

**STANDING COMMITTEE ON FINANCE, STANDING COMMITTEE ON
PUBLIC ACCOUNTS, PORTFOLIO COMMITTEE ON TRADE AND
INDUSTRY AND PORTFOLIO COMMITTEE ON PUBLIC SERVICE
AND ADMINISTRATION**

COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

PROGRESS ON STEINHOFF INVESTIGATIONS

DATE: 28 MARCH 2018



Companies and Intellectual
Property Commission

a member of **the dti** group

BACKGROUND

- The CIPC is a Regulatory Body tasked with the administration and enforcement of the Companies Act No. 71 of 2008 (as amended) (“Companies Act”).
- One of the CIPC’s key functions is to monitor proper compliance with the Companies Act in terms of section 187 (2) (b).
- The Companies Act makes no distinction between executive director and non executive director.
- Section 76 (3) – A director of a company when acting in that capacity, must exercise the powers and perform the functions of a director in good faith and for a proper purpose; in the best interests of the company and with a degree of care, skill and diligence.
- The Board of Directors are the controlling mind of the Company.
- Section 214(1) (a) – A person (including a juristic person) is guilty of an offence if the person is a party to the falsification of any accounting records of a company.
- Section 214 (1) (c) – A person (including a juristic person) is guilty of an offence if the person was knowingly a party to an act or omission by a company calculated to defraud a creditor or employee of the company, or a holder of the company’s securities, or with another fraudulent purpose.
- Any person convicted of an offence in terms of this Act, is liable in the case of a contravention of section 214(1), to a fine or to imprisonment for a period not exceeding 10 years, or to both a fine and imprisonment.

THE BILLION DOLLAR QUESTION

➤ How did a sophisticated Board such as Steinhoff International Holdings N.V. and its predecessor Steinhoff International Holdings Ltd knowingly allow for such financial mismanagement to occur?

➤ For your ease of reference section 1 of the Companies Act defines knowingly as:

“Knowing”, “knowingly” or “knows”, when used with respect to a person, and in relation to a particular matter, means that the person either –

Had actual knowledge of the matter, or

Was in a position in which the person reasonably ought to have-

Had actual knowledge;

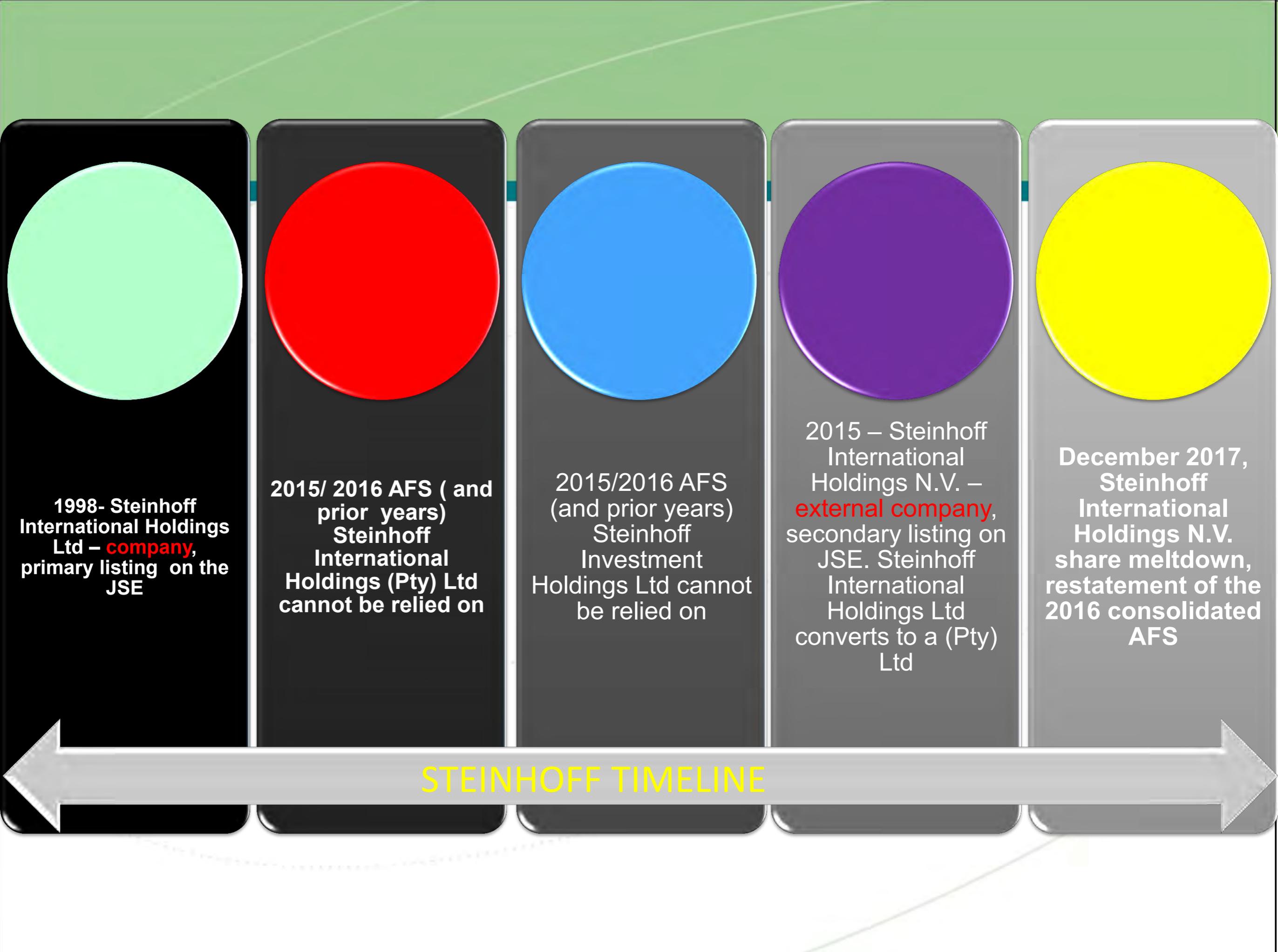
Investigated the matter to an extent that would have provided the person with actual knowledge; or

Taken other measures which, if taken, would reasonably be expected to have provided the person with actual knowledge of the matter.

STEINHOFF N.V. JSE SENS

2 JANUARY 2018

- Steinhoff N.V. wishes to confirm that its audited 2017 consolidated financial statements will be accompanied by the **restated** 2016 consolidated financial statements.
- In addition, the consolidated statements of financial position will be accompanied by a **restated comparative 2015 statement of financial position of Steinhoff International Holdings Proprietary Limited**, the former listed holding company of the group (then called Steinhoff International Holdings Limited), that will provide additional insight into the cumulative and consolidated opening balances in the 2016 restated consolidated statement of financial position.
- Due to the restatements, the **2016 and 2015 financial statements of Steinhoff International Holdings Proprietary Limited can no longer be relied upon.**
- Furthermore, whilst the internal review and investigation into the accounting irregularities have not yet concluded, **the restatement of the financial statements of Steinhoff International Holdings Proprietary Limited for years prior to 2015 is likely to be required** and investors in Steinhoff are advised to exercise caution in relation to such statements.
- In addition, the Company wishes to confirm that the accounting irregularities which are the subject of the internal review and PwC investigation also affect the consolidated financial statements of **Steinhoff Investment Holdings Limited by virtue of its ownership of certain European subsidiaries until 1 April 2016. Accordingly, the 2016 and 2015 financial statements of Steinhoff Investment Holdings Limited will need to be restated and can no longer be relied upon.**
- Furthermore, whilst the internal review and investigation into the accounting irregularities have not yet concluded, **the restatement of the financial statements of Steinhoff Investment Holdings Limited for years prior to 2015 is likely to be required** and investors in Steinhoff are advised to exercise caution in relation to such statements.



1998- Steinhoff International Holdings Ltd – **company**, primary listing on the JSE

2015/ 2016 AFS (and prior years) Steinhoff International Holdings (Pty) Ltd cannot be relied on

2015/2016 AFS (and prior years) Steinhoff Investment Holdings Ltd cannot be relied on

2015 – Steinhoff International Holdings N.V. – **external company**, secondary listing on JSE. Steinhoff International Holdings Ltd converts to a (Pty) Ltd

December 2017, Steinhoff International Holdings N.V. share meltdown, restatement of the 2016 consolidated AFS

STEINHOFF TIMELINE

DEFINITION OF COMPANY

- “ company” means a juristic person incorporated in terms of the Act, a domesticated company, or a juristic person that, immediately before the effective date –
- (a) was registered in terms of the-
- (i). Companies Act, 1973 (Act 61 of 1973), other than as an external company as defined in that Act.

DEFINITION OF EXTERNAL COMPANY

- “external company” means a foreign company that is carrying on business, or non – profit activities, as the case may be, within the Republic, subject to section 23(2).
- External company must be regarded as conducting business within the Republic if it is a party to one or more employment contracts within the Republic.

CIPC COMPLIANCE NOTICE

THE BOARD OF DIRECTORS OF STEINHOFF INTERNATIONAL HOLDINGS N.V. REG NO: (2015/285685/10) (“Steinhoff”) – c/o: HJ SONN; SF BOOYSEN & J VAN ZYL The restatement of the 2016 consolidated financial statements of Steinhoff and the restatement of the 2016 and 2015 financial statements of Steinhoff Investment Holdings Ltd (Reg. No. 1954/001893/06) leads the CIPC to conclude that Steinhoff is implicated in contravening section 214 (1) (a) of the Act.

This Compliance Notice is issued to the Board of Directors of Steinhoff, c/o: Ms HJ Sonn; Mr SF Booyesen and Mr J Van Zyl in which the following required:

1. Within 6 months from the date of this Compliance Notice, the Board of Directors of Steinhoff must identify individuals that were involved in the falsification of any accounting records of Steinhoff and/or any related or interrelated business unit(s); division(s); associate companies; joint venture companies and/or subsidiaries of Steinhoff.
2. Within 6 months from the date of this Compliance Notice, the Board of Directors of Steinhoff must institute criminal action, by opening criminal cases, irrespective of geographic location, against those individuals identified in paragraph 1 above.
3. Within 6 months from the date of this Compliance Notice, the Board of Directors of Steinhoff must institute civil action as per section 77 and section 162(2) read with section 162 (5) (a) to (c) of the Act in the Republic of South Africa and the equivalent of this action in other jurisdictions where Steinhoff and/or any related or interrelated business units; divisions; associate companies; joint venture companies and/or subsidiaries of Steinhoff operates, against those individuals involved in the falsification of the accounting records as per paragraph 1 above.
4. Provide monthly reports to the CIPC on the progress and implementation of paragraphs 1; 2 and 3 above.
5. Publish on the Johannesburg Stock Exchange News Service (“JSE SENS”) the contents of this Compliance Notice within 24 hours of receipt.

THANK YOU

QUESTIONS