

**Steinhoff International Holdings Proprietary Limited**

(Registration number 1998/003951/07)  
Audited Annual Financial Statements  
for the year ended 30 September 2020

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## General Information

---

|  |   |
|--|---|
| <b>Country of incorporation and domicile</b>       | South Africa  |
| <b>Nature of business and principal activities</b> | Investment holding  |
| <b>Directors</b>                                   | LJ du Preez<br>TLR de Klerk<br>DI Pauker  |
| <b>Registered office</b>                           | Building B2<br>Vineyard Office Park<br>Cnr Adam Tas & Devon Valley Road<br>Stellenbosch<br>7600                                   |
| <b>Business address</b>                            | Building B2<br>Vineyard Office Park<br>Cnr Adam Tas & Devon Valley Road<br>Stellenbosch<br>7600                                   |
| <b>Postal address</b>                              | PO Box 122<br>Stellenbosch<br>7600  |
| <b>Holding company</b>                             | Steinhoff Investment Holdings Limited<br>incorporated in South Africa   |
| <b>Ultimate holding company</b>                    | Steinhoff International Holdings N.V.<br>incorporated in the Netherlands  |
| <b>Auditors</b>                                    | Mazars<br>Registered Auditor  |
| <b>Secretary</b>                                   | Steinhoff Secretarial Services Proprietary Limited  |
| <b>Company registration number</b>                 | 1998/003951/07  |
| <b>Tax reference number</b>                        | 9599003713  |
| <b>Level of assurance</b>                          | These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa. |
| <b>Preparer</b>                                    | The financial statements were internally compiled under the supervision of:<br>TLR de Klerk<br>BCom (Hons), CTA, Hdip (Tax), CFM  |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Contents

---

|  | <b>Page</b> |
|--|-------------|
| Directors' Responsibilities and Approval                   | 3 - 4       |
| Company Secretary's Certification                          | 5           |
| Independent Auditor's Report                               | 6 - 8       |
| Directors' Report  | 9 - 14      |
| Statement of Financial Position                            | 15          |
| Statement of Profit or Loss and Other Comprehensive Income | 16          |
| Statement of Changes in Equity                             | 17          |
| Statement of Cash Flows                                    | 18          |
| Accounting Policies  | 19 - 23     |
| Notes to the Financial Statements                          | 24 - 61     |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Directors' Responsibilities and Approval

---

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards, the Companies Act 71 of 2008 and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards, the Companies Act 71 of 2008 and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have made an assessment of the ability of the company to continue as a going concern and have concluded that a material uncertainty exists with regards to the going concern assumption.

### Litigation

Various entities within the group of which Steinhoff International Holdings N.V. ("Steinhoff N.V.") is the ultimate holding company (collectively "the Steinhoff N.V. Group"), are subject to multiple legal claims and regulatory investigations. Steinhoff N.V. and Steinhoff International Holdings Proprietary Limited ("SIHPL") have received several shareholder and vendor claims and notices of regulatory investigation. These legal proceedings and regulatory investigations have been initiated subsequent to the December 2017 events. The board of directors, assisted by the litigation working group of Steinhoff N.V. ("Litigation Working Group"), and in consultation with the Steinhoff N.V. Group's attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the relevant regulatory bodies. Several initial defences have already been filed by the Steinhoff N.V. Group, in these legal proceedings.

On 27 July 2020, Steinhoff N.V., the ultimate holding company, and SIHPL, the former ultimate holding company, announced the terms of a proposed settlement to conclude the ongoing and disputed legal claims and pending litigation proceedings arising from the legacy accounting issues first announced in December 2017 ("Litigation Settlement Proposal").

The Company's cash flow forecasts are adjusted for the impact of the Litigation Settlement Proposal as announced on 27 July 2020 by Steinhoff N.V. and detailed in note 22 of these Annual Financial Statements.

Steinhoff N.V. announced on 15 February 2021 that it was beginning the implementation of its global Litigation Settlement Proposal and had resolved to commence a Dutch Suspension of Payments procedure (*surseance van betaling*) ("Dutch SoP") in the Netherlands, which the Court approved, to implement its proposal to settle certain multijurisdictional legacy litigation and various claims against the Steinhoff Group including those against the former Steinhoff Group South African holding company, SIHPL. In parallel, the board of SIHPL has resolved to commence a statutory compromise process under South African law ("S155 Scheme") also as part of the implementation of the Steinhoff Group's global Litigation Settlement Proposal. Both the S155 scheme and the Dutch SoP are ongoing and shall be implemented in accordance with our public announcements and timelines available on the Steinhoff Settlement website.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Directors' Responsibilities and Approval

---

### Conclusion

In determining the appropriate basis of preparation of the annual financial statements of the Company, the board of directors is required to consider whether the Company can continue in operational existence for the foreseeable future. The board of directors draw attention to the following facts:

- at 30 September 2020, the Company's current assets are equal to its current liabilities, which includes the provision for the Litigation Settlement Proposal;
- at 30 September 2020, the Company's non-current liabilities exceeds its non-current assets pre-dominantly due to the inclusion of the SIHPL Contingent Payment Undertaking ("CPU") and the provision for the Litigation Settlement Proposal. The amount the Company will be able to pay under the SIHPL CPU is limited to the net asset value before inclusion of the CPU financial liability. Refer to note 8;
- that it is more likely than not that the global Litigation Settlement Proposal will be successful and for this reason the Litigation Settlement Proposal provision of R10.5 billion has been raised in the results of the Company, representing management's best estimate of the outflow of resources required to settle the legal claims of all market purchase claimants and contractual claims included the Litigation Settlement Proposal. For further detail of these claims, refer to note 22 Commitments and contingencies;
- as part of the Litigation Settlement Proposal, the SIHPL CPU creditors were asked to extend the payment date under the SIHPL CPU. In exchange for this extension, SIHPL will grant third-ranking security over all of its assets (which are primarily inter-company receivables in South Africa).
- management does not intend to liquidate the entity and plans to recover its assets and settle its debt in the normal course of business. As previously announced, for the implementation of the Litigation Settlement Proposal the Company intends to enter into a proposed pre-prepared compromise plan pursuant to section 155 of the Companies Act in South Africa;
- the amount that the Company will have available to repay, is dependent on Steinhoff Investment Holdings Limited ("SINVH") and Steinhoff Africa Holdings Proprietary Limited ("Steinhoff Africa") repaying intercompany loans to the Company. In terms of a sum-of-the parts calculation performed on the SINVH Group, the Steinhoff Africa and SINVH loans are recoverable;
- as at the effective date of signature of these financial statements, there are significant uncertainties which extend beyond the foreseeable future; and
- given due cognisance of the Company's current financial position and the implementation steps of the Litigation Settlement Proposal as mentioned above, we are of the opinion that the Company will be able to meet its current liabilities as they become due and therefore is a going concern for the 12 month period following the date of issue of this Annual Financial Statements.

The external auditors are responsible for independently auditing and reporting on the Company's financial statements. The financial statements have been examined by the Company's external auditors and their report is presented on pages 6 to 8.

The financial statements set out on pages 9 to 61, which have been prepared on the going concern basis, were approved by the board of directors on \_\_\_\_\_ and were signed on their behalf by:

---

**TLR de Klerk**

# **Steinhoff International Holdings Proprietary Limited**

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## **Company Secretary's Certification**

---

We certify, in accordance with section 88(2)(e) of the Companies Act, that other than the filing of an annual return and the completion of a Compliance Checklist for the reporting period, the Company has lodged with the Companies and Intellectual Properties Commission all such returns as are required for a private company in terms of the Act and that all such returns are true, correct and up to date.

---

**NJ Lewis**  
**Steinhoff Secretarial Services Proprietary Limited**

**Date:** \_\_\_\_\_

## **Independent Auditor's Report**

### ***To the shareholder of Steinhoff International Holdings Proprietary Limited***

## **Report on the Audit of the Financial Statements**

### ***Disclaimer of Opinion***

We were engaged to audit the annual financial statements of Steinhoff International Holdings Proprietary Limited set out on pages 15 to 61 which comprise the statement of financial position as at 30 September 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the financial statements of the company because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence on going concern to provide a basis for an audit opinion on these financial statements.

### ***Basis for Disclaimer of Opinion***

As indicated in the financial statements, the company incurred a total comprehensive loss of R 15,585,254,354 for the year ended 30 September 2020 (2019: R 133,482,602) and, at that date, its total liabilities exceed, its total assets by R 17,306,005,359 (2019: R 1,720,751,006).

We have not been able to obtain sufficient appropriate audit evidence to support the going concern assumption, in relation to the following material uncertainties which are both material and pervasive to the financial statements as a whole. Consequently, we were unable to confirm or dispel whether it is appropriate to prepare the financial statements using the going concern basis of accounting.

These material uncertainties and their potential interaction are described below.

### ***Material uncertainty with respect to timing of repayment of borrowings***

As described in Note 8 (Borrowings) the obligations of the Company under the 2021 and 2022 convertible bonds were restructured into the 21/22 Term Loan Facility in terms of an instrument referred to as the SIHPL CPU (Note 8 Borrowings). The Company undertook to settle the amounts due under the 21/22 Term Loan Facility issued by Steenbok Lux Finco 1 SARL by 31 December 2021 and to use reasonable endeavours to pay an amount of up to 25% of the aggregate outstanding amount of the Facility A1 loans to the bondholders within 5 business days after implementation of the CVA.

Following the receipt of letters of objections from creditors seeking to restrict the Company from making any payments in terms of the SIHPL CPU, there is material uncertainty relating to the timing of repayment of borrowings.

### *Material uncertainty relating to the timing of the repayment of intercompany loans*

The amount that the Company will have available to repay borrowings and creditors is dependent on Steinhoff Investment Holdings Limited and Steinhoff Africa Holdings Proprietary Limited repaying intercompany loans due to the Company. We were unable to obtain sufficient appropriate audit evidence to substantiate whether the current and non-current classification of the intercompany loans is correct.

### *Material uncertainty with respect to Litigation and Regulation*

On 27 July 2020, the Company along with Steinhoff International Holdings N.V. (Steinhoff N.V.) announced the terms of a proposed settlement to conclude certain of the complex legal claims and ongoing pending litigation proceedings arising from the historic events first announced in December 2017.

The provision of R 10,487,980,000 raised during the current financial year in respect of the market purchase claims (MPC) and contractual claims set out in Note 22 (Commitments and contingencies) is based on management's assessment that it is more likely than not that the settlement will be accepted and the possible financial outcome of the litigation settlement proposal.

Although management has made a public offer to settle these claims and provided for the quantum of litigation settlement proposal in the current year, a material uncertainty remains regarding the outcome of the court processes in South Africa (so called "s155") and the Netherlands (so called "Suspension of Payments"). In the case of unfavourable decisions by the courts to implement the relevant schemes or the potential ruling by courts outside of the settlement proposal, the additional outflows of cash could be considerable and may impact the going concern assumption.

### ***Other Matter – Reports Required by the Companies Act***

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for this other information.

We have read the other information and, in doing so, considered whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. However, due to the disclaimer of opinion in terms of the International Standard on Auditing (ISA) 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*, we are unable to report further on this other information.

### ***Responsibilities of the Directors for the Financial Statements***

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.



We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including *International Independence Standards*).

A handwritten signature in brown ink that reads "Mazars".

**Mazars**  
**Partner: Duncan Dollman**  
**Registered Auditor**  
**Date: 26 March 2021**  
**Cape Town**

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Directors' Report

---

The directors submit their report on the financial statements of Steinhoff International Holdings Proprietary Limited for the year ended 30 September 2020.

### 1. Holding company

The company's holding company is SINVH which holds 100% (2019: 100%) of the Company's equity. SINVH is incorporated in South Africa.

### 2. Ultimate holding company

The company's ultimate holding company is Steinhoff International Holdings N.V. ("Steinhoff N.V." or together with its subsidiaries the "Group") which is incorporated in the Netherlands. Steinhoff N.V. is primarily a global holding company with investments in a diverse range of retail businesses. The Group operates in Africa, Australasia, Europe, the United Kingdom and the United States of America.

### 3. Nature of business

Steinhoff International Holdings Proprietary Limited (the "Company" or "SIHPL") was incorporated in South Africa and holds investments in, and loans with companies in the Group, both in South Africa and Europe.

There have been no material changes to the nature of the Company's business from the prior year.

### 4. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 2.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

### 5. Stated share capital

The Company's authorised stated share capital comprises 6 000 000 000 ordinary shares of no par value and 1 000 000 000 non-redeemable, cumulative, non-participating preference shares of no par value.

There have been no changes to the authorised or issued share capital during the year under review.

### 6. Contracts

No contracts, other than those disclosed in note 19 (Interest of directors and officers in contracts), in which directors and officers of the Company had an interest and that significantly affected the affairs or business of the Company, or which could have resulted in a conflict of interest, were entered into during the year.

### 7. Dividends

No dividends or distributions were approved or paid during the year under review (2019: Rnil).

### 8. Directors

The directors in office at the date of this report are as follows:

| <b>Directors</b> | <b>Designation</b> |
|------------------|--------------------|
| LJ du Preez      | Executive          |
| TLR de Klerk     | Executive          |
| DI Pauker        | Non-executive      |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Directors' Report

---

### 9. External audit

The 2020 financial statements have been audited by the external auditor, Mazars.

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

A significant uncertainty resulted in a 'disclaimer of opinion' from the external auditor. In its auditor's report Mazars has described the reasons why it has come to that conclusion and it is clear that the Company finds itself in the extremely rare circumstance described above, namely that because of the uncertainty, Mazars cannot form an opinion on the financial statements due to the potential interaction of the uncertainty and its cumulative effect on the 2020 financial statements. In the auditor's report Mazars details the reasons why it has come to these conclusions. The main uncertainty listed and explained in the Basis for Opinions in the audit opinion are as follows:

#### **Material uncertainty with respect to Litigation, claims and contingent payment undertaking payments**

Following the public announcement on 5 December 2017 and the subsequent sharp decline in the share price of the Group and Company's ultimate parent company, Steinhoff International Holdings N.V., and the Company has received several claims from investors and vendors, which have been described in note 22 (Commitments and contingencies) and note 24 (Going Concern) to financial statements. Until the Litigation Settlement Proposal is accepted by all parties and becomes effective, uncertainty regarding the success thereof and the impact on going concern will remain and therefore cast significant doubt upon the Company's ability to continue as a going concern beyond the foreseeable future. Even though the board embarked on the S155 Scheme, the board still plan to recover the assets and settle the debt in the normal course of business. The S155 Scheme procedure will not directly affect any of the African operating businesses in the SINVAH Group.

As described in note 8 (Borrowings) the obligations of the Company under the 2021 and 2022 convertible bonds were restructured into the 21/22 Term Loan Facility in terms of an instrument referred to as the Contingent Payment Undertaking (the SIHPL CPU). The Company undertook to use reasonable endeavours to pay an amount of up to 25% of the aggregate outstanding amount of the Facility A1 loans to the bondholders within 5 business days after implementation of the CVA. The amount that the Company will have available to repay is dependent on Steinhoff Investment Holdings Limited and Steinhoff Africa Holdings Proprietary Limited repaying intercompany loans due to the Company.

Per the accounting policies, (Note 1.2 Significant judgements and sources of estimation uncertainty, Classification of current and non-current portion of Loans receivable) the company classified a portion of the related party loans receivables to current in order equal the current liabilities. The related party loans receivables will likely be called upon to settle the Litigation Settlement Proposal provision and other current liabilities.

### 10. Significant events during the year

#### **COVID-19**

Since the Company does not have any underlying investments or operations, the effect of the COVID-19 pandemic is limited to the recoverability of the company's loans to related parties. In terms of a sum-of-the parts calculation performed on the SINVAH Group the Steinhoff Africa and SINVAH loans are recoverable.

While the Company is confident that the actions it is taking to address the impact of COVID-19 are appropriate and timely, the situation remains fast moving and these are being kept under constant review.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Directors' Report

---

### 10. Significant events during the year (continued)

#### Litigation

The Company has received several shareholder and vendor claims and notices of regulatory investigations. These legal proceedings and regulatory investigations have been initiated against the Company during the period since December 2017. The Board of the Company, in consultation with Steinhoff N.V.'s Supervisory Board and the Management Board, assisted by the litigation committee ("Steinhoff N.V. Litigation Working Group") which includes representation of the board of the Company, and in consultation with the Group's attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the regulatory bodies. Several initial defenses have already been filed by the Company in these legal proceedings.

On 27 July 2020, Steinhoff N.V., the ultimate holding company, and SIHPL, the former ultimate holding company, announced the terms of a proposed settlement to conclude the ongoing and disputed legal claims and pending litigation proceedings arising from the legacy accounting issues first announced in December 2017. A provision of R10.5 billion was raised as at 30 September 2020 for the Litigation Settlement Proposal (refer to note 22). An update to the Litigation Settlement Proposal was issued on 9 October 2020, 6 November 2020 and 14 January 2021 respectively. On 15 February 2021 the Group initiated the legal processes required to implement this global settlement.

### 11. Events after the reporting period

#### COVID-19

The global COVID-19 picture remains a dynamic situation. Subsequent to the 2020 Reporting Period, new strains of the COVID-19 virus have resulted in Governments once again having to take strict measures. Many countries have tightened restrictions or reimposed lock downs which impacted on store operations and trading hours, increasing uncertainty. Despite this, the overall Steinhoff Group's trading has remained robust with healthy liquidity at operating level. While the Steinhoff Group has continued to demonstrate its resilience, management remain cautious about the trading outlook until such time as the pandemic has been brought under control.

#### Expected credit loss assessment

The impact on the calculation of the lifetime expected credit losses determined as part of the general approach, related party loans receivable was considered. In particular, the Company assessed which of its debtors, if any, have pre-existing conditions which would impair their ability to honour their loan commitments. In performing this exercise, the Company used evidence gathered between the reporting date and the date on which the financial statements were authorised for issue. The fair value of the underlying investments of the SINVH Group have not decreased significantly and is still sufficient to cover all the liabilities. Based on the evidence obtained, it remains unlikely that any increase in the lifetime expected credit losses will be material.

#### English Law Scheme of Arrangement and election of Dutch SoP by Steinhoff N.V.

On 27 November 2020 the Steinhoff N.V. Group announced that it had obtained an order from the English High Court to convene meetings of the Facility A1 SEAG creditors and the Facility A2 SEAG creditors to consider and approve the proposed English law scheme of arrangement. Meeting of each class of creditor were held on 15 December 2020.

The Group announced on 15 December 2020 that the resolutions put to the relevant classes of financial creditors were approved by the requisite majorities of Facility A1 SEAG creditors and the Facility A2 SEAG creditors present and voting. On 5 February 2021 the English High Court delivered a judgment in the SEAG CPU scheme of arrangement proceedings, granting the sanction order in the terms sought by Steinhoff N.V.

The English law scheme of arrangement in relation to Steinhoff N.V.'s SEAG CPU became effective on the same date and provided a further approval required from Steinhoff N.V.'s financial creditors to proceed with the proposed global settlement. The board of Steinhoff N.V. have concluded that Steinhoff N.V. will seek a Dutch SoP to assist with the implementation of the Group's Litigation Settlement Proposal. It also opposed the application due to be heard in the Amsterdam District Court on 8 February 2021 for the appointment of a restructuring expert under the Dutch Wet Homologatie Onderhands Akkoord ter voorkoming van faillissement procedure. Conservatorium and Steinhoff N.V. have requested that the Court defer the hearing to 15 February 2021.

On 15 February 2021, following a number of constructive engagements between the parties an agreement has been reached, in principle, between, among others, Steinhoff N.V., SIHPL, Conservatorium and certain entities linked to Christo Wiese. This agreement is subject to a number of conditions. The result of agreement reached among the parties is that Conservatorium withdrew the application.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Directors' Report

---

### 11. Events after the reporting period (continued)

#### English Law Scheme of Arrangement and election of Dutch SoP by Steinhoff N.V. (continued)

On 15 February 2021, the Steinhoff N.V. Group announced that the Amsterdam District Court approved Steinhoff N.V.'s application for the opening of a Dutch SoP in respect of Steinhoff N.V. The court has set the following key dates in respect of the Dutch SoP:

- 15 June 2021: voting record date; and
- 30 June 2021 at 10am (CET): creditor's meeting.

Following the opening of the Dutch SoP, SIHPL launched a S155 Scheme, on 15 February 2021, also as part of the implementation of the Steinhoff Group global settlement.

The Dutch SoP relates only to Steinhoff N.V. and the S155 Scheme relates only to SIHPL. These processes, which are inter-conditional, do not directly affect any of the other entities in the Steinhoff Group nor any of its operating businesses.

The purpose of the Dutch SoP process and the S155 Scheme is to implement the proposal to settle certain multi-jurisdictional legacy litigation and various claims against Steinhoff N.V. and SIHPL.

Implementation of the Steinhoff global settlement will require the requisite support of claimants and approvals by the Dutch and South African courts, and the process of obtaining such approvals is expected to take several months.

For further information refer to [www.steinhoffsettlement.com](http://www.steinhoffsettlement.com).

#### Deloitte supports Steinhoff's Global Settlement

On 15 February 2021, Steinhoff N.V. also announced that together with SIHPL it has reached an agreement with Deloitte Accountants B.V. and Deloitte & Touche South Africa (together: "Deloitte") pursuant to which Deloitte will support the proposed Group Litigation Settlement Proposal announced on 27 July 2020. This means that Deloitte will make additional compensation available to certain Group claimants, including the MPC Claimants in exchange for certain waivers and releases, provided that Steinhoff successfully completes the contemplated Dutch SoP and the statutory compromise process under South African law S155 Scheme. Deloitte is still in discussions with certain representatives of the MPC Claimants on the details of this offer, which envisages that such claimant representatives will be entitled to receive a certain incremental cost compensation. A settlement between Deloitte and the Dutch VEB was previously announced in October 2020.

Deloitte does not in any way admit liability for the losses incurred by Steinhoff and its stakeholders as a result of the accounting irregularities at Steinhoff.

Provided that the Group successfully completes the contemplated Dutch SoP and the S155 Scheme and certain other conditions are fulfilled, Deloitte has agreed to offer an amount of up to €55.34 million for distribution to MPC Claimants in exchange for certain waivers and releases (the "Deloitte MPC Settlement Fund").

In addition to the offer to the MPC Claimants above, provided that the Group successfully completes the Dutch SoP and the South African S155 Scheme and certain other conditions are met, Deloitte has further agreed to offer an amount of €15 million for distribution to certain contractual claimants. Eligible contractual claimants will receive individual notice from Steinhoff on the manner in which they can apply to receive a share of the offered amount.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

### 12. Going concern

In determining the appropriate basis of preparation, the board is required to consider whether the Company can continue in operational existence for the foreseeable future.

However, the board draws shareholders' attention to the following material uncertainties that are key in arriving at the forecasted cash flows, namely:

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Directors' Report

---

### 12. Going concern (continued)

#### Litigation and Regulation

Various entities within the group of which Steinhoff International Holdings N.V. ("Steinhoff N.V.") is the ultimate holding company (collectively "the Steinhoff N.V. Group"), are subject to multiple legal claims and regulatory investigations. Steinhoff N.V. and Steinhoff International Holdings Proprietary Limited ("SIHPL") have received several shareholder and vendor claims and notices of regulatory investigation. These legal proceedings and regulatory investigations have been initiated subsequent to the December 2017 events. The board of directors, assisted by the litigation working group of Steinhoff N.V. ("Litigation Working Group"), and in consultation with the Steinhoff N.V. Group's attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the relevant regulatory bodies. Several initial defences have already been filed by the Steinhoff N.V. Group, in these legal proceedings.

On 27 July 2020, Steinhoff N.V., the ultimate holding company, and SIHPL, the former ultimate holding company, announced the terms of a proposed settlement to conclude the ongoing and disputed legal claims and pending litigation proceedings arising from the legacy accounting issues first announced in December 2017 ("Litigation Settlement Proposal").

The Company's cash flow forecasts are adjusted for the impact of the Litigation Settlement Proposal as announced on 27 July 2020 by Steinhoff N.V. and detailed in note 22 of these Annual Financial Statements.

Steinhoff N.V. announced on 15 February 2021 that it was beginning the implementation of its global Litigation Settlement Proposal and had resolved to commence a Dutch Suspension of Payments procedure (surseance van betaling) ("Dutch SoP") in the Netherlands, which the Court approved, to implement its proposal to settle certain multijurisdictional legacy litigation and various claims against the Steinhoff Group including those against the former Steinhoff Group South African holding company, SIHPL. In parallel, the board of SIHPL has resolved to commence a statutory compromise process under South African law ("S155 Scheme") also as part of the implementation of the Steinhoff Group's global Litigation Settlement Proposal. Both the S155 scheme and the Dutch SoP are ongoing and shall be implemented in accordance with our public announcements and timelines available on the Steinhoff Settlement website.

#### Conclusion

In determining the appropriate basis of preparation of the annual financial statements of the Company, the board of directors is required to consider whether the Company can continue in operational existence for the foreseeable future. The board of directors draw attention to the following facts:

- at 30 September 2020, the Company's current assets are equal to its current liabilities, which includes the provision for the Litigation Settlement Proposal;
- at 30 September 2020, the Company's non-current liabilities exceeds its non-current assets pre-dominantly due to the inclusion of the SIHPL Contingent Payment Undertaking ("CPU") and the provision for the Litigation Settlement Proposal. The amount the Company will be able to pay under the SIHPL CPU is limited to the net asset value before inclusion of the CPU financial liability. Refer to note 8;
- that it is more likely than not that the global Litigation Settlement Proposal will be successful and for this reason the Litigation Settlement Proposal provision of R10.5 billion has been raised in the results of the Company, representing management's best estimate of the outflow of resources required to settle the legal claims of all market purchase claimants and contractual claims included the Litigation Settlement Proposal. For further detail of these claims, refer to note 22 Commitments and contingencies;
- as part of the Litigation Settlement Proposal, the SIHPL CPU creditors were asked to extend the payment date under the SIHPL CPU. In exchange for this extension, SIHPL will grant third-ranking security over all of its assets (which are primarily inter-company receivables in South Africa);
- management does not intend to liquidate the entity and plans to recover its assets and settle its debt in the normal course of business. As previously announced, for the implementation of the Litigation Settlement Proposal the Company intends to enter into a proposed pre-prepared compromise plan pursuant to section 155 of the Companies Act in South Africa;
- the amount that the Company will have available to repay, is dependent on Steinhoff Investment Holdings Limited ("SINVH") and Steinhoff Africa Holdings Proprietary Limited ("Steinhoff Africa") repaying intercompany loans to the Company. In terms of a sum-of-the parts calculation performed on the SINVH Group, the Steinhoff Africa and SINVH loans are recoverable;
- as at the effective date of signature of these financial statements, there are significant uncertainties which extend beyond the foreseeable future; and

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Directors' Report

---

### 12. Going concern (continued)

#### Conclusion (continued)

- given due cognisance of the Company's current financial position and the implementation steps of the Litigation Settlement Proposal as mentioned above, we are of the opinion that the Company will be able to meet its current liabilities as they become due and therefore is a going concern for the 12 month period following the date of issue of this Annual Financial Statements.

### 13. Auditors

The financial statements are subject to an audit and have been audited by Mazars.

They have been reappointed for the ensuing year.

### 14. Secretary

The Company secretary is Steinhoff Secretarial Services Proprietary Limited.

Business address:

Building B2  
Vineyard Office Park  
Cnr Adam Tas & Devon Valley Road  
Stellenbosch  
7600

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Statement of Financial Position as at 30 September 2020

|  | Note(s) | 2020<br>R '000      | 2019<br>R '000     |
|--|---------|---------------------|--------------------|
| <b>Assets</b>                            |         |                     |                    |
| <b>Non-Current Assets</b>                |         |                     |                    |
| Investments                              | 4       | 655                 | 843                |
| Related party loans receivable           | 5       | 9 122 241           | 20 481 193         |
|  |         | <b>9 122 896</b>    | <b>20 482 036</b>  |
| <b>Current Assets</b>                    |         |                     |                    |
| Related party loans receivable           | 5       | 15 245 916          | 3 989 189          |
| Current tax receivable                   |         | 1 638               | 22 681             |
| Cash and cash equivalents                | 6       | 84 635              | 72 680             |
|  |         | <b>15 332 189</b>   | <b>4 084 550</b>   |
| <b>Total Assets</b>                      |         | <b>24 455 085</b>   | <b>24 566 586</b>  |
| <b>Equity and Liabilities</b>            |         |                     |                    |
| <b>Equity</b>                            |         |                     |                    |
| Ordinary stated share capital            | 7       | 53 318 304          | 53 318 304         |
| Reserves                                 |         | (1 336)             | (1 147)            |
| Accumulated loss                         |         | (70 622 974)        | (55 037 909)       |
|  |         | <b>(17 306 006)</b> | <b>(1 720 752)</b> |
| <b>Liabilities</b>                       |         |                     |                    |
| <b>Non-Current Liabilities</b>           |         |                     |                    |
| Borrowings                               | 8       | 26 428 902          | 22 202 788         |
| <b>Current Liabilities</b>               |         |                     |                    |
| Other payables and accruals              | 9       | 44 113              | 41 965             |
| Related party loans payable              | 10      | 62 840              | 62 840             |
| Borrowings                               | 8       | 4 737 256           | 3 979 745          |
| Litigation settlement proposal provision | 22      | 10 487 980          | -                  |
|  |         | <b>15 332 189</b>   | <b>4 084 550</b>   |
| <b>Total Liabilities</b>                 |         | <b>41 761 091</b>   | <b>26 287 338</b>  |
| <b>Total Equity and Liabilities</b>      |         | <b>24 455 085</b>   | <b>24 566 586</b>  |



# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Statement of Profit or Loss and Other Comprehensive Income

|   | Note(s) | 2020<br>R '000      | 2019<br>R '000   |
|---|---------|---------------------|------------------|
| Interest income   | 11      | 4 660               | 5 562            |
| Other income  |         | 16 602              | -                |
| Net foreign exchange loss on financial instruments  | 12      | (4 983 477)         | (194 904)        |
| Reversal of impairments on financial assets   | 13      | -                   | 68 946           |
| Litigation Settlement Proposal provision  | 22      | (10 487 980)        | -                |
| Administrative expenses   | 13      | (135 791)           | (11 421)         |
| <b>Loss before taxation</b>   |         | <b>(15 585 986)</b> | <b>(131 817)</b> |
| Taxation  | 14      | 921                 | (519)            |
| <b>Loss for the year</b>  |         | <b>(15 585 065)</b> | <b>(132 336)</b> |
| <b>Other comprehensive income:</b>  |         |                     |                  |
| <b>Items that will not be reclassified to profit or loss:</b>   |         |                     |                  |
| Fair value loss on investments in equity instruments at fair value through other comprehensive income |         | (189)               | (1 147)          |
| <b>Other comprehensive loss for the year net of taxation</b>  | 15      | <b>(189)</b>        | <b>(1 147)</b>   |
| <b>Total comprehensive loss for the year</b>  |         | <b>(15 585 254)</b> | <b>(133 483)</b> |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Statement of Changes in Equity

|  | Ordinary stated<br>share capital<br>R '000 | Fair value<br>reserve<br>R '000 | Accumulated<br>loss<br>R '000 | Total equity<br>R '000 |
|--|--|---------------------------------|-------------------------------|------------------------|
| <b>Balance at 30 September 2018</b>          | <b>53 318 304</b>                          | <b>-</b>                        | <b>(54 905 573)</b>           | <b>(1 587 269)</b>     |
| Loss for the year                            | -  | -                               | (132 336)                     | (132 336)              |
| Other comprehensive loss                     | -  | (1 147)                         | -                             | (1 147)                |
| <b>Total comprehensive loss for the year</b> | <b>-</b>                                   | <b>(1 147)</b>                  | <b>(132 336)</b>              | <b>(133 483)</b>       |
| <b>Balance at 30 September 2019</b>          | <b>53 318 304</b>                          | <b>(1 147)</b>                  | <b>(55 037 909)</b>           | <b>(1 720 752)</b>     |
| Loss for the year                            | -  | -                               | (15 585 065)                  | (15 585 065)           |
| Other comprehensive loss                     | -  | (189)                           | -                             | (189)                  |
| <b>Total comprehensive loss for the year</b> | <b>-</b>                                   | <b>(189)</b>                    | <b>(15 585 065)</b>           | <b>(15 585 254)</b>    |
| <b>Balance at 30 September 2020</b>          | <b>53 318 304</b>                          | <b>(1 336)</b>                  | <b>(70 622 974)</b>           | <b>(17 306 006)</b>    |

Note(s)

7

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Statement of Cash Flows

|   | Note(s) | 2020<br>R '000  | 2019<br>R '000 |
|---|---------|-----------------|----------------|
| <b>Cash flows from operating activities</b> |         |                 |                |
| Cash used in operations                     | 16      | (112 219)       | (10 783)       |
| Interest received                           |         | 4 055           | 2 168          |
| Tax received                                | 17      | 22 569          | (391)          |
| <b>Net cash from operating activities</b>   |         | <b>(85 595)</b> | <b>(9 006)</b> |
| <b>Cash flows from investing activities</b> |         |                 |                |
| Loans advanced to related parties           |         | (850)           | -              |
| Proceeds from loans to related parties      |         | 98 400          | 79 480         |
| <b>Net cash from investing activities</b>   |         | <b>97 550</b>   | <b>79 480</b>  |
| <b>Cash flows from financing activities</b> |         |                 |                |
| <b>Total cash movement for the year</b>     |         | <b>11 955</b>   | <b>70 474</b>  |
| Cash at the beginning of the year           |         | 72 680          | 2 206          |
| <b>Total cash at end of the year</b>        | 6       | <b>84 635</b>   | <b>72 680</b>  |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Accounting Policies

---

### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### 1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS"), the Companies Act 71 of 2008 and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period except for the adoption of new standards during the current year as set out in note 2.

#### 1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

#### Going concern assumption (refer to note 24)

In determining the appropriate basis of preparation of the financial statements, the board is required to consider whether the Company can continue in operational existence for the foreseeable future.

#### Correct classification and completeness of contingent liabilities

The directors apply their judgement to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing whether an obligation is probable, more likely than not, or remote. This judgement application is used to determine whether an obligation is recognised as a liability or disclosed as a contingent liability. Refer to note 8 and note 22.

#### Classification of current and non-current portion of SIHPL CPU liability

The current portion of the CPU was determined in terms of the quasi-liquidation methodology which includes considering litigation claims against the Company. The amount is ultimately determined by the directors after extensive consultation with legal and financial advisors and engaging with lenders and litigants.

#### Classification of current and non-current portion of Loans receivable

The loans receivable will likely be called upon to settle the Litigation Settlement Proposal provision and other current liabilities, therefore one of the significant judgements included in the financial statements is that the portion of the loan receivable equal to the current liabilities is classified as current.

#### Key sources of estimation uncertainty

#### Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Accounting Policies

---

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on management's assessment of amounts that will become taxable in the future.

### 1.3 Financial instruments

#### Classification

The Company classifies financial assets and financial liabilities into the following categories:

- Financial assets measured at fair value;
- Financial assets measured at amortised cost;
- Financial assets measured at fair value through other comprehensive income; and
- Financial liabilities measured at amortised cost.

#### Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. Financial assets held at amortised cost are measured initially at fair value including transaction costs, except for trade receivables that do not contain a significant financing component which are measured at the transaction price determined under IFRS 15. Financial liabilities at amortised cost are recognised initially at fair value.

#### Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Financial liabilities at amortised cost are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Gains and losses for financial instruments at fair value through other comprehensive income is recognised in other comprehensive income.

#### Derecognition

##### Financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

##### Financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Accounting Policies

---

### 1.3 Financial instruments (continued)

#### Investments in equity instruments

##### Classification

Investments in equity instruments are presented in note 4. The company has made the election to measure the investment in Steinhoff N.V. listed shares at fair value through other comprehensive income. Fair value adjustments recognised in other comprehensive income will not subsequently transfer to profit or loss.

These shares are not held for trading but rather as a strategic investment for the greater Steinhoff N.V. Group, therefore, management deemed the classification at fair value through other comprehensive income as more appropriate.

##### Recognition and measurement

Investments in equity instruments are recognised when the company becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised in other comprehensive income (and accumulated in equity in the reserve for valuation of investments). Details of the valuation policies and processes are presented in note 23.

##### Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all financial assets held at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

##### Impairment - Loans receivable that have no fixed terms of repayment

For loans receivable with no fixed terms of repayment, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the probability of default is usually small and the expected credit loss is immaterial as a result.

If the borrower could not repay the loan if demanded at the reporting date, the Company considers the expected manner of recovery to measure expected credit losses. This includes a 'repay over time' strategy. If the recovery strategies indicate that the lender would fully recover the outstanding balance of the loan, the expected credit loss is limited to the effect of discounting the amount due on the loan (at the loan's effective interest rate, which is regarded as 0% if the loan is interest free) over the period until cash is realised. If the effective interest rate is 0%, and all strategies indicate that the lender would fully recover the outstanding balance of the loan, no impairment loss is recognised.

The Company considers that an event of default has occurred if the borrower does not repay the loan when demanded. The Company writes off a loan when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings.

Any reversal of provision for bad debt previously recognised, due to recovery of the balance is recognised in profit or loss in reversal of impairments on financial assets.

For loans that are credit impaired the interest income is recognised on the loan balance adjusted for impairment losses. A credit-impaired account will cure when the customer does not meet the criteria for being credit-impaired. For a debtor to cure, a significant improvement in the debtor's payment behaviour is required. Any unrecognised interest as a result of the curing of debt is recognised as recovery of bad debt.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Accounting Policies

---

### 1.3 Financial instruments (continued)

#### Borrowings and loans from related parties

The following liabilities are classified as financial liabilities measured at amortised cost:

- Loans from related parties (note 10).
- Borrowings (note 8).

Borrowings expose the Company to liquidity risk and interest rate risk. Refer to note 21 for details of risk exposure and management thereof.

#### Cash and cash equivalents

Cash and cash equivalents are classified as financial assets subsequently measured at amortised cost. Cash and cash equivalents comprise cash on hand and cash held at bank. For the purposes of the cash flow, the cost per the statement of cash flows is made up of cash and cash equivalents.

### 1.4 Tax

#### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax assets and liabilities

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, which affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Accounting Policies

---

### 1.5 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at a no-par value and classified as 'ordinary stated share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity.

### 1.6 Translation of foreign currencies

#### Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;

In circumstances where the company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, company determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

### 1.7 Interest income

Interest is recognised on the time proportion basis, taking account of the principal debt outstanding and the effective rate over the period to maturity.

### 1.8 Related parties

Individuals or entities are related parties if any one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel (including directors) are also defined as related parties. Related party transactions and balances are disclosed in note 19.

### 1.9 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 22.



# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 2. Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

#### Application of IFRS 16 Leases

In the current year, the company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 1 October 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The impact of the adoption of IFRS 16 on the company's financial statements is immaterial as the company has no lease contracts.

#### IFRIC 23: Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax when it is unclear whether a taxing authority accepts the tax treatment. The Interpretation provides guidance on how to account for uncertainty over income tax treatments under IAS 12.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements. The following is addressed in IFRIC 23:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The impact of the adoption of IFRIC 23 on the company's financial statements is immaterial.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 3. New Standards and Interpretations

#### 3.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

| Standard/ Interpretation:  | Effective date:<br>Years beginning on or after | Impact:   |
|--|--|---|
| <ul style="list-style-type: none"><li>Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle</li></ul> | 1 January 2019                                 | The impact of the amendments is not material.                                 |
| <ul style="list-style-type: none"><li>Uncertainty over Income Tax Treatments</li></ul>   | 1 January 2019                                 | The impact of the standard is set out in note 2 Changes in accounting policy. |
| <ul style="list-style-type: none"><li>IFRS 16 Leases</li></ul>   | 1 January 2019                                 | The impact of the standard is set out in note 2 Changes in accounting policy. |

#### 3.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 October 2020 or later periods:

| Standard/ Interpretation:  | Effective date:<br>Years beginning on or after | Expected impact:                         |
|--|--|--|
| <ul style="list-style-type: none"><li>Presentation of Financial Statements: Disclosure initiative</li></ul>                            | 1 January 2020                                 | Unlikely there will be a material impact |
| <ul style="list-style-type: none"><li>Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative</li></ul> | 1 January 2020                                 | Unlikely there will be a material impact |

#### **Presentation of Financial Statements: Disclosure initiative**

The amendment clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The company expects to adopt the amendment for the first time in the 2021 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

#### **Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative**

The amendment clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The company expects to adopt the amendment for the first time in the 2021 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

|  | 2020<br>R '000 | 2019<br>R '000 |
|--|----------------|----------------|
|--|----------------|----------------|

### 4. Investments

Investments held by the company which are measured at fair value are as follows:

#### Equity investments at fair value through other comprehensive income:

|                                |            |            |
|--------------------------------|------------|------------|
| Listed shares - Steinhoff N.V. | 655        | 843        |
|                                | <u>655</u> | <u>843</u> |

The investment in Steinhoff N.V. comprises 770 123 (2019: 770 123) ordinary shares acquired during the 2016 reporting period. The original cost was R55.3 million. Refer to note 21 (Price risk). The shares were sold in the open market on 12 October 2020.

#### Fair value information

Refer to note 23 Fair value information for details of valuation policies and processes.

#### Equity instruments at fair value through other comprehensive income

The Steinhoff N.V. shares are not held for trading but rather as a strategic investment for the greater Steinhoff N.V. Group, therefore management deemed the classification at fair value through other comprehensive income as more appropriate.

### 5. Related party loans receivable

#### Trusts

|  |          |          |
|--|----------|----------|
| Steinhoff International Share Trust                        | 20 197   | 20 197   |
| Steinhoff International Share Trust - impairment provision | (20 197) | (20 197) |
|  | <u>-</u> | <u>-</u> |

The loan receivable from Steinhoff International Share Trust is unsecured, interest free and repayable when employees exercise their share options. An impairment provision has been made against this loan as the amount is not considered recoverable, based on the value of the underlying Steinhoff N.V. shares held at the reporting date.

#### Holding companies

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| Steinhoff Investment Holdings Limited | <u>17 747 684</u> | <u>17 749 184</u> |
|---------------------------------------|-------------------|-------------------|

The loan receivable from SINVH is unsecured, bears no interest and is repayable on demand. ECL's are limited to the 12-month ECL's. Credit losses on the outstanding capital is not expected as the loan is considered highly liquid due to the realisation of the underlying investments of SINVH which is, based on its fair value, sufficient to cover all of its liabilities.

On 12 August 2019, the Company entered into an agreement with SINVH whereby the loan receivable and loan payable between the entities were set off against each other resulting in a net loan receivable being recognised in the Company's records. Refer to note 21 (Offsetting of loans).

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

|  | 2020<br>R '000   | 2019<br>R '000   |
|--|------------------|------------------|
| <b>5. Related party loans receivable (continued)</b> |                  |                  |
| <b>Fellow subsidiaries</b>                           |                  |                  |
| Steinhoff Africa Holdings Proprietary Limited        | 6 620 473        | 6 721 198        |
| Steenbok Newco 2A Limited                            | -                | -                |
|  | <b>6 620 473</b> | <b>6 721 198</b> |

The loan receivable from Steinhoff Africa is unsecured, bears no interest and is repayable on demand. Credit losses on the outstanding capital is not expected as the loan is considered highly liquid due to the realisation of the underlying investments of Steinhoff Africa which is, based on its fair value, sufficient to cover all of its liabilities.

On 12 August 2019, the Company entered into an agreement with Steinhoff Africa whereby the loan receivable and loan payable between the entities were set off against each other resulting in a net loan receivable being recognised in the Company's records. Refer to note 21 (Offsetting of loans).

As part of the Europe restructuring, the SFHG CVA was filed with the English court and were implemented on 13 August 2019. The loan with SFHG was therefore transferred to Steenbok Newco 2A Limited ("Newco 2A"). The implementation of the CVA's does not change the nature of the loan. The loan receivable from Newco 2A is deemed to be 100% credit impaired at initial recognition. As a result, the loan was recognised at its fair value of nil. This loan is Euro denominated, resulting in the loan amount and impairment provision being adjusted with forex movements each year.

A portion of the loans receivable will likely be called upon to settle the Litigation Settlement Proposal provision (refer to note 22) and other current liabilities, therefore one of the significant judgements included in the financial statements is that the portion of the loan receivable equal to the current liabilities is classified as current.

### Split between non-current and current portions

|                    |                   |                   |
|--------------------|-------------------|-------------------|
| Non-current assets | 9 122 241         | 20 481 193        |
| Current assets     | 15 245 916        | 3 989 189         |
|                    | <b>24 368 157</b> | <b>24 470 382</b> |

### Exposure to credit risk

Loans receivable inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 5. Related party loans receivable (continued)

#### Credit rating framework

For purposes of determining the credit loss allowances, management determine the credit rating grades of each loan at the end of the reporting period. These ratings are determined either externally through ratings agencies or internally where external ratings are not available.

The table below sets out the internal credit rating framework which is applied by management for loans for which external ratings are not available. The abbreviation "ECL" is used to depict "expected credit losses."

| Internal credit grade | Description  | Basis for recognising expected credit losses |
|-----------------------|--|--|
| Performing            | Low risk of default and no amounts are past due  | 12m ECL                                      |
| Underperforming       | Either 30 days past due or there has been a significant increase in credit risk since initial recognition. A significant increase in credit risk is indicated by a significant decrease in the value of the borrower's investments or changes in the scope of the business or organisational structure that result in a significant change in the borrower's ability to meet its debt obligations. | Lifetime ECL (not credit impaired)           |
| Non-performing        | Either 90 days past due or there is evidence that the asset is credit impaired   | Lifetime ECL (credit impaired)               |
| Write-off             | There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.   | Amount is written off                        |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

### 5. Related party loans receivable (continued)

#### Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for loans to related parties by credit rating grade:

#### 2020

| Instrument                                    | Internal credit rating | Basis of loss allowance            | Gross Carrying amount<br>R'000 | Loss allowance<br>R'000 | Credit impaired<br>R'000 | Amortised cost<br>R'000 |
|---|------------------------|------------------------------------|--------------------------------|-------------------------|--------------------------|-------------------------|
| <b>Loans to subsidiaries</b>                  |                        |                                    |                                |                         |                          |                         |
| Steinhoff International Share Trust           | Underperforming        | Lifetime ECL (not credit impaired) | 20 197                         | (20 197)                | -                        | -                       |
| <b>Loans to holding companies</b>             |                        |                                    |                                |                         |                          |                         |
| Steinhoff Investment Holdings Limited         | Performing             | 12m ECL                            | 17 747 684                     | -                       | -                        | 17 747 684              |
| <b>Loans to fellow subsidiaries</b>           |                        |                                    |                                |                         |                          |                         |
| Steinhoff Africa Holdings Proprietary Limited | Performing             | 12m ECL                            | 6 620 473                      | -                       | -                        | 6 620 473               |
| Steenbok Newco 2A Limited                     | Non-performing         | Lifetime ECL (credit impaired)     | 21 092 479                     | -                       | (21 092 479)             | -                       |
|   |                        |                                    | <b>27 712 952</b>              | <b>-</b>                | <b>(21 092 479)</b>      | <b>6 620 473</b>        |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

### 5. Related party loans receivable (continued)

2019

| Instrument                                    | Internal credit rating | Basis of loss allowance            | Gross Carrying amount<br>R'000 | Loss allowance<br>R'000 | Credit impaired<br>R'000 | Amortised cost<br>R'000 |
|---|------------------------|------------------------------------|--------------------------------|-------------------------|--------------------------|-------------------------|
| <b>Loans to subsidiaries</b>                  |                        |                                    |                                |                         |                          |                         |
| Steinhoff International Share Trust           | Underperforming        | Lifetime ECL (not credit impaired) | 20 197                         | (20 197)                | -                        | -                       |
| <b>Instrument</b>                             |                        |                                    |                                |                         |                          |                         |
| <b>Loans to holding companies</b>             |                        |                                    |                                |                         |                          |                         |
| Steinhoff Investment Holdings Limited         | Performing             | 12m ECL                            | 17 749 184                     | -                       | -                        | 17 749 184              |
| <b>Loans to fellow subsidiaries</b>           |                        |                                    |                                |                         |                          |                         |
| Steinhoff Africa Holdings Proprietary Limited | Performing             | 12m ECL                            | 6 721 198                      | -                       | -                        | 6 721 198               |
| Steenbok Newco 2A Limited                     | Non-performing         | Lifetime ECL (credit impaired)     | 17 719 686                     | -                       | (17 719 686)             | -                       |
|   |                        |                                    | <b>24 440 884</b>              | <b>-</b>                | <b>(17 719 686)</b>      | <b>6 721 198</b>        |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

|  | 2020<br>R '000  | 2019<br>R '000  |
|--|-----------------|-----------------|
| <b>5. Related party loans receivable (continued)</b> |                 |                 |
| <b>Reconciliation of loss allowances</b>             |                 |                 |
| <b>Opening balance</b>                               | (20 197)        | (16 883 883)    |
| Movement in provision for expected credit losses     | -               | (250)           |
| Reversal of impairments                              | -               | 69 196          |
| Derecognition of loans                               | -               | 16 794 740      |
| <b>Closing balance</b>                               | <b>(20 197)</b> | <b>(20 197)</b> |

As part of the Europe restructuring, the SEAG and SFHG CVAs were filed with the English court and was implemented on 13 August 2019. The loan to SFHG was therefore ceded to Newco 2A. The loan with SFHG were derecognised and on initial recognition of the loan with Newco 2A, the loan was deemed to be credit-impaired. As a result the loan was recognised at its fair value of nil.

### Fair value of related party loans receivable

The fair value of related party loans receivable approximates their carrying amounts.

## 6. Cash and cash equivalents

Cash and cash equivalents consist of:

|               |        |        |
|---------------|--------|--------|
| Bank balances | 84 635 | 72 680 |
|---------------|--------|--------|

### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

### Credit rating (Moody's Short-term bank deposits (domestic))

|    |        |        |
|----|--------|--------|
| NP | 84 400 | 72 680 |
|----|--------|--------|

Risks on South African banks are considered negligible as all cash deposits are guaranteed by the SA Reserve Bank and banks are financially sound.

## 7. Ordinary stated share capital

### Authorised

|   |   |   |
|---|---|---|
| 6 000 000 (2019: 6 000 000) Ordinary shares of no par value | - | - |
|---|---|---|

### Issued

|   |            |            |
|---|------------|------------|
| 3 862 638 640 (2019: 3 862 638 640) Ordinary shares of no par value | 53 318 304 | 53 318 304 |
|---|------------|------------|



# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

|   | 2020<br>R '000    | 2019<br>R '000    |
|---|-------------------|-------------------|
| <b>8. Borrowings</b>                                  |                   |                   |
| <b>Held at amortised cost</b>                         |                   |                   |
| SIHPL CPU financial liability                         | 31 166 158        | 26 182 533        |
| <b>Split between non-current and current portions</b> |                   |                   |
| Non-current liabilities                               | 26 428 902        | 22 202 788        |
| Current liabilities                                   | 4 737 256         | 3 979 745         |
|   | <b>31 166 158</b> | <b>26 182 533</b> |

The Company served as co-guarantor for the 2021 and 2022 convertible bonds issued by SFHG, a subsidiary of the Steinhoff N.V. Group.

In the 2018 Reporting Period the full amount of the guarantee (EUR 1.58 billion at the closing exchange rate of R16.43 per euro) was recognised as the borrower was in default with regards to the underlying obligations.

Upon the implementation of the CVA, the 2021 and 2022 convertible bonds issued by SFHG were restructured into the 21/22 Term Loan Facility and the SIHPL Contingent Payment Undertaking ("CPU") replaced the financial guarantee previously issued by the Company. Both the guarantee and the CPU liability are euro-denominated.

Under the SIHPL CPU, the Company undertook to take reasonable endeavours to pay an amount of up to 25 per cent of the aggregate outstanding amount of Facility A1 loans to the bondholders within five business days after implementation of the CVA. The directors also recognised that the 2021 and 2022 convertible bonds guarantee claims at SIHPL ranked pari passu with other unsecured claims of SIHPL, including any contingent or non-notified claims that may be proved at a future date. The reasonable endeavours undertaken by the directors includes extensive consultation with legal and financial advisors and engaging with lenders and litigants.

Whilst considering its obligations under the SIHPL CPU after the implementation of the CVA, the Company received letters of objection from three contingent creditors that sought to restrict the Company from making any payments under the SIHPL CPU. The Company agreed to give five clear business days' notice to the objecting parties of any intention to make payment. Further discussions are ongoing with the relevant parties.

The Company believes it has fulfilled its obligations under the SIHPL CPU. No decision to pay has been made under the SIHPL CPU to date.

As mentioned above, the SIHPL CPU is Euro denominated. The value of the SIHPL CPU, as at 30 September 2020, recognised at the year-end closing ZAR:EUR exchange rate of R19.71:€1.00, is R31.2 billion for both the current and non-current portion. The closing ZAR:EUR exchange rate weakened from R16.5576 at 30 September 2019 to R19.7092 at 30 September 2020, resulting in a c. R5.0 billion foreign exchange loss being recognised (refer to note 12).

The amount that SIHPL will have available to repay, is dependent on SINVA and Steinhoff Africa repaying intercompany loans owed to SIHPL. In terms of a sum-of-the parts calculation performed on the SINVA Group the Steinhoff Africa and SINVA loans are recoverable.

The amount the Company will be able to pay under the SIHPL CPU is limited to the net asset value before inclusion of the CPU financial liability.

The current portion of the CPU was determined in terms of the quasi-liquidation methodology which includes considering litigation claims against the Company. The amount is ultimately determined by the directors after extensive consultation with legal and financial advisors and engaging with lenders and litigants.

As part of the Litigation Settlement Proposal, the SIHPL CPU creditors were asked to extend the payment date under the SIHPL CPU. In exchange for this extension, SIHPL will grant third-ranking security over all of its assets (which are primarily inter-company receivables in South Africa).

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

|  | 2020<br>R '000     | 2019<br>R '000   |
|--|--------------------|------------------|
| <b>9. Other payables and accruals</b>  |                    |                  |
| <b>Financial instruments:</b>  |                    |                  |
| Other payables - Steinhoff At Work Proprietary Limited   | 38 171             | 38 171           |
| Accrued expenses   | 5 942              | 3 794            |
|  | <u>44 113</u>      | <u>41 965</u>    |
| <b>Fair value of other payables and accruals</b>   |                    |                  |
| The fair value of other payables and accruals approximates their carrying amounts.             |                    |                  |
| <b>10. Related party loans payable</b>   |                    |                  |
| <b>Holding company</b>   |                    |                  |
| Steinhoff International Holdings N.V.  | 62 840             | 62 840           |
| The loan payable to Steinhoff N.V. is unsecured, bears no interest and is repayable on demand. |                    |                  |
| <b>Split between non-current and current portions</b>  |                    |                  |
| Current liabilities  | 62 840             | 62 840           |
| <b>Fair value of related party loans payable</b>   |                    |                  |
| The fair value of related party loans payable approximates their carrying amounts.             |                    |                  |
| <b>11. Investment income</b>   |                    |                  |
| <b>Interest income</b>   |                    |                  |
| South African Revenue Service  | 605                | 3 144            |
| Bank and other cash  | 4 055              | 2 168            |
| Distribution from related party  | -                  | 250              |
| <b>Total interest income</b>   | <u>4 660</u>       | <u>5 562</u>     |
| <b>12. Net foreign exchange loss on financial instruments</b>                                  |                    |                  |
| <b>Foreign exchange gains/(losses)</b>   |                    |                  |
| Arising on loans to related parties  | 5                  | -                |
| Translation of foreign borrowings  | 8                  | 1 019            |
|  | <u>(4 983 477)</u> | <u>(195 923)</u> |
|  | <u>(4 983 477)</u> | <u>(194 904)</u> |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

|  | 2020<br>R '000 | 2019<br>R '000  |
|--|----------------|-----------------|
| <b>13. Operating loss</b>  |                |                 |
| Operating loss for the year is stated after charging the following, amongst others:                      |                |                 |
| <b>Auditor's remuneration - external</b>   |                |                 |
| Audit fees   | 3 195          | -               |
| <b>Other expenses</b>  |                |                 |
| Directors remuneration   | 3 224          | 2 623           |
| Other expenses   | 129 372        | 8 798           |
|  | <b>132 596</b> | <b>11 421</b>   |
| Refer to note 22 for the Litigation Settlement Proposal provision and further detail on the transaction. |                |                 |
| <b>Impairment/(reversal) of loans to related parties</b>   |                |                 |
| Steinhoff International Share Trust  | -              | 250             |
| Conforama Holdings S.A.  | -              | (69 196)        |
|  | -              | <b>(68 946)</b> |
| <b>14. Taxation</b>  |                |                 |
| <b>Major components of the tax expense (income)</b>  |                |                 |
| <b>Current</b>   |                |                 |
| Local income tax - overprovision of prior year taxation  | (921)          | 519             |
| <b>Reconciliation of the tax expense</b>   |                |                 |
| Reconciliation between accounting profit and tax expense.  |                |                 |
| Accounting loss  | (15 585 986)   | (131 817)       |
| Tax at the applicable tax rate of 28%  | (4 364 076)    | (36 909)        |
| <b>Tax effect of adjustments on taxable income</b>   |                |                 |
| Provision for impairment of related party loans receivable   | -              | (19 305)        |
| Expenses not incurred in the production of income  | 2 974 657      | 1 874           |
| Non-deductible foreign exchange losses   | 1 395 374      | 54 859          |
| Non-taxable income   | (4 649)        | -               |
| Tax loss utilised  | (1 306)        | -               |
| Overprovision of taxation  | (921)          | -               |
|  | <b>(921)</b>   | <b>519</b>      |

No provision has been made for 2020 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 6 661 108 657 (2019: R 6 665 769 182).

Expenses not incurred in the production of income in the 2020 Reporting Period relate to provision for litigation costs, as well as advisory, legal and consulting fees paid.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

|  | 2020<br>R '000         | 2019<br>R '000       |
|--|------------------------|----------------------|
| <b>15. Other comprehensive income</b>                          |                        |                      |
| <b>Components of other comprehensive income - 2020</b>         |                        |                      |
|  | <b>Gross<br/>R'000</b> | <b>Tax<br/>R'000</b> |
|  |                        | <b>Net<br/>R'000</b> |
| <b>Items that will not be reclassified to profit/(loss)</b>    |                        |                      |
| <b>Movements on fair adjustments on investments in equity</b>  |                        |                      |
| Fair value adjustment - Steinhoff N.V. listed shares           | (189)                  | -                    |
|  |                        | (189)                |
| <b>Components of other comprehensive income - 2019</b>         |                        |                      |
|  | <b>Gross<br/>R'000</b> | <b>Tax<br/>R'000</b> |
|  |                        | <b>Net<br/>R'000</b> |
| <b>Items that will not be reclassified to profit/(loss)</b>    |                        |                      |
| <b>Movements on valuation of equity investments</b>            |                        |                      |
| Fair value adjustment - Steinhoff N.V. listed shares           | (1 147)                | -                    |
|  |                        | (1 147)              |
| <b>16. Cash used in operations</b>                             |                        |                      |
| Loss before taxation   | (15 585 986)           | (131 817)            |
| <b>Adjustments for:</b>  |                        |                      |
| Net foreign exchange loss                                      | 4 983 625              | 194 904              |
| Interest income  | (4 660)                | (5 562)              |
| Net impairments and movements in credit loss allowances        | -                      | (68 946)             |
| Movements in provisions  | 10 487 980             | -                    |
| Loan write-off - Steinhoff Africa Holdings Proprietary Limited | (13 510)               | -                    |
| <b>Changes in working capital:</b>                             |                        |                      |
| Other payables and accruals                                    | 20 332                 | 638                  |
|  | <b>(112 219)</b>       | <b>(10 783)</b>      |
| <b>17. Tax refunded</b>  |                        |                      |
| Balance at beginning of the year                               | 22 681                 | 19 665               |
| Current tax for the year recognised in profit or loss          | 921                    | (519)                |
| Accrued interest   | 605                    | 3 144                |
| Balance at end of the year                                     | (1 638)                | (22 681)             |
|  | <b>22 569</b>          | <b>(391)</b>         |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 18. Changes in liabilities arising from financing activities

#### Reconciliation of liabilities arising from financing activities - 2020

|  | Opening<br>balance<br>R'000 | Foreign<br>exchange<br>movements<br>R'000 | Total<br>non-cash<br>movements<br>R000 | Closing<br>balance<br>R'000 |
|--|-----------------------------|---|--|-----------------------------|
| Borrowings   | 26 182 533                  | 4 983 625                                 | 4 983 625                              | 31 166 158                  |
| Related party loans payable                        | 62 840                      | -   | -                                      | 62 840                      |
|  | <b>26 245 373</b>           | <b>4 983 625</b>                          | <b>4 983 625</b>                       | <b>31 228 998</b>           |
| <b>Total liabilities from financing activities</b> | <b>26 245 373</b>           | <b>4 983 625</b>                          | <b>4 983 625</b>                       | <b>31 228 998</b>           |

#### Reconciliation of liabilities arising from financing activities - 2019

|  | Opening<br>balance<br>R'000 | Foreign<br>exchange<br>movements<br>R'000 | Other<br>non-cash<br>movements<br>R'000 | Total<br>non-cash<br>movements<br>R'000 | Closing<br>balance<br>R'000 |
|--|-----------------------------|---|---|---|-----------------------------|
| Borrowings   | 25 986 610                  | 195 923                                   | -                                       | 195 923                                 | 26 182 533                  |
| Related party loans payable                        | 5 776 287                   | -   | (5 713 447)                             | (5 713 447)                             | 62 840                      |
|  | <b>31 762 897</b>           | <b>195 923</b>                            | <b>(5 713 447)</b>                      | <b>(5 517 524)</b>                      | <b>26 245 373</b>           |
| <b>Total liabilities from financing activities</b> | <b>31 762 897</b>           | <b>195 923</b>                            | <b>(5 713 447)</b>                      | <b>(5 517 524)</b>                      | <b>26 245 373</b>           |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

|   | 2020<br>R '000 | 2019<br>R '000                                |
|---|----------------|---|
| <b>19. Related parties</b>  |                |   |
| <b>Relationships</b>  |                |   |
| Ultimate holding company  |                | Steinhoff International Holdings N.V.         |
| Holding company   |                | Steinhoff Investment Holdings Limited         |
| Fellow subsidiaries   |                | Steinhoff Africa Holdings Proprietary Limited |
|   |                | Steinhoff at Work Proprietary Limited         |
|   |                | Conforama Holdings S.A.                       |
|   |                | Steenbok Newco 2A Limited                     |
|   |                | Steinhoff Finance Holding GmbH                |
|   |                | Steinhoff International Share Trust           |
| Related trust   |                |   |
| <b>Related party balances</b>   |                |   |
| Refer to note 5 for the related party loans receivable and note 10 for the related party loans payable. |                |   |
| <b>Amounts included in other payables regarding related parties</b>                                     |                |   |
| Steinhoff at Work Proprietary Limited   | 38 171         | 38 171  |
| <b>Related party transactions</b>   |                |   |
| <b>Distribution received from related parties</b>   |                |   |
| Steinhoff International Share Trust   | -              | 250   |
| <b>(Reversal)/additional impairment on related party loans</b>  |                |   |
| Steinhoff International Share Trust   | -              | 250   |
| Conforama Holdings S.A.   | -              | (69 196)                                      |
|   | -              | <b>(68 946)</b>                               |
| <b>Compensation paid to DI Pauker</b>   |                |   |
| Director fees   | 3 224          | 2 623   |

### Interest of directors and officers in contracts

All directors and officers of the Company have, other than described below, confirmed that they had no interest in any contract of significance with the Company or any of its fellow subsidiary companies, which could have resulted in a conflict of interest during the period.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

### 20. Directors' emoluments

#### Executive

#### 2020

|              | Basic remuneration<br>R'000 | Company directors' fees<br>R'000 | Supervisory Board fees<br>R'000 | Annual leave paid out<br>R'000 | Annual bonus paid<br>R'000 | Accrued short term and long term bonus<br>R'000 | Total<br>R'000 |
|--------------|-----------------------------|----------------------------------|---------------------------------|--------------------------------|----------------------------|---|----------------|
| LJ du Preez  | 24 618                      | -                                | -                               | 2 109                          | 8 483                      | 30 231  | 65 441         |
| TLR de Klerk | 21 556                      | -                                | -                               | 784                            | 7 357                      | 25 095  | 54 792         |
| DI Pauker    | -                           | 3 224                            | 3 163                           | -                              | -                          | -   | 6 387          |
|              | <b>46 174</b>               | <b>3 224</b>                     | <b>3 163</b>                    | <b>2 893</b>                   | <b>15 840</b>              | <b>55 326</b>                                   | <b>126 620</b> |

#### 2019

|               | Basic remuneration<br>R'000 | Company directors' fees<br>R'000 | Supervisory Board fees<br>R'000 | Annual bonus paid<br>R'000 | Accrued short term and long term bonus<br>R'000 | Total<br>R'000 |
|---------------|-----------------------------|----------------------------------|---------------------------------|----------------------------|---|----------------|
| LJ du Preez   | 20 295                      | -                                | -                               | -                          | 23 665  | 43 960         |
| TLR de Klerk  | 6 500                       | -                                | -                               | -                          | 17 530  | 24 030         |
| DI Pauker     | -                           | 2 623                            | 1 186                           | -                          | -   | 3 809          |
| PJ Dieperink* | 28 517                      | -                                | -                               | 8 734                      | -   | 37 251         |
|               | <b>55 312</b>               | <b>2 623</b>                     | <b>1 186</b>                    | <b>8 734</b>               | <b>41 195</b>                                   | <b>109 050</b> |

PJ Dieperink resigned on 7 May 2019.

\* Includes a foreign amount converted to rand for reporting purposes.

Amounts included in bonuses include amounts accrued for the year and payable subsequent to year-end.

Remuneration for directors are only disclosed for the period that they were appointed as directors of the Company.

The above remuneration related to services rendered to other companies in the Steinhoff Group. The only remuneration paid by the Company was remuneration paid to DI Pauker. The directors did not receive any long term employee benefits.

#### Shareholding in Steinhoff N.V. by directors and in service as at the date of this report:

|              | Number of shares held directly and indirectly |
|--------------|---|
| LJ du Preez  | 5 165   |
| TLR de Klerk | 194 270                                       |
|              | <b>199 435</b>                                |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

### 21. Financial instruments and risk management

#### Categories of financial instruments

#### Categories of financial assets

#### 2020

|                                | Note(s) | Fair value through other comprehensive income - equity instruments R'000 | Amortised cost R'000 | Total R'000       |
|--------------------------------|---------|--|----------------------|-------------------|
| Investments                    | 4       | 655  | -                    | 655               |
| Related party loans receivable | 5       | -  | 24 368 157           | 24 368 157        |
| Cash and cash equivalents      | 6       | -  | 84 635               | 84 635            |
|                                |         | <b>655</b>   | <b>24 452 792</b>    | <b>24 453 447</b> |

#### 2019

|                                | Note(s) | Fair value through other comprehensive income - equity instruments R'000 | Amortised cost R'000 | Total R'000       |
|--------------------------------|---------|--|----------------------|-------------------|
| Investments                    | 4       | 843  | -                    | 843               |
| Related party loans receivable | 5       | -  | 24 470 382           | 24 470 382        |
| Cash and cash equivalents      | 6       | -  | 72 680               | 72 680            |
|                                |         | <b>843</b>   | <b>24 543 062</b>    | <b>24 543 905</b> |

#### Categories of financial liabilities

#### 2020

|                             | Note(s) | Amortised cost R'000 | Total R'000       |
|-----------------------------|---------|----------------------|-------------------|
| Borrowings                  | 8       | 31 166 158           | 31 166 158        |
| Other payables and accruals | 9       | 44 113               | 44 113            |
| Related party loans payable | 10      | 62 840               | 62 840            |
|                             |         | <b>31 273 111</b>    | <b>31 273 111</b> |



# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

### 21. Financial instruments and risk management (continued)

2019

|                             | Note(s) | Amortised<br>cost<br>R'000 | Total<br>R'000    |
|-----------------------------|---------|----------------------------|-------------------|
| Borrowings                  | 8       | 26 182 533                 | 26 182 533        |
| Other payables and accruals | 9       | 41 965                     | 41 965            |
| Related party loans payable | 10      | 62 840                     | 62 840            |
|                             |         | <b>26 287 338</b>          | <b>26 287 338</b> |

### Pre tax gains and losses on financial instruments

#### Gains and losses on financial assets

2020

|  | Note(s) | Fair value<br>through other<br>comprehen-<br>sive income -<br>equity<br>instruments<br>R'000 | Amortised<br>cost<br>R'000 | Total<br>R'000 |
|--|---------|--|----------------------------|----------------|
| <b>Recognised in profit or loss:</b>             |         |  |                            |                |
| Interest income                                  | 11      | -  | 4 055                      | 4 055          |
| Gain on loan correction                          |         | -  | 13 510                     | 13 510         |
| <b>Recognised in other comprehensive income:</b> |         |  |                            |                |
| Fair value gain on investments                   | 15      | (189)  | -                          | (189)          |
| <b>Net gains/(losses)</b>                        |         | <b>(189)</b>   | <b>17 565</b>              | <b>17 376</b>  |

2019

|   | Note(s) | Fair value<br>through other<br>comprehen-<br>sive income -<br>equity<br>instruments<br>R'000 | Amortised<br>cost<br>R'000 | Total<br>R'000 |
|---|---------|--|----------------------------|----------------|
| <b>Recognised in profit or loss:</b>                          |         |  |                            |                |
| Interest income   | 11      | -  | 2 418                      | 2 418          |
| Net foreign exchange gain on settlement of related party loan | 12      | -  | 1 019                      | 1 019          |
| Movement in impairments in related party receivables          | 13      | -  | 68 946                     | 68 946         |
| <b>Recognised in other comprehensive income:</b>              |         |  |                            |                |
| Fair value loss on investments                                | 15      | (1 147)  | -                          | (1 147)        |
| <b>Net gains/(losses)</b>                                     |         | <b>(1 147)</b>   | <b>72 383</b>              | <b>71 236</b>  |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 21. Financial instruments and risk management (continued)

#### Gains and losses on financial liabilities

##### 2020

|   | Note | Amortised<br>cost<br>R'000 | Total<br>R'000 |
|---|------|----------------------------|----------------|
| <b>Recognised in profit or loss:</b>    |      |                            |                |
| Net foreign exchange loss on borrowings | 12   | (4 983 477)                | (4 983 477)    |

---

##### 2019

|   | Note | Amortised<br>cost<br>R'000 | Total<br>R'000 |
|---|------|----------------------------|----------------|
| <b>Recognised in profit or loss:</b>    |      |                            |                |
| Net foreign exchange loss on borrowings | 12   | (195 923)                  | (195 923)      |

---

#### Capital risk management

The capital structure of the company consists of borrowings disclosed in note 8, cash and cash equivalents disclosed in note 6, related party loans receivable in note 5, related party loans payable in note 10 and equity as disclosed in the statement of changes in equity. There are no externally imposed capital requirements. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The capital risk faced by the Company during the 2020 Reporting Period remained substantial.

The implementation of the CVA has enabled the Company to start improving the management of capital risk.

#### Financial risk management

##### Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

##### Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on loans receivable and cash and cash equivalents.

The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Management evaluates the credit quality of loans receivable on a regular basis and does not expect any non-performance by the parties. The company takes into account any historic default experience, the financial position of the counterparty, the effective interest rate of the loan as well as future prospects in the industries in which the counterparties operate.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

### 21. Financial instruments and risk management (continued)

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses.

The maximum exposure to credit risk is presented in the table below:

|                                |   | 2020                           |                                |                         | 2019                           |                                |                         |
|--------------------------------|---|--------------------------------|--------------------------------|-------------------------|--------------------------------|--------------------------------|-------------------------|
|                                |   | Gross carrying amount<br>R'000 | Credit loss allowance<br>R'000 | Amortised cost<br>R'000 | Gross carrying amount<br>R'000 | Credit loss allowance<br>R'000 | Amortised cost<br>R'000 |
| Related party loans receivable | 5 | 24 388 354                     | (20 197)                       | 24 368 157              | 24 490 579                     | (20 197)                       | 24 470 382              |
| Cash and cash equivalents      | 6 | 84 635                         | -                              | 84 635                  | 72 680                         | -                              | 72 680                  |
|                                |   | <b>24 472 989</b>              | <b>(20 197)</b>                | <b>24 452 792</b>       | <b>24 563 259</b>              | <b>(20 197)</b>                | <b>24 543 062</b>       |

The related party loans receivable was assessed for recoverability, as far as possible, on fair values of the underlying net assets. When the fair value of underlying assets was not available the net asset value of the party was used.

As at 30 September 2020, some of the related party loans receivable were past due but and fully impaired. Refer to note 5.

#### Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

Liquidity risk may also arise because of the possibility that the company could be required to pay its liabilities earlier than expected.

The maturity profile of contractual cash flows of non-derivative financial liabilities, held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

#### 2020

|                                |    | Less than<br>1 year<br>R'000 | 1 to 2<br>years<br>R'000 | Total<br>R'000    | Carrying<br>amount<br>R'000 |
|--------------------------------|----|------------------------------|--------------------------|-------------------|-----------------------------|
| <b>Non-current liabilities</b> |    |                              |                          |                   |                             |
| Borrowings                     | 8  | -                            | 26 428 902               | 26 428 902        | 26 428 902                  |
| <b>Current liabilities</b>     |    |                              |                          |                   |                             |
| Other payables and accruals    |    | 44 113                       | -                        | 44 113            | 44 113                      |
| Related party loans payable    | 10 | 62 840                       | -                        | 62 840            | 62 840                      |
| Borrowings                     | 8  | 4 737 256                    | -                        | 4 737 256         | 4 737 256                   |
|                                |    | <b>4 844 208</b>             | <b>26 428 902</b>        | <b>31 273 111</b> | <b>31 273 111</b>           |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

|  | 2020<br>R '000 | 2019<br>R '000 |
|--|----------------|----------------|
|--|----------------|----------------|

### 21. Financial instruments and risk management (continued)

#### 2019

|                                |    | Less than<br>1 year<br>R'000 | 2 to 3<br>years<br>R'000 | Total<br>R'000    | Carrying<br>amount<br>R'000 |
|--------------------------------|----|------------------------------|--------------------------|-------------------|-----------------------------|
| <b>Non-current liabilities</b> |    |                              |                          |                   |                             |
| Borrowings                     | 8  | -                            | 22 202 788               | 22 202 788        | 22 202 788                  |
| <b>Current liabilities</b>     |    |                              |                          |                   |                             |
| Other payables and accruals    | 9  | 41 965                       | -                        | 41 965            | 41 965                      |
| Related party loans payables   | 10 | 62 840                       | -                        | 62 840            | 62 840                      |
| Borrowings                     | 8  | 3 979 745                    | -                        | 3 979 745         | 3 979 745                   |
|                                |    | <b>4 084 550</b>             | <b>22 202 788</b>        | <b>26 287 338</b> | <b>26 287 338</b>           |

The debt less than 1 year will be financed by the realisation of loans receivable.

#### Foreign currency risk

The Company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. The foreign currency in which the Company deal primarily is Euros.

#### Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

#### Euro exposure:

##### Non-current liabilities:

|            |   |              |              |
|------------|---|--------------|--------------|
| Borrowings | 8 | (26 428 902) | (22 202 788) |
|------------|---|--------------|--------------|

##### Current liabilities:

|            |   |             |             |
|------------|---|-------------|-------------|
| Borrowings | 8 | (4 737 256) | (3 979 745) |
|------------|---|-------------|-------------|

##### Net Euro exposure

|  |                     |                     |
|--|---------------------|---------------------|
|  | <b>(31 166 158)</b> | <b>(26 182 533)</b> |
|--|---------------------|---------------------|

#### Exchange rates

##### Rand per unit of foreign currency:

|      |        |        |
|------|--------|--------|
| Euro | 19.709 | 16.434 |
|------|--------|--------|

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

### 21. Financial instruments and risk management (continued)

#### Foreign currency sensitivity analysis

The following information presents the sensitivity of the company to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

| Increase or decrease in rate                                  | 2020<br>R'000 | 2019<br>R'000 |
|---|---------------|---------------|
| <b>Impact on profit or loss:</b>                              |               |               |
| Euro weakening by 0.9% (2019: weakening by 10.2%) to the rand | 280 495       | 2 670 618     |

#### Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The debt of the company is comprised of different instruments, which bear interest at either fixed or floating interest rates.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

#### Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

|                                | Variable<br>interest<br>R'000 | Non-interest<br>bearing<br>R'000 | Total<br>R'000     |
|--------------------------------|-------------------------------|----------------------------------|--------------------|
| <b>30 September 2020</b>       |                               |                                  |                    |
| Investments                    | -                             | 655                              | 655                |
| Related party loans receivable | -                             | 24 368 157                       | 24 368 157         |
| Cash and cash equivalents      | 84 635                        | -                                | 84 635             |
| Other payables and accruals    | -                             | (44 113)                         | (44 113)           |
| Related party loans payable    | -                             | (62 840)                         | (62 840)           |
| Borrowings                     | -                             | (31 166 158)                     | (31 166 158)       |
|                                | <b>84 635</b>                 | <b>(6 904 299)</b>               | <b>(6 819 664)</b> |
| <b>30 September 2019</b>       |                               |                                  |                    |
| Investments                    | -                             | 843                              | 843                |
| Related party loans receivable | -                             | 24 470 382                       | 24 470 382         |
| Cash and cash equivalents      | 72 680                        | -                                | 72 680             |
| Other payables and accruals    | -                             | (41 965)                         | (41 965)           |
| Related party loans payable    | -                             | (62 840)                         | (62 840)           |
| Borrowings                     | -                             | (26 182 533)                     | (26 182 533)       |
|                                | <b>72 680</b>                 | <b>(1 816 113)</b>               | <b>(1 743 433)</b> |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

### 21. Financial instruments and risk management (continued)

#### Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

| Increase or decrease in rate     | 2020              | 2020              | 2019              | 2019              |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                  | Increase<br>R'000 | Decrease<br>R'000 | Increase<br>R'000 | Decrease<br>R'000 |
| <b>Impact on profit or loss:</b> |                   |                   |                   |                   |
| 100 basis points                 | 846               | (846)             | 727               | (727)             |

#### Price risk

The company is exposed to price risk because of its investments in equity instruments which are measured at fair value.

All equity exposure was to Steinhoff N.V. shares. The investment was fair valued at 30 September 2020 using a 30-day VWAP of R0.85. A one percent change in the 30-day VWAP used in the valuation of the listed ordinary shares, designated to be classified as at fair value through other comprehensive income, would result in an immaterial adjustment to the fair value, through other comprehensive income before taxation. Subsequent to the reporting date, the share price of Steinhoff N.V. decreased slightly and traded on 30 October 2020 at R0.83 per share.

#### Offsetting of loans

During the 2019 Reporting Period, the Company entered into netting agreements with related parties whereby the loans payable and loans receivable were set off against each other (refer note 5 and 10).

The table below presents the recognised loans that were offset as at 30 September 2019 with the respective counterparties:

|                 | SINVH<br>R'000    | Steinhoff<br>Africa<br>R'000 |
|-----------------|-------------------|------------------------------|
| Loan receivable | 19 941 736        | 10 242 093                   |
| Loan payable    | (2 192 552)       | (3 520 895)                  |
|                 | <b>17 749 184</b> | <b>6 721 198</b>             |

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 22. Commitments and contingencies

#### Contingent liabilities - Legal Claims

The legal claims the Steinhoff N.V. Group faces are complex, multi-jurisdictional claims initiated by multiple parties relating to the alleged accounting irregularities announced in December 2017. Various proceedings have been commenced against the Company, its holding company and SIHPL in the Netherlands, Germany and South Africa. Not all claimants have sought to quantify their alleged damages at the outset of proceedings, but the combined claims of those that have sought to do so are in excess of R136 billion (€7 billion at a ZAR/Euro rate of ZAR19.5).

In addition to proceedings against Steinhoff N.V. Group entities, claims have also been made against, amongst others, former directors and officers of Steinhoff N.V. Group entities. In parallel, the Group is also evaluating potential claims it may have against third parties, and recoveries against implicated entities and individuals are being initiated where appropriate. The outcome of any recoveries remain uncertain.

All claims are being disputed in ongoing litigation proceedings and there remains uncertainty as to the outcome of all of those legal proceedings. If all such claims were ultimately established in the amounts asserted, it is clear that the net asset value of the Steinhoff N.V. Group would fall far short of the amount required to satisfy them in full. In such circumstances, liquidation proceedings would ensue which would, in the Group's view, materially impair the value of assets available for distribution and adversely affect the timing and amount of the claimants' recoveries relative to the proposed settlement.

The base currency of the claims has been converted to the reporting currency by using the closing exchange rates of the 2020 Reporting Period.

In broad terms, the claims instituted in legal proceedings against Steinhoff N.V. and SIHPL fall into three categories:

- a) market purchase claims ("MPCs") in respect of shares and securities acquired on markets;
- b) contractual claims ("Contractual Claims") by those claimants who, in accordance with the terms of contractual arrangements involving Steinhoff Group, sold businesses, shares or otherwise received consideration directly from Steinhoff Group by way of issuance, or
- c) other claims that are neither MPCs nor Contractual Claims against Steinhoff N.V. or SIHPL ("Non-Qualifying Claims").

Any proposed settlement consideration paid or delivered by Steinhoff N.V. or SIHPL will be in full and final settlement of any and all MPCs or Contractual Claims of the claimant or counterparty against any member of the Steinhoff Group (unless otherwise specified).

Disclosure on the status of legal claims against the Steinhoff Group, will be divided into 2 sections:

- A) MPC and Contractual Claims included in Litigation Settlement Proposal; and
- B) Other Non-Qualifying Claims not included in Litigation Settlement Proposal.

#### **A) MPC and Contractual Claims included in Litigation Settlement Proposal**

##### **Litigation Settlement Proposal**

Per the SENS announcement on 27 July 2020, the Steinhoff N.V. Group has formulated proposed settlement amounts for various claimant groups (as explained above) in light of the characteristics of, and risks affecting, their claims, the Steinhoff N.V. Group's ability to continue trading and to maximise the asset values available to it, and the likely outcomes for claimants if the Steinhoff N.V. Group was unable to do so and liquidation ensued. The terms of the global Litigation Settlement Proposal were updated in October 2020. A provision has been raised during the 2020 Reporting Period based on the estimated financial outcome of the Litigation Settlement Proposal. The proposed settlement terms also have regard to the adverse impact of the COVID-19 pandemic on the value of the Steinhoff N.V. Group's underlying businesses and the effect of currency movements.

***The Steinhoff N.V. Group's settlement proposal is made on the basis that it does not represent an admission of any liability in respect of any of the various claims made against any member of the Steinhoff N.V. Group or any directors, officers, employees or advisers, past or present.***

The Steinhoff N.V. Group announced on 16 February 2021 that following its application to the Amsterdam District Court on 15 February 2021 for a Dutch SoP, the Amsterdam District Court opened the Dutch SoP in respect of Steinhoff N.V. on 15 February 2021.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 22. Commitments and contingencies (continued)

#### A) MPC and Contractual Claims included in Litigation Settlement Proposal (continued)

Following the opening of the Dutch SoP, SIHPL has launched a statutory compromise process under South African law (“S155 Scheme”) also as part of the implementation of the Litigation Settlement Proposal. The Dutch SoP relates only to Steinhoff N.V. and the S155 Scheme relates only to SIHPL. These processes, which are inter-conditional, do not directly affect any of the other entities in the Steinhoff N.V. Group nor any of its operating businesses.

The purpose of the Dutch SoP process and the S155 Scheme is to implement the proposal to settle certain multi-jurisdictional legacy litigation and various claims against Steinhoff N.V. and SIHPL. In consideration for payment of the settlement consideration, participating claimants will be required to grant full and final releases and waivers of claims against the Steinhoff N.V. Group and other parties on the terms set out in the Schemes.

Their respective terms are available at [www.SteinhoffSettlement.com](http://www.SteinhoffSettlement.com).

Implementation of the Steinhoff global Litigation Settlement Proposal will require the requisite support of claimants and approvals by the Dutch and South African courts, and the process of obtaining such approvals is expected to take several months. Commencement of these processes follows the separate agreements reached with Deloitte Accountants B.V. and Deloitte & Touche South Africa (together “Deloitte”) and Conservatorium announced on 14 February 2021. Refer to note 25 in this regard. Discussions are ongoing with other third parties regarding possible additional contributions. The Dutch SoP scheme proposal and the s155 scheme proposal provide an implementation framework to deliver such recoveries to creditors. In the event additional contributions are agreed by other parties, and if required, the Dutch SoP scheme proposal and s155 scheme proposal will be amended to accommodate the relevant terms on which related recoveries will be delivered by such third parties.

The proposed terms of the settlement provided for payments materially in excess of the permission granted by financial creditors in 2019 and required fresh consent from financial creditors.

As announced, in addition to achievement of the necessary levels of support by claimants to the Steinhoff N.V. Group’s proposal, (being a majority in number (more than 50%) representing 75% by value of those voting in each class in respect of the s155 proceedings and a simple majority of the number of ordinary insolvency creditors attending the meeting which represents at least half of the total amount of admitted ordinary insolvency creditor claims in respect of the Dutch SoP the settlement was conditional on, inter alia:

- i. **Approval from financial creditors:** The October 2020 settlement term sheet required the approval of Steinhoff N.V.’s financial creditors. A consent request was launched on 9 October 2020 to obtain the formal support of the financial creditors for the terms and proposed implementation of the settlement. During November 2020 Steinhoff N.V. announced that it had received overwhelming support from the financial creditors and that, in particular, the Steinhoff N.V. Group had obtained the requisite consent from its creditors in respect of all relevant financial instruments, with the exception of Steinhoff N.V.’s “SEAG Contingent Payment Undertaking”, in respect of which “all-lender support” was required but two financial institutions had voted against. As a result, Steinhoff N.V. then undertook an English law scheme of arrangement (“Steinhoff N.V. Scheme”) to obtain the necessary unanimous approval under the SEAG Contingent Payment Undertaking. The necessary majorities of lenders approved the proposal in the scheme meetings that took place on 15 December 2020 in London and the High Court of England heard the Company’s application to sanction the Steinhoff N.V. Scheme on 26 and 27 January 2021. The High Court granted the sanction order in the terms sought by Steinhoff N.V. in a judgment delivered on 5 February 2021 and, following the satisfaction of various conditions, the 9 October 2020 consent request became effective on that date. Incremental consents will be sought from Steinhoff N.V.’s financial creditors in connection with further long form documents and other matters relating to the implementation of the Litigation Settlement Proposal in accordance with the terms of the 9 October 2020 consent request. The financial creditors have been asked to waive any tort (delict) claims against the Steinhoff N.V. Group. Steinhoff N.V. has agreed to grant security over its shares in SINVH in return for the debt extension. The following debt term extensions have been requested as part of the Steinhoff N.V. Scheme:



# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 22. Commitments and contingencies (continued)

#### A) MPC and Contractual Claims included in Litigation Settlement Proposal (continued)

##### a Term extension

Consent is sought under the relevant Steinhoff finance documents:

- for an extension to the maturity date, 31 December 2021, under the Steinhoff N.V./SEAG CPU, the SIHPL/SFHG CPU and the Steinhoff N.V./Hemisphere CPU; and
- for an extension to the termination date specified under each of the facility agreements and the Hemisphere facility agreement,

to 30 June 2023, with provision that in each case the maturity date and the termination date may be extended by a further 6 months under each of the Steinhoff finance documents at the request of Steinhoff N.V. with the approval of the umbrella agent acting on the instructions of the simple majority settlement creditors ("Term Extension").

##### b Interim Extension Option

Consent is sought under the relevant Steinhoff finance documents:

- for an extension to the maturity date, 31 December 2021, under the Steinhoff N.V./SEAG CPU, the SIHPL/SFHG CPU and the Steinhoff N.V./Hemisphere CPU; and
- for an extension to the termination date specified under each of the facility agreements and the Hemisphere facility agreement,

for a period of up to 12 months from the existing maturity date and termination date at the request of Steinhoff N.V. with the approval of the umbrella agent acting on the instructions of the simple majority settlement creditors ("Interim Extension Option").

The Interim Extension Option may only be exercised by the Company if (i) all Consent Requests have been approved by the requisite majorities of creditors under the Steinhoff Finance Documents, and (ii) the Steinhoff N.V. has commenced a Dutch SoP procedure for the purpose of implementing the Litigation Settlement Proposal.

The implementation of the Interim Extension Option will allow the Company to continue operating as a going concern while the Litigation Settlement Proposal is implemented.

- ii. **Finsurv approval:** In addition, the Steinhoff N.V. Group required approval from the South African Reserve Bank ("Finsurv") for the terms of the Group Litigation Settlement Proposal. Steinhoff N.V. accordingly applied to Finsurv for consent to the cross-border payments to be made as part of the Litigation Settlement Proposal and received such approval on 25 November 2020. The approval is valid for 12 months from the date of grant. Further approvals will be sought if and to the extent required in respect of the terms to be submitted under the schemes.

#### Settlement proposal details

The detailed terms of the proposal ("Settlement Term Sheet") can be found on the Company's website at the following web-address: <https://www.steinhoffinternational.com/settlement-litigation-claims.php>.

The terms of the proposal reflect key features of the parties' respective claims, including:

- the legal basis for the claim;
- the laws of the jurisdiction in which the claim is brought;
- the nature and extent of the loss claimed;
- legal uncertainties affecting the claim and recoverability of loss; and
- the financial position of the Steinhoff entity against which the claim arises.

The terms of the settlement proposal are, in summary, as follows:

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 22. Commitments and contingencies (continued)

#### A) MPC and Contractual Claims included in Litigation Settlement Proposal (continued)

##### • Market purchase claimants (“MPC”):

The Steinhoff N.V. Group will settle eligible Steinhoff N.V. MPCs and SIHPL MPCs for a total settlement consideration amount of €266 million.

This settlement consideration will be paid 50 per cent in cash funded from the South African sub-group and 50 per cent in shares of Pepkor Holdings Limited (“PPH shares”), settled at a deemed price per share of R15. No lock up restriction on sale of the PPH shares is required in respect of PPH shares issued to the MPC claimants. Steinhoff N.V. estimates that approximately up to 173 million PPH shares (or 4.6 per cent of the total PPH issued share capital) will be transferred to MPC claimants as a result of the settlement.

In addition, in order to facilitate recoveries to market purchase claimants the Group is considering making available an amount of up to €30 million to pay in respect of certain fees, costs and work undertaken by the active claimant groups (“ACGs”) on the terms to be specified in the settlement documents. The specific terms of the proposal remain under consideration.

##### • Steinhoff N.V. Contractual Claims:

Contractual claims against the Steinhoff N.V. Group will be settled at the same relative recovery rate as the MPCs against the Steinhoff N.V. Group. The Steinhoff N.V. Group estimates the total amount to be required to settle such contractual claimants to be in the region of €104 million. Such settlement consideration will also be paid 50 per cent in cash and 50 per cent in PPH shares settled at a deemed price per share of R15. Consistent with the proposal in relation to the market purchase claimants settled by Steinhoff N.V., no lock up restriction on sales is required in respect of PPH shares allocated to Steinhoff N.V. Group contractual claimants.

Steinhoff N.V. estimates that up to 67 million PPH shares (or 1.8 per cent of the total PPH issued share capital) will be transferred to contractual claimants.

##### • SIHPL Contractual Claims:

SIHPL will settle the claims made against it by contractual claimants from its own resources. SIHPL contractual claims (other than claims by Thibault and Wiesfam) will be settled for a total amount of approximately **R1.5 billion** (€76 million at a ZAR/euro rate of 19.5). The claims of Thibault and Wiesfam will be settled for a proportionally lower recovery rate in the total nominal amount of approximately **R7.9 billion** (€406 million at a ZAR/euro rate of 19.5). The settlement consideration will also be paid 50 per cent in cash and 50 per cent in PPH shares at a deemed price per share of R15. Subject as follows, SIHPL contractual claimants will be required to agree to lock up PPH shares allocated to them for 180 days from the effective date of settlement.

Conservatorium has brought significant claims arising out of its ownership of certain margin loans which financed Upington Investment Holdings B.V.’s acquisition of shares in Steinhoff N.V. which represent non qualifying claims in the October 2020 settlement term sheet.

As announced on 14 February 2021, Steinhoff N.V. and SIHPL have entered into an agreement with Conservatorium and other margin lenders to settle such claims. Titan related entities are also party to that agreement. Under the terms of the agreement, on the settlement effective date and in exchange for mutual releases and support for the global Litigation Settlement Proposal, Conservatorium and the other margin lenders will be entitled to the settlement recovery at Steinhoff N.V. attributable to the “Upington 1” claim and Steinhoff Africa will pay on behalf of SIHPL an additional amount of €61 million (**R1.1 billion** converted at a ZAR/euro rate of 18.18) in settlement of the remaining claims. Titan will receive the recovery at SIHPL previously announced in the October 2020 settlement term sheet, subject to further agreements to be concluded between the Company, SIHPL and Titan entities.

In respect of the SIHPL contractual claimants BVI and Cronje & others who are current employees and managers of PPH, SIHPL proposes that their settlement consideration be entirely in the form of PPH shares at a deemed settlement price of R13 per share and R13.50 per share, respectively, provided they agree to a certain lock up restriction of sale of those PPH shares from the effective date of the settlement.

The Steinhoff N.V. Group estimates that approximately 345 million PPH shares (or 9.3 per cent of the total PPH issued share capital) will be transferred to SIHPL contractual claimants assuming BVI and Cronje & others take up their option to be paid entirely in PPH shares.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 22. Commitments and contingencies (continued)

#### A) MPC and Contractual Claims included in Litigation Settlement Proposal (continued)

- **Measurement of Litigation Settlement Proposal provision**

Only the SIHPL portion (c. **R10.5 billion**) of the total proposed Steinhoff Group legal settlement provision (c. R18.4 billion) is relevant to the Company, and it has therefore been included in the financial statements for the year ended 30 September 2020. These amounts are subject to change based on the ZAR:EUR exchange rate and the prevailing Pepkor Holdings Limited share price at date of settlement. The exchange rate used in the determination of these amounts was R19.46 and a Pepkor Holdings Limited share price of R15.00. The Steinhoff Group has the right, at its election, to settle the settlement consideration in a greater portion, or in full amount, in cash and in accordance with the settlement term sheet as published on 27 July 2020 and 9 October 2020.

The Steinhoff Group will pay the cash portion of the settlement amount in ZAR to the extent this is consistent with the denomination of the participant's underlying transaction and in euros to the extent this is consistent with the denomination of the participant's underlying transaction. The settlement consideration provided by the company will be independent of any recoveries made by claimants from third parties. Any such recoveries will be incremental to payments to be made to litigants by SIHPL.

Management draws the user of these financial statements' attention to the fact that any form of the proposed settlement, if implemented, could differ materially from the provision raised.

- **Post settlement - Pepkor Holdings Limited:**

The Steinhoff N.V. Group estimates that the settlement will result in the Steinhoff Group continuing to hold in excess of 50 per cent of PPH shares. Steinhoff N.V. has the right, at its option, to settle the settlement consideration in a greater portion, or in full amount, in cash and in accordance with the Settlement Term Sheet.

- **Claim verification & disputes:**

The Steinhoff N.V. Group is contemplating establishing a new Dutch Stichting foundation together with supporting arrangements in South Africa (for South African claimants) to act as the Steinhoff Recovery Foundation ("SRF"). The purpose of the SRF will be to administer and distribute the settlement consideration paid by, or on behalf of, the Steinhoff N.V. Group. It will be governed by a board of newly appointed directors with majority independence from the Steinhoff N.V. Group. Claimants will be required to submit their claims for verification prior to receiving settlement payments. SRF will retain Computershare to assist it to administer and verify claims prior to payment of the settlement consideration. The Steinhoff Group will also provide up to €16.5 million to cover the costs of the SRF. Any costs in excess will be deducted from the settlement payment, and any surplus amount will revert to the Steinhoff Group.

The Steinhoff N.V. Group's view remains that the global settlement, as proposed, provides the means to substantially resolve the historical claims against it and remains firmly in the best interests of all stakeholders.

Details of the MPC and Contractual Claims are set out below:

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 22. Commitments and contingencies (continued)

#### A) MPC and Contractual Claims included in Litigation Settlement Proposal (continued)

##### Thibault Claimants v Steinhoff N.V. and SIHPL

- Thibault and Upington (subsequently substituted by Titan) ("Thibault Claimants") have instituted a claim against Steinhoff N.V. and SIHPL on 26 April 2018 for the cancellation of subscription agreements based on alleged misrepresentation and restitution as follows:
  - i. contractual claim by the Thibault claimants against SIHPL for an amount of R34.7 billion based on the subscription agreement entered into between the parties on 25 November 2014, in terms of which Thibault subscribed for 609 million ordinary shares in SIHPL.
  - ii. a claim by Thibault against Steinhoff N.V. for restitution of the assets distributed by SIHPL to Steinhoff N.V. in terms of the scheme of arrangement.
  - iii. a claim of damages by Upington, in the amount of R24.69 billion based on subscription agreements whereby Upington subscribed for a combined total of 314 million Steinhoff shares for R24.69 billion. Upington was replaced by Titan as claimant after selling and ceding its claims to Titan. During July 2019, Conservatorium Holdings LLC, the legal successor in title to Upington's lenders ("Conservatorium") was granted leave, through Dutch legal proceedings, to levy a prejudgment attachment on Upington's claims against Steinhoff N.V. and SIHPL. As such, in March 2020 Conservatorium initiated intervention proceedings in the High Court of South Africa, for Conservatorium and Upington to be named as plaintiffs in the proceedings.
  - iv. On 15 February 2021, following a number of constructive engagements between the parties an agreement has been reached, in principle, between, among others, Steinhoff N.V., SIHPL, Conservatorium and certain entities linked to Christo Wiese. This agreement is subject to a number of conditions. The result of the agreement reached among the parties is that Conservatorium withdrew the application.

##### GT Ferreira Claimants v Steinhoff N.V. and SIHPL

- GT Ferreira and the trustees of Tokara BEE Trust and the Tokara Employees Trust ("GT Ferreira Claimants") have instituted a claim on 1 June 2018 against Steinhoff N.V. and SIHPL, to have certain share swap agreements, entered into between the parties on or about 25 June 2015, declared void ab initio, alternatively declaring that such swap agreements were lawfully cancelled by the GT Ferreira Claimants on 10 May 2018 and ordering SIHPL to return to the GT Ferreira Claimants the PSG shares that formed part of the swap agreement, alternatively ordering SIHPL to pay the GT Ferreira Claimants the value of such PSG shares being in total R1.17 billion. Proceedings are ongoing.

##### Wiesfam v Steinhoff N.V. and SIHPL

- Wiesfam Trust Proprietary Limited ("Wiesfam") has instituted a claim against Steinhoff N.V. and SIHPL on 26 April 2018 for the cancellation of subscription agreements based on alleged misrepresentation and restitution as follows:
  - i. a contractual claim by Wiesfam against SIHPL for the return of 15.5 million PSG shares, alternatively payment of the amount of R3.4 billion as damages. The claim is based on an oral share issue agreement entered into between the parties on 15 December 2011, in terms of which Wiesfam subscribed for 29.7 million ordinary shares in SIHPL for a consideration of 15.5 million PSG shares. Wiesfam alleges that it was induced to enter into the share issue agreement based on certain fraudulent and/or negligent misrepresentations and non-disclosures made by SIHPL through Markus Jooste.
  - ii. claim by Wiesfam against Steinhoff N.V. for restitution of the assets distributed by SIHPL to Steinhoff N.V. in terms of the scheme of arrangement.

Proceedings are ongoing.

##### Le Toit v Steinhoff N.V., SIHPL and SINVH

- The Trustees of Le Toit trust ("Le Toit") have instituted a claim on 31 August 2018 against SIHPL, Steinhoff N.V., SINVH, Markus Jooste and Ben la Grange, for the cancellation of share exchange agreements, based on alleged misrepresentations, and claims for damages against the defendants for payment of the amount of R740 million.
- The claims are based on written share exchange agreements entered into between SIHPL and Le Toit on 24 June 2015, in terms of which SIHPL swapped 10.2 million ordinary shares in SIHPL for 3.8 million PSG shares. Proceedings are ongoing.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 22. Commitments and contingencies (continued)

#### A) MPC and Contractual Claims included in Litigation Settlement Proposal (continued)

##### Enrico De Villiers Greyling v SIHPL

- On 15 February 2019, Enrico De Villiers Greyling ("Greyling") instituted a claim against SIHPL for the return of 500 000 shares in PSG, valued at R196.18 per share, in exchange for 1.3 million Steinhoff shares issued to him in terms of an exchange agreement entered into on or about 24 June 2015 (initially for shares in SIHPL which were converted at listing of Steinhoff N.V.) which Greyling now seeks to cancel on the basis of alleged misrepresentation. There is no alternative claim for damages. Greyling seeks restitution of 500 000 PSG shares in exchange for 1.3 million Steinhoff N.V. shares. Proceedings are ongoing.

##### Conservatorium Holdings LLC v SIHPL, Steinhoff N.V. and 5 Others

- On 15 May 2020, Conservatorium Holdings LLC ("Conservatorium") initiated action proceedings in South Africa against SIHPL, Steinhoff NV, Thibault Square Financial Services Proprietary Limited ("Thibault"), Titan Premier Investments Proprietary Limited ("Titan"), Titan Group Investments Proprietary Limited, Christoffel Hendrik Wiese and Jacob Daniel Wiese. Conservatorium sues in its capacity as assignee and successor in title of rights and claims under certain Loan Facilities and Security Agreements (collectively, the "Financing Agreements") concluded in 2016 and 2017 between a consortium of banks (as lenders and cessionaries) and Upington Investment Holdings B.V. ("Upington", an erstwhile subsidiary of Titan), Thibault and Titan (as borrowers and cedants). Conservatorium alleges that on 25 November 2014, Thibault acquired 609 145 624 SIHPL shares for an aggregate consideration of R34.72 billion which were subsequently exchanged for shares in Steinhoff N.V. by virtue of the 2015 scheme of arrangement. Conservatorium alleges that in terms of the Financing Agreements, certain loan facilities were extended to Upington, collateralised by the pledge of 750 million Steinhoff N.V. shares via Upington and Titan. Conservatorium further alleges that it has subsequently acquired:
  - 94% of the claims, rights and benefits of the lenders against any party under or in connection with the Financing Agreements,
  - any and all future claims (including claims against third parties) accruing to the lenders under contract, delict, law, statute or otherwise in connection with the Financing Agreements, and
  - certain ancillary rights and claims. Accordingly, Conservatorium claims that but for alleged misrepresentations made by SIHPL, the lenders would not have extended the loan facilities and by doing so have incurred losses of €993,500,000 for which Conservatorium has acquired the right to claim €933,900,000, being 94% thereof, from SIHPL (the "Lenders' Claim").

Furthermore, Conservatorium alleges that it is entitled to claim the subscription price that Thibault paid to SIHPL in the amount of R34.72 billion. This matter is ongoing.

- Conservatorium initiated separate proceedings in the Netherlands on 29 January 2020 (the "Dutch Conservatorium Claim"). The Dutch Conservatorium Claim seeks to enforce (i) the Upington 1 Claim against Steinhoff N.V. and SIHPL, (ii) the Upington 2 Claim against Steinhoff N.V. and SIHPL and (iii) the Lenders' claim against Steinhoff N.V. and SIHPL. Thibault and Titan (entities related to Christo Wiese) intervened in these proceedings following the judgment of the Court dated 23 September 2020. On 27 January 2021, Steinhoff filed a submission containing preliminary motions.

As announced on 15 February 2021, Steinhoff N.V. and SIHPL have entered into an agreement with Conservatorium and other margin lenders to settle such claims. Titan related entities are also party to that agreement. Under the terms of the agreement, on the settlement effective date and in exchange for mutual releases and support for the global settlement proposal, Conservatorium and the other margin lenders will be entitled to the settlement recovery at Steinhoff N.V. attributable to the "Upington 1" claim and Steinhoff Africa will pay on behalf of SIHPL an additional amount of €61 million (R1.1 billion) in settlement of the remaining claims. Titan will receive the recovery at SIHPL previously announced in the October 2020 settlement term sheet, subject to further agreements to be concluded between the Company, SIHPL and Titan entities.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 22. Commitments and contingencies (continued)

#### A) MPC and Contractual Claims included in Litigation Settlement Proposal (continued)

##### Mantessa Equities Proprietary Limited v SIHPL

- On 20 November 2020 Mantessa Equities Proprietary Limited ("Mantessa") instituted a claim in the Western Cape High Court against SIHPL for damages in the amount of R206 million.
- This is a MPC claim and arises pursuant to the purchase of SIHNV shares by Mantessa from Plus27 Financial Services Holdings Proprietary Limited ("Plus27"). The shares were originally received by Plus27 in terms of an agreement concluded between Plus27 and Business Venture Investments 1499 (RF) Proprietary Limited. Mantessa claims damages based on alleged misrepresentations in the financial statements. The claim has been defended. Proceedings are ongoing.

##### Cronje & Others v SIHPL

- On 29 March 2019 the Plaintiffs (Charl Cronjé, Jacobus du Toit, Annamie Hansen, Leon Lourens, Estelle Morkel, Jacobus Pienaar, Johan van Rooyen, Johan Wasserfall), all members of the management teams of Pepkor Holdings Limited and who held shares in this company on that basis, instituted proceedings against SIHPL for R450 million arising out of separate share exchange agreements entered into by them with SIHPL, in terms of which each of them exchanged his or her shares in Pepkor Holdings Limited for shares in SIHPL. Later, the plaintiffs became shareholder of Steinhoff N.V. through the Scheme of Arrangement. The 5th plaintiff (Morkel) withdrew her claim on or about 14 August 2020. Proceedings are ongoing.

##### BVI v SIHPL

- On 25 March 2019, BVI, a shareholder, having acquired SIHPL shares from a company related to SIHPL and/or SIHPL itself (which were subsequently swapped for Steinhoff N.V. shares pursuant to the listing of Steinhoff N.V.), instituted a claim against SIHPL for loss emanating from the reduction in value of its Steinhoff N.V. shares in the amount of c.ZAR2.16 billion. BVI has instituted a delictual claim based what is asserts was on false and misleading information, with an alternative statutory claim for breach of the South African Companies Act. Proceedings are ongoing.

##### Mayfair Speculators Proprietary Limited v Steinhoff N.V., SIHPL and Jooste

- On 20 November 2020 Mayfair Speculators Proprietary Limited ("Mayfair") instituted a claim in the Western Cape High Court against SIHPL, Steinhoff N.V., and Markus Jooste, for damages against the defendants and payment of the amount of ZAR4.1 billion; alternatively, ZAR3.9 billion further alternatively, ZAR719.4 million.
- The claim is based on a written share exchange agreement entered into between SIHPL and Mayfair in December 2011, in terms of which SIHPL swapped 31 million ordinary shares in SIHPL for 16.5 million PSG shares. The claim has been defended. Proceedings are ongoing. The claim has been classed as a contingent scheme creditor in the proposed section 155 scheme.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 22. Commitments and contingencies (continued)

#### A) MPC and Contractual Claims included in Litigation Settlement Proposal (continued)

##### Hamilton v Steinhoff N.V. and SIHPL

- Hamilton BV and Hamilton 2 BV ("Hamilton") are seeking declaratory relief and damages in the District Court of Amsterdam, flowing from the assertion that Steinhoff N.V. and SIHPL together with the other named parties, allegedly misrepresented their financial position causing the relevant shareholders damage. Steinhoff filed a submission with preliminary motions and on applicable law in March 2020. On 26 June 2020, Hamilton initiated separate proceedings in the Western Cape High Court claiming damages of R14 billion plus interest. In December 2020, Hamilton initiated additional action proceedings in South Africa together with 73 individuals claiming damages of R2.2 billion plus interest. Hamilton has similarly added additional parties to its Dutch claim.
- On 23 November 2020, the Hamilton parties initiated motion proceedings in the Western Cape High Court seeking declaratory relief that (i) neither the "Contractual Claimants" or "Market Purchase Claimants" classes defined in the settlement proposal for the purpose of the compromise with creditors contemplated in terms of section 155 of the Companies Act in respect of SIHPL constitute a class; and (ii) an adopted compromise in terms of section 155 of the Companies Act on the terms proposed would not be sanctionable by a court.
- On 21 January 2021 Hamilton's postponement application was heard. SIHPL's order sought in terms of the ex parte notice application was granted, subject to two variations. One being that the granting of the order did not constitute the Court's approval / endorsement of the proposal, and that the notices to be published are to be published in official languages in the various countries.
- In the Dutch proceedings Steinhoff N.V. and SIHPL filed their preliminary motions and their view on the issue of the applicable law on 30 March 2020. On 27 January 2021, Hamilton filed its statement of defense in respect of the preliminary motions raised by defendants. After this, a date for a hearing in the preliminary motions will be scheduled.

##### Other shareholder claims

- On 20 March 2019, Trevo Capital Limited, a shareholder having acquired SIHPL shares on the secondary market (which were subsequently swapped for Steinhoff shares pursuant to the listing of Steinhoff N.V.), instituted a damages claim against SIHPL for loss emanating from the reduction in value of its Steinhoff shares in the amount of c.R2.16 billion. Trevo has brought an application in the Western Cape High Court, seeking to intervene, as a respondent, in Hamilton's declaratory application, on the basis that it has a direct and substantial interest in the outcome of Hamilton's declaratory application. Trevo's application is supported by BVI, and the Cronje claimants. SIHPL has opposed the intervention application, but no further papers have yet been filed, and no date has been set for the hearing of Trevo's intervention application.

Separately, Trevo has brought an application in the Western Cape High Court, seeking an order (1) declaring that (a) a guarantee provided by SIHPL on 30 January 2014, in respect of a convertible bond issued by SFHG, and which was subsequently amended or replaced on 12 August 2019 by the SIHPL contingent payment undertaking ("SIHPL CPU") between SIHPL and Global Loan Agency Services Limited, is void in terms of section 45 of the South African Companies Act, (b) both the SIHPL board's resolution authorising the conclusion of the guarantee, and the SIHPL board's resolution authorising the conclusion of the SIHPL CPU, are void, and (c) the SIHPL CPU is void, and (2) interdicting SIHPL from making any payments in terms of the guarantee, the SIHPL CPU and / or a compromise in terms of section 155 of the South African Companies Act and from providing any security in terms thereof.

SIHPL intends to oppose this application. No further papers have been filed. Trevo seeks a hearing date of 16 March 2021 for the hearing of its declaratory application / interdict, but this date has not yet been confirmed by the Court. SIHPL strongly disputes the legal merits of the pending applications brought by Trevo, and will oppose those applications and the Trevo intervention application on that basis. Proceedings are ongoing.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 22. Commitments and contingencies (continued)

#### B) Other Non-Qualifying Claims not included in Litigation Settlement Proposal

##### Non-qualifying claims

No specific proposal is being made for the settlement of non-qualifying claims. Such claims will subsist and the Company or Steinhoff N.V. will continue to defend them on the basis that any liability in respect of the same is denied. A non-qualifying claim against the Company that ultimately succeeds will be entitled to settlement consideration at the same rate as MPC and contractual claims against the Company. A non-qualifying claim against SIHPL that ultimately succeeds will be entitled to payment in full.

Following implementation of the settlement, any disputed claims will be subject to the ordinary course litigation process or the dispute resolution process set out by the Steinhoff N.V. Group in the settlement documentation, unless an alternative dispute resolution process is agreed by the Steinhoff N.V. Group and such disputed claimant.

Details of the Non-Qualifying Claims are set out below:

##### Michael John Morris v SIHPL

- On 6 December 2019, Michael John Morris initiated action proceedings in the Western Cape High Court, claiming damages in the amount of R69.4 million plus costs and interest allegedly arising as a result of bonus arrangements forewent on the basis of misrepresentations in SIHPL's annual financial statements. Various pleadings have been exchanged including an exception and amendments to the plaintiff's particulars of claim. Limited procedural steps have been taken by the plaintiff to advance this matter. The matter is still at an early stage and not trial date has been allocated. Management are of the view that the claim holds no merit.

##### Paul Ronald Potter v SIHPL

- On 6 December 2019, Paul Ronald Potter initiated action proceedings in the Western Cape High Court, claiming damages in the amount of R69.4 million plus costs and interest allegedly arising as a result of bonus arrangements forewent on the basis of misrepresentations in SIHPL's annual financial statements. Limited procedural steps have been taken by the plaintiff to advance this matter. Various pleadings have been exchanged including an exception and amendments to the plaintiff's particulars of claim. The matter is still at an early stage and not trial date has been allocated. Management are of the view that the claim holds no merit.

##### Peter Andrew Berry v SIHPL

- On 15 June 2020, Peter Andrew Berry initiated action proceedings in the Western Cape High Court, claiming damages in the amount of R92.3 million plus costs and interest allegedly arising as a result of bonus arrangements forewent on the basis of misrepresentations in SIHPL's annual financial statements. Limited procedural steps have been taken by the plaintiff to advance this matter. Various pleadings have been exchanged including an exception raised by SIHPL to the plaintiff's particulars of claim. The matter is still at an early stage and not trial date has been allocated. Management are of the view that the claim holds no merit.

##### Andre Frederick Botha v SIHPL

- On 15 June 2020, Andre Frederick Botha initiated action proceedings in the Western Cape High Court, claiming damages in the amount of R13.2 million plus costs and interest allegedly arising as a result of bonus arrangements forewent on the basis of misrepresentations in SIHPL's annual financial statements. Limited procedural steps have been taken by the plaintiff to advance this matter. Various pleadings have been exchanged including an exception raised by SIHPL to the plaintiff's particulars of claim. The matter is still at an early stage and not trial date has been allocated. Management are of the view that the claim holds no merit.

##### Francois Johan Malan v SIHPL

- On 15 June 2020, Francois Johan Malan initiated action proceedings in the Western Cape High Court, claiming damages in the amount of R13.2 million plus costs and interest allegedly arising as a result of bonus arrangements forewent on the basis of misrepresentations in SIHPL's annual financial statements. Limited procedural steps have been taken by the plaintiff to advance this matter. Various pleadings have been exchanged including an exception raised by SIHPL to the plaintiff's particulars of claim. The matter is still at an early stage and not trial date has been allocated. Management are of the view that the claim holds no merit.



# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 22. Commitments and contingencies (continued)

#### B) Other Non-Qualifying Claims not included in Litigation Settlement Proposal (continued)

##### Warren Wendell Steyn v SIHPL

- On 15 June 2020, Warren Wendell Steyn initiated action proceedings in the Western Cape High Court, claiming damages in the amount of R13.2 million plus costs and interest allegedly arising as a result of bonus arrangements forewent on the basis of misrepresentations in SIHPL's annual financial statements. Limited procedural steps have been taken by the plaintiff to advance this matter. Various pleadings have been exchanged including an exception raised by SIHPL to the plaintiff's particulars of claim. The matter is still at an early stage and not trial date has been allocated. Management are of the view that the claim holds no merit.

##### Competition Commission v SIHPL and Others

- This matter involves two referrals issued by the Competition Commission during 2019: Under the first referral, the Commission has charged a previous subsidiary of Steinhoff International Holdings Proprietary Limited ("SIHPL"), namely KAP Diversified Industrial Proprietary Limited ("KAP") of having colluded during the period 2009 to 2014 with its sole local competitor, namely Sonae Arauco South Africa Proprietary Limited ("Sonae") in that they allegedly fixed prices of certain timber products which they both manufactured and sold to merchants.
- In the second (related) referral, the Commission has charged SIHPL itself with having committed the same offence during that period. The Commission contends that the actual perpetration of the transgressions occurred between representatives of the sale staff of a subsidiary of KAP and their colleagues employed by Sonae. It is not alleged that any SIHPL employee participated in the alleged price fixing or that SIHPL knew or ought to have known that the transgressions were being perpetrated.
- The Commission seeks a conviction against SIHPL exclusively on a contention that by virtue of its shareholding in the KAP Group it controlled the business and affairs of KAP and its subsidiaries.
- Werksmans attorneys has been appointed to represent SIHPL in these proceedings. SIHPL has initiated a review application with the aim of setting aside the Commission's decision to refer the complaint against SIHPL to the Tribunal.

##### Shareholder claims

- In August 2018, Ms Dorethea de Bruyn ("De Bruyn") applied for the certification of a class action against SIHPL, Steinhoff N.V. and Steinhoff Secretarial Services Proprietary Limited. De Bruyn seeks, inter alia, leave to act as the representative plaintiff of the members of three proposed classes. The proposed class action alleges that certain alleged accounting irregularities and other financial transactions related to the Group caused investors significant financial losses. If certified, De Bruyn seeks an order to claim damages. On 26 June 2020, De Bruyn's application for certification was dismissed by the Johannesburg High Court. De Bruyn was ordered to pay the costs of the respondents who had opposed the application, including the costs of two counsel, where two counsel were employed.

There are various other claims by Steinhoff N.V. and SIHPL shareholders the quantum of which are not material.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

|  | 2020<br>R '000 | 2019<br>R '000 |
|--|----------------|----------------|
|--|----------------|----------------|

### 23. Fair value information

#### Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

#### Levels of fair value measurements

##### Level 1

#### Recurring fair value measurements

| Assets   | Note(s) |            |            |
|--|---------|------------|------------|
| <b>Equity investments at fair value through other comprehensive income</b> | 4       |            |            |
| Listed shares - Steinhoff N.V.   |         | 655        | 843        |
| <b>Total</b>   |         | <b>655</b> | <b>843</b> |

The fair value calculation of the financial assets and liabilities was performed at the reporting date.

There were no level 2 or level 3 financial assets or financial liabilities at 30 September 2020 and 30 September 2019. There were no transfers between categories during the year.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 24. Going concern

In determining the appropriate basis of preparation, the board is required to consider whether the Company can continue in operational existence for the foreseeable future.

However, the board draws shareholders' attention to the following material uncertainties that are key in arriving at the forecasted cash flows, namely:

#### Litigation and Regulation

Various entities within the group of which Steinhoff International Holdings N.V. ("Steinhoff N.V.") is the ultimate holding company (collectively "the Steinhoff N.V. Group"), are subject to multiple legal claims and regulatory investigations. Steinhoff N.V. and Steinhoff International Holdings Proprietary Limited ("SIHPL") have received several shareholder and vendor claims and notices of regulatory investigation. These legal proceedings and regulatory investigations have been initiated subsequent to the December 2017 events. The board of directors, assisted by the litigation working group of Steinhoff N.V. ("Litigation Working Group"), and in consultation with the Steinhoff N.V. Group's attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the relevant regulatory bodies. Several initial defences have already been filed by the Steinhoff N.V. Group, in these legal proceedings.

On 27 July 2020, Steinhoff N.V., the ultimate holding company, and SIHPL, the former ultimate holding company, announced the terms of a proposed settlement to conclude the ongoing and disputed legal claims and pending litigation proceedings arising from the legacy accounting issues first announced in December 2017 ("Litigation Settlement Proposal").

The Company's cash flow forecasts are adjusted for the impact of the Litigation Settlement Proposal as announced on 27 July 2020 by Steinhoff N.V. and detailed in note 22 of these Annual Financial Statements.

Steinhoff N.V. announced on 15 February 2021 that it was beginning the implementation of its global Litigation Settlement Proposal and had resolved to commence a Dutch Suspension of Payments procedure (*surseance van betaling*) ("Dutch SoP") in the Netherlands, which the Court approved, to implement its proposal to settle certain multijurisdictional legacy litigation and various claims against the Steinhoff Group including those against the former Steinhoff Group South African holding company, SIHPL. In parallel, the board of SIHPL has resolved to commence a statutory compromise process under South African law ("S155 Scheme") also as part of the implementation of the Steinhoff Group's global Litigation Settlement Proposal. Both the S155 scheme and the Dutch SoP are ongoing and shall be implemented in accordance with our public announcements and timelines available on the Steinhoff Settlement website.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 24. Going concern (continued)

#### Conclusion

The board draws attention to the following facts:

- at 30 September 2020, the Company's current assets are equal to its current liabilities, which includes the provision for the Litigation Settlement Proposal;
- at 30 September 2020, the Company's non-current liabilities exceeds its non-current assets pre-dominantly due to the inclusion of the SIHPL CPU and the provision for the Litigation Settlement Proposal. The amount the Company will be able to pay under the SIHPL CPU is limited to the net asset value before inclusion of the CPU financial liability. Refer to note 8;
- that it is more likely than not that the global Litigation Settlement Proposal will be successful and for this reason the Litigation Settlement Proposal provision of R10.5 billion has been raised in the results of the Company, representing management's best estimate of the outflow of resources required to settle the legal claims of all market purchase claimants and contractual claims included the Litigation Settlement Proposal. For further detail of these claims, refer to note 22 Commitments and contingencies;
- as part of the Litigation Settlement Proposal, the SIHPL CPU creditors were asked to extend the payment date under the SIHPL CPU. In exchange for this extension, SIHPL will grant third-ranking security over all of its assets (which are primarily inter-company receivables in South Africa);
- management does not intend to liquidate the entity and plans to recover its assets and settle its debt in the normal course of business. As previously announced, for the implementation of the Litigation Settlement Proposal the Company intends to enter into a proposed pre-prepared compromise plan pursuant to section 155 of the Companies Act in South Africa.
- the amount that the Company will have available to repay, is dependent on Steinhoff Investment Holdings Limited ("SINVH") and Steinhoff Africa Holdings Proprietary Limited ("Steinhoff Africa") repaying intercompany loans to the Company. In terms of a sum-of-the parts calculation performed on the SINVH Group, the Steinhoff Africa and SINVH loans are recoverable;
- as at the effective date of signature of these financial statements, there are significant uncertainties which extend beyond the foreseeable future; and
- given due cognisance of the Company's current financial position and the implementation steps of the Litigation Settlement Proposal as mentioned above, we are of the opinion that the Company will be able to meet its current liabilities as they become due and therefore is a going concern for the 12 month period following the date of issue of this Annual Financial Statements.

### 25. Events after the reporting period

#### COVID-19

The global COVID-19 picture remains a dynamic situation. Subsequent to the 2020 Reporting Period, new strains of the COVID-19 virus have resulted in Governments once again having to take strict measures. Many countries have tightened restrictions or reimposed lock downs which impacted on store operations and trading hours, increasing uncertainty. Despite this, the overall Steinhoff Group's trading has remained robust with healthy liquidity at operating level. While the Steinhoff Group has continued to demonstrate its resilience, management remain cautious about the trading outlook until such time as the pandemic has been brought under control.

#### Expected credit loss assessment

The impact on the calculation of the lifetime expected credit losses determined as part of the general approach, related party loans receivable was considered. In particular, the Company assessed which of its debtors, if any, have pre-existing conditions which would impair their ability to honour their loan commitments. In performing this exercise, the company used evidence gathered between the reporting date and the date on which the financial statements were authorised for issue. The fair value of the underlying investments of the SINVH Group have not decreased significantly and is still sufficient to cover all the liabilities. Based on the evidence obtained, it remains unlikely that any increase in the lifetime expected credit losses will be material.

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 25. Events after the reporting period (continued)

#### English Law Scheme of Arrangement and election of Dutch SoP by Steinhoff N.V.

On 27 November 2020 the Group announced that it had obtained an order from the English High Court to convene meetings of the Facility A1 SEAG creditors and the Facility A2 SEAG creditors to consider and approve the proposed English law scheme of arrangement. Meeting of each class of creditor were held on 15 December 2020.

The Group announced on 15 December 2020 that the resolutions put to the relevant classes of financial creditors were approved by the requisite majorities of Facility A1 SEAG creditors and the Facility A2 SEAG creditors present and voting.

On 5 February 2021 the English High Court delivered a judgment in the SEAG CPU scheme of arrangement proceedings, granting the sanction order in the terms sought by the Company.

The English law scheme of arrangement in relation to the Company's SEAG CPU became effective on the same date and provided a further approval required from the Company's financial creditors to proceed with the proposed global settlement.

The board of Steinhoff N.V. have concluded that Steinhoff N.V. will seek a Dutch SoP to assist with the implementation of the Group's Litigation Settlement Proposal. It also opposed the application due to be heard in the Amsterdam District Court on 8 February 2021 for the appointment of a restructuring expert under the Dutch Wet Homologatie Onderhands Akkoord ter voorkoming van faillissement procedure. Conservatorium and Steinhoff N.V. have requested that the Court defer the hearing to 15 February 2021.

On 15 February 2021, following a number of constructive engagements between the parties an agreement has been reached, in principle, between, among others, Steinhoff N.V., SIHPL, Conservatorium and certain entities linked to Christo Wiese. This agreement is subject to a number of conditions. The result of agreement reached among the parties is that Conservatorium withdrew the application.

On 15 February 2021, the Group announced that the Amsterdam District Court approved the Company's application for the opening of a Dutch SoP in respect of Steinhoff N.V. The court has set the following key dates in respect of the Dutch SoP:

- 15 June 2021: voting record date; and
- 30 June 2021 at 10am (CET): creditor's meeting.

Following the opening of the Dutch SoP, SIHPL launched a S155 Scheme, on 15 February 2021, also as part of the implementation of the Steinhoff Group global settlement.

The Dutch SoP relates only to Steinhoff N.V. and the S155 Scheme relates only to SIHPL. These processes, which are inter-conditional, do not directly affect any of the other entities in the Steinhoff Group nor any of its operating businesses.

The purpose of the Dutch SoP process and the S155 Scheme is to implement the proposal to settle certain multi-jurisdictional legacy litigation and various claims against Steinhoff N.V. and SIHPL.

Implementation of the Steinhoff global settlement will require the requisite support of claimants and approvals by the Dutch and South African courts, and the process of obtaining such approvals is expected to take several months.

For further information refer to [www.steinhoffsettlement.com](http://www.steinhoffsettlement.com).

# Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)

Annual Financial Statements for the year ended 30 September 2020

## Notes to the Financial Statements

---

### 25. Events after the reporting period (continued)

#### Legal claims received after year-end considered to be adjusting events (refer to note 22):

- Mantessa Equities Proprietary Limited v SIHPL
- Mayfair Speculators Proprietary Limited v Steinhoff N.V., SIHPL and Jooste
- Lancaster 101 (RF) Proprietary Limited ("Lancaster 101") vs SIHPL, Steinhoff N.V. and South African Reserve Bank ("SARB"):

On 15 March 2021, Lancaster 101 served new motion proceedings in South Africa initiated against SIHPL, Steinhoff N.V. and the SARB. The motion serves to set aside the following SARB Decisions:

1. The SARB approval relating to the convertible bonds issued in 2014 ("Decision 1");
2. The SARB approval relating to the FSE listing ("Decision 2");
3. The SARB approval relating to the convertible bonds issued in 2015 ("Decision 3"); and
4. The SARB approval relating to Project Universe given in 2020 ("Decision 4"), collectively the "SARB Decisions".

It is alleged that in considering any applications made in respect of Decisions 1 to 3, SARB must have done so (i) taking account of the incorrect financial position of Steinhoff N.V. and the Steinhoff Group; and (ii) without consideration of the actual financial position of Steinhoff N.V. and the Steinhoff Group.

#### Deloitte supports Steinhoff's Global Settlement

On 15 February 2021, Steinhoff N.V. also announced that together with SIHPL it has reached an agreement with Deloitte Accountants B.V. and Deloitte & Touche South Africa (together: "Deloitte") pursuant to which Deloitte will support the proposed Group Litigation Settlement Proposal announced on 27 July 2020. This means that Deloitte will make additional compensation available to certain Group claimants, including the MPC Claimants in exchange for certain waivers and releases, provided that Steinhoff successfully completes the contemplated Dutch SoP and the statutory compromise process under South African law S155 Scheme. Deloitte is still in discussions with certain representatives of the MPC Claimants on the details of this offer, which envisages that such claimant representatives will be entitled to receive a certain incremental cost compensation. A settlement between Deloitte and the Dutch VEB was previously announced in October 2020.

Deloitte does not in any way admit liability for the losses incurred by Steinhoff and its stakeholders as a result of the accounting irregularities at Steinhoff.

Provided that the Group successfully completes the contemplated Dutch SoP and the S155 Scheme and certain other conditions are fulfilled, Deloitte has agreed to offer an amount of up to €55.34 million for distribution to MPC Claimants in exchange for certain waivers and releases (the "Deloitte MPC Settlement Fund"). In addition to the offer to the MPC Claimants above, provided that the Group successfully completes the Dutch SoP and the South African S155 Scheme and certain other conditions are met, Deloitte has further agreed to offer an amount of €15 million for distribution to certain contractual claimants. Eligible contractual claimants will receive individual notice from Steinhoff on the manner in which they can apply to receive a share of the offered amount.

In addition to the offer to the MPC Claimants above, provided that the Group successfully completes the Dutch SoP and the South African S155 Scheme and certain other conditions are met, Deloitte has further agreed to offer an amount of €15 million for distribution to certain contractual claimants. Eligible contractual claimants will receive individual notice from Steinhoff on the manner in which they can apply to receive a share of the offered amount.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.