26 to the annual financial statements. This integrated report was approved for distribution on 31 January 2018 and includes reference to significant events subsequent to year-end, up to the approval date.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Financial information contained in the integrated report was extracted from the audited annual financial statements.

All references to Steinhoff Africa Retail (STAR), the group, the company or the business, refer to Steinhoff Africa Retail Limited and its underlying subsidiaries. These subsidiaries include all businesses.

With the group's longstanding history and scale of operations in Africa, it has taken due regard of all legislation and regulations in the countries of operation. Being listed on the JSE and, as a guiding principle, the group also reviews its business practices against the South African Code of Corporate Practice and Conduct as set out in the King IV report.

FORWARD-LOOKING INFORMATION

This integrated report contains certain forward-looking statements which relate to the financial position and results of the operations of the group. These statements are solely based on the view and considerations of the directors.

These statements, by nature, involve risk and uncertainty, relate to events and depend on circumstances that may occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global and national economic and market conditions, including interest and foreign exchange rates, gross and operating margins achieved, competitive conditions and regulatory factors. These forward-looking statements have not been reviewed or reported on by the group's external auditors.

EXTERNAL ASSURANCE

The board, assisted by the audit committee, is ultimately responsible for overseeing the integrity of the integrated report. This was achieved through setting up appropriate teams and structures to undertake the reporting process and the review and approval of the integrated report.

External assurance obtained in the current year was limited to the audit opinion on the group annual financial statements.

APPROVAL OF THE INTEGRATED REPORT

The board acknowledges its responsibility to ensure the integrity of the integrated report. The directors confirm they have reviewed the content of the integrated report and believe it is a fair presentation of the performance of the group presented in accordance with the international reporting framework and best practice.

GOING CONCERN

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

Shareholders' diary

Annual general meeting	Thursday, 15 March 2018
Announcement of interim results	Monday, 28 May 2018
Announcement of annual results	Monday, 26 November 2018

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