THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 5 apply *mutatis mutandis* throughout this Circular, including on this cover page.

Shareholders are referred to page 3 of this Circular, which sets out the action required with regard to the Transaction, full details of which are set out in this Circular. If you are in any doubt as to the action that you should take, please consult your Broker, CSDP, banker, legal advisor, accountant or other professional advisor immediately. If you have disposed of some or all of your Ordinary Shares in Steinhoff, then a copy of this Circular, together with the attached form of proxy, should be forwarded to the purchaser to whom, or the Broker, CSDP or agent through whom, you disposed of your Ordinary Shares. A form of proxy *(blue)* is attached for use by Certificated Shareholders and Dematerialised Shareholders with "own-name" registration who are unable or do not wish to attend the General Meeting, but wish to vote at the General Meeting. The form of proxy should be properly completed and lodged with the Transfer Secretaries, Computershare Investor Services Proprietary Limited, to reach them by no later than 10:00am on Thursday, 22 January 2015. Dematerialised Shareholders, other than those with "own-name" registration, must inform their CSDP or Broker of their intention to attend the General Meeting or provide their CSDP or Broker with their voting instructions should they be unable or wish not to attend the General Meeting in person, but wish to be represented at the General Meeting. This must be done in terms of the agreement entered into between the Shareholder and the CSDP or Broker concerned.

STEINHOFF
INTERNATIONAL HOLDINGS LTD

(Incorporated in the Republic of South Africa)
(Registration Number 1998/003951/06)
Share Code: SHF ISIN: ZAE000016176
VAT No: 4060175934
("Steinhoff" or "the Company")

CIRCULAR TO SHAREHOLDERS OF STEINHOFF

regarding:

- the Related Party acquisition of an effective 52.47% equity interest in Pepkor from Titan;
- the acquisition of an effective 37.06% equity interest in Pepkor from Brait; and
- the acquisition of an effective 2.81% equity interest in Pepkor from Pepkor Management;

and incorporating:

- a notice of General Meeting; and
- a form of proxy *(blue)* to be completed by Certificated Shareholders and Dematerialised Shareholders with "own-name" registration.

The Steinhoff Directors whose names appear on page 8 of this Circular, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular and certify that, to the best of their knowledge and belief, there are no facts the omission of which would make any statement in this Circular false or misleading and that they have made all reasonable inquiries to ascertain such facts and that this Circular contains all information required in law and by the Listings Requirements.

Date of issue: 15 December 2014

This Circular is available in English only. Copies of this Circular and the advisors and experts' consents may be obtained from the registered office of Steinhoff, the Sponsor to Steinhoff, the Transaction Sponsor or the Transfer Secretaries whose addresses are set out in the "Corporate information and advisors" section of this Circular, during normal business hours from Monday, 15 December 2014 up to and including Monday, 26 January 2015.

Financial Advisor and Transaction Sponsor

Investec
Bank Limited

Independent Expert

KPMG

Transfer Secretaries

Computershare

Sponsor

PSG CAPITAL

International Counsel

Linklaters

Financial Adviser to Brait and Joint Financial Adviser to Titan

RAND MERCHANT BANK
A division of FirstRand Bank Limited

Financial Advisors

citigroup
Citigroup Global Markets Limited

Deutsche Bank
Deutsche Securities (SA) (Proprietary) Limited
A non-bank member of the Deutsche Bank Group

BARCLAYS

Independent Reporting Accountants on *Pro Forma* Financial Information

Deloitte.
Deloitte & Touche
Registered Auditors

Joint Financial Adviser to Titan

HSBC

Independent Reporting Accountants on Pepkor Financial Information

pwc

Legal Adviser to Brait

Webber Wentzel
Attorneys

Legal Advisors

WERKSMANS
ATTORNEYS

DLA CLIFFE DEKKER HOFMEYR

girard hayward INC

Other Advisor

COMMERZBANK

CORPORATE INFORMATION AND ADVISORS

Registered office of Steinhoff
Steinhoff International Holdings Limited
(Registration number: 1998/003951/06)
28 Sixth Street, Wynberg
Sandton, 2090, South Africa
(PO Box 1955, Bramley, 2018, South Africa)
Website
www.steinhoffinternational.com

Company secretary
Steinhoff Africa Secretarial Services Proprietary Limited
(Registration number: 1992/004646/07)
28 Sixth Street, Wynberg
Sandton, 2090, South Africa
(PO Box 1955, Bramley, 2018, South Africa)

Financial advisor and transaction sponsor
Investec Bank Limited
(Registration number: 1969/004763/06)
2nd floor, 100 Grayston Drive
Sandton, 2196, South Africa
(PO Box 785700, Sandton, 2146, South Africa)

Sponsor to Steinhoff
PSG Capital Proprietary Limited
(Registration number: 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600, South Africa
(PO Box 7403, Stellenbosch, 7599, South Africa)

Registered office of Pepkor
Pepkor Holdings Proprietary Limited
(Registration number: 2003/020009/07)
36 Stellenberg Road
Parow Industria
7493, South Africa

Independent reporting accountants and auditors
Deloitte & Touche, Registered Auditors
River Walk Office Park, Block B
41 Matroosberg Road
Ashlea Gardens X6
Pretoria, 0081, South Africa
(PO Box 11007, Hatfield, 0028, South Africa)

Independent reporting accountants and auditors
PricewaterhouseCoopers Inc.
(Registration number: 1998/012055/21)
No. 1 Waterhouse Place
Century City
Cape Town, 7441, South Africa
(PO Box 2799, Cape Town, 8000, South Africa)

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Ground Floor, 70 Marshall Street
Johannesburg, 2001, South Africa
(PO Box 61051, Marshalltown, 2107, South Africa)

Legal advisor
Werksmans Incorporated
(Registration number: 1990/007215/21)
18th Floor
1 Thibault Square
Cape Town, 8001, South Africa
(PO Box 1474, Cape Town, 8000, South Africa)

Legal advisor
Cliffe Dekker Hofmeyr Incorporated
(Registration number: 2008/018923/21)
1 Protea Place, Sandown
Sandton, 2196, South Africa
(Private Bag X40, Benmore, 2010, South Africa)

Legal advisor
Girard Hayward Incorporated
(Registration number: 2010/004108/21)
2nd floor, Eris House
3 Gwen Lane
Sandton, 2196, South Africa
(PO Box 650354, Benmore, South Africa, 2010)

Financial advisors to Steinhoff
Citigroup Global Markets Limited
(Registration number: 1763297)
Citigroup Centre
Canada Square, Canary Wharf,
London E14 5LB, United Kingdom

Deutsche Securities (SA) Proprietary Limited
(a non-bank member of the Deutsche Bank Group)
(Registration number: 1995/011798/07)
3 Exchange Square, 87 Maude Street, Sandton, 2196
(Private Bag X9933, Sandton, South Africa, 2146)

Barclays Bank PLC (acting through its investment bank)
(Registration number: 01026167)
5 North Colonnade
Canary Wharf, London, E14 4BB
United Kingdom

Other advisor to Steinhoff
Commerzbank AG
Mainzer Landstrasse 153
60327 Frankfurt am Main
Germany

Independent Expert
KPMG Services Proprietary Limited
(Registration number: 1999/021543/21)
KPMG Crescent, 85 Empire Road
Parktown, 2193, South Africa
(Private Bag 9, Parkview, 2122, South Africa)

International counsel to Steinhoff
Linklaters LLP
One Silk Street, London,
EC2Y 8HQ, United Kingdom

Financial adviser to Brait and joint financial adviser to Titan
Rand Merchant Bank (A division of FirstRand Bank Limited)
1 Merchant Place
Corner Fredman Drive and Rivonia Road,
Sandton, 2196, South Africa
(PO Box 786273, Sandton, 2146)

Joint financial adviser to Titan
HSBC Bank plc – Johannesburg Branch
2 Exchange Square
85 Maude Street, Sandown
Sandton, 2196
(Private Bag X785434, Sandton, 2146, South Africa)

Legal advisor to Brait
Webber Wentzel
10 Fricker Road,
Illovo Boulevard,
Johannesburg, 2196, South Africa
(PO Box 61771, Marshalltown, 2107)

Steinhoff	**Pepkor**
Date of incorporation 1998	Date of incorporation 2003
Place of incorporation South Africa	Place of incorporation South Africa

IMPORTANT LEGAL NOTES

The definitions and interpretations commencing on page 5 of this Circular have been used in these legal notes.

APPLICABLE LAWS

The release, publication or distribution of this Circular in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Circular is released, published or distributed should inform themselves about and observe such restrictions. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. This Circular does not constitute the solicitation of an offer to purchase shares or a solicitation of any vote or approval in any jurisdiction in which such solicitation would be unlawful.

The Transaction, which is the subject of this Circular, may be affected by the laws of the relevant jurisdictions of non-resident Shareholders. Such non-resident Shareholders should familiarise themselves with and observe any applicable legal requirements of such jurisdictions. It is the responsibility of any non-resident Shareholder to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Transaction, which is the subject of this Circular, including the obtaining of any governmental, exchange control or other consents or the making of any filings which may be required, the compliance with other necessary formalities, the payment of any issue, transfer or other taxes or other requisite payments due to such jurisdiction.

The Transaction is governed by the laws of South Africa and is subject to any applicable laws and regulations, including the Companies Act and the Takeover Regulations.

Any Shareholder who is in doubt as to their position, including, without limitation, their tax status, should consult an appropriate independent advisor in the relevant jurisdiction without delay.

FORWARD-LOOKING STATEMENTS

This Circular contains statements about Steinhoff that are or may be forward–looking statements. All statements, other than statements of historical fact, are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: strategy; the economic outlook for the industry; production; cash costs and other operating results; growth prospects and outlook for operations, individually or in the aggregate; liquidity and capital resources and expenditure and the outcome and consequences of any pending litigation proceedings. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, anticipated levels of growth, estimates of capital expenditure, acquisition strategy, and expansion prospects for future capital expenditure levels and other economic factors, such as, *inter alia*, interest rates.

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

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

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

TABLE OF CONTENTS

ACTION REQUIRED BY STEINHOFF SHAREHOLDERS

If you are in any doubt as to what action you should take, you should consult your CSDP, Broker, banker, accountant, legal advisor or other professional advisor immediately.

Information relating to the General Meeting

A General Meeting of Steinhoff Shareholders will be held in the Auditorium, 28 Sixth Street, Wynberg, Sandton, 2090 on Monday, 26 January 2015 at 10:00am, at which meeting Shareholders will be asked to consider and, if deemed fit, pass resolutions *inter alia* approving the acquisition of an effective 92.34% equity interest in Pepkor.

The notice convening the General Meeting forms part of this Circular and a form of proxy *(blue)* to be completed by Certificated Shareholders and Dematerialised Shareholders with "own-name" registration is attached to this Circular.

Action required by Certificated Shareholders and Dematerialised Shareholders with "own-name" registration

Certificated Shareholders and Dematerialised Shareholders with "own-name" registration who are unable or do not wish to attend the General Meeting, but wish to be represented at the General Meeting, must complete and return the form of proxy attached to this Circular in accordance with the instructions contained therein to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, (PO Box 61051, Marshalltown, 2107), to be received by no later than 10:00am on Thursday, 22 January 2015.

Action required by Dematerialised Shareholders

Dematerialised Shareholders who have not elected "own-name" registration and who wish to attend the General Meeting must instruct their CSDP or Broker to issue them with the necessary letter of representation to attend. Dematerialised Shareholders who are unable or do not wish to attend the General Meeting may provide their CSDP or Broker with their voting instructions pursuant to the terms of the custody agreement entered into between them and their CSDP or Broker.

IMPORTANT DATES AND TIMES

	2014
Record date to determine which Shareholders are eligible to receive the Circular	Friday, 5 December
Circular and notice of General Meeting posted to Shareholders	***Monday, 15 December***
	2015
Last day to trade in Steinhoff Shares in order to be recorded in Steinhoff's securities register to vote at the General Meeting	Friday, 9 January
Last day for Shareholders to lodge submissions with the TRP in relation to the Waiver of the Mandatory Offer	Friday, 9 January
Record date to be entitled to attend, participate in and vote at the General Meeting by close of trading	Friday, 16 January
Forms of proxy for the General Meeting to be received by the Transfer Secretaries by no later than 10:00am	Thursday, 22 January
General Meeting held at 10:00am	Monday, 26 January
Results of the General Meeting announced on SENS	Monday, 26 January

Notes

1. The above important dates and times are subject to change. Any changes will be released on SENS and published in the press.

2. All times are South African times.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless inconsistent with the context, an expression which denotes a gender includes the other gender, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa* and the expressions set out in the first column bear the meaning assigned to them in the second column:

"Ancillary Transaction Steps"	the subscription by Steinhoff Africa for an additional 30 716 627 Pepkor Shares at a subscription price of R191.27 per Pepkor Share (by utilising the CLN), being an aggregate subscription price of R5 875 million, and the exchange by Steinhoff of all of its Pepkor Shares for Newshelf C Preference Shares, which steps will be implemented after the implementation of the Brait Transaction;
"Associate"	an associate as defined in the Listings Requirements;
"BLNS"	Botswana, Lesotho, Namibia and Swaziland;
"Brait"	Brait Mauritius Limited, registration number C60342 (C1/GBL), a company incorporated in Mauritius, being a subsidiary of Brait Malta with an effective 50.9% holding of the C Preference Shares in Newshelf and an effective 23.9% holding of Pepkor Shares;
"Brait Consideration Shares"	200 million Steinhoff Shares to be issued to Brait at R57.00 per Steinhoff Share in terms of the Brait Transaction;
"Brait Malta"	Brait Malta Limited, registration number C49644, a private company incorporated in Malta, being a subsidiary of Brait SE;
"Brait Consideration"	an amount of R26 400 million payable in terms of the Brait Transaction and to be settled R15 000 million in cash and R11 400 million in Steinhoff Shares;
"Brait SE"	Brait SE, registration number SE1, a company incorporated in Malta, the shares of which are listed on the Luxembourg Stock Exchange with a secondary listing on the JSE;
"Brait Transaction"	the acquisition of an effective 37.06% equity interest in Pepkor from Brait;
"Broker"	any person registered as a broking member (equities) in terms of the rules of the JSE made in accordance with the provisions of the Financial Markets Act;
"Business Day(s)"	any day other than a Saturday, Sunday or official public holiday in South Africa;
"C Preference Shares"	redeemable participating C preference shares in Newshelf held by Pieter Erasmus (11.5%), Brait (50.9%) and Titan (37.6%);
"Certificated Shareholders"	holders of Certificated Shares;
"Certificated Shares"	Steinhoff Shares which have not yet been dematerialised in terms of Strate, title to which is represented by a share certificate or other physical document of title;
"CIPC"	Companies and Intellectual Property Commission, established in terms of section 185 of the Companies Act;
"Circular"	this bound document dated 15 December 2014, including the circular to Steinhoff Shareholders and the annexures attached hereto, the notice of General Meeting and the form of proxy *(blue)*;
"CLN"	means the credit note to be issued by Rand Merchant Bank (a division of FirstRand Bank Limited) to Steinhoff Africa in relation to the funding structure to be entered into for purposes of facilitating the Titan Transaction and the Ancillary Transaction Steps as referred to in paragraph 2.1.2 and 2.4 of this Circular;
"Companies Act"	the Companies Act, No 71 of 2008, as amended;
"Companies Regulations"	the Companies Regulations, 2011, published in terms of the Companies Act, as amended;
"Competition Authorities"	the Competition Authorities in South Africa and in other countries where Pepkor has operations and which have jurisdiction over the implementation of the transactions contemplated in the Sale of Shares Agreement;
"Completion Date" or "Effective Date"	the Completion Date of the Transaction, being the second Business Day following the fulfilment or waiver, as the case may be, of the last of the Conditions Precedent;
"Conditions Precedent"	the Conditions Precedent to which the Transaction is subject as set out in paragraph 2.6 of this Circular;
"CSDP"	a person that holds in custody and administers securities or an interest in securities and that has been accepted by a central securities depository as a participant in terms of the Financial Markets Act;
"Deloitte"	Deloitte & Touche, Registered Auditors, the reporting accountants of Steinhoff in terms of the *pro forma* financial information and Steinhoff's registered auditors;
"Dematerialised Shareholders"	holders of Dematerialised Shares;
"Dematerialised Shares"	Steinhoff Shares which have been incorporated into the Strate system and which are held on Steinhoff's sub-register of members in electronic form in terms of the Financial Markets Act;
"Directors" or "Steinhoff Directors" or "Steinhoff Board" or the "Board"	the Directors of Steinhoff, whose names appear on page 8 of this Circular;
"EBITDA"	consolidated earnings from continuing operations as disclosed in the consolidated accounts of Pepkor and Steinhoff prepared in accordance with IFRS before (i) net charges to depreciation, (ii) net charges to amortisation, (iii) capital items, (iv) net finance costs, (v) other non-operating income and expenses, and (vi) corporate income tax;
"Enlarged Group" or "Combined Group"	the Steinhoff Group and the Pepkor Group combined;
"Exchange Control Regulations"	the Exchange Control Regulations, promulgated in terms of section 9 of the Currency and Exchanges Act, No 9 of 1933, as amended;

"Financial Markets Act"	Financial Markets Act, No 19 of 2012, as amended;
"FMCG"	fast moving consumer goods;
"FSE"	Frankfurt Stock Exchange, an institution under German public law with partial legal capacity;
"General Meeting"	the General Meeting of Steinhoff Shareholders, convened by the notice of General Meeting contained in this Circular, to be held in the Auditorium, at 28 Sixth Street, Wynberg, Sandton, 2090 on Monday, 26 January 2015 at 10:00am, referred to in paragraph 21 of this Circular;
"Group"	in respect of Steinhoff or Pepkor, that company and its subsidiaries;
"IFRS"	International Financial Reporting Standards as issued by the International Accounting Standards Board;
"Independent Expert" or "KPMG"	KPMG Services Proprietary Limited, registration number 1999/021543/21, a private company incorporated in South Africa, and appointed by the Board to provide a (i) report on the Titan Transaction, being a Related Party transaction in terms of section 10(1)(a) of the Listings Requirements, (ii) report on the acquisition under the Put Option Agreement in terms of section 114(3) of the Companies Act and (iii) report on the Waiver as governed by the Companies Regulations;
"JSE"	JSE Limited, registration number 2005/022939/06, a public company incorporated in South Africa, and licensed as an exchange under the Financial Markets Act;
"Last Practicable Date"	the Last Practicable Date prior to the finalisation of this Circular, being Wednesday, 10 December 2014;
"Listings Requirements"	the Listings Requirements of the JSE pursuant to the provisions of the Financial Markets Act, as amended from time to time;
"Management Consideration Shares"	29 866 311 Steinhoff Shares to be issued to Pepkor Management at R57.00 per Steinhoff Share in terms of the Pepkor Management Transaction;
"NAVPS"	Net Asset Value Per Share;
"Newshelf"	Newshelf 1093 Proprietary Limited, registration number 2010/018630/07, a private company incorporated in South Africa, with *inter alia* 179 635 C Preference Shares in issue (held by Pieter Erasmus (11.5%), Brait (50.9%) and Titan (37.6%)), and with an effective 26.0% equity interest in Pepkor Shares;
"NTAVPS"	Net Tangible Asset Value per Share;
"Ordinary Shares" or "Steinhoff Shares" or "Shares"	ordinary shares in Steinhoff;
"Pepkor"	Pepkor Holdings Proprietary Limited, registration number 2003/020009/07, a private company incorporated in South Africa;
"Pepkor Management"	the executive management of Pepkor (comprising *inter alia* J Du Toit, J Pienaar, L Lourens, C Cronje, J Wasserfall, A Hansen, E Morkel and Johan S Van Rooyen) led by its Chief Executive Officer, Mr Pieter Erasmus;
"Pepkor Management Transaction"	the proposed acquisition of an effective 2.81% equity interest in Pepkor from Pepkor Management, to be settled by issuing 29 866 311 Steinhoff Shares to Pepkor Management;
"Pepkor Shares"	ordinary shares in Pepkor;
"Pepkor Subscription Agreement"	the subscription agreement entered into between Steinhoff Africa and Pepkor in terms of which Steinhoff Africa agrees to subscribe for shares in Pepkor;
"Put Option Agreement"	the agreement entered into or to be entered into between Steinhoff, Steinhoff Africa, Thibault and Brait, in terms of which, *inter alia*, Steinhoff and/or Steinhoff Africa has or will have the right, in the event that the Brait Transaction fails to become unconditional in accordance with its terms or is terminated before its implementation, to acquire from Thibault the Titan Subscription Shares, in consideration for the transfer by Steinhoff and/or Steinhoff Africa or the procuring of the transfer by Steinhoff and/or Steinhoff Africa to Thibault of the entire direct and indirect (through Newshelf) interest in Pepkor acquired by Steinhoff and/or Steinhoff Africa in terms of the Titan Transaction and the CLN;
"Rand" or "R"	the South African Rand, the official currency of South Africa;
"Related Party"	a related party as defined in the Listings Requirements;
"Repurchase"	the acquisition by Steinhoff of Steinhoff Shares as defined in paragraph 2.1.2(5) and described in paragraph 2.1.3;
"Rights Offer"	the rights offer including an accelerated book build of cum rights Shares which was fully subscribed for by investors on 2 July 2014, resulting in the issue of 350 million Shares at R52.00 per Share, bringing the total capital raised to R18.2 billion;
"Sale of Shares Agreement"	the Sale of Shares Agreement entered into between Brait and Steinhoff recording the Brait Transaction;
"SENS"	the Stock Exchange News Service of the JSE;
"Shareholders" or "Steinhoff Shareholders"	holders of Steinhoff Shares from time to time;
"South Africa"	the Republic of South Africa;
"Steinhoff"	Steinhoff International Holdings Limited, registration number 1998/003951/06, a public company incorporated in South Africa;
"Steinhoff Africa"	Steinhoff Africa Holdings Proprietary Limited, registration number 1969/015042/07, a private company incorporated in South Africa and wholly owned by Steinhoff;

"Steinhoff Subscription Agreement"	the subscription agreement entered into between Thibault and Steinhoff in terms of which Thibault will subscribe for the Titan Subscription Shares;
"Strate"	Strate Proprietary Limited, registration number 1998/022242/06, a private company incorporated in South Africa, and the electronic clearing and settlement system used by the JSE to settle trades;
"Takeover Regulations"	the Takeover Regulations as defined in the Companies Act;
"Thibault"	Thibault Square Financial Services Proprietary Limited, registration number 1992/004170/07, a private company incorporated in South Africa and wholly owned by Titan, or it's nominee;
"Titan"	Titan Premier Investments Proprietary Limited, registration number 1997/000776/07, a private company incorporated in South Africa, with a 37.6% interest in the C Preference Shares and a 40% interest in Newshelf's ordinary shares;
"Titan Consideration"	an amount of R34 721 million payable in terms of the Titan Transaction;
"Titan Subscription Shares"	609 145 624 Steinhoff Shares to be issued to Thibault at a price of R57.00 per Share in terms of the Titan Transaction;
"Titan Transaction"	the acquisition of an effective 52.47% equity interest in Pepkor, to be settled by issuing the Titan Subscription Shares to Thibault, pursuant to the Transaction steps detailed in paragraph 2.1.2 and 2.4 of this Circular;
"Transaction(s)"	collectively the Titan Transaction, the Brait Transaction, the Pepkor Management Transaction and the Ancillary Transaction Steps resulting in the acquisition of an effective 92.34% equity interest in Pepkor;
"Transaction Agreements"	collectively, *inter alia*, the Sale of Shares Agreement, the Steinhoff Subscription Agreement, the Pepkor Subscription Agreement and the Put Option Agreement;
"Transaction Consideration"	a total amount of R63 020 million;
"Transfer Secretaries"	Computershare Investor Services Proprietary Limited, registration number 2004/003647/07, a private company incorporated in South Africa;
"TRP"	the Takeover Regulation Panel established by section 196 of the Companies Act;
"VAT"	Value-Added Tax payable in terms of the VAT Act;
"VAT Act"	the Value-Added Tax Act, No 89 of 1991, as amended;
"Voting Pool"	the arrangements recorded in the Voting Pool Agreement, as summarised in paragraph 2.5 of this Circular;
"Voting Pool Agreement"	the voting pool agreement to be entered into between Titan, Thibault, Brait and certain of the Directors and management of Steinhoff and Pepkor;
"Voting Pool Parties"	collectively, the parties to the Voting Pool Agreement; and
"Waiver"	the waiver required by Steinhoff Shareholders pursuant to the Voting Pool Agreement as described and defined in paragraph 2.5.

STEINHOFF
INTERNATIONAL HOLDINGS LTD

(Incorporated in the Republic of South Africa)
(Registration Number 1998/003951/06)
Share Code: SHF ISIN: ZAE000016176
VAT No: 4060175934

DIRECTORS

Executive Directors
Markus Johannes Jooste – Chief Executive Officer
Hendrik Johan Karel Ferreira
Andries Benjamin la Grange – Chief Financial Officer
Fredrik Johannes Nel – Financial Director
Daniël Maree van der Merwe – Chief Operating Officer
Stephanus Johannes Grobler

Alternate Directors
Johannes Nicolaas Stephanus du Plessis
Karel Johan Grové
Angela Krüger-Steinhoff (German)
Mariza Nel

Non-executive Directors
Dr Deenadayalen Konar* - Chairman
Dr Stefanes Francois Booysen*
David Charles Brink*
Claas Edmund Daun* (German)
Thierry Louis Joseph Guibert (French)
Dr Marthinus Theunis Lategan*
Johannes Fredericus Mouton*
Heather Joan Sonn*
Bruno Ewald Steinhoff (German)
Paul Denis Julia van den Bosch (Belgian)
Dr Christoffel Hendrik Wiese*

**Independent non-executive director*

28 Sixth Street, Wynberg, Sandton, 2090
PO Box 1955, Bramley, 2018
Tel: +27 (11) 445 3000
Fax: +27 (11) 445 3094/99

CIRCULAR TO STEINHOFF SHAREHOLDERS

1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

It was announced on SENS on Tuesday, 25 November 2014 that Steinhoff had concluded agreements between *inter alia*, Steinhoff, Titan, Thibault, Brait and Pepkor Management in terms of which Steinhoff or its nominee will acquire an effective 92.34% interest in the equity share capital of Pepkor. In terms of the Transaction, Steinhoff intends acquiring Titan's 52.47% effective equity interest in Pepkor, 37.06% from Brait and 2.81% from Pepkor Management for the Transaction Consideration of R63 020 million. The remaining shares in Pepkor will continue to be held by Pepkor Management. Pepkor Management has agreed to effectively remain invested in Pepkor. Titan and Thibault are privately held companies. Dr Christo Wiese, who is a non-executive Director of Steinhoff, is a beneficiary of a family trust, which is the ultimate controlling shareholder of Titan and Thibault. The Effective Date of the Transaction will be the second Business Day immediately after the fulfillment of the last Condition Precedent as outlined in paragraph 2.6.

The purpose of this Circular is to:

- provide Shareholders with detailed information regarding the Transaction and the manner in which it will be implemented; and
- to convene a General Meeting of Steinhoff Shareholders, in terms of the notice of the General Meeting forming part of this Circular, at which meeting the resolutions required to approve and implement the Transaction will be considered and, if deemed fit, passed.

2. PRINCIPAL TERMS AND CONDITIONS OF THE TRANSACTION

2.1. Titan Transaction

2.1.1 Introduction

Steinhoff has agreed to acquire Titan's effective 52.47% directly and indirectly held equity interest in Pepkor for the Titan Consideration. The Titan Transaction will be implemented via a series of inter-conditional transaction steps resulting in the issue of 609 145 624 Steinhoff Shares to Thibault, at an issue price of R57.00 per Steinhoff Share upon the fulfillment or waiver, as the case may be, of all of the Conditions Precedent to which the Titan Transaction is subject. The issue price of the Steinhoff Shares was determined with reference to an intraday market price per Steinhoff Share prevailing immediately before agreement had been reached in principle between Steinhoff and Titan. The Steinhoff Subscription Shares issued to Thibault will rank *pari passu* in all respects with the other Steinhoff Shares then in issue, including voting rights, rights to receive dividends or other distributions.

2.1.2 Titan Transaction steps

1. Steinhoff will issue 609 145 624 Steinhoff Shares for cash to Thibault at an issue price of R57.00 per Share, thereby raising an amount of R34 721 300 568.
2. The Titan Subscription Shares will be issued to Thibault as fully paid, immediately after the requisite approvals of Steinhoff Shareholders have been obtained at the General Meeting and the other suspensive conditions to which the Steinhoff Subscription Agreement may be subject, have been fulfilled.
3. Steinhoff (through its wholly owned subsidiary, Steinhoff Africa) will utilise R28 846 million of the proceeds in terms of 1 above to subscribe in cash, directly and indirectly (through Newshelf), for Pepkor Shares, which will result in Steinhoff (after certain repurchase transactions to be implemented by Pepkor) acquiring up to a 49% equity interest in Pepkor.
4. The balance of the proceeds of R5 875 million will be utilised by Steinhoff to acquire the CLN from Rand Merchant Bank (a division of FirstRand Bank Limited), which will come into effect once the Brait Transaction and Pepkor Management Transaction have been implemented, as referred to in paragraph 2.4 below.
5. Should the Brait Transaction (as described in paragraph 2.2 below) fail to become unconditional by no later than 31 May 2015 or be terminated before its implementation, the Titan Subscription Shares may be acquired by Steinhoff and/or Steinhoff Africa in terms of a specific share acquisition against delivery to Thibault of the entire direct and indirect interest in Pepkor acquired by Steinhoff pursuant to the Titan Transaction and the CLN (the "Repurchase"), in terms of the Put Option Agreement (see paragraph 2.1.3 below).

2.1.3 Put Option Agreement

This step will only become relevant if the Titan Transaction becomes unconditional and the Brait Transaction does not.

Only in the event of the Put Option Agreement becoming unconditional (i.e. as a result of the Titan Transaction becoming unconditional, but the Brait Transaction not becoming unconditional or being terminated before its implementation), the Repurchase will be implemented, which will require Shareholder approval at the General Meeting, excluding the votes of any Shareholder and its Associates participating in the Repurchase. Should the Repurchase be implemented, no premium will be payable to Thibault (as the Repurchase will be effected to restore the shareholders of Steinhoff and Titan to a neutral position) and thus no fairness opinion in terms of paragraph 5.69(e) of the Listings Requirements will be required.

Given that Dr Christo Wiese is a Director of Steinhoff and Thibault being a related person to Dr Christo Wiese and given the Repurchase will result in Steinhoff acquiring in excess of 5% of the issued Steinhoff Shares, the Repurchase is subject to the provisions of sections 48(8), 114 and 115 of the Companies Act.

The Board has appointed KPMG as Independent Expert (which meets the requirements set out in section 114(2) of the Companies Act) to advise it on the Repurchase and to compile a report in terms of section 114(3) of the Companies Act and the Takeover Regulations to the Board concerning the Repurchase.

The Independent Expert has advised the Board that it has considered the terms and conditions of the Repurchase and is of the opinion that these terms and conditions are fair and reasonable to Steinhoff Shareholders. The Independent Expert's report is attached to this Circular as Annexure 7 and the report has not been withdrawn.

Should the Put Option Agreement become unconditional and be exercised and implemented, Steinhoff will release an announcement on SENS detailing the steps required to implement the Repurchase, which will include:

(a) a statement by the Directors that after considering the effect of such Repurchase the provisions of sections 4 and 48 of the Companies Act have been complied with and that the:

(i) Company and the Group will be able in the ordinary course of business to pay its debts for a period of 12 months;
(ii) assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months;
(iii) share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months;
(iv) working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months; and

(b) confirmation that a resolution of the Board has been passed authorising the Repurchase, and acknowledging that the Company has passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of any company of the Group.

2.1.4 Related Party

As Dr Christo Wiese is a non-executive Director of Steinhoff and Brait, in terms of paragraph 10.1(b) (ii) of the JSE Listings Requirements, Dr Christo Wiese and his Associates are considered to be a Related Party to the Titan Transaction, and as a result, in terms of paragraph 10.4(f) of the Listings Requirements, an independent expert opinion is required from an independent expert acceptable to the JSE, indicating whether the terms of the Titan Transaction are fair to Steinhoff Shareholders. The Independent Expert's report is attached to this Circular as Annexure 7 and their report has not been withdrawn.

Related Parties and their Associates will be taken into account in determining a quorum at the General Meeting, but their votes will not be taken into account in determining the results of the voting at such General Meeting in relation to the resolutions required to approve the Titan Transaction as a category 1 Related Party transaction in terms of the Listings Requirements.

2.2. Brait Transaction

2.2.1 The Brait Consideration

Steinhoff has agreed to acquire Brait's 37.06% directly and indirectly held equity interest in Pepkor for the Brait Consideration to be settled as to:

- an amount of R11 400 million by the issue of 200 million Steinhoff Shares at an issue price of R57.00 per Steinhoff Share; and
- payment in cash of an amount of R15 000 million,

on the Completion Date. In the event that the Completion Date occurs after 28 February 2015, Brait will be entitled to an increase in the cash portion of the Brait Consideration at a rate of 7% per annum calculated from 1 March 2015 until the day before the cash portion of the Brait Consideration is paid.

Steinhoff will fund the cash portion of the Brait Consideration from its existing cash resources and existing debt facilities.

Dr Christo Wiese has a 34.64% indirect interest in Brait ordinary shares.

2.2.2 Conditions to the Brait Consideration Shares

The Brait Consideration Shares will furthermore be subject to:

- pre-emptive rights in favour of Steinhoff should Brait wish to sell any of the Brait Consideration Shares, enabling Steinhoff and Brait to co-operate towards an orderly execution of Brait's exit of any of the Brait Consideration Shares. The Brait Consideration Shares will be included in the Voting Pool arrangements referred to in paragraph 2.5 below; and
- a guarantee from Steinhoff that minimum gross proceeds of R57.00 per Brait Consideration Share will be realised if Brait disposes of any of the Brait Consideration Shares during the period of 12 months from the date of their issue. This guarantee has been ceded to a financial institution.

The Brait Consideration Shares will, upon their issue, rank *pari passu* in all respects with the other Steinhoff Shares then in issue, including voting rights and rights to receive dividends or other distributions. Steinhoff does not intend declaring any dividend or making any other distribution between the date of this Circular and the Completion Date. Accordingly, an increase in the Brait Consideration arising from the payment of any such dividend and/or distribution, as provided in the Sale of Shares Agreement, will not become applicable.

2.3. Pepkor Management Transaction

In principle agreement has been reached between Steinhoff and Pepkor Management in terms of which Steinhoff will acquire from them, an effective 2.81% equity interest in Pepkor in consideration for the issue of 29 866 311 Steinhoff Shares at R57.00 per Steinhoff Share. The Pepkor Management Transaction will be implemented at the same time as the Brait Transaction pursuant to agreements still to be concluded in writing between the various parties involved.

On conclusion of the Pepkor Management Transaction, Pepkor Management will retain a 7.66% effective equity interest in Pepkor, thereby strategically aligning their interests with those of Steinhoff and its Shareholders.

2.4. Ancillary Transaction Steps

After the implementation of the Titan Transaction, the Brait Transaction and the Pepkor Management Transaction, Steinhoff (utilising the CLN) will subscribe for an additional 30 716 627 Pepkor Shares at a subscription price of R191.27 per share, being an aggregate subscription price of R5 875 million.

Thereafter, Steinhoff will exchange all of its Pepkor Shares for Newshelf C Preference Shares, whereafter Steinhoff will hold an effective 92.34% equity interest in Newshelf, which in turn will hold 100% of the issued Pepkor Shares.

2.5. Voting Pool and Waiver of Offer to Minorities

Upon the implementation of the Transaction and after the transfer by Steinhoff of its rights of pre-emption in respect of the Brait Consideration Shares to the Voting Pool, in particular after the condition precedent in paragraph 2.6.5 below has been fulfilled, Titan, Thibault, Brait, and certain of the Directors and management (including their respective family interests) of Steinhoff and Pepkor will collectively hold or control more than 35% of the issued Steinhoff Shares. It is the intention of the Voting Pool Parties to enter into the Voting Pool Agreement (which Voting Pool Agreement has not been finalised and the names of certain of the Voting Pool Parties therefore not disclosed), to set out the voting pool arrangements and regulate the relationship between the Voting Pool Parties with respect to their voting rights in Steinhoff. The Directors consider this to be in the long term interests of Steinhoff and all its stakeholders in terms of continuity and succession planning.

Given the Voting Pool Parties will control more than 35% of the voting rights attached to the Steinhoff Shares after the implementation of the Transaction, the conclusion of the Voting Pool Agreement will give rise to an obligation on the Voting Pool Parties to make a mandatory offer in terms of section 123 of the Companies Act to the remaining Steinhoff Shareholders ("the Mandatory Offer") at R57.00 per Share. Accordingly, independent Steinhoff Shareholders, being the Steinhoff Shareholders other than the Voting Pool Parties, will be asked to waive the Mandatory Offer ("the Waiver") in terms of Regulation 86(4) of the Companies Regulations. The TRP has indicated that it is willing to consider the application to grant an exemption from the obligation to make the Mandatory Offer if the majority of independent Steinhoff Shareholders waive their entitlement as aforesaid. Any Steinhoff Shareholder who wishes to make representations to the TRP relating to the exemption shall have 15 Business Days from the date of the posting of this Circular to make such representations to the TRP before the TRP ruling is considered. Representations should be made in writing and delivered by hand, posted or faxed to:

If delivered by hand or courier:	If posted:	If faxed:
The Executive Director Takeover Regulation Panel 1st Floor, Building B Sunnyside Office Park 32 Princess of Wales Terrace Parktown 2193	The Executive Director Takeover Regulation Panel PO Box 91833 Auckland Park 2006	The Executive Director Takeover Regulation Panel +27 11 642 9284

In order to be considered, the representations should reach the TRP by no later than the close of business on 9 January 2015. If any representations are made to the TRP within the permitted timeframe, the TRP will consider the merits thereof before making a ruling.

The Voting Pool Agreement is envisaged to contain terms and conditions customary to agreements of this nature, including the following:

1. The Voting Pool will apply in respect of all of the Steinhoff Shares held by the Voting Pool Parties from time to time, and will include any Shares acquired as replacement of such Steinhoff Shares (for example through a share-for-share transaction in terms of a scheme of arrangement, or a takeover by or merger of Steinhoff with another company);
2. The Voting Pool Parties will prior to any Steinhoff general meeting hold a voting pool meeting at which they will determine, by way of a simple majority, the manner in which the Voting Pool Parties will be obliged to exercise their voting rights in respect of each resolution to be proposed at the general meeting;
3. The Voting Pool Parties will also decide on the entering into of any transaction (i) which concerns directly or indirectly more than 1% of the aggregate voting rights of the Company, (ii) by which the composition of the voting rights of the Voting Pool Parties will be significantly changed, in particular if the proportion of the voting rights held by Titan, Thibault and the participating members of the Directors and management of Steinhoff change significantly, (iii) which is based on corporate actions of the Company; and (iv) which may trigger the obligation on any Voting Pool Party to make a mandatory offer to the remaining Shareholders;
4. In the case of a direct or indirect sale or other disposal of Shares by a Voting Pool Party, the other Voting Pool Parties will have a pre-emptive right to acquire the Shares concerned at market value on a *pro rata* basis. If, in the event of a rights offer, any Voting Pool Parties intend not to follow any of their rights, their rights will be renounced in favour of the other Voting Pool Parties who wish to take up such rights, on a *pro rata* basis;
5. Upon the death of a member of the Voting Pool Party, the Voting Pool Agreement will be continued with his/her heirs. If a mandatory offer would be triggered by such continuation and no exemption from a mandatory offer obligation is available, then the heirs have the right to exit from the Voting Pool Agreement; and
6. The Voting Pooling Agreement shall have an indefinite term.

Because the Waiver will be governed by the Companies Regulations, an independent expert opinion from an independent expert acceptable to the TRP is required as to the Waiver's fairness and reasonableness to Steinhoff Shareholders. KPMG has been appointed as the Independent Expert to consider the terms and conditions of the Transaction and Repurchase and the Waiver and is of the opinion that these terms and conditions are fair and reasonable to Steinhoff Shareholders. The Independent Expert's report is attached to this Circular as Annexure 7 and their report has not been withdrawn.

2.6. Conditions Precedent to the Transaction

The Transaction will be subject to the fulfillment or, where applicable, waiver, as the case may be of, *inter alia*, the following Conditions Precedent by 31 May 2015, or such later date as the contracting parties may agree in writing (the conditions precedent to which the Titan Transaction are subject must be fulfilled or, where applicable, waived, as the case may be, before 31 January 2015 or such later date as the parties thereto may agree):

2.6.1 the resolutions proposed at the General Meeting being approved by the requisite majorities of Steinhoff Shareholders;

2.6.2 the JSE granting a listing of the 609.1 million Steinhoff Shares to be issued in respect of the Titan Transaction by no later than 31 January 2015, and the 200 million Brait Consideration Shares and the 29.9 million Management Consideration Shares by no later than 31 May 2015;

2.6.3 the Voting Pool Agreement being concluded;

2.6.4 the TRP exempting the Voting Pool Parties from the obligation to make the Mandatory Offer and such exemption becoming unconditional;

2.6.5 all the required regulatory approvals being obtained, in particular, the unconditional approval of the South African and any other relevant Competition Authorities, provided that the Titan Transaction (excluding the Ancillary Transaction referred to in paragraph 2.4 above) will not be conditional on the approval of the South African and any other relevant Competition Authorities;

2.6.6 no Steinhoff Shareholders or Steinhoff Shareholders collectively holding not more than 5% of the issued Steinhoff Shares giving notice prior to the commencement of the General Meeting in terms of section 115 (8)(a) and 164 (3) of the Companies Act that they object to and/or intend to oppose special resolution number 5 proposed at the General Meeting in respect of the Repurchase as described in paragraph 2.1.3, and have voted against that special resolution;

2.6.7 the consent of counterparties being obtained to the Transaction in respect of any change of control covenants which are applicable to all Pepkor's agreements and which are agreed between Steinhoff and Pepkor to be material to its business; and

2.6.8 the agreements recording the Titan Transaction and the Brait Transaction becoming unconditional in accordance with their terms, in addition to the Conditions Precedent listed above.

2.7. Warranties relating to the Transaction

The Transaction Agreements contain warranties, representations, indemnities and related undertakings, as are customary for a transaction of this nature and extent, including those covering typical corporate warranties, authority for the unencumbered delivery of the securities to be acquired by Steinhoff, ownership of assets, taxation and disclosure of liabilities as reflected in the statements of financial position of the entities which are Steinhoff's counter parties in the Transaction Agreements. The Transaction Agreements do not contain any warranties in respect of accounts receivable nor any restraint of trade covenants.

3. INFORMATION ON PEPKOR

3.1. Background to Pepkor

Founded in 1965 and headquartered in Cape Town, Pepkor is a leading South African based global retailer selling mainly clothing, footwear, homewares, personal accessories, cellular products and providing financial services. Pepkor serves discount and value-orientated cash customers in the higher growth living standards measure (LSM) 1-6 segments. Operating in 16 countries across three continents, Pepkor retails from 1.7 million square meters of retail space in 3 742 stores, employing more than 30 000 people.

Pepkor operates through well-known retail brands with 59% of revenue being generated within the discount segment of the market, followed by 39% in the value segment and 2% in the specialty market segment.

The principal retailing businesses of Pepkor are:

Discount

- South Africa and rest of Africa
  Trading through 1 933 stores and with an annual turnover of approximately R18.6 billion, Pep group, sells a discount range of merchandise including clothing, footwear, homewares and cellular. Today Pep is one of South Africa's top three retail names in terms of brand recognition among consumers of all income groups. The Pep Group also includes 91 homeware format stores (Pep Home) and 265 dedicated cellular concept stores (Pep Cell).

  In addition to this, 63 558 outlets are operated in the informal discount sector, selling airtime and electricity and providing bill payment facilities.

- Eastern Europe
  Pepco Poland is a cash-based value retailer of clothing, footwear, homewares, clothing accessories and cellular airtime operating in Poland, Czech Republic and Slovakia with 553 stores.

Value

- South Africa
  Ackermans is predominantly a cash retail chain selling clothing, footwear, homewares, clothing accessories and cellular products at affordable prices. There are 436 stores located in urban areas across Southern Africa.

- Australasia
  This group operates 341 stores in Australia and New Zealand and which includes the following brands: Best & Less, Harris Scarfe, Mozi, The Kidstore, Store & Order and Postie. The product ranges of these brands include clothing, footwear and homewares.

Speciality

- South Africa
  The following trading formats are operated through 479 stores: Dunns, Jay-Jays, John Craig and Shoe City. These formats sell clothing, footwear, clothing accessories, cellular and insurance products.

Support Services

Pepkor's operations are supported by sourcing offices in China, a distribution capability for cellular products and services in South Africa, as well as group services comprising credit, IT, property management, treasury, logistics and quality control. Through its decentralised business model (supported by central group services), Pepkor focuses on supply chain optimisation, to protect and enhance its discount positioning.

Pepkor also operates a 22 000m^2 factory in Cape Town that manufactures school uniforms (approximately 9 million units per annum) and employs approximately 1 600 employees.

3.2. Financial information of Pepkor

Pepkor reported revenue and EBITDA of R38.2 billion and R4.0 billion, respectively for its financial year ended 30 June 2014. The segmental split of revenues per product range was as follows:

- Footwear and clothing (50%);
- Household goods and personal accessories (37%); and
- Cellular (13%).

Its geographic segmental spread of revenues and EBITDA for the year ended 30 June 2014 was as follows:

	Revenue	EBITDA
South Africa, Botswana, Lesotho and Swaziland	63%	86%
Rest of Africa	5%	5%
Eastern Europe	9%	11%
Australasia	23%	-2%

A high-level summary of Pepkor's results for the year ended 30 June 2014 is set out below:

- the South African and BLNS countries' contribution to Pepkor's revenue and EBITDA is considerably higher than the other regions - attributed to the long standing Pep business;
- over the 2014 financial year Pepkor increased the number of stores on a net basis by 292, with 62% of these new stores being South Africa based. Trading density across the Group increased by 10% to R23,013/m² (5-year CAGR of 9%);
- currently the fastest growing region is Eastern Europe which contributed 102 of the new stores (22.6% growth). This growth in stores in Eastern Europe resulted in its contribution to Pepkor revenue increasing from 7% in 2013 to 9% in 2014;
- margins across Pepkor (excluding the Australian region) have strengthened considerably over the past year, which is attributed to improved sourcing of goods; and
- the Australian retail environment remained challenging throughout the year, particularly for South African retailers attempting to establish themselves in this market. Notwithstanding these difficulties, Pepkor's focus for the region continues to be on integrating a new executive team and executing its turnaround plan.

Additional historical financial information on Pepkor for the three financial years ended 30 June 2014, 30 June 2013 and 30 June 2012 is set out in Annexure 3 to this Circular. The historical financial information on Pepkor should be read in conjunction with the Independent Reporting Accountants' report on such historical financial information, which is set out in Annexure 4 to this Circular.

4. RATIONALE FOR THE TRANSACTION AND PROSPECTS FOR THE ENLARGED GROUP

4.1. Overview of Steinhoff

Steinhoff was listed on the JSE in 1998 through the merger of European and South African furniture and household goods businesses under Steinhoff as their common holding company. Steinhoff is a vertically integrated retailer operating in the value conscious segment of the European, Southern African and Pacific Rim furniture and household goods markets. For the financial year ended 30 June 2014, Steinhoff generated revenue and operating profit of R117.4 billion and R12.6 billion respectively, with 70% of revenue generated in Europe, 26% in Africa and 4% in Australasia. Its investments in South Africa are held through three separately listed companies, KAP Industrial Holdings Limited ("KAP") (44.7%), JD Group Limited ("JD Group") (86.6%) and PSG Group Limited (18.6%).

4.2. Attractive acquisition opportunity

a. Strategic rationale aligned with Steinhoff's competitive strengths

Steinhoff's key competitive strengths	Pepkor acquisition alignment
Largest listed household goods and furniture retailer in Europe	The Combined Group will be able to expand its footprint and product offerings in the growing discount market segment
Strong recognition of multiple locally-positioned brands	Pepkor's multi-brand strategy of 12 main retail brands in three operating regions fits with Steinhoff's own multi-brand retail strategy
Specialist in household goods and furniture products	Expansion of Steinhoff's retail footprint to include apparel, footwear and cellular phones, yet the focus remains on the same value-focused, mass market consumer demographic
Ability to leverage benefits associated with a vertically integrated supply chain	The Combined Group to benefit from greater efficiencies and supply chain integration
Continued market share gains through consolidation	The Combined Group will be ideally placed to further consolidate its operating markets via mergers and acquisitions and joint ventures
Strong record of profitable growth and cash generation	Strengthens Steinhoff's growth and solid cash flow profile
Significant growth potential	The Combined Group will have an enhanced growth profile through operational efficiencies and acceleration of Pepkor's European expansion
Highly experienced management team	Pepkor's highly experienced discount-focused management team adds additional management expertise and depth to Steinhoff

b. Pepkor's key business attractions

Pepkor is an attractive acquisition opportunity for Steinhoff given its strong market position within the discount and value market segments. Similar to Steinhoff, Pepkor operates a robust, decentralised business model that effectively competes by providing differentiated products at affordable prices to value conscious consumers. Pepkor also follows a well-executed multi-brand strategy and has a highly experienced management team.

Additional key business attractions include:

- highly recognisable brands with proven ability to grow cross-border:
  - including Pep, Africa's largest retailer;
  - Pepco, the number one non-food retailer in Poland and one of the fastest growing in Eastern Europe;
- strong multinational footprint, operating in 16 countries across three continents largely complementing Steinhoff's existing footprint;
- excellent track-record of double digit sales growth over the last four years, achieved primarily by serving customers that have seen the greatest increase in their consumer spending power (LSM 1 – 6);
- Pepkor's highly cash generative sales model allows the business to rapidly grow from internally generated resources with average cash conversion over the past three financial years representing 99% of EBITDA (pre-capex);
- significant further growth potential in existing and new markets:
  - successful growth track-record in Eastern Europe with substantial future growth potential;
  - poised to embark on expansion into Western Europe;
  - well-positioned for further expansion in Africa; and
  - established Australian platform, currently undergoing a 3-year turnaround plan.

c. Improved positioning within the discount retail market

The fast growing discount retail market has been a key driver of both Pepkor and Steinhoff's growth during the past five years. Discount retailers have benefited from the recent "flight to value" trend which has been most noticeable among less affluent customers, although customers across the spectrum are "trading down" as discount retailers have become more socially acceptable, given improved variety and quality. In response, discount retailers have expanded operations through rapid new store openings, thereby gaining market share from traditional retailers.

This underlying consumer trend is expected to continue even after the anticipated economic recovery due to the:

- increased market presence of discount retailers providing greater access to consumers;
- increasing transparency (especially online) across retailers' prices allowing consumers to bargain hunt more effectively;
- increased transaction volumes and basket spend as the discount channel is increasingly accepted as a complementary shopping channel offering quality products to consumers at reduced prices; and
- strong support from FMCG companies and other non-grocery suppliers.

With a store network of over 6 000 stores serving close to one billion customers and annual sales in excess of Euro 11.3 billion, generating EBITDA of Euro 1.4 billion, the Transaction will elevate the Combined Group to become a top five leader amongst European discount retailers.

d. Steinhoff's enhanced growth strategy

Steinhoff believes that the Transaction will further enhance its position as a leading listed global vertically integrated discount retail group in terms of size, geographic spread, operating scale and product diversity. The Transaction is expected to provide, *inter alia*, the following additional benefits to Steinhoff, thereby further enhancing the Company's growth prospects:

- diversification into faster moving apparel and other retail product ranges allowing Steinhoff to enhance its earnings and revenue mix;
- bolstering the complementary retail activities of Steinhoff and Pepkor, through existing product, customer and footprint overlap, adding to the scale and growth profile of the Combined Group. Steinhoff's product offerings include a large portion of goods and products that are similar to Pepkor's retail proposition;
- the ability of the Combined Group to accelerate its expansion throughout Europe, including, *inter alia*, the accelerated roll-out of Pepco into Steinhoff's existing European footprint. This can be achieved through lower capital expenditure compared to Pepco implementing this on a standalone basis, thereby:
  - providing a one-stop discount destination for the existing customer base;
  - increasing trading densities on the existing overhead base;
  - potentially increasing utilisation and property yields; and
  - enhancing operating leverage through larger operating scale;
- significant cost synergies through combining purchasing, sourcing and logistics infrastructure, greater volume discounts from suppliers and more favourable shipping and other logistic rates from key sourcing destinations; and
- potential for meaningful omni-channel, cross pollination and footprint optimisation opportunities within existing trading formats of the Steinhoff and Pepkor networks.

In addition, Steinhoff will diversify its revenue mix by increasing African revenue thereby diversifying the mainly European sales mix. The Combined Group is expected to generate 67% of its annual revenue outside Africa and 33% from Africa. The annual EBIT from the International operations' will account for 74% of the combined Group while African operations will account for the remaining 26%.

4.3. FSE listing

As announced on SENS on 4 August 2014, Steinhoff has recently completed a capital raising of R18.2 billion and, in conjunction with an Austrian incorporated holding company ("Holdco AG") is in the process of preparing for Holdco AG's listing on the FSE, accompanied by an Inward listing on the JSE ("the Listings"). The Listings are currently expected to take effect in the second quarter of 2015 (market conditions and regulatory approvals permitting). It is therefore envisaged that this Transaction will be concluded before the Listings become effective and as such, the leading position of Holdco AG as a listed global vertically integrated retail group of size, with enhanced geographic and product diversity will be substantially enhanced.

5. MATERIAL LOANS AND BORROWINGS OF STEINHOFF

There have been no new material loans in the Steinhoff Group since the last reporting period being 30 June 2014. The cash portion of the Brait Consideration is being funded by existing debt facilities, which were reduced post the Rights Offer of R18.2 billion. Steinhoff is therefore accessing that cash by drawing down on existing debt facilities to satisfy the Brait Consideration.

6. MATERIAL LOAN AND BORROWINGS OF PEPKOR

The material loan to Pepkor and its subsidiaries, before and after the Transaction, is set out in Annexure 5 to this Circular. It is furthermore anticipated that Pepkor will be in a net cash position by the Effective Date.

7. MATERIAL CONTRACTS AND ACQUISITIONS ENTERED INTO BY STEINHOFF

Other than in connection with the Transaction and as set out below, Steinhoff has not, in the two years preceding the Last Practicable Date, either verbally or in writing, entered into any other material contracts otherwise than in the ordinary course of business or, either verbally or in writing, entered into contracts at any time containing an obligation or settlement that is material to Steinhoff and its subsidiaries at the Last Practicable Date:

1. During November 2013 the Company implemented a repurchase of the 9.625% convertible bond of R1.6 billion that was due to mature in July 2015, thereby effectively converting such bond into 68.1 million underlying Steinhoff Shares;
2. Steinhoff facilitated the independent acquisition by Genesis Investment Holding GmbH of the kika-Leiner group of companies, which facilitation was done through an investment of Euro 375 million (through the issue of 120 million Steinhoff Shares as a vendor consideration placement in December 2013);
3. On 21 January 2014 Steinhoff Finance Holdings GmbH, a wholly-owned subsidiary of Steinhoff (under specific authority to issue convertible debentures, which was obtained at the annual general meeting on 3 December 2013), raised Euro 465 million through the placement of 4% guaranteed convertible bonds due 2021 which are convertible into 119.4 million Steinhoff Shares at a conversion price of R58.11 per Share;
4. During March 2014 Steinhoff launched a tender offer to JD Group shareholders to acquire up to 98% of JD Group's issued share capital, including the 56% interest it already owned. The tender offer comprised a consideration of 1 Steinhoff Share for every 1.9 JD Group shares tendered and attracted acceptances which increased Steinhoff's shareholding in JD Group to 86% (net of treasury shares);
5. During June 2014, Steinhoff Europe AG refinanced its existing term and syndicated loan facilities through the conclusion of a new 5-year syndicated revolving facility of Euro 1.8 billion with 18 international banks;
6. On 20 June 2014, JD Group concluded a rights offer of 40 million JD Group shares at R25 per share to raise an amount of R1 billion, before expenses. The rights offer was underwritten by Steinhoff as a result of which Steinhoff's shareholding increased to the current 86.6% of JD Group's issued shares (net of treasury shares);
7. On 23 June 2014 Steinhoff concluded an accelerated book build of 400 million of its shares held in KAP at 385 cents per KAP share, thereby raising an amount of R1 540 million, before expenses, and as a consequence of which its shareholding in KAP reduced to 44.7%;
8. On 2 July 2014 Steinhoff announced an accelerated book build followed by the Rights Offer of 350 million Steinhoff Shares, in total, at an issue price of R52.00 per Share. The Rights Offer closed on 1 August 2014 and raised R18.2 billion before expenses.

8. MATERIAL CONTRACTS AND ACQUISITIONS ENTERED INTO BY PEPKOR

Other than the Transaction Agreements to which Pepkor is a party, Pepkor has not, in the two years preceding the Last Practicable Date, either verbally or in writing, entered into any other material contracts or material acquisitions.

9. MATERIAL CHANGES RELATING TO STEINHOFF

Other than the Rights Offer and the Transaction, there has been no material change in the financial or trading position of Steinhoff and its subsidiaries since 30 June 2014.

10. MATERIAL CHANGES RELATING TO PEPKOR

Other than as set as set out in this Circular in respect of the Transaction, there has been no material change in the financial or trading position of Pepkor and its subsidiaries since 30 June 2014.

11. LITIGATION STATEMENT RELATING TO STEINHOFF

There are no legal or arbitration proceedings, including any proceedings that are pending or threatened of which Steinhoff is aware, that may have or have had in the previous twelve months a material effect on the Steinhoff Group's financial position.

12. LITIGATION STATEMENT RELATING TO PEPKOR

As far as is known to Titan, Brait and Pepkor Management, there are no legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have or have had in the previous twelve months a material effect on the Pepkor Group's financial position.

13. *PRO FORMA* FINANCIAL INFORMATION

The *pro forma* financial effects set out below are a summary of the complete *pro forma* financial information as set out in Annexure 1 to this Circular.

The *pro forma* financial information has been prepared for illustrative purposes only, in order to provide information about the impact of the Transaction on the financial position and results of operations of Steinhoff had the Transaction occurred on 1 July 2013 for income statement purposes and on 30 June 2014 for statement of financial position purposes.

The *pro forma* financial effects are presented in accordance with the Listings Requirements, the Guide on *Pro Forma* Financial Information issued by SAICA, ISAE 3420 and the measurement and recognition requirements of IFRS.

The *pro forma* financial information has been prepared for illustrative purposes only and, because of its nature, may not give a fair reflection of Steinhoff's financial position, changes in equity, results of operations or cash flows after the Transaction.

The accounting policies applied in quantifying *pro forma* adjustments are consistent with Steinhoff's accounting policies as at 30 June 2014. The *pro forma* financial information incorporates the audited results of Pepkor for the twelve months ended 30 June 2014. Steinhoff is satisfied with the quality of these results of Pepkor, as extracted from the audited accounts to 30 June 2014.

	(A) As reported at 30 June 2014	(B) *Pro forma* after Rights Offer of 350m Shares	(C) *Pro forma* after the Transaction	(C/B) Change (%)
Continuing and discontinued operations:				
Headline earnings per Share (cents)	443.5	415.7	343.4	-17.4%
Diluted headline earnings per Share (cents)	402.0	384.3	329.2	-14.3%
Basic earnings per Share (cents)	496.8	460.9	375.6	-18.5%
Diluted earnings per Share (cents)	444.3	421.3	356.9	-15.3%
NAVPS (cents)	3 946	4 111	4 510	9.7%
TNAVPS (cents)	797	1 412	447	-68.3%
Number of Shares in issue (million)	2 100	2 450	3 289	34.2%
Weighted average number of Shares in issue (million)	1 977	2 327	3 166	36.1%
Diluted weighted average number of Shares in issue (million)	2 488	2 838	3 677	29.6%

Notes and assumptions

1. *The "As reported at 30 June 2014" column (A) represents the audited basic earnings, headline earnings, diluted earnings and diluted headline earnings per Share from continuing and discontinued operations as reported in respect of the year ended 30 June 2014.*
2. *The "Pro forma after Rights Offer of 350m Shares" column (B) represents the reported audited numbers per (A) above, but as adjusted for the effects of the Rights Offer which closed on 1 August 2014 and raised net proceeds (after transaction costs of R341 million) of R17.9 billion in equity capital. The Rights Offer entailed the issue of 350 million Steinhoff Shares at R52.00 per Share. It has been assumed that the net proceeds were received on 1 July 2013 for income statement purposes and were used to reduce interest bearing debt with an interest charge of 6% per annum before taxation. The interest adjustment is of a continuing nature. For the purposes of the NAVPS and TNAVPS effect, it is assumed that the net proceeds of the Rights Offer had been received on 30 June 2014.*
3. *The "Pro forma after the Transaction" column (C) includes 92.34% of the audited attributable profits of Pepkor in respect of the year ended 30 June 2014, and has been calculated on the assumption that the Transaction had been effective on 1 July 2013 (and that no increase to the cash portion of the Brait Consideration as per paragraph 2.2.1 was applicable), as well as providing for the interest effect on R15 000 million borrowed funds at an after taxation interest rate of 5.82% for income statement purposes. The interest adjustment is of a continuing nature. Pepkor had net profit after tax of R2.1 billion for the financial period ended 30 June 2014.*
4. *The "As Reported at 30 June 2014" NAVPS and TNAVPS represents the calculation based on the 30 June 2014 statement of financial position of Steinhoff and the "Pro forma after the Transaction" column NAVPS and TNAVPS includes the value of the 839 million Consideration Steinhoff Shares at R57.00 per Share that are to be issued in respect of the Transaction on the assumption the Transaction took place on 30 June 2014. As at 30 June 2014, Pepkor had a net asset value of R7 billion.*
5. *Once-off transaction costs of R40 million and Securities Transfer Tax of R157 million have been deducted against equity.*
6. *There are no other post balance sheet events which require adjustment to the pro forma financial information.*

The Repurchase

Should the Put Option Agreement become unconditional (i.e. as a result of the Titan Transaction becoming unconditional, but the Brait Transaction not becoming unconditional or being terminated before its implementation), the Repurchase of the Titan Subscription Shares will be effected as a specific share acquisition from Thibault (by exchanging the entire direct and indirect interest in Pepkor acquired by Steinhoff pursuant to the Titan Transaction and the CLN for the Titan Subscription Shares). Accordingly, there will be no financial impact to Steinhoff based on the 30 June 2014 financial period and the "*Pro forma* after Rights Offer of 350m Shares" column for both the statement of comprehensive income and the statement of financial position purposes will remain as is.

The independent reporting accountants' report relating to both the detailed *pro forma* financial information in Annexure 1 to this Circular and the summary *pro forma* financial effects set out above is included in Annexure 2 to this Circular. The Board is responsible for the *pro forma* financial information set out above and in Annexure 1.

14. EXPENSES RELATED TO THE TRANSACTION

It is estimated that the expenses of Steinhoff and Pepkor relating to the Transaction and related matters will amount to approximately R40 million (excluding VAT) in aggregate, including miscellaneous preliminary expenses incurred in the previous three years.

Nature of expense	Advisor	R'000
Corporate advisory and Transaction Sponsor fees*	Investec Bank Limited, Deutsche Bank, Citigroup Global Markets Limited, Commerzbank and Barclays	30 000
Legal advisor fees and Competition Filling fees	Werksmans, Cliffe Dekker, Girard Hayward and Linklaters	6 500
Independent fair and reasonable opinion	KPMG	500
Reporting accountant to Steinhoff	Deloitte	250
Reporting accountant to Pepkor	PricewaterhouseCoopers Inc.	250
JSE documentation fee	JSE	55
JSE listing fee	JSE	2 009
Printing and distribution fees	Greymatter & Finch	436
Total		40 000

* *The allocation of this fee is success based and will accordingly be finalised post the General Meeting.*

The advisors involved in their respective capacities in which they acted in respect of the Transaction are set out in the "*Corporate information and advisors*" section of this Circular.

There are no conflicts of interest between Investec Corporate Finance and Investec Asset Management:

- with reference to the interests held by Investec Asset Management, disclosed under paragraph 15.3, these interests are held in various funds managed by fund managers for investors;
- Investec Group Compliance constantly monitors confidentiality within the bank ensuring that the integrity of client's information is maintained.

15. SHARE CAPITAL OF STEINHOFF

15.1 Ordinary share capital

Steinhoff's authorised and issued Ordinary Shares as at the Last Practicable Date were as follows:

	Number of Shares	R'millions
Authorised share capital		
Ordinary Shares at 0.5 cents each	3 000 000 000	15.0
Issued share capital		
Ordinary Shares at 0.5 cents each	2 528 460 274	12.6
Share premium		
Ordinary Shares		20 637.0
Treasury shares		
Ordinary Shares held as treasury shares	(9 963 800)	(141.0)
Total ordinary share capital and premium (net of treasury shares)		20 508.6

At the annual general of meeting of Steinhoff, held on 2 December 2014, it was resolved that the Company's authorised and issued non-redeemable, cumulative, non-participating preference shares and Ordinary Shares convert from par value shares into no par value shares. The revised authorised and issued Ordinary Shares in Steinhoff (post the amendments to Steinhoff's memorandum of incorporation being filed with CIPC) will be as follows:

	Pre Transaction		Post Transaction	
	Number of shares	R'millions	Number of shares	R'millions
Authorised shares				
Ordinary no par value shares	6 000 000 000	–	6 000 000 000	–
Issued shares				
Ordinary no par value shares	2 528 460 274	20 649.6	3 367 472 209	20 649.6
Treasury shares				
Ordinary Shares held as treasury shares	(9 963 800)	(141.0)	(9 963 800)	(141.0)
Total stated capital (net of treasury shares)		**20 508.6**		**20 508.6**

15.2 Preference share capital

Steinhoff's authorised and issued preference shares as at the Last Practicable Date were as follows:

	Number of shares	R'millions
Authorised shares		
Steinhoff – variable rate, cumulative, non-redeemable, non-participating preference shares of 0.1 cents	1 000 000 000	1
Steinhoff Investment – variable rate, cumulative, non-redeemable, non-participating preference shares of 0.1 cents	495 000 000	*
Steinhoff Africa – variable rate, cumulative, redeemable preference shares of 1 cents	2 000	*
Issued shares		
Steinhoff Investment – variable rate, cumulative, non-redeemable, non-participating preference shares of 0.1 cents	15 000 000	*
Steinhoff Africa – variable rate, cumulative, redeemable preference shares of 1 cents	1 000	*
Share premium		
Steinhoff Investment and Steinhoff Africa		3 381
Treasury shares		
Preference shares held as treasury shares	–	–
Total preference shares (net of treasury shares)		3 381

**Amount less than R500,000*

As referred to above, Steinhoff's preference share capital will convert to a no par value structure with the same number of authorised and issued preference shares in effect.

15.3 Major shareholders

Insofar as is known to the Board, and other than as set out below and in respect of Steinhoff Directors as per paragraph 16, there is no Shareholder, directly or indirectly, beneficially interested in more than five percent of any class of Steinhoff's capital.

The issue of the new Steinhoff Shares in terms of the Transaction will not affect the number of Shares held by the Shareholders below. The Steinhoff Directors' shareholding in Steinhoff below includes all Directors except for Dr Christo Wiese.

Major shareholders pre the Transaction	Direct interest	Indirect interest	Total	Percent^
Public Investment Corporation	333,597,974	–	333,597,974	13.25%
Steinhoff Directors*	14,241,932	273,068,130	287,310,062	11.41%
Investec Asset Management	188,516,687	–	188,516,687	7.49%
Total	**536,356,593**	**273,068,130**	**809,424,723**	**32.15%**

**Excluding Dr Christo Wiese*

Major shareholders post the Transaction	Direct interest	Indirect interest	Total	Percent^
Dr Christo Wiese (indirectly through the companies Titan and Thibault)	–	654,874,971	654,874,971	19.50%
Public Investment Corporation	333,597,974	–	333,597,974	9.94%
Steinhoff Directors*	14,241,932	273,068,130	287,310,062	8.56%
Brait	200,000,000	–	200,000,000	5.96%
Investec Asset Management	188,516,687	–	188,516,687	5.61%
Total	**736,356,593**	**927,943,101**	**1,664,299,694**	**49.57%**

** Excluding Dr Christo Wiese*
^ Based on total Shares in issue (net of treasury Shares)

15.4 Controlling shareholders and trading objects

Steinhoff has no controlling Shareholder and has not had one in any of the last five years. Save for the reduction in Steinhoff's interest in KAP to 44.7%, there has been no change to Steinhoff's trading objects over the past 5 years. As set out in paragraph 2.5, it is the intention of the Voting Pool Parties to enter into the Voting Pool, which will result in the Voting Pool controlling greater than 35% of the issued Steinhoff Shares post the Transaction provided that, *inter alia*, the Condition Precedent in respect of the Waiver is fulfilled.

16. DIRECTORS' REMUNERATION AND SERVICE CONTRACTS

16.1 Remuneration and share rights

As at the Last Practicable Date, other than the executive Directors' annual salary increases and the fees payable to non-executive Directors as approved at the annual general meeting held on 2 December 2014, there have been no changes to the Directors remuneration and share rights as disclosed in Steinhoff's annual report for the year ended 30 June 2014 and the Transaction will not result in a change in respect of those items.

16.2 Directors' interests in Steinhoff's share capital

The table below sets out the Directors' direct and indirect interests in Steinhoff as at the Last Practicable Date.

	Direct interest beneficial	Indirect interest beneficial	Indirect interest non-beneficial	Total	*Percentage shareholding before Transaction	^Percentage shareholding after Transaction
Executive Directors						
HJK Ferreira	–	2 663 090	–	2 663 090	0.11%	0.08%
SJ Grobler	–	4 281 816	–	4 281 816	0.17%	0.13%
MJ Jooste[1]	–	66 000 000	–	66 000 000	2.62%	1.97%
AB la Grange	968 250	–	–	968 250	0.04%	0.03%
FJ Nel[2]	1 950 181	4 104	–	1 954 285	0.08%	0.06%
DM van der Merwe	–	5 283 814	–	5 283 814	0.22%	0.16%
Total	**2 918 431**	**78 232 824**	**–**	**81 151 255**	**3.24%**	**2.43%**
Alternate Directors and officers						
JNS du Plessis	–	688 723	–	688 723	0.03%	0.02%
KJ Grové	–	1 272 678	2 068	1 274 746	0.05%	0.04%
A Krüger-Steinhoff	746 112	63 500	–	809 612	0.03%	0.02%
M Nel	309 310	–	–	309 310	0.01%	0.01%
Total	**1 055 422**	**2 024 901**	**2 068**	**3 082 391**	**0.12%**	**0.09%**
Non-executive Directors						
SF Booysen	–	213 907	–	213 907	0.01%	0.01%
DC Brink	–	200 000	–	200 000	0.01%	0.01%
CE Daun	–	2 399 856	–	2 399 856	0.10%	0.07%
TLJ Guibert	–	–	–	–	0.00%	0.00%
Dr D Konar	356 271	–	–	356 271	0.01%	0.01%
Dr MT Lategan[3]	142 247	204 759	39 815	386 821	0.02%	0.01%
JF Mouton	–	7 000 000	–	7 000 000	0.28%	0.21%
HJ Sonn	–	–	–	–	0.00%	0.00%
BE Steinhoff[4]	9 100 000	182 750 000	–	191 850 000	7.62%	5.71%
PDJ van den Bosch	669 561	–	–	669 561	0.03%	0.02%
Dr C Wiese[5+6]	–	45 729 347	–	45 729 347	1.82%	19.50%
Total	**10 268 079**	**238 497 869**	**39 815**	**248 805 763**	**9.90%**	**25.55%**

* *Based on 2,518,496,474 Shares in issue (net of treasury Shares)*

^ *Based on 3,357,508,409 Shares in issue (net of treasury Shares)*

1. *MJ Jooste has increased his indirect beneficial interest in Steinhoff Shares from 65,527,209 to 66,000,000 since 30 June 2014*
2. *FJ Nel has increased his indirect beneficial interest in Steinhoff Shares from 2,554 to 4,104 since 30 June 2014*
3. *Dr MT Lategan has increased his indirect beneficial interest in Steinhoff Shares from 194,759 to 204,759 since 30 June 2014*
4. *BE Steinhoff has increased his direct beneficial interest in Steinhoff Shares from 7,923,741 to 9,100,000 since 30 June 2014 and has increased his indirect beneficial interest in Steinhoff Shares from 169,440,720 to 182,750,000 since 30 June 2014*
5. *Dr Christo Wiese (through Titan and Thibault) will receive an additional 609,145,624 Steinhoff Shares post the Transaction*
6. *Dr Christo Wiese has increased his indirect beneficial interest in Steinhoff from 42,739,037 to 45,729,347 since 30 June 2014*

16.3 Details of directors' service contracts

None of the executive Directors of Steinhoff are subject to any service contract with Steinhoff or any of its subsidiaries, other than in terms of their normal terms and conditions of employment as approved by Steinhoff's remuneration committee from time to time.

16.4 Details of directors' interests in the transaction

Non-executive Director, Dr Christo Wiese, has a material beneficial interest directly and indirectly in Pepkor. Apart from this, there is no material beneficial interest, whether direct or indirect, of Steinhoff Directors, including Directors who have resigned during the last 18 months, in transactions that were effected by Steinhoff during the current or immediately preceding financial year or during an earlier financial year which remain in any respect outstanding or unperformed. As from the Effective Date of the Transaction, Dr Christo Wiese's status will change from independent non-executive Director to non-executive Director.

17. MEMORANDUM OF INCORPORATION OF PEPKOR FOLLOWING COMPLETION OF THE TRANSACTION

The Transaction will result in Pepkor becoming a subsidiary of Steinhoff and accordingly its memorandum of incorporation will be amended to conform to Schedule 10 of the Listings Requirements.

18. OPINION AND RECOMMENDATION

The Board has considered the Transaction in light of Steinhoff's strategy and the rationale for the Transaction as set out in paragraph 4 above. Save for Dr Christo Wiese who has recused himself, the Board is of the opinion that the Transaction is in the best interests of Steinhoff and recommends that the Shareholders vote in favour of the Transaction. As regards the Titan Transaction, the Repurchase and the Waiver, KPMG, in its capacity as the Independent Expert, has confirmed that in its opinion, the terms and conditions of the Titan Transaction and the Repurchase and the Waiver are fair and reasonable to Steinhoff Shareholders. Accordingly, each member of the Board, who is a Shareholder, intends to vote in favour of the resolutions to be proposed at the General Meeting (i.e. all resolutions on which they will be eligible to vote) in respect of the Shares held directly or indirectly by such Director, and recommends that all Shareholders do likewise.

19. WORKING CAPITAL STATEMENT

The Board is of the opinion that the working capital available to the Steinhoff Group, as enlarged by the Transaction, is sufficient for the Steinhoff Group's present requirements, that is for at least the next twelve months from the date of issue of this Circular.

20. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are given on page 8 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by the Listings Requirements and the Companies Regulations.

21. GENERAL MEETING

A General Meeting of Shareholders will be held on Monday, 26 January 2015 at 10:00am in the Auditorium, 28 Sixth Street, Wynberg, Sandton, 2090) to consider and, if deemed fit, pass the proposed resolutions necessary to implement the Transaction.

Details of the action required by Shareholders are set out on page 3 of this Circular.

22. CONSENTS

Each of the financial advisors, the transaction sponsor, the legal advisors, International Counsel, the reporting accountants, the Independent Expert and the Transfer Secretaries have consented in writing to act in the capacities stated and to their names appearing in this Circular and have not withdrawn their consent prior to the publication of this Circular.

23. EXCHANGE CONTROL APPROVAL

Steinhoff has obtained the requisite approval from the Exchange Control Department of the SARB in order to implement the Transaction. This approval is subject to conditions typical for a transaction of this nature, which are fully set out in the approval received from the SARB.

24. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection at the registered office of Steinhoff during normal office hours from 15 December 2014 to 26 January 2015;

- the memorandum of incorporation of Steinhoff;
- a copy of the Transaction Agreements;
- the Exchange Control approval from the SARB, as referred to in section 23 above;
- the TRP's Letter of Approval of the Circular;
- the signed reporting accountants' report on the *pro forma* financial information referred to in section 13 above and in Annexure 1;
- Steinhoff's audited annual financial statements for the three years ended 30 June 2014, 2013 and 2012;
- Pepkor's audited annual financial statements for the three years ended 30 June 2014, 2013 and 2012, and the signed independent reporting accountants' report related thereto;
- the Independent Expert's fairness opinion;
- the written consents of the financial advisors, the transaction sponsor, the legal advisors, the International Counsel, the reporting accountants, the Independent Expert and the Transfer Secretaries, as referred to in section 22 above; and
- a signed copy of this Circular, as authorised in writing by the Board.

By order of the Steinhoff Board

Steinhoff Africa Secretarial Services Proprietary Limited
Company Secretary

Wynberg
12 December 2014

ANNEXURE 1: *PRO FORMA* FINANCIAL INFORMATION

The *pro forma* income statement and statement of financial position ("*pro forma* financial information") of Steinhoff are set out below to illustrate the effects of the Transaction on Steinhoff's published results for the year ended 30 June 2014.

The *pro forma* financial information has been prepared for illustrative purposes only, in order to provide information about the impact of the Transaction on the financial position and results of operations of Steinhoff had the Transaction occurred on 1 July 2013 (and that no increase to the cash portion of the Brait Consideration as per paragraph 2.2.1 was applicable) for income statement purposes and on 30 June 2014 for statement of financial position purposes.

The *pro forma* financial effects are presented in accordance with the Listings Requirements, the Guide on *Pro Forma* Financial Information issued by SAICA, ISAE 3420 and the measurement and recognition requirements of IFRS.

Because of its nature, the *pro forma* financial information may not give a fair reflection of Steinhoff's financial position, changes in equity, results of operations or cash flows after the Transaction.

The accounting policies applied in quantifying *pro forma* adjustments are consistent with Steinhoff's accounting policies at 30 June 2014.

The reporting accountants' report relating to the *pro forma* financial information is included in Annexure 2 to this Circular. The *pro forma* financial information is the responsibility of the Steinhoff Board.

The *pro forma* statement of comprehensive income is disclosed below:

STATEMENT OF COMPREHENSIVE INCOME

R'millions	Steinhoff audited 12 months ended 30 June 2014[1]	*Pro forma* adjustment relating to the Rights Offer[2]	*Pro forma* after Rights Offer adjustments	Pepkor audited 12 months ended 30 June 2014[3]	*Pro forma* Transaction adjustments[4]	*Pro forma* after Rights Offer and Transaction adjustments
Continuing operations						
Revenue	117 364	–	117 364	38 194	–	155 558
Cost of sales	(75 446)	–	(75 446)	(22 750)	–	(98 196)
Gross profit	41 918	–	41 918	15 444	–	57 362
Other operating income	1 404	–	1 404	411	–	1 815
Operating expenses	(30 700)	–	(30 700)	(12 646)	–	(43 346)
Capital items	1 500	–	1 500	(34)	–	1 466
Operating profit	14 122	–	14 122	3 175	–	17 297
Finance costs	(3 486)	1 072	(2 414)	(330)	(1 050)	(3 794)
Income from investments	1 491	–	1 491	61	–	1 552
Share of profit of equity accounted companies	290	–	290	3	–	293
Profit before taxation	**12 417**	**1 072**	**13 489**	**2 909**	**(1 050)**	**15 348**
Taxation	(1 954)	(169)	(2 123)	(1 004)	176	(2 951)
Profit from continuing operations	**10 463**	**903**	**11 366**	**1 905**	**(874)**	**12 397**
Discontinued operations						
(Loss)/profit from discontinued operations	(600)	–	(600)	227	–	(373)
Profit for the year	**9 863**	**903**	**10 766**	**2 132**	**(874)**	**12 024**
Profit attributable to:						
Owners of the parent	10 090	903	10 993	2 138	(971)	12 160
Non-controlling interest	(227)	–	(227)	(6)	97	(136)
Profit for the year	**9 863**	**903**	**10 766**	**2 132**	**(874)**	**12 024**
Continuing and discontinued operations:						
Headline earnings per Share (cents)	443.5	–	415.7	–	–	343.4
Diluted headline earnings per Share (cents)	402.0	–	384.3	–	–	329.2
Basic earnings per Share (cents)	496.8	–	460.9	–	–	375.6
Diluted earnings per Share (cents)	444.3	–	421.3	–	–	356.9
Number of Shares in issue (millions)	2 100	350	2 450	–	839	3 289
Weighted average number of Shares in issue (millions)	1 977	350	2 327	–	839	3 166
Diluted weighted average number of Shares in issue (millions)	2 488	350	2 838	–	839	3 677
Headline earnings attributable to shareholders (R'millions)	8 770	–	9 673	–	–	10 872
Diluted headline earnings attributable to shareholders (R'millions)	10 003	–	10 906	–	–	12 105
Earnings attributable to shareholders (R'millions)	9 821	–	10 724	–	–	11 891
Diluted earnings attributable to shareholders (R'millions)	11 054	–	11 957	–	–	13 124

R'millions	Steinhoff audited 12 months ended 30 June 2014[1]	*Pro forma* adjustment relating to the Rights Offer[2]	*Pro forma* after Rights Offer adjustments	Pepkor audited 12 months ended 30 June 2014[3]	*Pro forma* Transaction adjustments[4]	*Pro forma* after Rights Offer and Transaction adjustments
Consolidated statement of other comprehensive income						
Profit for the year	**9 863**	**903**	**10 766**	**2 132**	**(874)**	**12 024**
Items that will not be reclassified subsequently to profit or loss, net of taxation	(102)	–	(102)	–	–	(102)
Items that may be reclassified subsequently to profit or loss, net of taxation	5 868	–	5 868	(250)	–	5 618
Total other comprehensive income for the year	**15 629**	**903**	**16 532**	**1 882**	**(874)**	**17 540**
Total comprehensive income attributable to:						
Owners of the parent	15 844	903	16 747	1 887	(952)	17 682
Non-controlling interests	(215)		(215)	(5)	78	(142)
Total comprehensive income for the year	**15 629**	**903**	**16 532**	**1 882**	**(874)**	**17 540**
Headline earnings reconciliation						
***Pro forma* earnings attributable to owners of the parent**						**11 891**
Adjusted for capital items of equity accounted companies (net of tax)						(8)
Adjusted for capital items (net of tax and non-controlling interests)						(1 011)
***Pro forma* headline earnings attributable to owners of the parent**						**10 872**

Assumptions and notes

1. *The column titled "Steinhoff audited 12 months ended 30 June 2014" has been prepared based on the Steinhoff audited Group annual financial statements for the 12 months ended 30 June 2014.*
2. *The "Pro forma adjustment relating to the Rights Offer" column refers to the impact of the Rights Offer which closed on 1 August 2014:*
   i. *Net proceeds from the Rights Offer of R17 859 million, being the issue of 350 million Shares at R52.00 less once-off transaction costs of R341 million.*
   ii. *The net proceeds from the Rights Offer are applied to reduce interest-bearing borrowings.*
   iii. *The related reduction in financial charges is R1 072 million assuming an interest rate of 6% before taxation.*
   iv. *Steinhoff's average tax rate of 15.7% has been applied to profit before taxation resulting in a taxation effect of R169 million.*
3. *The column titled "Pepkor audited 12 months ended 30 June 2014" has been prepared based on the Pepkor audited Group financial statements for the 12 months ended 30 June 2014.*
4. *The column titled "Pro forma Transaction adjustments" refers to the requirements of IFRS 3 and Steinhoff management's best estimate at this stage:*
   i. *Steinhoff purchases 92.34% of the share capital of Pepkor.*
   ii. *The excess purchase consideration paid to Pepkor shareholders over the net asset value of R7 019 million at 30 June 2014 has been allocated as follows:*
      – R16 811 million to intangible assets which have an indefinite life.
      – R48 911 million to goodwill.
      The final allocation will require a detailed identification and valuation exercise which will be completed only once the Transaction is implemented.
   iii. *The Transaction Consideration, of R63 020 million, is funded by the issue of 839 million new Steinhoff Shares to the value of R47 823 million (based on a Share price of R57.00), debt of R15 000 million, and cash of R197 million (relating to Securities Transfer Tax of R157 million and Transaction costs of R40 million).*
   iv. *Interest on R15 000 million borrowed funds at an after taxation interest rate of 5.82%.*
   v. *No interest has been taken into account on the R197 million cash portion being immaterial.*
5. *All the adjustments are of a continuing nature except once-off transaction costs which have been deducted against equity.*
6. *The pro forma consolidated statement of comprehensive income is based on the above assumptions and these assumptions are effective from 1 July 2013.*

The *pro forma* statement of financial position is disclosed below:

STATEMENT OF FINANCIAL POSITION

R'millions	Steinhoff audited 12 months ended 30 June 2014[1]	*Pro forma* adjustment relating to the Rights Offer[2]	*Pro forma* after Rights Offer adjustments	Pepkor audited 12 months ended 30 June 2014[3]	*Pro forma* Transaction adjustments[4]	*Pro forma* after Rights Offer and Transaction adjustments
ASSETS						
Non-current assets						
Goodwill	27 810	–	27 810	1 274	48 911	77 995
Intangible assets	38 306	–	38 306	509	16 811	55 626
Property, plant and equipment	53 995	–	53 995	4 237	–	58 232
Investment property	427	–	427	–	–	427
Investments in equity accounted companies	4 223	–	4 223	40	–	4 263
Investments and loans	10 399	–	10 399	451	–	10 850
Deferred taxation assets	1 390	–	1 390	532	–	1 922
Trade and other receivables	70	–	70	–	–	70
	136 620	**–**	**136 620**	**7 043**	**65 722**	**209 385**
Current assets						
Vehicle rental fleet	534	–	534	–	–	534
Inventories	17 921	–	17 921	7 127	–	25 048
Trade and other receivables	18 112	–	18 112	2 129	–	20 241
Short-term loans receivable	5 928	–	5 928	–	–	5 928
Cash and cash equivalents	16 341	–	16 341	1 901	(197)	18 045
	58 836	**–**	**58 836**	**11 157**	**(197)**	**69 796**
Assets and disposal groups classified as held for sale	6 865	–	6 865	159	–	7 024
	65 701	**–**	**65 701**	**11 316**	**(197)**	**76 820**
Total assets	**202 321**	**–**	**202 321**	**18 359**	**65 525**	**286 205**
EQUITY AND LIABILITIES						
Ordinary share capital and premium	20 507	17 859	38 366	7 503	40 123	85 992
Reserves	62 347	–	62 347	(521)	521	62 347
Preference share capital and premium	3 381	–	3 381	–	–	3 381
Total equity attributable to equity holders of the parent	86 235	17 859	104 094	6 982	40 644	151 720
Non-controlling interests	1 541	–	1 541	37	5 174	6 752
Total equity	**87 776**	**17 859**	**105 635**	**7 019**	**45 818**	**158 472**
Non-current liabilities						
Interest-bearing loans and borrowings	55 580	(17 859)	37 721	3 632	15 000	56 353
Employee benefits	868	–	868	71	–	939
Deferred taxation liabilities	10 878	–	10 878	209	4 707	15 794
Provisions	1 603	–	1 603	112	–	1 715
Trade and other payables	388	–	388	342	–	730
	69 317	**(17 859)**	**51 458**	**4 366**	**19 707**	**75 531**
Current liabilities						
Trade and other payables	34 222	–	34 222	6 422	–	40 644
Employee benefits	750	–	750	–	–	750
Provisions	1 213	–	1 213	19	–	1 232
Interest-bearing loans and borrowings	6 411	–	6 411	292	–	6 703
Bank overdrafts and short-term facilities	2 436	–	2 436	116	–	2 552
	45 032	**–**	**45 032**	**6 849**	**–**	**51 881**
Liabilities and disposal groups classified as held for sale	196	–	196	125	–	321
	45 228	**–**	**45 228**	**6 974**	**–**	**52 202**
Total equity and liabilities	**202 321**	**–**	**202 321**	**18 359**	**65 525**	**286 205**
NAVPS (cents)	3 946	–	4 111		–	4 510
NTAVPS (cents)	797	–	1 412		–	447
Number of Shares in issue (millions)	2 100	350	2 450		839	3 289

Assumptions and notes

1. *The column titled "Steinhoff audited 12 months ended 30 June 2014" has been prepared based on the Steinhoff audited Group annual financial statements for the 12 months ended 30 June 2014.*
2. *The "Pro forma adjustment relating to the Rights Offer" column refers to the impact of the Rights Offer which closed on 1 August 2014:*
   - *i. Net proceeds from the Rights Offer of R17 859 million, being the issue of 350 million Shares at R52.00 less once-off transaction costs of R341 million.*
   - *ii. The net proceeds from the Rights Offer are applied to reduce interest-bearing borrowings.*
3. *The column titled "Pepkor audited 12 months ended 30 June 2014" has been prepared based on the Pepkor audited Group financial statements for the 12 months ended 30 June 2014.*
4. *The column titled "Pro forma Transaction adjustments" refers to the requirements of IFRS 3 and Steinhoff management's best estimate at this stage:*
   - *i. Steinhoff purchases 92.34% of the share capital of Pepkor.*
   - *ii. The excess purchase consideration paid to Pepkor shareholders over the net asset value of R7 019 million at 30 June 2014 has been allocated as follows:*
     - *– R16 811 million to intangible assets which have an indefinite life; and*
     - *– R48 911 million to goodwill.*

     The final allocation will require a detailed identification and valuation exercise which will be completed only once the Transaction is implemented.
   - *iii. The Transaction Consideration, of R63 020 million, is funded by the issue of 839 million new Steinhoff Shares to the value of R47 823 million (based on a share price of R57.00), debt of R15 000 million and cash of R197 million (relating to Securities Transfer Tax of R157 million and Transaction costs of R40 million).*
   - *iv. Securities Transfer Tax of R157 million has been deducted from the issue value of the Shares.*
   - *v. Once-off Transaction costs of R40 million have been taken into account with the effect of reducing equity.*
   - *vi. Non-controlling interests of R5 211 million have been recognised on the 7.66% of Pepkor that will be owned by Pepkor Management.*
   - *vii. A deferred taxation liability of R4 707 million has been raised on the fair market valuation of the intangible assets with an indefinite life at the South African corporate tax rate of 28%.*
   - *viii. Standard consolidation journal entries in terms of IFRS which include inter alia the elimination of Pepkor's 'at acquisition' share capital, share premium, non-distributable reserve, accumulated profit and loss and non-controlling interest. All the adjustments are of a continuing nature except once-off transaction costs.*
5. *Apart from the above adjustments, there are no other post balance sheet events which need adjustment to the pro forma financial information.*
6. *The pro forma statement of financial position is based on the assumption that the Transaction occurred at 30 June 2014.*

Steinhoff's Goodwill Accounting Policy per the Steinhoff 2014 Annual Financial Statements

"All business combinations are accounted for by applying the purchase method. Goodwill arising on the acquisition of a subsidiary, associate company or joint-venture company represents the excess of the aggregate consideration transferred, non-controlling interests in the acquiree and in business combinations achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate company or joint-venture company recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. An impairment loss in respect of goodwill is not reversed.

Goodwill is allocated to cash-generating units (CGUs) and is tested annually for impairment or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary, associate company or joint-venture company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Gains on bargain purchases arising on acquisition are recognised directly as capital items in profit or loss."

The Repurchase

Should the Put Option Agreement become unconditional (i.e. as a result of the Titan Transaction becoming unconditional, but the Brait Transaction not becoming unconditional or being terminated before its implementation), the Repurchase of the Titan Subscription Shares will be effected as a specific share acquisition from Thibault (by exchanging the entire direct and indirect interest in Pepkor acquired by Steinhoff pursuant to the Titan Transaction and the CLN for the Titan Subscription Shares). Accordingly, there will be no financial impact to Steinhoff based on the 30 June 2014 financial period and the "*Pro forma* after Rights Offer adjustments" column for both the statement of comprehensive income and the statement of financial position purposes will remain as is.

ANNEXURE 2: INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION

"The Directors
Steinhoff International Holdings Limited
28 Sixth Street
Wynberg, Sandton
2090

Dear Sir(s) / Madam

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Steinhoff International Holdings Limited by the Directors. The *pro forma* financial information, as set out in paragraph 13 and Annexure 1 of the Circular ("the Circular"), to be dated on or about 15 December 2014, consists of the statement of financial position and statement of comprehensive income and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited ("JSE") Listings Requirements.

The *pro forma* financial information has been compiled by the Directors to illustrate the impact of the corporate action or event, described in paragraph 2 of the Circular, being the acquisition of Pepkor Holdings Proprietary Limited, on the company's financial position as at 30 June 2014, and the company's financial performance for the period then ended, as if the corporate action or event had taken place on 1 July 2013, being the commencement date of the financial period for the purposes of the statement of comprehensive income and at 30 June 2014, being the last day of the financial period for the purposes of the statement of financial position. As part of this process, information about the company's financial position and financial performance has been extracted by the Directors from the company's audited financial results for the year ended 30 June 2014.

Directors' Responsibility for the *Pro Forma* Financial Information

The Directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the Listings Requirements and described in paragraph 13 and Annexure 1 of the Circular.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the Directors on the basis specified in the Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the Listings Requirements and described in paragraph 13 and Annexure 1 of the Circular.

Consent

We consent to the inclusion of our report on the *pro forma* financial information and the references thereto in the Circular, in the form and context in which they appear.

Deloitte & Touche
Registered Auditors
Per: Xavier Botha
Partner

9 December 2014

Deloitte & Touche
Riverwalk Office Park
41 Matroosberg Road
Ashlea Gardens X6, 0081

National Executive: LL Bam Chief Executive, AE Swiegers Chief Operating Officer, GM Pinnock Audit, DL Kennedy Risk Advisory, NB Kader Tax, TP Pillay Consulting, K Black Clients & Industries, JK Mazzocco Talent & Transformation, MJ Jarvis Finance, M Jordan Strategy, S Gwala Managed Services, TJ Brown Chairman of the Board, MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request".

ANNEXURE 3: HISTORICAL FINANCIAL INFORMATION RELATING TO PEPKOR

The historical financial information of Pepkor Holdings Proprietary Limited and its subsidiaries ("Pepkor") set out below has been extracted from the audited annual financial statements of Pepkor for the years ended 30 June 2014, 2013 and 2012. The annual financial statements were audited by PricewaterhouseCoopers Inc. and reported on without qualification. The aforementioned financial statements were approved by the Pepkor board of directors on the 29 October 2014, 25 October 2013, and 29 October 2012 respectively. The extracted historical financial information is the responsibility of the Directors of Steinhoff International Holdings Limited.

Detailed commentary on the historical financial information of Pepkor is provided in Section 3 of the main body of the Circular.

PEPKOR CONSOLIDATED HISTORICAL STATEMENT OF COMPREHENSIVE INCOME
for the years ended 30 June

	Notes	2014 R'000	2013 R'000	2012 R'000
Revenue	17	38 194 497	32 879 503	26 299 134
Other operating income		411 201	512 897	239 859
Total income		38 605 698	33 392 400	26 538 993
Merchandise purchased		(24 160 578)	(21 023 431)	(16 281 430)
Change in merchandise inventory		1 410 726	873 801	118 628
Employee benefit expenses		(5 001 723)	(4 239 268)	(3 174 011)
Lease expenses		(2 985 801)	(2 455 481)	(1 908 294)
Depreciation and amortisation		(818 077)	(696 161)	(588 842)
Advertising costs		(822 286)	(671 311)	(466 632)
(Loss)/gain from fair value adjustments to foreign exchange contracts		(21 413)	(8 156)	12 501
Other operating costs		(3 030 992)	(2 273 677)	(2 009 951)
Operating profit	18	3 175 554	2 898 716	2 240 962
Investment income	19	61 039	47 862	62 252
Interest paid		(329 768)	(310 818)	(342 958)
Profit before taxation		2 906 825	2 635 760	1 960 256
Taxation	20	(1 003 991)	(840 862)	(688 123)
Profit after taxation		1 902 834	1 794 898	1 272 133
(Loss)/profit of joint ventures		2 741	(1 514)	1 842
Net profit from continuing operations		**1 905 575**	**1 793 384**	**1 273 975**
Discontinued operations				
Profit for the year from discontinued operations (attributable to owners of the parent)		226 877	34 408	(54 545)
Net profit for the year		2 132 452	1 827 792	1 219 430
Items that may be reclassified subsequently to profit or loss, net of taxation				
Currency translation differences		234 854	284 787	241 743
Hedge accounting reserve		(485 286)	352 196	133 627
Total comprehensive income		**1 882 020**	**2 464 775**	**1 594 800**
Net profit attributable to:				
Owners of the parent		2 137 965	1 818 787	1 209 729
Non-controlling interest		(5 513)	9 005	9 701
Net profit		**2 132 452**	**1 827 792**	**1 219 430**
Total comprehensive income attributable to:				
Owners of the parent		1 887 315	2 455 574	1 584 828
Non-controlling interest		(5 295)	9 201	9 972
Total comprehensive income		**1 882 020**	**2 464 775**	**1 594 800**

PEPKOR CONSOLIDATED HISTORICAL STATEMENT OF FINANCIAL POSITION
as at 30 June

	Notes	2014 R'000	2013 R'000	2012 R'000
ASSETS				
Non-current assets		**7 042 268**	**6 463 357**	**4 780 363**
Property, plant and equipment	1	4 236 857	3 675 259	2 679 178
Intangible assets	2	1 782 945	1 875 410	1 379 310
Interest in joint ventures	4	39 527	34 983	43 092
Financial assets	5	451 249	333 547	319 692
Deferred taxation	6	531 690	544 158	359 091
Current assets		**11 317 291**	**10 176 514**	**7 028 246**
Inventories	7	7 126 958	5 716 232	4 407 836
Trade and other receivables	8	2 129 175	2 671 124	1 246 408
Derivative financial instruments	9	–	408 070	64 030
Cash and cash equivalents		1 900 641	1 381 088	1 309 972
Discontinued operations		160 517	–	–
Total assets		**18 359 559**	**16 639 871**	**11 808 609**
EQUITY AND LIABILITIES				
Ordinary shareholders' equity		**6 982 149**	**5 944 629**	**3 843 657**
Ordinary share capital	10	346	344	344
Ordinary share premium	11	7 502 615	7 391 522	7 402 403
Reserves	12	(520 812)	(1 447 237)	(3 559 090)
Non-controlling interest		37 417	11 264	24 624
Equity		**7 019 566**	**5 955 893**	**3 868 281**
Non-current liabilities		4 366 199	3 498 674	3 555 895
Borrowings	13	3 632 310	2 782 006	2 925 748
Deferred taxation	6	209 107	241 760	216 294
Post-retirement benefit obligation	14	71 002	75 068	74 386
Operating lease accrual	22	342 204	308 842	230 435
Provisions	15	111 576	90 998	109 032
Current liabilities		**6 973 794**	**7 185 304**	**4 384 433**
Trade and other payables	16	5 448 651	4 507 263	3 048 712
Taxation payable		873 597	599 745	476 218
Provisions	15	18 986	138 986	19 552
Borrowings		292 173	702 565	130 251
Derivative financial instruments		98 629	–	–
Bank overdrafts		116 370	1 236 745	709 700
Discontinued operations		125 388	–	–
Total equity and liabilities		**18 359 559**	**16 639 871**	**11 808 609**

PEPKOR CONSOLIDATED HISTORICAL STATEMENT OF CASH FLOWS
for the years ended 30 June

	Notes	2014 R'000	2013 R'000	2012 R'000
Cash flow from operations		**2 341 461**	**1 279 502**	**(10 546 631)**
Operating profit/(loss)		3 472 752	3 008 591	2 183 408
Non-cash items	21.1	356 667	1 280 798	914 089
Increase in working capital		564 947	(1 488 604)	(1 188 029)
Investment income		61 955	48 534	62 441
Interest paid		(346 167)	(319 199)	(342 958)
Taxation paid	21.3	(806 271)	(897 165)	(945 266)
Dividend paid		(960 890)	(343 721)	(11 228 978)
Dividend paid to non-controlling shareholders of subsidiaries		(1 532)	(9 732)	(1 338)
Investment activities		**(1 235 713)**	**(1 893 798)**	**(1 086 864)**
Acquisition of property, plant and equipment		(1 182 060)	(1 330 356)	(816 722)
Proceeds on disposal of property, plant and equipment		36 264	72 382	22 451
Increase in loans to directors, employees and sundry receivables		(82 626)	(13 263)	(303 030)
(Increase)/Decrease in loans to joint ventures		(5 862)	5 248	10 555
Acquisition of subsidiaries	21.4	–	(628 112)	–
Other investment activities		(1 429)	303	(118)
Net cash flow		**1 105 748**	**(614 296)**	**(11 633 495)**
Financing activities		**551 007**	**158 367**	**9 798 989**
Proceeds from ordinary share issue		–	–	7 277 917
Proceeds from disposal of treasury shares		115 313	–	–
Purchase of treasury shares		(4 218)	(10 881)	(11 984)
Increase in interest in existing subsidiaries		–	(97 654)	(42 490)
Debt repaid		(307 182)	(124 639)	(462 489)
Debt raised		747 094	391 541	3 038 035
Cash and cash equivalents				
Net movement for the year		1 656 755	(455 929)	(1 834 506)
– At beginning of the year		144 343	600 272	2 434 778
Balance at end of the year		**1 801 098**	**144 343**	**600 272**
Consisting of:				
Cash and cash equivalents		1 917 468	1 381 088	1 309 972
Bank overdrafts		(116 370)	(1 236 745)	(709 700)
		1 801 098	**144 343**	**600 272**

PEPKOR CONSOLIDATED HISTORICAL STATEMENT OF CHANGES IN EQUITY
for the years ended 30 June 2012, 2013 and 2014

	Notes	Share capital and premium	Foreign currency translation reserve	Capital contribution reserve	Hedge accounting reserve	Retained income	Non-controlling interest	Total
Balance at 1 July 2011		**136 814**	**107 976**	**74 687**	**(28 754)**	**5 931 151**	**23 612**	**6 245 486**
Proceeds from share issue		7 277 917						7 277 917
Purchase of treasury shares		(11 984)						(11 984)
Transaction with non-controlling shareholders							(7 622)	(7 622)
Net profit for the year						1 209 729	9 701	1 219 430
Other comprehensive income for the year			241 472		133 627		271	375 370
Dividend paid						(11 228 978)	(1 338)	(11 230 316)
Balance at 30 June 2012		**7 402 747**	**349 448**	**74 687**	**104 873**	**(4 088 098)**	**24 624**	**3 868 281**
Purchase of treasury shares		(10 881)						(10 881)
Transaction with non-controlling shareholders							(12 829)	(12 829)
Net profit for the year						1 818 787	9 005	1 827 792
Other comprehensive income for the year			284 591		352 196		196	636 983
Dividend paid						(343 721)	(9 732)	(353 453)
Balance at 30 June 2013		**7 391 866**	**634 039**	**74 687**	**457 069**	**(2 613 032)**	**11 264**	**5 955 893**
Proceeds on disposal of treasury shares		115 313						115353
Purchase of treasury shares		(4 218)						(4 218)
Transaction with non-controlling shareholders							32 980	32 980
Net profit for the year						2 137 965	(5 513)	2 132 452
Other comprehensive income for the year			234 636		(485 286)		218	(250 432)
Dividend paid						(960 890)	(1 532)	(962 422)
Balance at 30 June 2014		**7 502 961**	**868 675**	**74 687**	**(28 217)**	**(1 435 957)**	**37 417**	**7 019 566**

ACCOUNTING POLICIES

Pepkor Holdings (Pty) Ltd and its subsidiaries for the year ended 30 June

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council. The consolidated financial statements have been prepared on the historical cost basis, with the exception of certain financial instruments being shown at fair value, and incorporate the following principal policies which are in all material respects consistent with those of the previous year. The comparative statements of comprehensive income have been re-presented as if an operation discontinued during the 2014 year had been discontinued from the start of the 2012 year. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in accounting policy note 24.

1. FINANCIAL STATEMENTS

1.1 Consolidated financial statements

(a) Subsidiaries

Subsidiaries are entities (including structured entities) which are, directly or indirectly, controlled by the group. Control is established where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The nature and effect of existing rights that give the group the current ability to direct the relevant activities of the entity are considered when assessing whether the group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases.

The acquisition method is used to account for business combinations. The consideration transferred is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Acquisition-related costs are expensed as incurred. The excess of the consideration transferred over the fair value of the group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the consideration transferred is less than the group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

All intergroup transactions, balances and unrealised gains and losses on transactions between entities of the group have been eliminated. When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statements of comprehensive income is re-presented as if the operation had been discontinued from the start of the earliest comparative year.

(b) Joint ventures

Joint arrangements are those arrangements over which the group exercises joint control in terms of a contractual agreement. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the rights and obligations of the parties to the arrangement. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. The group's investments in joint ventures are accounted for using the equity method and are initially recognised at cost.

The group's share of post-acquisition profit or loss and its share of post-acquisition movements in other comprehensive income are recognised in the statement of comprehensive income and in other comprehensive income respectively, with a corresponding adjustment to the carrying amount of the investment, from the date that joint control commences until the date that joint control ceases. When the group's share of losses in a joint venture equals or exceeds its investment in the joint venture, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. When necessary, accounting policies applied by joint ventures have been changed to ensure consistency with the policies adopted by the group.

(c) Transactions with non-controlling interests

The group treats transactions, such as share purchases, with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. The interests of non-controlling shareholders in the consolidated equity and results of the group are shown separately in the consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income, respectively.

2. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO STANDARDS

(a) Standards and amendments to published standards effective in the year to 30 June 2014

- Amendments to IFRS 1: First-time Adoption on Government Loans;
- Amendments to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 19: Employee Benefits;
- IFRS 10: Consolidated Financial Statements;
- IFRS 11: Joint Arrangements;
- IFRS 12: Disclosure of Interests in Other Entities;
- IFRS 13: Fair Value Measurement;
- Revised IAS 27 (revised 2011): Separate Financial Statements;
- Revised IAS 28 (revised 2011): Associates and Joint Ventures; and
- Amendments to the transition requirements in IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements, IFRS 12: Disclosure of Interests in Other Entities, IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine and Improvements to IFRSs 2011.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 July 2014 or later periods but which the group has not early adopted as follows:

- IFRS 9: Financial Instruments (effective for the year ending June 2018);
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities (effective for the year ending June 2015);
- Amendments to IFRS 11: Joint Arrangements (effective for the year ending June 2017);
- IFRS 14: Regulatory Deferral Accounts (effective for the year ending June 2017);
- IFRS 15: Revenue from Contracts with Customers (effective for the year ending June 2018);
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation (effective for the year ending June 2017);
- Amendments to IAS 19: Employee Benefits (effective for the year ending June 2015);
- Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities (effective for the year ending June 2015);
- Amendment to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets (effective for the year ending June 2015);
- Amendment to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting (effective for the year ending June 2015);
- Annual improvements 2010 – 2012 cycle (effective for the year ending June 2015);
- Annual improvements 2011 – 2013 cycle (effective for the year ending June 2015); and
- IFRIC 21: Levies (effective for the year ending June 2015).

Management does not anticipate that the application of the above standards, amendments and interpretations will have a significant impact on the group's future results.

3. FOREIGN CURRENCY

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. The functional currency is the currency of the primary economic environment in which the entity operates. Exchange rates are obtained from reputable financial organisations. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

4. FOREIGN SUBSIDIARIES

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in South African Rand, which is the company's functional and presentation currency.

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
(b) income and expenses for each statement of comprehensive income are translated at the actual exchange rate on the date that the transactions occur; and
(c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the Functional Currency Translation Reserve. When a foreign operation is sold, such exchange differences are recognised in profit and loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

5. FINANCIAL INSTRUMENTS

5.1 Classification

The group classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, available-for-sale and held-to- maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at the end of every financial period. Financial instruments are classified as current if they are expected to be realised within 12 months after the end of the reporting period.

(a) Financial assets at fair value through profit and loss

This category has two sub-categories: 'financial assets held for trading', and those designated as at fair value through profit and loss at inception.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as 'held for trading'. These assets are initially and subsequently recognised at fair value. Gains and losses are included in profit and loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Loans and receivables are

included under current assets unless it matures more than 12 months after the end of the reporting period.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is determined as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the original effective interest rate.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These assets are initially and subsequently measured at fair value with any gain or loss recognised in 'other comprehensive income'. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit and loss as a reclassification adjustment even though the financial asset has not been derecognised.

Impairment losses recognised in profit and loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit and loss.

(d) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

5.2 Recognition and measurement

Regular purchases and sales of investments are recognised on trade date – the date on which the group commits to the purchasing or selling of the asset. The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques.

5.3 Derivative financial instruments and hedging activities

The group uses derivative financial instruments to reduce exposure to fluctuations in foreign currency exchange rates. These instruments comprise of foreign exchange contracts. Foreign exchange contracts protect the group from movements in exchange rates by fixing the rate at which a foreign currency asset or liability will be settled. It is the policy of the group not to trade in derivative financial instruments for economically speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

(a) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge), or
(b) Hedges of a net investment in a foreign operation (net investment hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss within 'Gain/(loss) from fair value adjustments to foreign exchange contracts'.

Amounts accumulated in equity are reclassified to profit and loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income within 'Gain/(loss) from fair value adjustments to foreign exchange contracts'.

(b) Net investment hedge

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss within 'Gain/(loss) from fair value adjustments to foreign exchange contracts'. Gains and losses accumulated in equity are included in profit and loss when the foreign operation is partially disposed of or sold.

5.4 Derecognition of financial instruments

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the group transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS.

5.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

6. PROPERTY, PLANT AND EQUIPMENT

Land and buildings are regarded as owner-occupied properties and reflected at cost. No depreciation is provided on land as it is regarded to have an unlimited life-span. Buildings, machinery, equipment and vehicles are carried at cost and depreciated at rates appropriate to the various classes of assets involved, taking into account the estimated useful life of the individual items. Improvements to leasehold property are carried at cost and written off over the period of the lease. Assets obtained in terms of finance lease agreements are capitalised.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Gains and losses on disposal are determined by comparing proceeds with carrying values and are included in operating profit. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment are depreciated using the straight-line method to allocate their cost to their residual values over their estimated useful lives over the following periods:

Buildings	25 to 50 years
Machinery	3 to 8 years
Equipment	3 to 15 years
Vehicles	3 to 7 years

7. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

8. INTANGIBLE ASSETS

(a) Goodwill

Goodwill is initially measured at cost being the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest over the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired (a bargain purchase), the difference is recognised in profit or loss. Goodwill on acquisition of subsidiaries is accounted for in the statement of financial position. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units (which are expected to benefit from the business combination) for the purpose of impairment testing. An impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

(b) Trademarks

Expenditure to acquire trademarks is capitalised and amortised using the straight-line method over their useful lives, but not exceeding 20 years.

(c) Software

Software acquired for use for more than one year is capitalised at cost and amortised using the straight- line method over its useful life, but not exceeding 5 years.

9. DEFERRED TAXATION

Deferred income tax is provided using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the statement of financial position.

Provisions for taxes which could arise on the remittance of retained earnings, principally relating to subsidiaries, are only made where there is a current intention to remit such earnings.

The principal temporary differences arise from unrealised profits, depreciation on property, plant and equipment, provisions, trademarks and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable income will be sufficient to recoup the deferred tax assets.

The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts and the group intends either to settle the amount on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities are offset only if:

(a) there is a legally enforceable right to set off current tax assets against current tax liabilities; and
(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or
- different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

10. INVENTORIES

Inventories are valued at the lower of cost or net realisable value. Cost of inventories include the transfer from other comprehensive income of any gains or losses on qualifying cash flow hedges relating to inventory purchases.

Cost for the group is determined on the following bases:

Raw material

Average cost.

Work in progress

Direct costs which include raw material, direct labour and attributable production overheads.

Merchandise

Manufactured in the group's factories:

Direct costs which include raw material, direct labour and attributable production overheads.

Purchased

All merchandise, except telecommunication products are stated at average cost calculated in accordance with either the retail method or cost, less an adjustment for obsolete and slow moving inventories, exclusive of rebates and transportation costs. Telecommunication products are valued using the cost method.

Goods in transit

Actual cost of raw material and merchandise not yet received.

Consumable goods

Average cost.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

11. TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original interest rate. The change in the provision is recognised in profit and loss at year-end. Bad debts written off during the year are directly charged to profit and loss. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit and loss within operating expenses.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried at fair value. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the statement of financial position, bank overdrafts are included in current liabilities.

13. SHARE CAPITAL

Ordinary shares are classified as equity. Where any group company/trust purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

14. BORROWINGS

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred, when they become party to the contractual provisions. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings as interest. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

15. PROVISIONS

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

16. TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

17. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the group's activities. Revenue is shown, net of value-added tax, estimated returns, and discounts and after eliminated sales within the group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when a group entity delivers a product to the customer. Retail sales are usually settled in cash or by credit card. A provision for returns is made based on accumulated experience at the time of the sale. Ongoing revenue on telecommunication products is recognised on the accrual basis.

(b) Interest

Interest income is recognised on a time apportion basis using the effective interest method.

18. OTHER INCOME

Advertising contributions on telecommunication products are recognised as other income on the date the related sale of goods takes place.

19. LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

(a) Finance leases – lessee

Finance leases are recognised as assets in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

(b) Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This asset is not discounted. Any contingent rents are expensed in the period they are incurred.

20. EMPLOYEE BENEFITS

(a) Retirement/pension fund defined contribution obligations

A defined contribution plan is a retirement plan under which the group pays fixed contributions into a separate fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and previous periods.

The group pays contributions to privately administered plans on a contractual basis. Once the contributions have been paid, the group has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due, and as such are included in staff costs.

(b) Defined benefit pension obligations

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the pre- sent value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income immediately.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees' remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(c) Other post-retirement obligations

Although there are no contractual obligations, certain group companies provide post-retirement medical benefits by funding a portion of the medical aid contributions of pensioners. The expected costs of these benefits are accrued over the period of employment, with the expected liability being valued annually by independent qualified actuaries, using the projected unit credit method. The present value of the liability is determined by the estimated future cash outflow using interest rates of government securities that have terms to maturity approximating the terms of the related liability. Any actuarial gains or losses are recognised in other comprehensive income immediately.

(d) Management performance schemes

The group operates a number of management performance schemes. The expected costs of these benefits are accrued over the period of vesting. The present value of the liability is determined by the estimated future cash outflow based on the performance scheme benefits.

21. SHARE-BASED PAYMENTS

The group operates a number of equity-settled, share- based compensation plans, under which the entity receives services from employees as consideration for equity instruments ("options") of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of options granted, excluding the impact of any non-market service and performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount to be expensed is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

22. CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period in the countries where the group operates and generates taxable income.

Dividends declared by South African companies within the group were subject to secondary tax on companies ("STC"). The STC expense is included in profit and loss in the period that the related dividend is paid. STC has ceased on 1 April 2012, with the secondary tax having been shifted onto the shareholder.

Deferred income tax is calculated and recognised in terms of accounting policy note 9.

23. TRADING CYCLE

The group's trading cycle, consistent with prior financial periods, ends on the last Saturday of the relevant reporting period.

24. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary or operation at the date of acquisition. Goodwill denominated in a foreign currency is translated at closing rates. Goodwill is tested for impairment annually and whenever there is indication of impairment. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

Each of those CGUs represents the group's investment in a trading unit or a group of trading units. Gains and losses on the disposal of an entity that has related goodwill include the carrying amount of the related goodwill. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

Goodwill has been allocated to the following CGUs:

– Pep
– Ackermans
– Shoe City
– John Craig
– Best & Less
– Flash
– Harris Scarfe

Impairment testing has been performed as follows: Goodwill acquired through business combinations has been allocated for impairment testing purposes to the operating companies and its operating divisions, which comprises a portfolio of stores of which each portfolio is considered to be a CGU. This represents the lowest level within the group at which goodwill is monitored for internal management purposes.

The recoverable amount for the operating units has been determined based on a value in use calculation using cash flow projections based on financial models approved by the board covering a 36-month period. The discount rate applied to the cash flow projections is between 11.6% and 13.05% and cash flows beyond the 36-month model are extrapolated using a growth rate of between 6.0% and 7.0%. Refer to note 2 to the financial statements for the outcome of these tests.

(b) Post-retirement benefit provision

Medical and similar retirement obligations are accounted for in terms of IAS 19: Employee Benefits. Under this standard, the liabilities of the plans are recognised at the present value of the defined benefit obligations in the statement of financial position.

Accounting for retirement provisions requires certain assumptions to be made in order to value the obligations and to determine the changes to be made to profit and loss. These figures are particularly sensitive to assumptions for discount rates and inflation rates. Further details of assumptions made are given in note 14.3 to the financial statements. These assumptions are set by reference to market conditions at valuation date, being 30 June 2014. Demographic assumptions are set having regard to the latest trends in life expectancy, plan exercise and other relevant data.

(c) Inventory valuation

The majority of the group's inventory is valued using the retail method of accounting. The inventory valuation and net realisable value of this inventory is calculated using the following critical assumptions and estimates:

– the average gross margin percentage used in the calculation;
– the inventory turnover;
– the ageing of the stock; and
– the expected rate of markdowns required after year-end to sell older stock.

These assumptions are set by reference to market conditions and management accounts at the valuation date. The assumptions are reviewed and updated annually. Actual experience may differ from the assumptions made. The effects of such differences are recognised through profit and loss.

(d) Fair value of unlisted investments

The fair value of unlisted investments is determined by applying valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

(e) Taxation

The group operates internationally and is therefore exposed to legislation that results in a higher degree of complexity related to tax planning, regulatory reviews and audits. Income taxes are accounted for on the basis of internal analyses, supported by external advice. Tax positions are continuously monitored and whenever uncertainties arise, potential consequences are assessed and accruals made for liabilities depending on judgements of the strength of positions and the resulting risk of loss. Based on the group's current assessment it is not probable that liabilities in excess of accruals made to date will be incurred. These liabilities are considered at the level of the individual uncertainties and are presented as part of the current tax liability, unless the group has the unconditional right to defer payment for more than twelve months.

(f) Foreign exchange instruments

The valuation of the derivative financial instruments used as foreign exchange exposures are dependent on various assumptions including spot exchange rates and risk curves. These assumptions are subject to judgement and can change rapidly.

	R'000	Owned machinery, equipment and vehicles	Land and buildings	Leased machinery, equipment and vehicles	Improvements to leasehold property	Total
1.	**PROPERTY, PLANT AND EQUIPMENT**					
1.1	**Cost**					
	At 30 June 2013	4 828 631	1 125 184	8 430	184 356	6 146 601
	Additions	976 932	85 227	29	119 872	1 182 060
	Reclassification	(379 675)	–	–	379 675	–
	Exchange rate differences	72 599	75 242	703	28 062	176 606
	Disposals and scrappings	(206 832)	(1 610)	(3 336)	(18 633)	(230 411)
	At 30 June 2014	**5 291 655**	**1 284 043**	**5 826**	**693 332**	**7 274 856**
1.2	**Aggregate depreciation**					
	At 30 June 2013	2 321 837	51 343	3 532	94 630	2 471 342
	Charge for the year	651 400	19 572	1 199	54 589	726 760
	Reclassification	(133 489)	–	–	133 489	–
	Disposals and scrappings	(147 962)	(11)	(1 472)	(10 658)	(160 103)
	At 30 June 2014	**2 691 786**	**70 904**	**3 529**	**272 050**	**3 037 999**
1.3	**Book value at 30 June 2014**	**2 599 869**	**1 213 139**	**2 567**	**421 282**	**4 236 857**
1.4	**Cost**					
	At 30 June 2012	3 756 442	862 504	10 753	146 601	4 776 300
	Additions	1 096 288	193 772	121	40 175	1 330 356
	Acquired as part of business combinations	226 558	–	–	–	226 558
	Exchange rate differences	109 605	69 007	1 437	1 910	181 959
	Disposals and scrappings	(360 262)	(99)	(3 881)	(4 330)	(368 572)
	At 30 June 2013	**4 828 631**	**1 125 184**	**8 430**	**184 356**	**6 146 601**
1.5	**Aggregate depreciation**					
	At 30 June 2012	1 985 231	34 881	3 646	73 364	2 097 122
	Charge for the year	608 328	16 462	2 442	23 217	650 449
	Disposals and scrappings	(271 722)	–	(2 556)	(1 951)	(276 229)
	At 30 June 2013	**2 321 837**	**51 343**	**3 532**	**94 630**	**2 471 342**
1.6	**Book value at 30 June 2013**	**2 506 794**	**1 073 841**	**4 898**	**89 726**	**3 675 259**
1.7	**Cost**					
	At 30 June 2011	3 096 599	788 295	8 372	106 081	3 999 347
	Additions	758 453	11 828	3 550	42 891	816 722
	Reclassification	12 806	(12 806)	–	–	–
	Exchange rate differences	53 962	75 249	(134)	1 569	130 646
	Disposals and scrappings	(165 378)	(62)	(1 035)	(3 940)	(170 415)
	At 30 June 2012	**3 756 442**	**862 504**	**10 753**	**146 601**	**4 776 300**
1.8	**Aggregate depreciation**					
	At 30 June 2011	1 587 419	21 754	2 465	56 315	1 667 953
	Charge for the year	521 227	13 127	1 693	18 309	554 356
	Disposals and scrappings	(123 415)	–	(512)	(1 260)	(125 187)
	At 30 June 2012	1 985 231	34 881	3 646	73 364	2 097 122
1.9	**Book value at 30 June 2012**	**1 771 211**	**827 623**	**7 107**	**73 237**	**2 679 178**

1.10 A register containing details of land and buildings is available for inspection at the registered office of the company

1.11 Land and buildings with a book value of R203,9 million (2013: R148,3 million and 2012: R27,5 million) serve as security for long-term borrowings (refer 13.1.4).

1.12 Machinery, equipment and vehicles with a book value of R2,8 million (2013: R6,9 million and 2012: R9,4 million) serve as security for finance leases (refer 13.1.5).

	R'000	Goodwill	Trademarks	Customer relationships	Software	Total
2.	**INTANGIBLE ASSETS**					
2.1	**Cost**					
	At 30 June 2013	1 310 178	912 157	18 903	20 510	2 261 748
	Additions	–	780	–	–	780
	Amounts written off	(36 589)	–	–	–	(36 589)
	At 30 June 2014	**1 273 589**	**912 937**	**18 903**	**20 510**	**2 225 939**
2.2	**Aggregate amortisation**					
	At 30 June 2013	–	375 721	3 780	6 837	386 338
	Charge for the year	–	46 039	3 781	6 836	56 656
	At 30 June 2014	**–**	**421 760**	**7 561**	**13 673**	**442 994**
2.3	**Book value at 30 June 2014**	**1 273 589**	**491 177**	**11 342**	**6 837**	**1 782 945**
2.4	**Cost**					
	At 30 June 2012	905 812	804 263	–	–	1 710 075
	Acquired as part of business combination	415 420	107 894	18 903	20 510	562 727
	Disposal	(11 054)	–	–	–	(11 054)
	At 30 June 2013	**1 310 178**	**912 157**	**18 903**	**20 510**	**2 261 748**
2.5	**Aggregate amortisation**					
	At 30 June 2012	–	330 765	–	–	330 765
	Charge for the year	–	44 956	3 780	6 837	55 573
	At 30 June 2013	**–**	**375 721**	**3 780**	**6 837**	**386 338**
2.6	**Book value at 30 June 2013**	**1 310 178**	**536 436**	**15 123**	**13 673**	**1 875 410**
2.7	**Cost**					
	At 30 June 2011	890 944	804 263	–	–	1 695 207
	Additions	14 868	–	–	–	14 868
	At 30 June 2012	**905 812**	**804 263**	**–**	**–**	**1 710 075**
2.8	**Aggregate amortisation**					
	At 30 June 2011	–	290 552	–	–	290 552
	Charge for the year	–	40 213	–	–	40 213
	At 30 June 2012	**–**	**330 765**	**–**	**–**	**330 765**
2.9	**Book value at 30 June 2012**	**905 812**	**473 398**	**–**	**–**	**1 379 310**

2.10 Trademarks consist of the Pep, Ackermans, Shoe City and Harris Scarfe brands, which arose on acquisition. The remaining amortising period varies between 8 and 18 years.

2.11 The majority of goodwill was allocated to Pepkor Retail (Pty) Ltd, a company that owns the Pep and Ackermans operations.

Goodwill is allocated to the group's cash generating units (CGUs) identified according to business units. A summary of the goodwill allocation is presented below.

Business unit	2014 R'million	2013 R'million	2012 R'million
Pep	542.6	542.6	542.6
Harris Scarfe	274.6	274.6	–
Ackermans	199.8	199.8	199.8
Future Cell	94.8	127.9	94.8
Flash	66.6	66.6	–
Shoe City	36.1	36.1	36.1
John Craig	29.0	29.0	29.0
Other	30.0	33.5	3.5

The recoverable amount of a CGU is based on its value in use. The key assumptions used in its cash flow projections and the period over which it is projected is included in note 24 (a) of the accounting policies and is determined using past experience.

The value in use calculations performed indicated that no impairment of goodwill is necessary in respect of the current year.

		2014 R'000	2013 R'000	2012 R'000
3.	**INTEREST IN SUBSIDIARIES**			
3.1	Details of principal subsidiaries are set out on page 51.			
4.	**INTEREST IN JOINT VENTURES**			
4.1	**Consisting of**			
	Unlisted shares at attributable net asset value	11 569	12 887	15 748
	At beginning of the year	12 887	15 748	13 230
	Current year profit/(loss)	2 741	(1 514)	1 842
	Exchange rate differences	(4 059)	(1 347)	676
	Loans	27 958	22 096	27 344
		39 527	**34 983**	**43 092**
5.	**FINANCIAL ASSETS**			
5.1	Consisting of:			
	Unlisted investments at cost	1 295	1 345	753
	Loans to directors (refer 5.2)	82 626	62 689	57 172
	Loans to employees (refer 5.3)	297 891	256 018	188 971
	Sundry receivables	69 437	13 495	72 796
		451 249	**333 547**	**319 692**
5.2	**Loans to directors**			
	Balance at beginning of the year	62 689	57 172	–
	Amounts advanced	14 255	432	54 000
	Interest capitalised	5 682	5 085	3 172
		82 626	**62 689**	**57 172**
	From the above loans, a total of R73,6 million bears interest at the prime rate and is repayable between 2016 and 2018. An amount of R9,0 million is interest-free and repayable by not later than 2020			
5.3	**Loans to employees**			
	Balance at beginning of the year	256 018	188 971	–
	Amounts advanced	23 969	53 131	179 000
	Interest capitalised	23 025	19 023	9 971
	Repayments	(5 121)	(5 107)	–
		297 891	**256 018**	**188 971**
	From the above loans, a total of R273,9 million bears interest at the prime rate and is repayable between 2016 and 2018. An amount of R24,0 million is interest-free and repayable by not later than 2020.			
5.4	A register containing details of investments is available for inspection at the registered office of the company. The directors' valuation of investments is considered equal to its carrying value.			
6.	**DEFERRED TAXATION**			
6.1	**Deductible timing differences**			
	Consisting of:			
	Property, plant and equipment	47 515	54 389	54 963
	Tax losses carried forward	101 172	93 083	62 725
	Provisions and other current liabilities	453 197	451 018	265 977
		601 884	**598 490**	**383 655**
6.2	**Taxable timing differences**			
	Consisting of:			
	Property, plant and equipment	75 177	62 707	46 663
	Trademarks	139 438	154 436	132 579
	Provisions and other current liabilities	64 686	78 949	61 626
		279 301	**296 092**	**240 868**
6.3	**Reconciliation of deferred taxation**			
	Net asset at beginning of the year	266 915	142 797	37 317
	Accounted for against reserves	(21 116)	(3 582)	378
	Exchange rate differences	23 946	40 568	14 120
	Acquired as part of business combinations	–	11 013	–
	Charged to statement of comprehensive income	52 838	111 602	90 982
	Net asset at end of the year	**322 583**	**302 398**	**142 797**
6.4	**Classification on statement of financial position**			
	Deferred taxation asset	531 690	544 158	359 091
	Deferred taxation liability	209 107	241 760	216 294
		322 583	**302 398**	**142 797**
7.	**INVENTORIES**			
	Raw material	51 560	40 934	32 820
	Work in progress	7 216	4 815	6 692
	Merchandise	5 855 976	4 693 821	3 591 444
	Trading inventories	5 914 752	4 739 570	3 630 956
	Goods in transit	1 194 924	964 902	763 793
	Consumable goods	17 282	11 760	13 087
		7 126 958	**5 716 232**	**4 407 836**

		2014 R'000	2013 R'000	2012 R'000
8.	**TRADE AND OTHER RECEIVABLES**			
8.1	**Consisting of:**			
	John Craig, Harris Scarfe and Tenacity trade accounts, less impairment provision	1 249 171	1 748 685	677 626
	Staff and other receivables	188 888	184 692	108 746
	Cellular income receivable	209 971	326 589	207 819
	Other debtors and debit balances, including payments in advance	481 145	411 158	252 017
		2 129 175	**2 671 124**	**1 246 408**
	All businesses within the group transact on a cash basis, except for the John Craig and Harris Scarfe businesses, whilst Tenacity owns and manages the Dunns and Ackermans debtors' books. As a result, the provision for impairment and age analysis of trade receivables presented below relate only to these receivables. Staff and other receivables do not contain a concentration of credit risk and is not past due nor impaired.			
8.2.1	**Provision for impairment of debtors**			
	Balance at beginning of the year	92 783	80 039	21 173
	Acquired as part of business combinations	–	8 200	–
	Additional provisions charged to the statement of comprehensive income	139 342	227 452	71 101
	Provisions utilised	(93 024)	(43 435)	(12 235)
	Balance at end of the year	**139 101**	**272 256**	**80 039**
8.2.2	**The ageing of trade receivables within the John Craig, Harris** Scarfe and Tenacity businesses are as follows:			
	Neither past nor impaired	1 128 747	1 642 263	610 366
	Past due but not impaired:			
	30 days past due	100 455	154 475	67 000
	60 days past due	38 305	73 695	25 790
	90 days past due	27 188	55 238	17 343
	Impaired debtors	93 577	95 270	37 366
		1 388 272	**2 020 941**	**757 865**
9.	**DERIVATIVE FINANCIAL INSTRUMENTS**			
9.1	**Assets**			
	Forward foreign exchange contracts	–	408 070	64 030
9.2	**Liabilities**			
	Forward foreign exchange contracts	98 629	–	–
9.3	The fair value of the derivative financial instruments arose as a result of mark-to-market adjustments on instruments used to cover foreign exchange exposures. Further details are set out in note 23.			
10.	**SHARE CAPITAL**			
10.1	**Ordinary share capital**			
10.1.1	**Authorised**			
	450 000 000 (2013: 450 000 000) Ordinary shares of 0,1 cent each	450	450	450
10.1.2	**Issued**			
	345 976 497 (2013: 343 720 592) Ordinary shares of 0,1 cent each	346	344	344
	Treasury shares held by group entities are eliminated on consolidation			

10.1.3 At 30 June 2014 Pepkor (Pty) Ltd is the holder of shares in Pepkor Holdings (Pty) Ltd, whilst at 30 June 2013 Pepkor Retail (Pty) Ltd and the Pepkor Holdings Ltd Share Incentive Trust were also holders of shares in Pepkor Holdings (Pty) Ltd, which shares are eliminated on consolidation as per note 10.1.2. These entities hold 0,1% (2013: 0,7%) of the issued share capital of the holding company. The movements during the accounting period were as follows

	2014 Number of shares	2013 Number of shares	2012 Number of shares
Balance at 1 July	2 304 805	2 169 805	1 977 747
Disposals during the year	(2 304 805)	–	–
Purchases during the year	48 900	135 000	192 058
Balance at 30 June	**48 900**	**2 304 805**	**2 169 805**

		2014 R'000	2013 R'000	2012 R'000
10.2	**Preference share capital**			
10.2.1	**Authorised**			
	200 000 000 (2013: 200 000 000) Redeemable preference shares of 0,1 cent each	200	200	200
10.2.2	**Issued**			
	100 (2013: 100) Redeemable preference shares of 0,1 cent each	–	–	–

10.2.3 The holders of these preference shares are not entitled to any profits, dividends or distributions of any nature. The holders are not entitled to vote at any meeting of the shareholders of the company, except as prescribed by the Companies Act.

The company is entitled to redeem these shares at par 10 years and one day after the issue date.

		2014 R'000	2013 R'000	2012 R'000
11.	**ORDINARY SHARE PREMIUM**			
	Share premium at beginning of the year	7 391 522	7 402 403	136 657
	Share premium received	–	–	7 277 730
	Increase at the disposal of treasury shares	115 311	–	–
	Reduction at the acquisition of treasury shares	(4 218)	(10 881)	(11 984)
		7 502 615	7 391 522	7 402 403
12.	**RESERVES**			
12.1	**Non-distributable reserves**			
	Foreign currency translation reserve	868 675	634 039	349 448
	Capital contribution reserve (refer 12.3)	74 687	74 687	74 687
	Hedge accounting reserve	(28 217)	457 069	104 873
		915 145	1 165 795	529 008
12.2	**Distributable reserve**			
	Retained income	(1 435 957)	(2 613 032)	(4 088 098)
		(520 812)	(1 447 237)	(3 559 090)
12.3	The capital contribution reserve represents net assets transferred to the group by some of its shareholders.			
13.	**BORROWINGS**			
13.1	**Non-current**			
13.1.1	**Secured**			
	Repayable in monthly instalments of R263 646 until August 2020 and interest-bearing at 6,1% (refer 13.1.4)	19 510	19 772	18 936
	Repayable in quarterly instalments of R509 493 until March 2027 and interest-bearing at 5,3% (refer 13.1.4)	25 984	–	–
	Finance lease obligations repayable in equal instalments over periods up to 35 months and interest-bearing at rates varying between 7,0% and 10,0% (refer 13.1.5)	2 508	6 183	8 635
	Repayable in monthly instalments of R718 813 until November 2022 and interest-bearing at 6,3% (refer 13.1.4)	100 154	94 387	–
		148 156	120 342	27 571
13.1.2	**Unsecured**			
	Repayable in March 2017 and interest-bearing at 3 month JIBAR plus 1,8%	2 650 000	2 650 000	2 650 000
	Repayable in February 2017 and interest-bearing at 5,0% (2013: 5,1% and 2012: 5.9%)	300 366	275 514	–
	Interest-bearing at the prime rate, with no specific repayment terms	1 249	1 070	1 338
	Repayable in March 2017 and interest-bearing at 4,9%	348 520	–	–
	Repayable in December 2016 and interest-bearing at 5,0%	200 214	–	–
	Repayable in May 2014 and interest bearing at 5.9%	–	–	252 651
	Other	–	25 000	121 919
		3 500 349	**2 951 584**	**3 025 908**
13.1.3	**Total**			
	Secured	148 156	120 342	27 571
	Unsecured	3 500 349	2 951 584	3 025 908
	Redemptions within 12 months	(16 195)	(289 920)	(127 731)
		3 632 310	**2 782 006**	**2 925 748**
13.1.4	Secured by fixed charges over land and buildings with a book value of	203 908	148 324	27 473
13.1.5	Secured by finance lease agreements in respect of machinery, equipment and vehicles with a book value of	2 757	6 871	9 375
13.2	**Current**			
	Secured	140 777	209 580	5 812
	Portion of non-current borrowings repayable within 12 months	16 195	14 406	5 812
	Repayable in September 2014 and interest bearing at 6,5% (2013: 6,6%) (refer 13.3)	124 582	130 887	–
	Other (refer 13.4)	–	64 287	–
	Unsecured	–	275 514	121 919
	Other	151 396	217 471	2 520
		292 173	702 565	130 251
13.3	Secured by a cession of Harris Scarfe trade accounts with a book value of	144 376	130 887	–
13.4	Secured by a fixed and floating charge over the assets of Harris Scarfe with a book value of	–	989 580	–

		2014 R'000	2013 R'000	2012 R'000
14.	**POST-RETIREMENT BENEFIT OBLIGATION**			
14.1	**Provision for post-retirement medical benefits**			
	Balance at beginning of year	75 068	74 386	75 956
	Raised during the year (refer 14.2)	192	14 397	2 958
	Employer benefit payments	(4 258)	(13 715)	(4 528)
		71 002	**75 068**	**74 386**
14.2	Raised during the year consist of:			
	Current service cost	53	51	284
	Interest cost	4 847	5 134	5 802
	Actuarial (gain)/loss on change in actuarial assumptions	(4 708)	9 212	(3 128)
	(refer 14.3)	192	14 397	2 958

14.3 The main actuarial assumptions used for accounting purposes are as follows:
Medical care inflation: 7,75% (2013: 7,25% and 2012: 8,0%) Discount rate: 8,5% (2013: 7,25% and 2012: 8,75%)

Average retirement age: 60 years (2013: 60 years and 2012: 60 years)

	2014 Increase R'000	2014 Decrease R'000
The result of a 1% movement in the above-mentioned expected yearly medical care inflation is as follows:		
Accumulated post-retirement medical obligation	72 215	59 304
Current service costs and interest on obligation	5 802	4 713
A reduction of 1% in the above-mentioned expected yearly discount rate increases the obligation to	72 211	–
An increase of 1% in the above-mentioned expected yearly discount rate reduces the obligation to	–	59 409

The last actuarial valuation was performed on 30 June 2014.

		2014 R'000	2013 R'000	2012 R'000
15.	**PROVISIONS**			
15.1	**Non-current**			
	Provision in respect of management performance remuneration scheme (refer 27)	111 576	90 998	55 050
	Provision in respect of financial instruments	–	–	53 982
15.2	**Current**			
	Provision for deferred share acquisitions	18 986	18 986	19 552
	Provision in respect of financial instruments	–	120 000	–
		18 986	**138 986**	**19 522**
16	**TRADE AND OTHER PAYABLES**			
	Trade creditors	3 366 525	2 727 012	1 816 480
	Other creditors and accrued expenses	1 787 027	1 522 464	1 037 800
	Leave pay accrual	295 099	257 787	194 432
		5 448 651	**4 507 263**	**3 048 712**
17.	**REVENUE**			
	Retail sales	37 945 240	32 725 761	26 201 628
	Finance income	249 257	153 742	97 506
		38 194 497	**32 879 503**	**26 299 134**
18.	**OPERATING PROFIT**			
	Determined after taking into account the following expenditure:			
	Depreciation of property, plant and equipment	724 832	640 588	548 629
	Amortisation and write-off of intangible assets	93 245	55 573	40 213
	Operating lease – buildings	2 985 801	2 455 481	1 908 296
	Lease expense	3 007 357	2 472 568	1 918 854
	Sublease income	(28 417)	(25 553)	(17 433)
	Contingent rents	6 861	8 466	6 875
	Staff costs	5 001 723	4 239 268	3 174 011
	Salaries, wages and service benefits	4 740 698	3 996 423	2 992 064
	Retirement benefit contributions	260 833	228 448	178 989
	Provision for post-retirement medical benefits	192	14 397	2 958
	Foreign exchange profits	(181 880)	(104 437)	62 798
	Loss from fair value adjustments to foreign exchange contracts	25 491	8 156	(58 477)
	Amortisation charge of premium on foreign exchange contracts	114 342	77 555	29 297
	Change in impairment provision of debtors	46 140	43 817	27 603
	Bad debts written off	107 595	53 590	20 087
	Auditors' remuneration	19 313	17 847	13 724
	Audit fees – for this year	17 105	14 276	10 993
	– underprovided in the previous year	–	376	(584)
	Fees for other services	2 208	3 195	3 315
	Fees paid for outside services	88 855	81 860	60 771
	Administrative	76 632	46 355	24 807
	Technical	12 223	35 505	35 964
	Loss on sale and scrapping of property, plant and equipment	34 044	19 961	22 772

		2014 R'000	2013 R'000	2012 R'000
19.	**INVESTMENT INCOME**			
	Interest received	53 894	47 137	62 214
	Dividends – unlisted investments	7 145	725	38
	– subsidiary	–	–	–
		61 039	**47 862**	**62 252**
20.	**TAXATION**			
20.1	**Arising from:**			
	Normal activities	1 019 843	856 422	699 283
	Intangible assets	(15 852)	(15 560)	(11 260)
		1 003 991	**840 862**	**688 123**
20.2	**Classification:**			
	South African normal taxation	753 174	709 738	583 050
	Foreign taxation	250 817	131 124	105 073
		1 003 991	**840 862**	**688 123**
20.3	**Consisting of:**			
	Current taxation	1 022 018	903 201	674 533
	Prior year taxation payable	22 634	1 540	1 882
	Non-resident shareholders' tax	12 177	15 253	17 451
	Capital gains tax	–	5 809	–
	Secondary tax on companies	–	–	82 419
	Deferred taxation – current year	(22 998)	(99 994)	(120 391)
	– secondary tax on companies	–	–	28 879
	– prior year (over)/under provision	(29 840)	15 053	3 350
		1 003 991	840 862	688 123
20.4	**Reconciliation of tax rate**			
	South African normal tax rate	28,0	28,0	28,0
	Net adjustment	6,5	3,9	8,0
	Exempt income/non-deductible expenses	2,8	3,0	2,6
	Tax asset not created for tax losses / (utilisation of tax losses)	5,0	0,4	(0,8)
	Secondary tax on companies	–	–	5,8
	Foreign tax rate adjustment	(1,5)	(0,7)	(0,8)
	Prior year taxation	(0,2)	0,6	0,3
	Non-resident shareholders' tax	0,4	0,6	0,9
	Effective tax rate	34,5	31,9	36,0
20.5	**Calculated tax losses at year-end**	1 020 739	474 228	249 027
	Applied in the provision for deferred taxation	350 925	310 898	85 589
	Net calculated tax losses	669 814	163 330	163 438
	The utilisation of the tax relief of calculated at current tax rates on the net calculated tax losses is dependent on sufficient future taxable income in the companies concerned.	187 548	45 732	45 763
21.	**CASH FLOW INFORMATION**			
21.1	**Non-cash items**			
	Depreciation	726 760	650 449	554 356
	Loss on sale and scrapping of property, plant and equipment	34 044	19 961	22 777
	Amortisation and write-off of intangible assets	93 245	55 573	40 213
	Non-current liabilities and provisions	(70 126)	139 208	67 086
	Foreign currency translation differences	58 030	63 411	96 030
	Hedge accounting adjustments	(485 286)	352 196	133 627
		356 667	**1 280 798**	**914 089**
21.2	**Increase in working capital**			
	Inventories	(1 410 726)	(873 802)	(118 628)
	Trade and other receivables	402 198	(1 173 452)	(613 673)
	Derivative financial instruments	506 699	(344 040)	(146 128)
	Trade and other payables	1 066 776	902 690	(309 600)
		564 947	**(1 488 604)**	**(1 188 029)**
21.3	**Taxation paid**			
	Taxation per statement of comprehensive income	(1 058 829)	(908 620)	(685 303)
	Increase in taxation payable	273 852	123 057	(168 981)
	Change in deferred taxation	(21 294)	(111 602)	(90 982)
		(806 271)	**(897 165)**	**(945 266)**

		2014 R'000	2013 R'000	2012 R'000
21.	**CASH FLOW INFORMATION** (continued)			
21.4	**Acquisition of subsidiaries**			
21.4.1	**Harris Scarfe**			
	In September 2012, Pepkor acquired the entire share capital of Harsyn (Pty) Ltd, the owner of the Harris Scarfe retail chain in Australia, for a total cash consideration of R584 million.			
	Property, plant and equipment	–	(224 844)	–
	Intangible assets – goodwill	–	(274 623)	–
	Intangible assets – trademarks	–	(100 086)	–
	Deferred tax assets	–	(46 516)	–
	Inventories	–	(418 578)	–
	Trade and other receivables	–	(224 181)	–
	Cash and cash equivalents	–	(5 392)	–
	Non-current borrowings	–	136 670	–
	Provisions	–	41 281	–
	Deferred tax liabilities	–	28 024	–
	Trade and other payables	–	504 020	–
	Taxation payable	–	470	–
	Total cost	–	(583 755)	–
	Less: Cash and cash equivalents	–	(5 392)	–
		–	**(578 363)**	**–**
21.4.2	**Flash**			
	In July 2012, Pepkor acquired an interest of 75% in Flash for a total consideration of R73 million. The Flash business is controlled by Odvest 155 (Pty) Ltd. In December 2012, Pepkor purchased a further 25% interest in Odvest 155 (Pty) Ltd, with the latter thereby becoming a wholly owned subsidiary.			
	Property, plant and equipment	–	(1 714)	–
	Intangible assets – goodwill	–	(42 035)	–
	Intangible assets – trademarks	–	(7 808)	–
	Intangible assets – other	–	(39 413)	–
	Inventories	–	(16 016)	–
	Trade and other receivables	–	(27 083)	–
	Cash and cash equivalents	–	(23 003)	–
	Non-current borrowings	–	25 000	–
	Deferred tax liabilities	–	7 479	–
	Trade and other payables	–	51 841	–
	Total cost	–	(72 752)	–
	Less: Cash and cash equivalents	–	(23 003)	–
		–	**(49 749)**	**–**
22.	**CONTINGENT LIABILITIES AND COMMITMENTS**			
22.1	**Contingent liabilities**			
	The company issued guarantees in respect of debt of subsidiaries amounting to R3 738,9 million (2013: R4 134,7 million and 2012: R3 734,3 million).			
22.2	**Capital commitments**			
	Contracted for	62 917	54 905	41 213
	Not contracted for	1 490 915	1 372 885	1 081 728
		1 553 832	**1 427 790**	**1 122 941**
	The above commitments are in respect of the 12 months after the accounting date. Funds to meet this expenditure will be provided from the company and group's own resources and by borrowings.			
22.3	**Operating leases**			
22.3.1	The group's minimum commitments in respect of operating leases are as follows:			
	Expenditure to be incurred within 1 year	2 708 737	2 324 025	1 745 652
	To be incurred thereafter, but within 5 years	6 148 922	4 403 742	3 232 738
	To be incurred after 5 years	1 607 708	2 122 823	788 265
	Provision for straight lining of leases	(315 219)	(274 629)	(237 732)
		10 150 148	**8 575 961**	**5 528 923**
22.3.2	Total future sublease receipts	**16 495**	**30 527**	**27 684**

22.3.3 Lease agreements are entered into over periods ranging from 1 year to 15 years.

22.3.4 Turnover based rental payments are based on a minimum of 1% of turnover and a maximum of 15% of turnover.

22.3.5 Renewal options are included in 73,9% of rental contracts, whereas 76,9% of rental contracts provide for fixed escalations.

23. FINANCIAL RISK MANAGEMENT

23.1 Financial risk factors

The group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity markets, foreign currency exchange rates and interest rates. The group uses derivative financial instruments, such as forward exchange contracts to hedge certain risk exposures. The group does not speculate with, nor engage in the trading of financial instruments. The group had no significant price risk for the years ending 30 June 2014,30 June 2013 and 30 June 2012.

Risk management is carried out by the management of the group under policies approved by the board of directors. The responsibility for managing certain financial risks such as currency risk is decentralised to a divisional level. Divisional management will perform these risk management functions based on group policies. Certain financial risks are managed on a corporate head office basis, such as liquidity risk. Management identifies, evaluates and hedges financial risks.

23.2 Currency risk

The group operates predominantly within South Africa, but also in Southern Africa, Australia and Poland. It also imports a substantial portion of its raw materials and inventories from China and other Asian countries and these imports are denominated in US Dollars. The group is therefore exposed to various currency exposures such as the US Dollar and Chinese Renminbi. Entities that import product hedge their exposure to foreign currency risk in connection with their functional currencies. This is done using a variety of forward exchange contracts and options. On a case by case basis, depending on potential statement of comprehensive income volatility caused by the fair value movement of the derivative, management decides whether or not to apply hedge accounting. Hedge accounting is being applied on a frequent basis by Pep, Ackermans, Best & Less and Pepco Poland.

23.2.1 Foreign currency contracts

Foreign currency contracts and options are marked to market on an annual basis and the value of these instruments at 30 June 2014 amounted to a net liability of R98,6 million (2013: net asset of R408,1 million and 2012: R64,0 million). The year to year adjustment in respect of the current year accounted for in profit and loss amounted to an expense of R21,4 million (2013: expense of R8,2 million and 2012: income of R12,5 million).

The table below sets out the periods when the cash flows are expected to occur for foreign currency hedging contracts outstanding at year-end:

	2014	2013	2012
Maturing within one year (US Dollar – thousands)	423 279	451 923	405 071
Average exchange rate	R10,98	R9,31	R8,15
Rand value (thousands)	4 646 566	4 206 779	3 302 771
Maturing within one year (Chinese Renminbi – thousands)	543 150	148 700	–
Average exchange rate	R1,77	R1,46	–
Rand value (thousands)	962 279	217 663	–

23.2.2 Foreign currency cash balances

Where the group has surplus funds offshore, the treasury policy is to spread the funds between different currencies to limit the effect of foreign exchange rate fluctuations. The table below sets out the currencies in which cash balances were held at year-end:

	2014 R'm	2013 R'm	2012 R'm
South African Rand	757,0	510,9	395,9
British Pound	376,7	118,4	426.4
Polish Zloty	310,6	76,8	18.2
US Dollar	151,5	221,4	73.4
Australian Dollar	121,4	258,2	287.6
Botswana Pula	76,6	34,6	47.6
Euro	42,4	17,8	–
Angolan Kwanza	32,4	74,4	17.9
Other currencies	48,9	68,6	43,0
Total	1 917,5	1 381,1	1 310,0

23.2.3 Exchange rates

The exchange rates used by the group to translate foreign entities' statements of comprehensive income and statements of financial position are as follows:

	2014 Average rate	2014 Closing rate	2013 Average rate	2013 Closing rate	2012 Average rate	2012 Closing rate
US Dollar	R10,38	R10,61	R8,91	R10,00	R7,78	R8,22
British Pound	R14,17	R14,47	R11,59	R13,03	R10,38	R10,46
Euro	R16,90	R18,07	R13,89	R15,07	R12,28	R12,82
Australian Dollar	R9,51	R10,01	R9,11	R9,18	R8,06	R8,42
Polish Zloty	R3,39	R3,49	R2,77	R3,00	R2,44	R2,41
Botswana Pula	R1,19	R1,21	R1,12	R1,16	R1,07	R1,09

23.2.4 Uncovered foreign assets and liabilities

The group had the following uncovered foreign assets and liabilities:

	2014 Foreign currency	2014 Rand equivalent	2013 Foreign currency	2013 Rand equivalent	2012 Foreign currency	2012 Rand equivalent
US Dollar	$40,7m	R431,3m	$16,2m	R162,1m	$11.5m	R94.3m
British Pound	(£0,9m)	(R16,1m)	(£0,1m)	(R2,1m)	(£0,1m)	(R0,5m)
Euro	(€1,3m)	(R19,1m)	€1,0m	R12,9m	€0.1m	R0,9m

23.3 Interest rate risk

The group is exposed to changes in interest rates on its variable interest rate liabilities and interest-bearing investments (such as cash and cash equivalents). The interest rate profile of long-term and short-term loans was as follows:

	Variable	Fixed	Total
Loans at 30 June 2014	R3 924.5m	Rnil	R3 924.5m
Loans at 30 June 2013	R3 484.6m	Rnil	R3 484.6m
Loans at 30 June 2012	R2 934.1m	R121.9m	R3 056.0m

The group is mainly exposed to changes in the South African and Australian interest rates. The following changes in the repo rates represent management's assessment of possible changes in interest rates at the respective year-ends:

- South African repo rate: increase by 100 basis points (2013 and 2012: increase by 100 basis points)
- Australian base rate: increase by 100 basis points (2013 and 2012: increase by 100 basis points)

If interest rate changes as stipulated above occur and all other variables were held constant, the group's profit before tax would be reduced by R28,9 million (2013: reduced by R36,6 million and 2012: reduced by R29,3 million).

23. FINANCIAL RISK MANAGEMENT (continued)

23.4 Credit risk

The group is exposed to certain concentrations of credit risk relating to the following assets:

23.4.1 Trade receivables – credit to customers

Credit is provided to selected customers within the John Craig and Harris Scarfe businesses of the group, Tenacity owns the Dunns and Ackermans debtors' books and Capfin makes micro loans available to customers. Various credit checks are performed on new debtors to determine the quality of their credit history. Accounts are monitored to ensure customers do not exceed their credit limits. No collateral is kept for customer accounts. To manage the risk, the debt book is split into two categories based on ageing. At year-end 93% (2013 and 2012: 95%) of debt are categorised as having low credit risk and 7% (2013 and 2012: 5%) high credit risk.

The credit quality of balances neither past due nor impaired is considered high based on the past settlement history of customers.

23.4.2 Other debtors – cellular income receivable

Cellular income receivable relates to ongoing revenue due from three major cellular service providers. All these balances are current, unimpaired and the credit risk is considered low.

23.4.3 Other debtors – sundry

There are no concentrations of credit risk within staff loans and other receivables.

23.4.4 Cash and cash deposits

The group is exposed to certain concentrations of credit risk relating to its cash balances. It places cash and current investments with major banking groups with high credit ratings. The group's treasury policy is designed to limit exposure to any one institution. At year-end cash has been invested as follows:

Bank rating	2014 R'million	2013 R'million	2012 R'million
South African A rated banks	458.3	197.7	713.6
South African BBB rated banks (2013: A rated banks)	418.4	406.4	-
Swiss A rated banks	387.2	234.0	258.0
Australian AA rated banks	105.8	257.4	150.5
Other banks	547.8	285.6	187.9
Total	**1 917.5**	**1 381.1**	**1 310.0**
The maximum amount of credit risk that the group is exposed to is R4 664,3 million (2013: R4 406,5 million and 2012:R2 902,7 million) and has been calculated as follows:			
Financial assets	477.9	354.3	346.3
Trade and other receivables	2 268.9	2 671.1	1 246.4
Cash and cash equivalents	1 917.5	1 381.1	1 310.0

23.5 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. In terms of the memorandum of incorporation of the company, no limitation is placed on its borrowing capacity. The facilities expiring within one year are subject to renewal at various dates during the next year. At 30 June 2014 the group had R2 489 million (2013: R1 042 million and 2012: R1 280 million) in unutilised banking facilities.

The following tables detail the group's remaining contractual maturity for its financial liabilities. The tables are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay.

The table includes both interest and principal cash flows:

	Carry value	Contractual cash flows	0 – 12 months	2 – 5 years	5+ years
30 June 2014 (R'million)					
Secured term loans	(148.2)	(263.4)	(131.5)	(55.7)	(76.2)
Unsecured term loans	(3 500.3)	(4 166.5)	(241.3)	(3 908.7)	(16.5)
Trade creditors	(3 486.9)	(3 486.9)	(3 486.9)	–	–
Other creditors and accrued expenses	(1 792.1)	(1 792.1)	(1 792.1)	–	–
Bank overdraft and short-term loan	(392.3)	(392.3)	(392.3)	–	–
Foreign exchange hedging instruments	(98.6)	(98.6)	(98.6)	–	–
Total	**(9 418.4)**	**(10 199.8)**	**(6 142.7)**	**(3 964.4)**	**(92.7)**
30 June 2013 (R'million)					
Secured term loans	(120.3)	(273.4)	(169.3)	(43.0)	(61.1)
Unsecured term loans	(2 951.6)	(3 659.2)	(473.9)	(3 159.9)	(25.4)
Trade creditors	(2 727.0)	(2 727.0)	(2 727.0)	–	–
Other creditors and accrued expenses	(1 522.5)	(1 522.5)	(1 522.5)	–	–
Bank overdraft and short-term loan	(1 649.4)	(1 649.4)	(1 649.4)	–	–
Foreign exchange hedging instruments	408.1	408.1	408.1	–	–
Total	**(8 562.7)**	**(9 423.4)**	**(6 134.0)**	**(3 202.9)**	**(86.5)**
30 June 2012 (R'million)					
Secured term loans	(27.6)	(34.8)	(13.9)	(14.0)	(6.9)
Unsecured term loans	(3 025.9)	(3 932.3)	(362.6)	(3 569.7)	–
Trade creditors	(1 816.5)	(1 816.5)	(1 816.5)	–	–
Other creditors and accrued expenses	(1 037.8)	(1 037.8)	(1 037.8)	–	–
Bank overdraft and short-term loan	(712.2)	(712.2)	(712.2)	–	–
Foreign exchange hedging instruments	64.0	64.0	64.0	–	–
Total	**(6 556.0)**	**(7 469.6)**	**(3 879.0)**	**(3 583.7)**	**(6.9)**

23. **FINANCIAL RISK MANAGEMENT** (continued)

23.6 **Fair value of financial instruments**

23.6.1 **Analysis of financial instruments**

The carrying amounts, net gains and losses recognised in profit and loss, total interest income, total interest expense and impairment of each class of financial instrument are as follows:

	Carrying value	Net gains/losses	Total interest income	Total interest expense	Impairment
30 June 2014					
Assets (R'million)					
Loans	477,9	–	30,2	–	–
Receivables					
Trade receivables	1 549,1	–	–	–	(485,2)
Other receivables	719,8	–	–	–	–
Cash and cash equivalents	1 917,5	–	24,6	–	–
Liabilities (R'million)					
Long-term liabilities					
Secured	(148,2)	–	–	(7,4)	–
Unsecured	(3 500,3)	–	–	(222,3)	–
Short-term payables					
Interest-bearing	(276,0)	–	–	(8,4)	–
Trade payables	(3 486,9)	–	–	–	–
Foreign exchange contracts	(98,6)	(21,4)	–	–	–
Other creditors	(1 792,1)	–	–	–	–
Bank overdrafts	(116,4)	–	–	(108,1)	–
30 June 2013					
Assets (R'million)					
Loans	354,3	–	25,6	–	–
Receivables					
Trade receivables	1 933,4	–	–	–	(249,6)
Foreign exchange contracts	408,1	(8,2)	–	–	–
Other receivables	737,7	–	–	–	–
Cash and cash equivalents	1 381,1	–	22,2	–	–
Liabilities (R'million)					
Long-term liabilities					
Secured	(120,3)			(5,6)	–
Unsecured	(2 951,6)			(222,5)	–
Short-term payables					
Interest-bearing	(412,6)	–	–	(12,8)	–
Trade payables	(2 727,0)	–	–	–	–
Other creditors	(1 522,5)	–	–	–	–
Bank overdrafts	(1 236,7)	–	–	(78,3)	–
30 June 2012					
Assets (R'million)					
Loans	346,3	–	13,1	–	–
Receivables					
Trade receivables	786,6	–	–	–	(47,5)
Foreign exchange contracts	64,0	12,5	–	–	–
Other receivables	459,8	–	–	–	–
Cash and cash equivalents	1 310,0	–	49,3	–	–
Liabilities (R'million)					
Long-term liabilities					
Secured	(27,6)	–	–	(2,5)	–
Unsecured	(3 025,9)	–	–	(271,3)	–
Short-term payables					
Interest-bearing	(2,5)	–	–	–	–
Trade payables	(1 816,5)	–	–	–	–
Other creditors	(1 037,8)	–	–	–	–
Bank overdrafts	(709,7)	–	–	(69,2)	–

The fair value of all amounts equals their carrying value.

All financial instruments are classified as loans receivable/payable at amortised cost, except foreign currency contracts and unlisted investments, which are classified as financial instruments at fair value through profit and loss.

23. FINANCIAL RISK MANAGEMENT (continued)

23.6.2 Valuation of financial instruments

The fair value of financial instruments was calculated using market information and other relevant valuation techniques, and does not necessarily represent the values that the group will realise in the normal course of business. The carrying amounts of cash and cash equivalents, bank overdrafts, receivables and payables are deemed to reflect fair value due to the short maturities of these instruments. The fair values of forward exchange contracts are based on quoted market prices, other prices that are observable for the asset or liability, either directly or indirectly, or valuation techniques that include unobservable inputs. The fair values of interest-bearing loans are calculated based on discounted expected future principal and interest cash flows.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Level 4
30 June 2014 (R'million)				
Liabilities measured at fair value				
Foreign exchange contracts	–	98 629	–	98 629
Total	**–**	**98 629**	**–**	**98 629**
30 June 2013 (R'million)				
Assets measured at fair value				
Foreign exchange contracts	–	408 070	–	408 070
Total	**–**	**408 070**	**–**	**408 070**
30 June 2012 (R'million)				
Assets measured at fair value				
Foreign exchange contracts	–	64 030	–	64 030
Total	**–**	**64 030**	**–**	**64 030**

There were no transfers between level 1 and level 2 during the period. The following table presents the change in level 2 instruments for the year ending 30 June 2014:

	Foreign exchange contracts R'000	Total R'000
(Liability)/asset		
Reconciliation of level 2 instruments		
Opening balance at 1 July 2013	408 070	408 070
Total loss in statement of comprehensive income	(21 413)	(21 413)
Other comprehensive income	(485 286)	(485 286)
Closing balance at 30 June 2014	**(98 629)**	**(98 629)**

23.7 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of borrowings, cash and cash equivalents and equity. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of gearing ratios, which amounted to 30,2% at 30 June 2014 (2013: 56,1% and 2012:63,5%), calculated on the basis of net borrowings, being borrowings minus cash and cash equivalents.

23.8 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

24. RELATED PARTIES

Related party relationships exist between the company, its subsidiaries and the directors of the company. All intergroup transactions have been eliminated in the financial statements. Details of the remuneration of the directors and their shareholding, are disclosed elsewhere in the financial statements. Refer to note 29 for details of the shareholding and the transaction with Steinhoff. Certain members of the executive committee are seen as key management personnel.

The group has made loans to directors as of the previous financial period. These loans have been disclosed in note 5.2. The majority of the loans in 5.3 relate to key management.

During the current financial year 48 900 (2013: 135 000 and 2012: 192 058) shares in Pepkor Holdings (Pty) Ltd were bought back from employees.

	2014 R'000	2013 R'000	2012 R'000
The compensation of key management consists of:			
Salaries and short-term/termination benefits	80 024	70 033	64 741
Performance related benefits	9 610	3 964	2 030
	89 634	**73 997**	**66 771**
Key management compensation was paid to:			
Executive directors	69 543	61 281	38 315
Other employees	20 091	12 716	28 456
	89 634	**73 997**	**66 771**

25. RETIREMENT BENEFITS

25.1 Pension funds/provident funds

The group provides retirement benefits to more than half of its employees through monthly contributions to various pension and provident funds, which contributions are charged to profit and loss.

All South African funds are subject to the Pension Fund Act, 1956, and the pension funds are required to be actuarially valued every 3 years. Except for one fund to which no new members are admitted, all funds are defined contribution plans.

According to the latest actuarial valuation for the Pep Pension Fund obtained on 1 July 2012, this fund is financially sound.

25.2 Pep Pension Plan

The Pep Pension Fund is a closed defined benefit fund, which is governed by the Pension Fund Act, 1956. According to the latest actuarial valuation performed on 1 July 2012, the fund was found to be financially sound. In terms of IAS 19 the fund information recognised in the statement of financial position for the year are as follows:

	2014 R'000	2013 R'000	2012 R'000
Present value of funded obligations	126 551	114 142	91 735
Fair value of plan assets	(174 706)	(174 128)	(173 601)
Reserves in the fund	15 296	15 296	8 279
Fund surpluses not accounted for	(32 859)	(44 690)	(73 587)
The movement in the defined benefit obligations over the year is as follows:			
Beginning of the year	114 142	91 735	93 903
Service cost	1 808	1 669	1 553
Transfer to external party	–	–	(7 129)
Reserve movements	–	12 954	–
Interest cost	11 187	8 348	7 896
Benefits paid	(586)	(564)	(4 488)
End of the year	126 551	114 142	91 735
The movement in the fair values of the plan assets of the year is as follows:			
Beginning of the year	174 128	173 601	188 108
Contributions (member and company)	1 164	1 091	1 012
Benefits paid	(586)	(564)	(4 488)
Transfer for external party	–	–	(11 031)
End of the year	174 706	174 128	173 601
The net expense for the year			
Current service cost	1 808	1 669	1 553
Interest cost	11 187	8 348	7 896
Total net expense for the year	12 995	10 017	9 449
The movement in the fund surplus is as follows:			
At the beginning of the year	44 690	73 587	93 216
Total net expense for the year	(12 995)	(10 017)	(9 449)
Transfer to external party	–	(19 971)	(11 192)
Contributions paid	1 164	1 091	1 012
Surplus at end of year	32 859	44 690	73 587

	2014	2013	2012
The principal assumptions used are as follows:			
Discount rate	9,8%	9,1%	9,1%
Inflation rate	7,3%	7,5%	17,2%
Future salary increases	8,3%	7,5%	7,3%
Future pension increases	2%	2,8%	2,6%

A surplus as at 2003 of R31 million was identified in the surplus apportionment exercise. As at the latest valuation date, the surplus amounts to R74 million. The surplus will be distributed between employees, both past and present, and the group according to the surplus allocation plan. This surplus has not been provided for in the group results.

Subsequent to 2003, further surpluses have accumulated up to 30 June 2014. These surpluses will be distributed between pensioners and the group according to the pension fund rules or the trustees' decision. At the end of the reporting period the distribution has not been decided on and no provision has therefore been made into the group accounts for these assets.

25.3 Medical aid

Although there are no contractual obligations, certain group companies provide post-retirement medical benefits by funding a portion of the medical aid contributions of pensioners. Full provision for this expense is made with reference to actuarial valuations in respect of future medical contributions.

26. SHARE-BASED PAYMENTS

26.1 The Pepkor Holdings Ltd Share Incentive Trust

Shares were issued at fair value, settled immediately in cash and are equity settled. As a result, no share-based expenses were recognised. The trustees of the Pepkor Holdings Limited Share Incentive Trust are empowered to acquire up to 10% of the issued share capital of Pepkor Holdings (Pty) Ltd and to allocate these shares to group employees. During the 2004 financial year 15,9 million shares were allocated to executive directors and employees, subject to the terms of the trust deed. The shares held by the trust are released to participants in equal tranches at the 4th, 5th, 6th and 7th anniversary date of the offer. After these anniversary dates, the trust has no obligation to repurchase the shares. Participants participate in any dividends or distributions declared in respect of the shares and are entitled to exercise the voting rights attached to the shares, subject to a voting pool agreement.

26.2 The shareholders introduced an ownership scheme in which employees of subsidiaries of Pepkor Holdings (Pty) Ltd acquired shares in the group. All shares have been acquired at a price equal to the market value of the shares.

27. MANAGEMENT PERFORMANCE SCHEMES

27.1 The Pepkor Executive Share Plan ("the Plan")

The establishment of the Plan for an Australian subsidiary was approved by the group pursuant to section 249B of the Australian Corporations Act.

Under the Plan, B class ordinary shares are issued to executives for cash consideration or against a company loan. The loan is interest-free and on a limited recourse basis. The B class ordinary shares carry equal voting rights with the other ordinary shares of the company and dividends payable will, in any year, be limited to 10% of the issue price, escalated by 5% per annum.

Of the 1,6 million B class ordinary shares held by members of the Plan at 30 June 2011, 0,2 million shares were issued on inception, and 1,4 million shares were acquired subsequently. 0,6 million shares and 1,0 million shares were disposed of by executives during 2012 and 2013 respectively.

The market value on the issue of B class ordinary shares was based on a valuation of an independent valuer. The subsequent acquisitions of shares were based on the most recent valuation done in accordance with the rules of the Plan.

The movements during the accounting period were as follows:

	2014 Number of shares	2013 Number of shares	2012 Number of shares
Held by executives at beginning of year	–	997 900	1 631 234
Disposed of during the year	–	(997 900)	(633 334)
Acquired during the year	–	–	–
Balance held by executives at 30 June	–	–	997 900
Assumptions used in valuation for all the years:			
Notional interest rate	6%		
Notional capital per share	A$ 0,50		
Earnings	Management forecast		

27.2 Pepco Poland Share Plan

During the year to 30 June 2013 a scheme was entered into with management of Pepco Poland Sp. Z o.o ("Pepco") whereby management were issued with options to purchase ordinary shares in Pepco. If exercised, management of Pepco will have put options whereby the scheme will be required to repurchase the shares in terms of a formula set out in the rules of the scheme. The put options were exercisable from 2016 in 25% tranches per annum.

Assumptions used in valuation:	
Discount rate – WACC	13.0%
Earnings	Management forecast
Earnings ratio (times)	6

28 Discontinued operations

28.1 The results relating to Capfin (Pty) Ltd have been presented as discontinued operations following a decision by the company at the end of October 2013 to discontinue advancing loans to new customers and merely continue to service the loans of existing customers.

		2014 R'000	2013 R'000	2012 R'000
28.2	**Cash flows**			
	Operating cash flows	893 475	(532 985)	(167 230)
	Investing cash flows	43 242	(14 068)	(15 025)
	Financing cash flows	(993 092)	608 664	185 500
		(56 375)	**61 611**	**3 245**
28.3	**Assets of discontinued operations**			
	Deferred taxation	3 939	–	–
	Trade and other receivables	139 751	–	–
	Cash and cash equivalents	16 827	–	–
		160 517	**–**	**–**
28.4	**Liabilities of discontinued operations**			
	Trade and other payables	**125 388**	**–**	**–**
28.5	Analysis of the result of discontinued operations and the result recognised on the re-measurement of discontinued operations is as follows:			
	Revenue	619 912	722 036	107 193
	Expenses	(338 197)	(619 870)	(164 557)
	Profit before taxation of discontinued operations	281 715	102 166	(57 365)
	Taxation	54 838	67 758	(2 820)
	Profit after taxation of discontinued operations	226 877	34 408	(54 545)

29. EVENTS AFTER THE REPORTING PERIOD

In July 2014 the group acquired the assets and business of Postie for a total cash consideration of R65 million (NZ$7 million). The allocation of the purchase price was not finalised at the date of issue of these financial statements. Postie is a New Zealand value retail business selling women, men and kids clothing, textiles and health and beauty products, consisting of a chain of 64 stores.

It was announced on Tuesday, 25 November 2014 that Steinhoff had concluded agreements with Titan Premier Investments Proprietary Limited and its wholly owned subsidiaries ("Titan") and Brait Mauritius Limited ("Brait") in terms of which Steinhoff will acquire an effective 92.34% interest in the equity share capital of Pepkor, being 52.47% from Titan and 37.06% from Brait. Titan is a privately held company that is ultimately controlled by Dr Christo Wiese. It's expected that the transaction will be completed by 30 April 2015 subject to certain conditions being fulfilled.

Interest in principal subsidiaries and joint ventures

	Issued share capital R	2014 %	2013 %	2012 %
Subsidiaries				
Pep				
Clothing retail				
Pep	123 577 497	100	100	100
Pep Beleggings	500 000	100	100	100
Pep SA	100	100	100	100
Pep Botswana Holdings Ltd (Incorporated in Botswana)	P270 000	100	100	100
Pep Namibia Holdings Ltd (Incorporated in Namibia)	N$22 510 141	100	100	100
Pep Stores (Swaziland) (Incorporated in Swaziland)	E100	100	100	100
Pep Stores (Lesotho) (Incorporated in Lesotho)	M100	100	100	100
Manufacturing				
Pepclo	200	100	100	100
Ackermans				
Clothing retail				
Ackermans	436 744	100	100	100
Ackermans Namibia (Incorporated in Namibia)	N$1	100	100	100
Ackermans Botswana (Incorporated in Botswana)	P100	100	100	100
Ackermans Swaziland (Incorporated in Swaziland)	E6	100	100	100
Ackermans Lesotho (Incorporated in Lesotho)	M1 000	100	100	100
Other				
Clothing retail				
Pepkor Retail	1	100	100	100
Best & Less (Incorporated in Australia)	A$2	100	100	100
Harsyn (Incorporated in Australia)	A$13 762 907	100	100	100
Dunns Stores	10	100	100	100
Pepco Poland Spolka Z o.o (Incorporated in Poland)	zl27 000 000	100	100	100
John Craig	20 000	100	100	100
Footwear retail				
Shoe City Holdings	1 165	100	100	100
Shoe City	1 010	100	100	100
Services				
Future Cell	1 050	100	100	85
Flash Mobile Vending	800	100	100	–
Pepkorfin	4	100	100	100
Tenacity Financial Services	100	100	100	100
Investments				
Pepkor	10 693 440	100	100	100
Retail Holdings Sarl (Incorporated in Luxemburg)	£48 000	100	100	100
Joint ventures				
Clothing retail				
Just Kor Fashion Group	200	50	50	50

ANNEXURE 4: INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION RELATING TO PEPKOR

The Directors
Steinhoff International Holdings Limited

28 Sixth Street, Wynberg
Sandton, 2090, South Africa

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF PEPKOR HOLDINGS (PTY) LIMITED ("THE TARGET")

Introduction

Steinhoff International Holdings Limited ("the Company") is issuing a Circular to its Shareholders ("the Circular") regarding the proposed acquisition of Pepkor Holdings (Pty) Limited ("the Target") ("the Proposed Transaction").

At your request and for the purpose of the Circular to be dated on or about 15 December 2014, we have audited the consolidated historical financial information of the Target, which comprises the consolidated statements of financial position as at 30 June 2014, 30 June 2013 and 30 June 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes, comprising and a summary of significant accounting policies and other explanatory notes ("the Historical Financial Information"), as presented in Annexure 3 to the Circular, in compliance with the JSE Limited ("JSE") Listings Requirements.

Responsibility

Directors' Responsibility

The Directors of the Company are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that the Company complies with the Listings Requirements. The directors of the Target are responsible for the preparation and fair presentation of the Financial Information in accordance with International Financial Reporting Standards and for such internal controls as the directors of the Target determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the Historical Financial Information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the Historical Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Historical Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by management of the Target, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Historical Financial Information of the Target as set out in Annexure 3 to the Circular, presents fairly, in all material respects, for the purposes of the Circular, the consolidated financial position of the Target as at 30 June 2014, 30 June 2013 and 30 June 2012, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards and the Listings Requirements.

Other Matter – Purpose of the Report

This report has been prepared for the purpose of the Circular and for no other purpose.

PricewaterhouseCoopers Inc.

Director: A Hugo
Registered Auditor

Cape Town
Date: 9 December 2014

PricewaterhouseCoopers Inc., No 1 Waterhouse Place, Century City 7441, PO Box 2799, Cape Town 8000
T: +27 (21) 529 2000, F: +27 (21) 529 3300, www.pwc.co.za

ANNEXURE 5: MATERIAL LOAN OF PEPKOR

Nature of debt/loan	Loan amount 30 June 2014 R'000	Secured/ Unsecured	Maturity	Interest rate	Type of interest rate
Non-current					
Unsecured					
Repayable in March 2017 and interest-bearing at 3 month JIBAR plus 1.8%	2,650,000[1]	Unsecured	March-17	JIBAR+1.8%	Variable

1. The lenders for the interest bearing loan of R2,650 million are: RMB – R693,750,000, INguza – R300,000,000 Standard Bank – R178,125,000, Liberty Active – R650,000,000 and Nedbank – R828,125,000. The purpose of this loan was to finance working capital and other general corporate needs, and it will be settled by cash resources or be re-financed.

The loan is not subject to any conversion or redemption rights

ANNEXURE 6: OVERVIEW OF PEPKOR'S SUBSIDIARIES

The Pepkor Group consists of wholly-owned subsidiaries focused on the cash discount and value sectors of the retail market. The principal retailing businesses are:

1. Discount – South Africa and rest of Africa (Pep Group)

Brands	Pep, Pep Home, Pep Cell, Flash, Power Sales
Operating countries	SA, Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Swaziland, Zambia, Zimbabwe
Product range	Discount clothing, Footwear, Homewares, Clothing accessories and Cellular
Positioning	Discount market, including informal sector (Flash)
Total annual revenue (R'billion)	18.6
No. of stores	1 933 and 63 558 informal outlets (Flash)
Ave store size (m^2)	387
Ave annual store sales (R'million)	9.6
Ave store staff	16 115

2. Value – South Africa

Brands	Ackermans
Operating countries	South Africa
Product range	Discount clothing, Footwear, Homewares, Clothing accessories and Cellular
Positioning	Value-based market
Total annual revenue (R'billion)	6.1
No. of stores	436
Ave store size (m^2)	738
Ave annual store sales (R'million)	14.0
Ave store staff	5 415

3. Discount – Eastern Europe

Brands	Pepco
Operating countries	Poland, Slovakia, Czech Republic
Product range	Discount clothing, Footwear, Homewares, Clothing accessories and Cellular
Positioning	Discount market
Total annual revenue (R'billion)	3.5
No. of stores	553
Ave store size (m^2)	328
Ave annual store sales (R'million)	6.3
Ave store staff	4 386

Speciality – South Africa and rest of Africa

Brands	Dunns, Jay-Jays[1], John Craig, Shoe City
Operating countries	South Africa, Botswana, Lesotho, Namibia, Swaziland
Product range	Discount clothing, Footwear, Homewares, Clothing accessories, Cellular and Insurance
Positioning	Ranging from Value-based, Urban youth, Premium branded menswear and Mid-market fashion
Total annual revenue (R'billion)	1.0
No. of stores	479
Ave store size (m^2)	276
Ave annual store sales (R'million)	2.1
Ave store staff	2 508

[1] *JayJays represents a 50:50 joint venture with Just Group of Australia*

4. Value – South East Asia

Brands	Best & Less, Harris Scarfe, Mozi, The Kidstore, Store & Order, Postie
Operating countries	Australia, New Zealand
Product range	Clothing, Footwear, Homewares
Positioning	Value-based
Total annual revenue (R'billion)	8.4
No. of stores	341
Ave store size (m^2)	1 015
Ave annual store sales (R'million)	24.6
Ave store staff	4 251

The Directors
Steinhoff International Holdings Limited
Block D, De Wagenweg Office Park
Stellentia Road
Stellenbosch
7600

9 December 2014

Dear Sirs

Independent expert's report regarding the proposed acquisition by Steinhoff International Holdings Limited of shares in Pepkor Holdings Proprietary Limited, the Put Option Agreement and the Waiver

Introduction

Steinhoff International Holdings Limited ("Steinhoff") will acquire 92.34% of the ordinary shares of Pepkor Holdings Proprietary Limited ("Pepkor") for a consideration of R63.02 billion inclusive of transaction costs ("the Purchase Price") ("the Transaction") from Titan Premier Investments Proprietary Limited ("Titan"), Brait Mauritius Limited ("Brait") and Pepkor Management.

In terms of the Transaction, Steinhoff intends acquiring an effective equity interest in Pepkor of 52.47% from Titan ("the Titan Transaction"), 37.06% from Brait and 2.81% from Pepkor Management. The remaining shares in Pepkor are held by Pepkor Management who will remain invested in Pepkor. Titan and Thibault Square Financial Services Proprietary Limited ("Thibault") are privately held companies ultimately controlled by a Trust of which Dr Christo Wiese, a non-executive Director of Steinhoff, is a beneficiary.

The Purchase Price will be settled as follows:

- Titan's 52.47% effective interest: the issuing of 609.1 million Steinhoff Shares at R57.00, equating to a value of R34.721 billion. This transaction will be implemented via a series of inter-conditional steps resulting in Thibault owning the above mentioned Steinhoff Shares;
- Brait's 37.06% effective interest: the issuing of 200 million Steinhoff Shares at R57.00 and R15 billion in cash, equating to a value of R26.4 billion; and
- Pepkor's Management 2.81% effective interest: the issuing of 29.9 million Steinhoff Shares at R57.00, equating to a value of R1.7 billion.

Full details of the Transaction are contained in the circular to Steinhoff shareholders ("the circular") to be dated on or about 15 December 2014, which will include a copy of this letter.

Our independent expert report relates to the following:

- the proposed transaction whereby Steinhoff will acquire 52.47% of the ordinary shares of Pepkor for a consideration of R34.721 billion from Titan;
- the Repurchase of shares resulting from the put option agreement entered into or to be entered into between Steinhoff, Thibault and Brait, in terms whereof, *inter alia*, Steinhoff has or will have the right, in the event that the transaction with Brait fails to become unconditional in accordance with its terms or is terminated before its implementation, to acquire from Thibault the Steinhoff Shares issued to Thibault at R57.00 per share, in consideration for the transfer by Steinhoff or the procuring of the transfer by Steinhoff to Thibault of the entire interest in Pepkor acquired by Steinhoff in terms of the transaction with Titan and the CLN ("Put Option Agreement"); and
- the waiver to be requested in pursuance of the voting pool agreement to be entered into between Titan, Thibault, Brait and certain of the directors and management of Steinhoff and Pepkor ("the Voting Pool Parties") who collectively will own more than 35% of the shares in Steinhoff ("the Voting Pool Agreement").

Scope

In terms of section 10.1(b)(ii) of the JSE Listing Requirements the Titan Transaction is considered a related party transaction as Dr Christo Wiese is a non-executive director of Steinhoff. An independent expert report is required to be obtained by the board of directors of Steinhoff ("the Steinhoff Board") in terms of sections 10.4(f) of the Listings Requirements of the JSE Limited ("the JSE Listings Requirements") if a transaction is entered into with a related party.

Only in the event of the Put Option Agreement becoming unconditional (i.e. as a result of the transaction with Brait failing to proceed), the Repurchase of the shares issued to Thibault will be effected as a specific share acquisition from Thibault to restore the shareholders of Steinhoff and Titan to a neutral position, i.e., in a similar position to that had the Titian Transaction not been executed. Given that the Repurchase will result in Steinhoff acquiring in excess of 5% of the issued shares of Steinhoff, the Repurchase is subject to section 114 of the Companies Act. As such an independent expert report is required by the Steinhoff Board.

As the Voting Pool Parties will jointly hold or control more than 35% of the voting rights attached to the Steinhoff Shares after the implementation of the Transaction, its conclusion will give rise to an obligation on the Voting Pool Parties to make a mandatory offer in terms of section 123 of the Companies Act to the remaining Steinhoff Shareholders ("the Mandatory Offer"). An independent expert report is required to be obtained by the Steinhoff Board in terms of Regulation 86(4) and 86(7) of the Companies Regulations, 2011 ("TRP Regulations") as it will request shareholders not included in the Voting Pool to agree to waive the benefit of a Mandatory Offer ("the Waiver").

KPMG Services Proprietary Limited ("KPMG") has been appointed by the Steinhoff Board as the independent expert to advise on whether the terms and conditions of the Titan Transaction are fair, and whether the terms and conditions of the Put Option Agreement and the Waiver are fair and reasonable to the shareholders of Steinhoff.

Responsibility

The compliance with the JSE Listings Requirements and the Companies Act is the responsibility of the Steinhoff Board. Our responsibility is to report on the terms and conditions of the Transaction.

Definition of the term "fair" and "reasonable"

A transaction will generally be considered fair to a company's shareholders if the benefits received by the shareholders, as a result of the transaction, are equal to or greater than the value surrendered by the shareholders.

The assessment of fairness is primarily based on quantitative issues. The Transaction may be considered fair if the value of the shareholding in Pepkor acquired by Steinhoff as a result of the Transaction is considered to be greater than or equal to the combined value of the cash paid and the new Steinhoff Shares issued by Steinhoff to Thibault and Brait.

The assessment of reasonableness is generally based on qualitative considerations surrounding the Transaction. Hence, even though the benefits received by Steinhoff shareholders may be less than the value surrendered by Pepkor shareholders, the entire Transaction may still be reasonable in certain circumstances after considering other significant qualitative factors.

Information utilised and procedures performed

Key quantitative considerations

In arriving at our opinion we have undertaken the following procedures:

- obtained an understanding of the Transaction from Steinhoff management, as well as documentation prepared by Steinhoff and their advisors;
- for the valuation of Pepkor we:
  - considered the audited financial statements of Pepkor for the financial year ended 30 June 2012, 2013 and 2014 as well the three year plan approved by the Pepkor Board;
  - considered the latest available trading results of Pepkor (September 2014);
  - considered the minutes of the board meetings held during the last 12 months;
  - held discussions with the directors of Pepkor to establish their strategy and considered such other matters as we consider necessary, including assessing the prevailing economic, legal and market conditions of the clothing retail industry;
  - evaluated the risks and expected returns associated with Pepkor;
  - considered the forecast cash flows and the basis of the assumptions therein including the prospects of the relevant business (revenue growth, operating margins etc.) This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management;
  - used the capitalisation of maintainable earnings methodology as the primary valuation methodology. This was supplemented with another valuation methodology namely the discounted cash flow methodology which supports the results of our primary valuation;
  - performed an analysis of market comparables (both locally and in jurisdictions where Pepkor has a presence) to obtain appropriate beta's, multiples and debt/equity ratios which we used in our valuation. Inet BFA, Thomson Eikon and the comparators websites were used for the information;
  - determined appropriate valuation discounts or premiums which we used in our valuation;
  - considered key external value drivers to the valuation included, where relevant, key economic parameters such as GDP growth, inflation, interest rates, exchange rates, equity returns and bond yields. In the course of our valuation we performed an analysis of macro-economic drivers of the business of Pepkor. We also reviewed key industry drivers of the operating entities forming the Pepkor Group. This analysis form the basis of our review of the key drivers of growth and profitability as contained in management's budgets, forecasts and business plans;
  - considered key internal value drivers to the valuation included, where relevant, the discount rate, revenue growth, new store openings, operating margins, capital expenditure, strategic plans;
  - considered the significant factors influencing value drivers, which included risk free rates, market volatility, market returns, the influence that general economic conditions have on the growth in the discount value market segment, trading densities and the strong purchasing power in sourcing of goods. Additionally, the exchange rate has a significant impact on the price of imported goods (which could be hedged) and results for foreign operations; management's assumed exchange rates are reasonable compared to the BER forecast;
  - performed sensitivities on key value drivers and their effect on achieving sustainable earnings and consequently the impact on the equity value. The valuation results were most sensitive to revenue and operating profit margins. The sensitivity analysis was performed by decreasing revenue growth to be aligned to inflation and increasing and decreasing the operating margin by 1% to be in line with historic trends. The range of our sensitivity analysis did not indicate a sufficient effect on the valuation of Pepkor to alter our opinion;
  - included certain key assumptions, including:
    - current economic, regulatory and market conditions will not change materially;
    - reliance can be placed on the historic financial information of Pepkor;
    - the turn-around of the Pepkor business in Australia;
    - Pepkor will continue to trade under its current business plans;
    - net debt of Pepkor was fairly valued at valuation date;
    - Pepkor has no material undisclosed contingent liabilities; and
    - reliance can be placed on the representations made by Pepkor management during the course of forming our opinion.
  - satisfied ourselves as to the appropriateness and reasonableness of the underlying information and assumptions by:
    - using audited information as far as possible;
    - performing a reconciliation of audited financial statements and management accounts; and
    - assessing the reasonableness of forecast information with reference to historic performance and prevailing market and industry conditions.
  - Determined a valuation range for Pepkor of R64.6 billion – R73.9 billion, with a most likely value of R67.5 billion and consequently for 52.47% in Pepkor a range of R33.9 billion to R38.8 billion, with a most likely value of R35.4 billion.
- For the valuation of Steinhoff we:
  - performed a high level desktop valuation of Steinhoff using a capitalisation of earnings methodology. Our procedures included, amongst others, the following:
    - considered the audited financial statements and integrated reports of Steinhoff for the financial year ended 30 June 2012, 2013 and 2014;
    - obtained and discussed forecast EBIT (on a divisional level) for FY15 with Steinhoff management;
    - determined appropriate valuation discounts or premiums which we used in our valuation;
    - performed an analysis of market comparators (both locally and internationally) to obtain appropriate multiples which we used in our valuations. Inet BFA, Thomson Eikon and the comparators websites were used for the information;
    - considered key internal value drivers to the valuation including, where relevant, revenue growth, new store opening, operating margins, capital expenditure, strategic plans (desktop);
    - considered key external value drivers to the valuation including, where relevant, key economic parameters such as GDP growth, inflation, interest rates, exchange rates, equity returns and bond yields. Prevailing market and industry conditions were also considered in assessing the risk profile of Steinhoff (desktop);
    - considered the significant factors influencing value drivers, which included the influence that general economic conditions have on the growth in the discount value market segment, the market opportunity for 'box store' roll-out in South Africa and Europe and expansion of product offering, prioritizing of e-commerce, and the strong purchasing power in sourcing of goods and the strong logistics capability of getting products to stores in the most cost effective manner;
    - held discussions with the directors and management of Steinhoff to establish their strategy and considered such other matters as we consider necessary, including assessing the prevailing economic, legal and market conditions of the furniture and home goods retail industry;
    - performed sensitivity analyses by assuming no contribution from African retail operations, which reduced operating margin by approximately 1%. The range of our sensitivity analysis did not indicate a sufficient effect on the valuation of Steinhoff to alter our opinion; and
    - included certain key assumptions:
      - current economic, regulatory and market conditions will not change materially;
      - reliance can be placed on the historic financial information of Steinhoff;
      - net debt of Steinhoff was fairly valued at valuation date;
      - the share price of PSG and KAP was fairly valued at valuation date;
      - the sale of the Consumer Finance Division of JD Group will be successful;
      - Steinhoff has no material contingent liabilities; and
      - reliance can be placed on the representations made by Steinhoff management during the course of forming our opinion.

- » satisfied ourselves as to the appropriateness and reasonableness of the underlying information and assumptions by:
  - ▪ using audited information as far as possible; and
  - ▪ assessing reasonableness of forecast information with reference to historic performance and prevailing market and industry conditions.
- – Additionally, we performed the following procedures to determine whether the Steinhoff share price is a reasonable proxy for value:
  - » reviewed Steinhoff's trading history;
  - » reviewed the free float and liquidity of Steinhoff's shares;
  - » reviewed other publicly available information on Steinhoff such as company announcement and media articles;
  - » reviewed recent transaction and corporate activity and the impact thereof on the Steinhoff share price; and
  - » reviewed the current trading levels and compared it to that of the overall market and appropriate comparators.
- – reviewed available analysts' reports; and
- – Determined a valuation range for Steinhoff of R46.60 – R56.90 per share, which supports the 30-day VWAP as at 24 November 2014 of R54.75 per share as our most likely value.

- based on the values arrived at for Pepkor and Steinhoff as set out above and taking into account the anticipated number of Steinhoff Shares to be issued as well as the potential transaction costs, we considered whether the value of the shareholding in Pepkor acquired by Steinhoff as a result of the Titan Transaction is greater than or equal to the value of the new Steinhoff Shares issued by Steinhoff;
- based on the values arrived at for Pepkor and Steinhoff as set out above and taking into account the anticipated number of Steinhoff Shares to be issued as well as the potential transaction costs, we considered (for purposes of the Waiver) whether the value of the shareholding in Pepkor acquired by Steinhoff as a result of the Transaction is greater than or equal to the value of the new Steinhoff Shares issued by Steinhoff

Key qualitative considerations

In arriving at our opinion, we have also considered the following:

- Potential synergies resulting from the acquisition include, *inter alia*, the following:
  - – accelerated rollout of Pepco shops-in-shop in Steinhoff's existing European footprint ("Big Box stores");
  - – enhanced customer service by offering a wider range discount products thereby re-enforcing the one-stop discount destination store credentials;
  - – combined supply chain and logistics functions which will gain significant economies of scale in Eastern Europe, Australia and Africa;
  - – joint purchasing of homewares will result in sourcing benefits;
  - – increased utilisation of Steinhoff properties by co-locating Pepkor stores and Steinhoff subsidiary stores in Europe; and
  - – conversion of sub-optimal Steinhoff stores into Pepkor brands (Pepco, Pep, Ackermans).

Opinion

Titan Transaction

KPMG has considered the terms and conditions of the Titan Transaction and, based upon and subject to the conditions set out herein, are of the opinion that the terms including the Titan Consideration of the Titan Transaction are fair to the Steinhoff shareholders.

Put Option Agreement

KPMG considered the terms and conditions of the Put Option Agreement, which is intended to restore Steinhoff and Titan to the position they would have been in if the Transaction were not to proceed. Based upon and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Put Option Agreement are fair and reasonable to the Steinhoff shareholders.

Waiver

KPMG considered the terms of conditions of the Waiver and, based upon and subject to the conditions set out herein, is of the opinion that the Waiver is fair and reasonable to the Steinhoff shareholders.

Our opinions are necessarily based upon the information available to us up to 5 December 2014, including in respect of the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory, other approvals and consents required in connection with the Transaction have been or will be timeously fulfilled and/or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Limiting conditions

This opinion is provided to the Steinhoff Board in connection with and for the purposes of the Titan Transaction, Put Option Agreement and the Waiver. This opinion is prepared solely for the Steinhoff Board and therefore should not be regarded as suitable for use by any other party or give rise to third party rights. This opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of Steinhoff shareholders. Should a Steinhoff shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

An individual Steinhoff shareholder's decision as to whether to vote in favour of any transaction may be influenced by his particular circumstances. The assessment as to whether or not the Steinhoff Board decides to recommend the Titan Transaction, Put Option Agreement and the Waiver is a decision that can only be taken by the Steinhoff Board.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management of Pepkor and Steinhoff, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards.

Where relevant, the forecasts of Pepkor and Steinhoff relate to future events and are based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Pepkor and Steinhoff will correspond to those projected. Where practicable, we compared the forecast financial information to past trends and third party estimates as well as discussing the assumptions inherent therein with the management of Pepkor and Steinhoff. On the basis of these enquiries and such other procedures we consider appropriate to the circumstances, we believe that the forecasts have been prepared with due care and consideration.

We have also assumed that the Titan Transaction, Put Option Agreement and the Waiver will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by, representatives and advisors of Steinhoff and we express no opinion on such consequences. We have assumed that all agreements that will be entered into in respect of the Titan Transaction, Put Option Agreement and the Waiver will be legally enforceable.

Specific information pertaining to Companies Act Section 114

The table below identifies every type and class of holders of the company's securities affected by the proposed Put Option Agreement.

Share capital	Authorised	Issued (net of treasury shares)
Ordinary no par value shares	6 000 000 000	3 127 642 098

Insofar as is known to Steinhoff, the major shareholders who beneficially held 5% or more of the issued Steinhoff Shares capital post the Titan Transaction **only**, are as follows:

Shareholder	Number of shares	Percent
Dr Christo Wiese	654,874,971	20.94%
Public Investment Corporation	333,597,974	10.67%
Steinhoff Directors*	287,310,062	9.19%
Investec Asset Management	188,516,687	6.03%
Total	1,464,299,694	46.83%

** Excludes Dr Christo Wiese*

The table below identifies the Directors whom each will hold more than 1% of the company's securities post the Titan Transaction and pre the proposed Put Option Agreement.

Director	Number of shares			Effective shareholding
	Direct	Indirect	Total	
Dr Christo Wiese	–	654,874,971	654,874,971	20.94%
Bruno Steinhoff	9,100,000	182,750,000	191,850,000	6.13%
Markus Jooste	–	66,000,000	66,000,000	2.11%

Subsequent to the exercising of the Put Option:

- The shareholding interest in Steinhoff held by Dr Christo Wiese will reduce to 45 729 347 (1.82%); and
- The effective shareholding interest in Steinhoff held by the other directors will increase on a proportionate basis as a result of the Put Option.

Copies of Sections 115 and 164 of the Companies Act are included as Annexures to the circular.

Independence

In terms of schedule 5.1 (a) of the JSE Listings Requirements and section 114 of the Companies Act, we confirm that we have no direct or indirect interest in Steinhoff Shares or the Transaction.

Furthermore, we confirm that our professional fees, of R500 000, are not contingent upon the success of the Transaction.

Consent

We consent to the inclusion of this letter and the reference to our opinion in the circular to be issued to the shareholders of Steinhoff in the form and context in which it appears.

For and on behalf of KPMG Services
Proprietary Limited

Jacques J Pienaar
Director – Corporate Finance
KPMG Services Proprietary Limited

MSC House
1 Mediterranean Street
Foreshore
Cape Town
8001

Neeraj Shah
Director – Corporate Finance
KPMG Services Proprietary Limited

85 Empire Road
Parktown
2193

ANNEXURE 8: PRICE HISTORY OF STEINHOFF SHARES ON THE JSE

Set out below is a table showing the aggregate volumes and values traded and the highest and lowest prices traded in Steinhoff's Shares for:

– each quarter over the 2 years prior to the Last Practicable Date;
– each month over the 12 months preceding the Last Practicable Date prior to the date of issue of this Circular; and
– each day over the 30 days preceding the Last Practicable Date.

The highest, lowest and closing price of shares of Steinhoff's Ordinary Shares on the JSE, for the last 30 trading days, for each day commencing from 30 October 2014 to 10 December 2014 (being the Last Practicable Date prior to the finalisation of this Circular) and the daily volume are as follows:

Period	High (cents)	Low (cents)	Close (cents)	Volume	Value traded (Rand)
Quarterly					
September 2014	6,036	4,611	5,408	787,459,502	4,199,911,888,896
June 2014	5,928	5,090	5,925	516,411,410	2,803,352,876,032
March 2014	5,476	4,392	5,100	461,925,784	2,266,481,045,504
December 2013	4,536	3,535	4,513	397,194,144	1,590,567,405,056
September 2013	3,575	2,430	3,575	408,914,493	1,208,217,484,288
June 2013	2,550	2,212	2,452	374,262,021	891,848,391,680
March 2013	2,889	2,420	2,501	348,152,994	931,256,883,200
December 2012	3,080	2,605	2,743	304,426,723	853,024,230,528
September 2012	2,770	2,342	2,608	343,460,977	871,885,190,144
Monthly					
November 2014	5,970	5,350	5,820	231,909,832	1,317,781,350,480
October 2014	5,649	5,051	5,640	222,062,676	1,198,001,100,800
September 2014	5,636	4,611	5,408	303,653,704	1,592,847,171,584
August 2014	5,440	5,016	5,251	191,429,733	1,002,251,603,968
July 2014	6,036	5,302	5,360	292,376,065	1,604,813,113,344
June 2014	5,928	5,367	5,925	137,225,907	769,370,586,112
May 2014	5,592	5,238	5,351	136,026,149	735,826,821,120
April 2014	5,610	5,090	5,461	243,159,354	1,298,155,468,800
March 2014	5,476	5,057	5,100	166,998,245	875,819,390,976
February 2014	5,193	4,392	5,190	137,838,874	670,753,057,792
January 2014	4,757	4,430	4,580	157,088,665	719,908,596,736
December 2013	4,536	3,851	4,513	136,429,160	573,056,014,848
November 2013	4,188	3,801	4,042	128,335,074	517,017,387,008
October 2013	4,050	3,535	3,881	132,429,910	500,494,003,200
Last Practicable Date					
10-Dec-2014	5,937	5,870	5,913	10,978,987	64,869,607,087
9-Dec-2014	5,995	5,880	5,880	8,691,991	51,442,669,973
8-Dec-2014	6,068	5,988	6,015	8,160,607	49,169,465,344
5-Dec-2014	6,010	5,901	5,987	6,686,461	40,050,900,992
4-Dec-2014	6,050	5,878	5,900	8,628,984	51,497,869,312
3-Dec-2014	5,964	5,818	5,950	8,493,487	50,357,182,464
2-Dec-2014	5,870	5,800	5,864	9,346,860	54,578,872,320
1-Dec-2014	5,850	5,702	5,800	13,241,491	76,299,214,848
28-Nov-2014	5,970	5,811	5,820	13,563,197	79,907,520,512
27-Nov-2014	5,877	5,752	5,835	19,126,044	111,046,959,104
26-Nov-2014	5,899	5,790	5,810	25,483,708	148,313,407,488
25-Nov-2014	5,938	5,560	5,849	54,292,636	312,789,270,528
24-Nov-2014	5,668	5,555	5,597	7,428,283	41,695,813,632
21-Nov-2014	5,600	5,500	5,580	8,765,271	48,650,444,800
20-Nov-2014	5,615	5,480	5,491	14,895,800	82,390,081,536
19-Nov-2014	5,590	5,467	5,540	6,257,345	34,588,220,000
18-Nov-2014	5,635	5,520	5,520	6,605,349	36,741,780,000
17-Nov-2014	5,614	5,550	5,592	2,595,685	14,477,800,000
14-Nov-2014	5,611	5,515	5,611	6,494,481	36,179,210,000
13-Nov-2014	5,606	5,519	5,535	4,205,161	23,381,250,000
12-Nov-2014	5,612	5,545	5,561	6,612,553	36,876,510,000
11-Nov-2014	5,554	5,450	5,545	7,891,042	43,536,750,000
10-Nov-2014	5,470	5,350	5,446	6,848,003	37,168,450,000
7-Nov-2014	5,610	5,486	5,530	8,012,402	44,415,901,696
6-Nov-2014	5,668	5,527	5,572	7,217,491	40,253,988,864
5-Nov-2014	5,749	5,601	5,610	7,584,320	43,002,163,200
4-Nov-2014	5,721	5,650	5,681	5,664,985	32,209,205,248
3-Nov-2014	5,714	5,620	5,685	12,366,076	70,156,623,872
31-Oct-2014	5,649	5,588	5,640	11,394,431	64,026,050,560
30-Oct-2014	5,604	5,551	5,560	17,152,162	95,717,982,208

Source: Bloomberg

STEINHOFF INTERNATIONAL HOLDINGS LIMITED
Incorporated in the Republic of South Africa
(Registration Number 1998/003951/06)
Share Code: SHF ISIN: ZAE000016176
("Steinhoff" or "the Company")

All terms defined in the Circular to which this notice of General Meeting is attached shall bear the meanings assigned therein.

Notice is hereby given that a General Meeting of Steinhoff Shareholders will be held at 10:00am in the Auditorium, 28 Sixth Street, Wynberg, Sandton, 2090 on Monday, 26 January 2015.

The record date on which Shareholders must be recorded as such in the securities register maintained by the Transfer Secretaries for the purpose of being entitled to attend and vote at the General Meeting is Friday, 16 January 2015.

In terms of section 63(1) of the Companies Act, any person attending or participating in a meeting of Shareholders must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified. Accordingly, all Shareholders will be required to provide identification reasonably satisfactory to the chairman of the General Meeting in order to participate in and vote at the General Meeting.

The purpose of the General Meeting is to consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out below. All of ordinary resolution number 1 and special resolutions numbers 1 to 6 are inter-conditional. Accordingly, none of ordinary resolution number 1 and special resolutions numbers 1 to 6 will have any force or effect unless and until each of the other of such resolutions, has been passed by the requisite majority.

1. ORDINARY RESOLUTION NUMBER 1

*"**RESOLVED THAT** the Titan Transaction, the Brait Transaction, the Pepkor Management Transaction, and the Ancillary Transaction Steps, which are comprised of:*

(i) the composite transaction constituted by:

- *the issue by Steinhoff of 609,145,624 Steinhoff Shares to Thibault at a subscription price of R57.00 per Share, being an aggregate subscription price of R34,721,300,568, upon the terms and conditions set out in the Steinhoff Subscription Agreement, which was made available for inspection by Shareholders and the salient terms of which are set out in the Circular; and*
- *the subscription by Steinhoff, through Steinhoff Africa, for 117,075,732 Pepkor Shares at a subscription price of R191.27 per share, being an aggregate subscription price of R22,392,934,527, and for 67,492 Newshelf C Preference Shares at a subscription price of R95,614.79 per share, being an aggregate subscription price of R6,453,233,711, upon the terms and conditions set out in the Pepkor Subscription Agreement, which was made available for inspection by Shareholders and the salient terms of which are set out in the Circular,*

(ii) the acquisition by Steinhoff or its nominee from Brait of 82,543,955 Pepkor Shares and 91,346 Newshelf C Preference Shares in consideration for R15,000,000,000 in cash and the issue of 200,000,000 Steinhoff Shares at R57.00 per Share, being an aggregate consideration of R26,400,000,000, upon the terms and conditions set out in the Sale of Shares Agreement, which was made available for inspection by Shareholders and the salient terms of which are set out in the Circular;

(iii) the acquisition by Steinhoff from Pepkor Management of 9,736,833 Pepkor Shares in consideration for the issue of 29,866,311 Steinhoff Shares at R57.00 per Share, being an aggregate consideration of R1,702,379,727, the salient terms of which are set out in the Circular, and

(iv) the subscription by Steinhoff or its nominee for an additional 30,716,627 Pepkor Shares at a subscription price of R191.27 per share, being an aggregate subscription price of R5,875,132,330,

be and are hereby approved by way of an ordinary resolution as a category 1 Related Party transaction in terms of the JSE Listings Requirements."

Ordinary resolution number 1 will require the support of at least 50% plus 1 of the voting rights exercised thereon at the General Meeting by Shareholders present in person or represented by proxy, excluding Dr Christo Wiese, being a Related Party in respect of the Titan Transaction as a consequence of being a Director, and his Associates.

2. SPECIAL RESOLUTION NUMBER 1

*"**RESOLVED THAT** the issue by Steinhoff of 609,145,624 Steinhoff Shares to Thibault at a subscription price of R57.00 per Share, being an aggregate subscription price of R34,721,300,568 (forming part of the Titan Transaction), upon the terms and conditions set out in the Steinhoff Subscription Agreement, which was made available for inspection by Shareholders and the salient terms of which are set out in the Circular, be and is hereby approved by way of a special resolution in terms of sections 41(1) and 41(3) of the Companies Act."*

Special resolution number 1 will require the support of at least 75% of the voting rights exercised thereon at the General Meeting by Shareholders present in person or represented by proxy. This special resolution is required in terms of section 41(1) of the Companies Act as a consequence of Dr Christo Wiese, a non-executive Director of Steinhoff, being a related or inter-related person of Thibault. In addition, the special resolution is required in terms of section 41(3) of the Companies Act as a result of the voting power of the Steinhoff Shares to be issued to Thibault (in terms of this special resolution), Brait (in terms of the Brait Transaction) and Pepkor Management (in terms of the Pepkor Management Transaction), which constitute a series of integrated transactions, exceeding 30% of the voting power of all of the issued Steinhoff Shares.

3. SPECIAL RESOLUTION NUMBER 2

*"**RESOLVED THAT** the issue by Steinhoff of 200,000,000 Steinhoff Shares to Brait at R57.00 per Share, being an aggregate amount R11,400,000,000, in part settlement of the consideration for the 82,543,955 Pepkor Shares and 91,346 Newshelf C Preference Shares acquired by Steinhoff or its nominee from Brait (forming part of the Brait Transaction), upon the terms and conditions set out in the Sale of Shares Agreement, which was made available for inspection by Shareholders and the salient terms of which are set out in the Circular, be and is hereby approved by way of a special resolution in terms of sections 41(1) and 41(3) of the Companies Act."*

Special resolution number 2 will require the support of at least 75% of the voting rights exercised thereon at the General Meeting by Shareholders present in person or represented by proxy. This special resolution is required in terms of section 41(1) of the Companies Act as a consequence of Dr Christo Wiese, a non-executive Director of Steinhoff, being a related or inter-related person of Brait. In addition, the special resolution is required in terms of section 41(3) of the Companies Act as a result of the voting power of the Steinhoff Shares to be issued to Brait (in terms of this special resolution), Thibault (in terms of the Titan Transaction) and Pepkor Management (in terms of the Pepkor Management Transaction), which constitute a series of integrated transactions, exceeding 30% of the voting power of all of the issued Steinhoff Shares.

4 SPECIAL RESOLUTION NUMBER 3

*"**RESOLVED THAT** the issue by Steinhoff of 29,866,311 Steinhoff Shares to Pepkor Management at R57.00 per Share, being an aggregate amount of R1,702,379,727, in settlement of the consideration for the 9,736,833 Pepkor Shares acquired by Steinhoff or its nominee from Pepkor Management (forming part of the Pepkor Management Transaction), the salient terms of which are set out in the Circular, be and is hereby approved by way of a special resolution in terms of section 41(3) of the Companies Act."*

Special resolution number 3 will require the support of at least 75% of the voting rights exercised thereon at the General Meeting by Shareholders present in person or represented by proxy. This special resolution is required in terms of section 41(3) of the Companies Act as a result of the voting power of the Steinhoff Shares to be issued to Pepkor Management (in terms of this special resolution), Thibault (in terms of the Titan Transaction) and Brait (in terms of the Brait Transaction), which constitute a series of integrated transactions, exceeding 30% of the voting power of all of the issued Steinhoff Shares.

5 ORDINARY RESOLUTION NUMBER 2

*"**RESOLVED THAT**, in terms of regulation 86(4) of the Companies Regulations, the requirement that Thibault and the other Voting Pool Parties, make a Mandatory Offer at R57.00 per Share in terms of section 123 of the Companies Act to the remaining Steinhoff Shareholders by reason of them acquiring in excess of 35% of the voting rights in the Company, as a consequence of the entering into of the Voting Pool and the implementation of the Titan Transaction, the Brait Transaction and the Pepkor Management Transaction, be and is hereby waived."*

In terms of the Companies Regulations, ordinary resolution number 2 will require the approval of independent holders of more than 50% of the general voting rights of all the issued securities of the Company, present in person or represented by proxy, being Steinhoff Shareholders other than Thibault and the other Voting Pool Parties. The TRP has advised that it is willing to consider the application to grant an exemption from the obligation to make a mandatory offer if the majority of independent Shareholders waive their entitlement to receive the mandatory offer.

6 SPECIAL RESOLUTION NUMBER 4

*"**RESOLVED THAT**, to the extent that all or any part of the Titan Transaction, the Brait Transaction and/or the Pepkor Management Transaction, as the case may be, and/or certain of the steps in the implementation of (or ancillary to) all or any part of the Titan Transaction, the Brait Transaction and the Pepkor Management Transaction, and/or the financing of any of those transactions or steps, constitutes or give rise to the granting by Steinhoff to any other person of financial assistance as contemplated in sections 44 and/or 45 of the Companies Act, the provision of any and all such financial assistance be and is hereby authorised by way of a special resolution in terms of sections 44(3)(a)(ii) and 45(3)(a)(ii) of the Companies Act."*

Special resolution number 4 will require the support of at least 75% of the voting rights exercised thereon at the General Meeting by Shareholders present in person or represented by proxy. This special resolution is required in terms of sections 44(3)(a)(ii) and 45(3)(a)(ii) of the Companies Act as certain of the steps in the implementation of (or ancillary to) all or any part of the Titan Transaction, the Brait Transaction and/or the Pepkor Management Transaction, and/or the financing of any of those transactions or steps, as the case may be, may give rise to financial assistance as contemplated by sections 44 and/or 45 of the Companies Act.

7 SPECIAL RESOLUTION NUMBER 5

*"**RESOLVED THAT** the acquisition by Steinhoff from Thibault (or the company that Thibault has nominated to subscribe for the Steinhoff Shares referred to hereinafter) of 609,145,624 Steinhoff Shares issued to Thibault in terms of the Titan Transaction, in the event that the Brait Transaction fails to become unconditional in accordance with its terms or is terminated before its implementation, in consideration for the transfer by Steinhoff or the procuring of the transfer by Steinhoff to Thibault of the entire interest in Pepkor and in Newshelf acquired by Steinhoff and/or Steinhoff Africa in terms of the Titan Transaction, in accordance with the Put Option Agreement or otherwise upon such terms and conditions as the Steinhoff Board may deem fit, be and is hereby approved by way of a special resolution in terms of sections 48(8)(a) and 115 (read with sections 48(8)(b) and 114) of the Companies Act, and section 5.69(b) of the Listings Requirements, it being recorded that the Steinhoff Board may elect that up to 609,145,624 of the aforesaid Steinhoff Shares may be acquired by Steinhoff Africa."*

Special resolution number 5 will require the support of at least 75% of the voting rights exercised thereon at the General Meeting by Shareholders present in person or represented by proxy excluding Dr Christo Wiese, being a Related Party as a consequence of being a Director, and his Associates. This special resolution is required in terms of section 48(8)(a) of the Companies Act as a consequence of Dr Christo Wiese being a non-executive Director of Steinhoff and Thibault being a person related to Dr Christo Wiese, and in terms of section 115 (read with sections 48(8)(b) and 114) of the Companies Act as a result of the Repurchase involving more than 5% of the issued Steinhoff Shares. The resolution is further required to be approved in terms of section 5.69(b) of the Listings Requirements as a specific repurchase.

Special resolution number 5 entitles Shareholders to invoke their appraisal rights in terms of section 164 of the Companies Act, in accordance with the procedure as set out below.

In terms of section 164 of the Companies Act, at any time before special resolution number 5 is voted on, a Shareholder may give the Company a written notice objecting to the special resolution. If any Shareholder wishes to give notice as aforesaid, it must deliver or send such notice to the Company Secretary, Steinhoff Africa Secretarial Services Proprietary Limited, 28 Sixth Street, Wynberg, Sandton, 2090 (PO Box 1955, Bramley, 2018).

Within ten Business Days after the Company has adopted special resolution number 5, the Company will send a notice that the special resolution has been adopted to each Shareholder who -

- gave the Company a written notice of objection as contemplated above; and
- has neither withdrawn that notice nor voted in support of special resolution number 5.

A Shareholder may demand that the Company pay the Shareholder the fair value for all of the Steinhoff Shares held by that person if -

- the Shareholder has sent the Company a notice of objection;
- the Company has adopted the special resolution; and
- the Shareholder voted against the special resolution and has complied with all of the procedural requirements of section 164 of the Companies Act.

The attention of Shareholders is drawn to Appendix A to this Notice of General Meeting which set out the provisions of sections 115 and 164 of the Companies Act.

8 SPECIAL RESOLUTION NUMBER 6

*"**RESOLVED THAT**, subject to and in the event of (i) special resolution number 5 being approved, and (ii) the Titan Transaction or the Put Option Agreement not becoming unconditional for any reason or the Titan Transaction or the Put Option Agreement is cancelled or terminated, special resolution number 5 is revoked with effect from the date upon which the Titan Transaction fails, or the Put Option Agreement fails or the Titan Transaction or the Put Option Agreement is cancelled and terminated as contemplated in section 164(9)(c) of the Companies Act, and accordingly and to the extent applicable a Shareholder that has sent a demand to Steinhoff in terms of section 164(5) to (8) of the Companies Act to be paid the fair value of its Shares, shall have no rights to be so paid under section 164 of the Companies Act."*

Special resolution number 6 will require the support of at least 75% of the voting rights exercised thereon at the General Meeting by Shareholders present in person or represented by proxy. The Company requires that in the event that the Titan Transaction or the Put Option Agreement not becoming unconditional for any reason or the Titan Transaction or the Put Option Agreement is cancelled or terminated, the special resolution to be revoked (in terms of section 164(9)(c) of the Companies Act).

VOTING

All Shareholders recorded in the register on Friday, 16 January 2015 will be entitled to attend and vote at the General Meeting. On a show of hands, every Shareholder who is present in person or by proxy, or, in the case of a company, the representative appointed in terms of section 188 of the Companies Act, shall have one vote.

On a poll, every Shareholder present in person or by proxy, or, if a company, the representative appointed in terms of section 58 of the Companies Act, shall be entitled to one vote for every share held or represented by the Shareholder.

Where Shareholders are required to vote in terms of the JSE Listings Requirements, the votes of Shareholders of unlisted securities will not be taken into account in determining either a quorum or for approval of any resolution considered at the General Meeting.

ELECTRONIC PARTICIPATION

Shareholders or their proxies may participate in the General Meeting by way of a teleconference call and, if they wish to do so.

Shareholders must contact the Company Secretary and identify themselves to obtain the dialing code. Shareholders participating in this manner will still have to appoint a proxy to vote on their behalf at the General Meeting. Access to this means of electronic communication will be at the expense of the Steinhoff Shareholder. Steinhoff Shareholders and their proxies will not be entitled to vote electronically.

PROXIES

A Steinhoff Shareholder entitled to attend and vote at the General Meeting may appoint one or more persons as his proxy to attend, speak and vote in its stead. A proxy need not be a Shareholder of Steinhoff. Shareholders are referred to the attached form(s) of proxy *(blue)* in this regard.

If you are a Certificated Shareholder or a Dematerialised Shareholder with "own-name" registration and are unable or do not wish to attend the General Meeting but wish to be represented thereat, you are requested to complete and return the form of proxy *(blue)* to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to reach them by not later than 10:00am on Thursday, 22 January 2015, provided that if you are unable to return the form of proxy as aforesaid, the form of proxy may be handed to the chairman prior to the commencement of the General Meeting. Dematerialised Shareholders, other than with "own-name" registration, must arrange with its CSDP or Broker to provide it with the necessary letter of representation to attend the General Meeting or must instruct its CSDP or Broker as to how it wishes to vote. This must be done in terms of the mandate entered into between the Dematerialised Shareholder and the CSDP or Broker, in the manner and cut off time stipulated therein.

Additional forms of proxy are obtainable from the Transfer Secretaries on request.

By order of the Board

Steinhoff International Holdings Limited
Steinhoff Africa Secretarial Services Proprietary Limited

12 December 2014

STEINHOFF INTERNATIONAL HOLDINGS LIMITED
Incorporated in the Republic of South Africa
(Registration Number 1998/003951/06)
Share Code: SHF ISIN: ZAE000016176
("Steinhoff" or "the Company")

FORM OF PROXY

For use by Certificated Shareholders or Dematerialised Shareholders with "own-name" registration only at the General Meeting to be held at 10:00am in the Auditorium, 28 Sixth Street, Wynberg, Sandton, 2090, on Monday, 26 January 2015.

Dematerialised Shareholders other than with "own-name" registration, must arrange with their CSDP or Broker to provide them with the necessary letter of representation to attend the General Meeting or must instruct them as to how they wish to vote. This must be done in terms of the agreement entered into between the Dematerialised Shareholders and their CSDP or Broker, in the manner and cut off time stipulated therein.

Please read the notes on the reverse hereof carefully, which, amongst other things, sets out the rights of Steinhoff Shareholders with regard to the appointment of proxies.

For the General Meeting

I/We (Name/s in block letters)

Of (address in block letters)

Telephone number Cellphone number

e-mail address

being a Steinhoff Shareholder and holding Steinhoff Ordinary Shares, and entitled to vote, do hereby appoint (refer to note 1 of the notes to this form of proxy):

1. or, failing him/her

2. or, failing him/her

the chairman of the General Meeting as my/our proxy to act for me/us and on my/our behalf at the General Meeting of the Company which will be held on Monday, 26 January 2015 at 10:00am and at any adjournment thereof for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the Steinhoff Ordinary Shares registered in my/or name/s, in accordance with the following instructions and otherwise to attend and speak for me/us at the General Meeting of the Company and at any adjournment thereof.

Please indicate with an "X" in the spaces below how you wish your proxy to vote in respect of the resolutions to be proposed, as contained in the notice of the abovementioned General Meeting.

*I/We desire my/our proxy to vote on the resolutions to be proposed, as follows:

	For	Against	Abstain
Ordinary resolution 1 (category 1 related party transaction)			
Special resolution 1 (Issue of shares to a Director and issuing shares in excess of 30% of Steinhoff's voting power)			
Special resolution 2 (Issue of shares to a related person and issuing shares in excess of 30% of Steinhoff's voting power)			
Special resolution 3 (Issuing shares in excess of 30% of Steinhoff's voting power)			
Ordinary resolution 2 (Waiver of Mandatory Offer)			
Special resolution 4 (Financial assistance)			
Special resolution 5 (Specific share acquisition of Steinhoff Shares from Thibault)			
Special resolution 6 (Revocation of special resolution number 5)			

Signed by me/us this day of 2015

Signature

Assisted by me (where applicable) (see note 6 on reverse of form of proxy)

Full name/s of signatory if signing in a representative capacity

Notes

1. A Certificated Shareholder or Dematerialised Shareholder with "own-name" registration is entitled to appoint any individual (including an individual who is not a Steinhoff Shareholder as a proxy to participate in, and speak and vote at the General Meeting on his behalf. Such Steinhoff Shareholder may insert the name of a proxy or the names of two alternative proxies of the Steinhoff Shareholder's choice in the space provided, with or without deleting 'the chairman of the General Meeting', provided that any such deletion must be signed in full by the Steinhoff Shareholder. The person whose name stands first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. Should a proxy not be specified, this will be exercised by the chairman of the General Meeting. A proxy need not be a Steinhoff Shareholder.

2. A Steinhoff Shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the Steinhoff Shareholder in the appropriate box(es). An 'X' in the appropriate box indicates the maximum number of votes exercisable by that Steinhoff Shareholder. Failure to comply with the above will result in the proxy not being authorised to vote or to abstain from voting at the General Meeting in respect of the Steinhoff Shareholder's votes, except in the case where the chairman of the General Meeting is the proxy. A Steinhoff Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Steinhoff Shareholder, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the Steinhoff Shareholder.

3. A proxy appointment must be in writing, dated and signed by the relevant Steinhoff Shareholder.

4. Any alteration or correction made to this form of proxy must be signed in full and not initialled by the signatory.

5. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form, unless previously recorded by Steinhoff or waived by the chairman of the General Meeting.

6. A minor must be assisted by his/her parent/guardian and the relevant documentary evidence establishing his/her legal capacity must be attached to this form of proxy unless previously recorded by Steinhoff or waived by the chairman of the General Meeting.

7. When there are joint holders of Steinhoff Shares, any one holder may sign the form of proxy.

8. The chairman of the General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.

9. A proxy may not delegate his/her authority to act on behalf of the Steinhoff Shareholder, to another person other than the chairman of the General Meeting.

10. The appointment of a proxy or proxies:

    a. is suspended at any time to the extent that the Steinhoff Shareholder chooses to act directly and in person in the exercise of any rights as a Steinhoff Shareholder;
    b. is revocable in which case the Steinhoff Shareholder may revoke the proxy appointment by:
        i. cancelling it in writing or making a later inconsistent appointment of a proxy; and
        ii. delivering a copy of the revocation instrument to the proxy and to Steinhoff.

11. Should the instrument appointing a proxy or proxies have been delivered to Steinhoff, as long as the appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to the Steinhoff Shareholder, must be delivered by the Company to –

    a. the Steinhoff Shareholder; or
    b. the proxy or proxies, if the Steinhoff Shareholder has directed the Company to do so in writing and has paid any reasonable fee charged by the Company for doing so.

12. The proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

13. It is requested that this form of proxy should be completed and returned to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to reach them by not later than 10:00am on Thursday, 22 January 2015.

ADDITIONAL FORMS OF PROXY ARE AVAILABLE FROM THE TRANSFER SECRETARIES ON REQUEST.

APPENDIX A - EXTRACT OF SECTIONS 115 AND 164 OF THE COMPANIES ACT

Section 115 - Required approval for transactions contemplated in Part

(1) Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless –

(a) the disposal, amalgamation or merger, or scheme of arrangement –

(i) has been approved in terms of this section; or

(ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and

(b) to the extent that Parts B and C of this Chapter and the Takeover Regulations apply to a company that proposes to –

(i) dispose of all or the greater part of its assets or undertaking;

(ii) amalgamate or merge with another company; or

(iii) implement a scheme of arrangement,

the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119(4)(b), or exempted the transaction in terms of 25 section 119(6).

(2) A proposed transaction contemplated in subsection (1) must be approved –

(a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and

(b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if–

(i) the holding company is a company or an external company;

(ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and

(iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and

(c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).

(3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if–

(a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five Business Days after the vote, any person who voted against the resolution requires the company to seek court approval; or

(b) the court, on an application within 10 Business Days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).

(4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights–

(a) required to be present or actually present, in determining whether the applicable quorum requirements are satisfied; or

(b) required to be voted in support of a resolution, or actually voted in support of the resolution

(4A) In subsection (4), 'act in concert' has the meaning set out in section 117(1)(b).

(5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either–

(a) within 10 Business Days after the vote, apply to the court for approval, and bear the costs of that application; or

(b) treat the resolution as a nullity.

(6) On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant–

(a) is acting in good faith;

(b) appears prepared and able to sustain the proceedings; and

(c) has alleged facts which, if proved, would support an order in terms of subsection (7).

(7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if–

(a) the resolution is manifestly unfair to any class of holders of the company's securities; or

(b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.

(8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person–

(a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and

(b) was present at the meeting and voted against that special resolution.

(9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect–

(a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;

(b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;

(c) the transfer of shares from one person to another;

(d) the dissolution, without winding-up, of a company, as contemplated in the transaction;

(e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or

(f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.

Section 164 - Dissenting shareholders appraisal rights

(1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.

(2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to–

(a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or

(b) enter into a transaction contemplated in section 112, 113, or 114,

that notice must include a statement informing shareholders of their rights under this section.

(3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.

(4) Within 10 Business Days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who–

(a) gave the company a written notice of objection in terms of subsection (3); and

(b) has neither–

(i) withdrawn that notice; or

(ii) voted in support of the resolution.

(5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if–

(a) the shareholder–

(i) sent the company a notice of objection, subject to subsection (6); and

(ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;

(b) the company has adopted the resolution contemplated in subsection (2); and

(c) the shareholder–

(i) voted against that resolution; and

(ii) has complied with all of the procedural requirements of this section.

(6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.

(7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within–

(a) 20 Business Days after receiving a notice under subsection (4); or

(b) if the shareholder does not receive a notice under subsection (4), within 20 Business Days after learning that the resolution has been adopted.

(8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state–

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder seeks payment; and

(c) a demand for payment of the fair value of those shares.

(9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless–

(a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);

(b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or

(c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.

(10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.

(11) Within five Business Days after the later of–

(a) the day on which the action approved by the resolution is effective;

(b) the last day for the receipt of demands in terms of subsection (7)(a); or

(c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.

(12) Every offer made under subsection (11)–

(a) in respect of shares of the same class or series must be on the same terms; and

(b) lapses if it has not been accepted within 30 Business Days after it was made.

(13) If a shareholder accepts an offer made under subsection (12)–

(a) the shareholder must either in the case of–

(i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or

(ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and

(b) the company must pay that shareholder the agreed amount within 10 Business Days after the shareholder accepted the offer and–

(i) tendered the share certificates; or

(ii) directed the transfer to the company of uncertificated shares.

(14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has–

(a) failed to make an offer under subsection (11); or

(b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.

(15) On an application to the court under subsection (14)–

(a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;

(b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and

(c) the court–

(i) may determine whether any other person is a dissenting shareholder who should be joined as a party;

(ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);

(iii) in its discretion may–

(aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or

(bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;

(iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and

(v) must make an order requiring–

(aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and

(bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.

(15A) At any time until the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case—

(a) that shareholder must comply with the requirements of subsection 13(a); and

(b) the company must comply with the requirements of subsection 13(b).

(16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.

(17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pays its debts as they fall due and payable for the ensuing 12 months–

(a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and

(b) the court may make an order that–

(i) is just and equitable, having regard to the financial circumstances of the company; and

(ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.

(18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.

(19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to–

(a) the provisions of that section; or

(b) the application by the company of the solvency and liquidity test set out in section 4.

(20) Except to the extent—

(a) expressly provided in this section; or

(b) that the Panel rules otherwise in a particular case,

(c) a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.