

STEINHOFF UK RETAIL LIMITED

**ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 28 JUNE 2014**

Registered number: 00040754



STEINHOFF UK RETAIL LIMITED
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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2014

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**STEINHOFF UK RETAIL LIMITED
OFFICERS AND PROFESSIONAL ADVISERS**

Directors

P J Dieperink
S J Grobler
M J Jooste
D M van der Merwe
F J Nel
H Odendaal
S Summers

Company secretary

J H Robins

Registered office

Steinhoff UK Group
Fifth Floor
Festival House
Jessop Avenue
Cheltenham
Gloucestershire
GL50 3SH

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester
United Kingdom

STEINHOFF UK RETAIL LIMITED STRATEGIC REPORT

The directors present their annual report on the affairs of the company, together with the financial statements and independent auditor's report, for the 52 weeks ended 28 June 2014.

Enhanced business review

The company's principal business activity remains the retailing of furniture, beds and homewares. The company now trades under the fasciae of Harveys, Harveys & Reid, Furniture Shed, Cargo, Bensons for Beds and Bed Shed.

The audited financial statements for the 52 weeks ended 28 June 2014 are set out on pages 8 to 29. The profit after taxation for the period was £15,367,000 (52 weeks ended 29 June 2013: £10,698,000).

The directors consider revenue, gross profit, profit before taxation, net assets, tangible net assets and cash flows from operating activities to be the key performance indicators of the business.

During the period under review, the company has maintained good growth in revenue. Despite a reduction in store numbers, and having several stores closed during the period for refurbishment, revenue has increased year on year by 5%. Concept store formats in both the furniture and bed divisions have continued to be rolled out in certain existing and new stores, with the performance of these stores continuing to show the required uplift.

Our online offering has continued to add value to the business. Investment has been made in the bedding website during the period, and this has paid dividends, with orders from internet sales showing double digit growth on the previous period. Investment will be rolled out into the furniture side of the business in 2015.

At the same time as increasing revenue, a change in the promotional calendar and careful management of cost of sales has enabled the company to increase gross margin from 48.0% to 50.2%. This has resulted in a gross profit of £236.2 million, an increase of £20.6 million over the previous period.

During the previous period, the company transferred a portion of the warehouse and distribution network, including staff and certain tangible fixed assets to a fellow group company, and a lease for a new warehouse was entered into by the Steinhoff UK Group. This rationalisation was continued in the current year with the balance of the warehouse and distribution activities being transferred out of the company into the fellow group company. Back office structures have also been rationalised in order to improve and maximise the efficiency of the supply chain. Cost saving benefits from these initiatives are dropping to the bottom line.

Operating profit for the period was £20.5 million, an increase of £6.9 million year on year.

Interest receivable totalled £1.7 million (2013: £2.4 million). The reduction was largely due to a decrease in intercompany loan interest receivable, following the repayment during the prior period of amounts owed by group undertakings. Interest payable of £1.1 million was broadly in line with the prior period charge of £1.2 million.

The taxation charge increased from £3.9 million to £5.4 million due to the increase in profit before tax.

The company's net asset value increased to £145.9 million at 28 June 2014 (2013: £135.7 million), largely as a result of the profit for the period less dividends paid of £5 million.

Tangible net asset value, defined as net asset value less goodwill and intangible assets, has increased from £59.4 million to £69.6 million.

Additions to Property, Plant & Equipment totalled £14.0 million in the period (2013: £13.8 million), due to the significant investment made in both existing and new stores.

The company's net cash inflow from operating activities has reduced from £29.3 million in the prior period to £13.5 million in the current period despite the increase in operating profit. This variance is largely on the back of a reduction in amounts owed to group undertakings.

Principal risks and uncertainties

The company has substantial net assets together with a large number of customers and suppliers. It also receives support from the larger Steinhoff group. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The circumstances surrounding the principal economic, competitive and financial risks are described below.

The company's market remains highly competitive with a large number of industry players. Price competition is inherent in such a market. This competition has been tempered by the exit of certain of the traditional players including a number of independents. The directors believe that the company will continue to attract its fair share of this substantial market if it continues to combine outstanding value with product quality and customer service.

The financial risks include liquidity risk, the impact of interest rate changes, and foreign exchange risk.

The company finances operations through a mixture of internal resources, bank and group borrowings, and share capital, and makes use of both the UK and International group's treasury functions to obtain the required funding. The company's policy is to ensure that there are sufficient facilities in place to fund its ongoing operations and that they are secure, adequate, and appropriately priced for its needs.

The company has variable rate borrowings, and ensures that as far as practical, interest costs are maintained at the lowest possible level by monitoring cash flow on a daily basis and transferring money between facilities to achieve the most beneficial interest rates.

Principal risks and uncertainties (continued)

The company's activities expose it to the financial risks of changes in foreign currency exchange rates. This risk is managed in two ways. The first is that a significant portion of the company's purchases from overseas are purchased through Steinhoff UK Upholstery Limited (a subsidiary company) who invoices this company in sterling. Steinhoff UK Upholstery Limited manages its currency exposure in line with group guidelines and via group treasury. In addition Steinhoff UK Retail Limited deals with certain suppliers and to the extent that the company purchases goods in foreign currencies directly, the foreign currency requirements are forecast and forward contracts are entered into by fellow Steinhoff group companies, on behalf of Steinhoff UK Retail Limited, to cover a proportion of the anticipated currency requirement in line with group policies.

The use of financial derivatives is governed by the policies approved by the board of directors and conforms with Steinhoff Group policies. The company does not use derivative financial instruments for speculative purposes.

Note 21 to the financial statements includes the company's objectives, policies and processes for managing its financial risk; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Environment

The company is committed to reducing the potential impact of its activities on the environment. A full time energy manager is employed by the Steinhoff UK Group, to assist in reducing emissions and ensure compliance with UK energy and emission policy.

Initiatives include inter alia:

- energy efficient lighting schemes being fitted as standard in all new stores;
- better control of interface between heating and cooling at stores;
- a distribution centre generating power from solar panels; and
- the use of efficient heat pumps at new stores and refits where appropriate to provide heating and cooling and reduce emissions.

The Steinhoff UK Group as a whole has reduced its carbon emissions by 4% in the year ending 30 June 2014.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate trading opportunities and resources to continue in operational existence for the foreseeable future. The company has also received a letter of financial support from Steinhoff UK Holdings Limited, the parent company. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

By order of the directors,



P Dieperink
Director

25 March 2015

STEINHOFF UK RETAIL LIMITED
DIRECTORS' REPORT

Directors

The following directors served during the period and to the date of this report unless otherwise noted:

P J Dieperink
S J Grobler
M J Jooste
D M van der Merwe
F J Nel
H Odendaal
S Summers (appointed 3 March 2014)
I D Sussman (resigned 6 May 2014)

Dividends

During the period, the directors declared a final dividend of £5 million relating to the period ended 29 June 2013. No dividend relating to the period ended 28 June 2014 has yet been declared.

Disabled employees

We are committed to equal employment and support an open and practical approach to employing disabled people wherever suitable opportunities exist. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged.

Employee consultation

We value equally our full and part time staff and we seek to improve the skills and performance of our employees and so enhance career development opportunities. We endeavour to keep our staff fully informed on matters of significance to them and to regularly consult with them on matters which affect them. Health and Safety precautions and compliance are kept under constant review with the aim of maintaining the highest standards. Health and Safety precautions and compliance are kept under constant review with the aim of maintaining the highest standards. Reported accidents are an important non-financial key performance indicator of the business. During the period we experienced a slight increase in the number of reported incidents. However, this reflects the result of improved reporting at local level. Despite this the nature of injuries in the reports are less serious. The nature of the claims varies but manual handling features as our number one priority in this area.

Matters included in the Strategic Report

In accordance with s414(C) of the Companies Act 2006, included in the Strategic Report is information relating to the future development of the business which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (accounts and reports) regulations 2008' to be contained in a Directors' Report.

Auditor

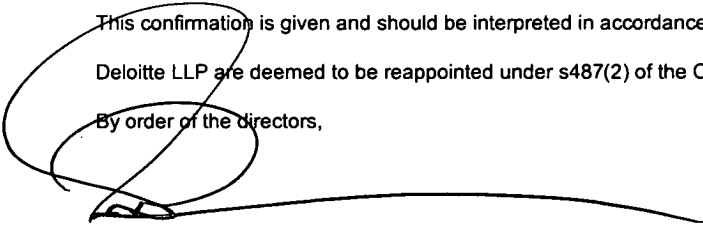
Each of the directors at the date of approval of this annual report confirms that:

- a) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- b) the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Deloitte LLP are deemed to be reappointed under s487(2) of the Companies Act 2006.

By order of the directors,



P Dieperink
Director
25 March 2015

STEINHOFF UK RETAIL LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STEINHOFF UK RETAIL LIMITED

We have audited the financial statements of Steinhoff UK Retail Limited for the 52 week period ended 28 June 2014 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Shareholder's Equity, the Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 June 2014 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

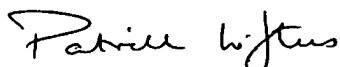
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Patrick Loftus BSc ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

25 MARCH 2015

STEINHOFF UK RETAIL LIMITED
INCOME STATEMENT
FOR THE 52 WEEKS ENDED 28 JUNE 2014

		52 weeks to 28 June 2014 £000	Represented (note 17) 52 weeks to 29 June 2013 £000
	Note		
Revenue		470,167	449,215
Cost of sales		<u>(233,994)</u>	<u>(233,592)</u>
Gross profit		236,173	215,623
Selling, distribution and administrative costs		<u>(215,643)</u>	<u>(199,982)</u>
Operating profit before exceptional items		20,530	15,641
Restructuring costs	1	<u>-</u>	<u>(1,962)</u>
Operating profit after exceptional items		20,530	13,679
Interest income	2	1,678	2,428
Pension finance cost	17	<u>(301)</u>	<u>(324)</u>
Finance costs	2	<u>(1,103)</u>	<u>(1,158)</u>
Net finance income		274	946
Profit before taxation	5	20,804	14,625
Taxation	6	<u>(5,437)</u>	<u>(3,927)</u>
Profit for the period after taxation	19	15,367	10,698

The accompanying notes are an integral part of these financial statements.

All of the above results are derived from continuing operations.

STEINHOFF UK RETAIL LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE 52 WEEKS ENDED 28 JUNE 2014

	Note	52 weeks to 28 June 2014 £'000	Represented (note 17) 52 weeks to 29 June 2013 £'000
Actuarial gain/(loss) on defined benefit pension schemes	17	2,430	(1,665)
Deferred tax effect of actuarial movement	16	(486)	383
Net income/(expense) recognised directly in equity	19	1,944	(1,282)
Profit for the period		15,367	10,698
Total comprehensive income for the period		17,311	9,416

STEINHOFF UK RETAIL LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 28 JUNE 2014

	Note	28 June 2014 £'000	29 June 2013 £'000
Non-current assets			
Goodwill	8	73,393	73,393
Intangible assets	9	2,841	2,873
Property, plant & equipment	10	25,178	23,332
Investments in subsidiaries	11	100	100
Amounts owed by group undertakings	24	26,550	26,550
Deferred tax assets	16	1,607	2,158
		<u>129,669</u>	<u>128,406</u>
Current assets			
Inventories	12	41,768	39,253
Trade and other receivables	13	110,787	126,392
Cash and cash equivalents		13,979	17,852
		<u>166,534</u>	<u>183,497</u>
Current liabilities			
Trade and other payables	14	(136,792)	(162,476)
Corporation tax liabilities		(4,506)	(3,045)
Short term provisions	15	(1,770)	(879)
		<u>(143,068)</u>	<u>(166,400)</u>
Net current assets		<u>23,466</u>	<u>17,097</u>
Total assets less current liabilities		<u>153,135</u>	<u>145,503</u>
Non-current liabilities			
Retirement benefit obligation	17	(3,371)	(7,504)
Long-term provisions	15	(3,894)	(2,290)
		<u>(7,265)</u>	<u>(9,794)</u>
Net assets		<u>145,870</u>	<u>135,709</u>
Equity			
Share capital	18	734	734
Share premium		116,429	116,429
Capital redemption reserve		9,047	9,047
Retained earnings	19	19,660	9,499
Shareholder's funds		<u>145,870</u>	<u>135,709</u>

The financial statements of Steinhoff UK Retail Limited, registered number 00040754, were approved by the Board of Directors and authorised for issue on 25 March 2015.


P J Dieperink
Director

STEINHOFF UK RETAIL LIMITED
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE 52 WEEKS ENDED 28 JUNE 2014

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 1 July 2012	734	116,429	9,047	2,689	128,899
Profit for the period (represented (note 17))	-	-	-	10,698	10,698
Actuarial loss on retirement benefit schemes net of deferred tax (represented (note 17))	-	-	-	(1,282)	(1,282)
Share based payments charge (note 19)	-	-	-	(2,942)	(2,942)
UK corporation tax on share based payments charge (note 19)	-	-	-	527	527
Deferred tax on share based payments charge (note 19)	-	-	-	(191)	(191)
At 30 June 2013	734	116,429	9,047	9,499	135,709
Profit for the period	-	-	-	15,367	15,367
Actuarial gain on retirement benefit schemes net of deferred tax	-	-	-	1,944	1,944
Share based payments charge (note 19)	-	-	-	(2,687)	(2,687)
Deferred tax on share based payments charge (note 19)	-	-	-	537	537
Dividend paid (note 7)	-	-	-	(5,000)	(5,000)
At 28 June 2014	734	116,429	9,047	19,660	145,870

STEINHOFF UK RETAIL LIMITED
CASH FLOW STATEMENT
FOR THE 52 WEEKS ENDED 28 JUNE 2014

			Represented (note 17)
	Note	52 weeks to 28 June 2014 £000	52 weeks to 29 June 2013 £000
Cash flows from operating activities			
Operating profit		20,530	13,679
Depreciation and impairment of property, plant & equipment	10	10,027	8,490
Amortisation and impairment of intangible assets	9	890	1,514
Share based payment	19	(2,687)	(2,942)
Loss/(profit) on disposal of property, plant & equipment	5	171	(62)
Loss on disposal of intangible assets	5	-	1
(Reduction)/increase in provisions	15	2,495	2,005
Pension contributions paid into defined benefit scheme		(2,004)	(2,232)
Net corporation tax paid		(3,374)	(2,021)
Operating cash flows before changes in working capital		26,048	18,432
(Increase)/decrease in inventories		(2,515)	883
(Increase)/decrease in net intercompany receivables		(19,220)	12,844
Decrease/(increase) in trade and other receivables		594	(1,279)
Increase/(decrease) in trade and other payables		8,547	(1,597)
Net cash inflow from operating activities		13,454	29,283
Cash flows from investing activities			
Investment revenue	2	1,678	2,428
Purchase of property, plant and equipment	10	(13,962)	(13,764)
Purchase of intangible assets	9	(906)	(562)
Proceeds on disposal of non current assets		1,966	1,793
Net cash outflow from investing activities		(11,224)	(10,105)
Cash flows from financing activities			
Dividends paid	7	(5,000)	-
Interest paid	2	(1,103)	(1,158)
Net cash outflow from financing activities		(6,103)	(1,158)
Net (decrease)/increase in cash and cash equivalents		(3,873)	18,020
Opening cash and cash equivalents		17,852	(168)
Closing cash and cash equivalents		13,979	17,852

STEINHOFF UK RETAIL LIMITED
STATEMENT OF ACCOUNTING POLICIES
FOR THE 52 WEEKS ENDED 28 JUNE 2014

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards ("IFRS's"). The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company's accounting period ends on the last Saturday in June.

Consolidated financial statements have not been prepared by the company as permitted by Section 401 of the Companies Act 2006 as the company and its subsidiaries are included in the consolidated financial statements of Steinhoff International Holdings Limited.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 3 to 4 as well as note 21 to the accounts, which describe the financial position of the company, its cash flows, liquidity position, the company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

The company meets its day to day working capital requirements through cash resources and a series of overdraft facilities and revolving credit facilities arranged for the Steinhoff UK Holdings Limited group. The current economic conditions create uncertainty particularly over the level of demand for the company's products, the exchange rate between sterling and dollar and thus the consequence for the cost of the company's goods for resale, and the availability of bank finance in the foreseeable future.

The company consolidates its forecasts and projections into those of the Steinhoff UK Holdings group. These forecasts show that, taking account of reasonably possible changes in trading performance, the company and Steinhoff UK Holdings group should be able to operate within the level of the current facility.

The directors have received confirmation that Steinhoff Europe AG, the Steinhoff UK group's holding company, will continue to provide the necessary level of support to enable the Steinhoff UK group to continue to operate for a period of 12 months from the date of signing the financial statements. This support is provided direct to Steinhoff UK Holdings Limited. The directors have received confirmation that Steinhoff UK Holdings Limited will provide financial support to this company for a period of 12 months from the date of signing the financial statements. In considering the ability of Steinhoff Europe AG, and ultimately Steinhoff International Holdings Limited's ability to provide any necessary support in the context of the uncertainties all companies face as a result of the current economic climate, the directors have obtained assurance from Steinhoff Europe AG's and Steinhoff International's management as to their financial position and forecasts and the continuing availability of their facilities. Additional details surrounding these factors and mitigating actions can be found in the accounts for Steinhoff International Holdings Limited.

After making enquiries from Steinhoff Europe AG, the directors have a reasonable expectation that the company has adequate trading opportunities and resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any recognised impairment loss.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Short-leasehold interests	Premiums	Term of lease
	Tenants' fixtures	8-10% per annum, or term of lease
	Mezzanine floors	Term of lease
<i>Equipment and vehicles</i>		
Fixtures and fittings		10-25% per annum
Vehicles		20-25% per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Goodwill

Goodwill arising on the acquisition of businesses represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired. Goodwill is recognised as an asset and reviewed for impairment annually, or more frequently when there is an indication that it may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a business the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the purpose of impairment testing, goodwill is allocated to the cash generating units expected to benefit from the synergies of the combination. If the recoverable amount is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the amount of goodwill allocated to the unit and then to other assets in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment.

Other intangible assets

Software is initially measured at purchase cost and is amortised over its expected useful life.

Brands are initially measured at purchase cost and are reviewed for impairment annually, or more frequently when there is an indication that they may be impaired. Any impairment is recognised immediately in the income statement.

Impairment of tangible and other intangible assets excluding goodwill

At each statement of financial position date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

STEINHOFF UK RETAIL LIMITED
STATEMENT OF ACCOUNTING POLICIES (continued)
FOR THE 52 WEEKS ENDED 28 JUNE 2014

Impairment of tangible and other intangible assets excluding goodwill (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Revenue recognition

Revenue represents the fair value of amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Sales are recognised on delivery to customers. Sales of items taken directly from retail stores are recognised on the date of sale. All revenue is earned from business in the UK and Eire.

Where payments are received from customers in advance of delivery, the amounts are recorded as deferred income and included as customer deposits received within creditors due within one year.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the purchase price of materials and merchandise. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange expected for the transaction. Expenses are recorded at the rate expected to be realised when the transaction is paid for based on the exchange rate provided by Steinhoff International, the current exchange rate on the date of the transaction and the forward contract rate provided by Steinhoff UK group treasury. At each statement of financial position date monetary assets and liabilities denominated in foreign currencies are restated at the rates prevailing on the statement of financial position date. Gains and losses arising on retranslation are recognised in the income statement for the period in which the gain or loss arises. Non monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Investments

Investments in subsidiary undertakings are initially measured at cost, including transaction costs. At subsequent reporting dates, investments are carried at cost subject to annual impairment review.

Financial instruments

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets

The financial assets are loans and receivables.

Financial assets - Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost less impairment.

STEINHOFF UK RETAIL LIMITED
STATEMENT OF ACCOUNTING POLICIES (continued)
FOR THE 52 WEEKS ENDED 28 JUNE 2014

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The company includes unpresented cheques in trade creditors and uncleared lodgements in trade debtors.

Financial instruments issued by the company

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Other financial liabilities

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the of the expenditure required to settle the obligation at the statement of financial position date and are discounted to present value where the effect is material.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Cost Method, with actuarial valuations being carried out at each statement of financial position date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside of the income statement and presented in the statement of recognised income and expense. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are also spread on a straight-line basis over the lease term.

Share based payments

The company has applied the requirements of 'IFRS 2 Share based payment'. Certain employees of the company are members of the Steinhoff International Holdings Limited share incentive scheme. The fair value of the services received under this scheme is calculated by Steinhoff International Holdings Limited by the use of the Black Scholes model.

Services acquired with the share-based payment are recognised as an expense in the income statement and a corresponding increase in equity. A recharge arrangement exists whereby the company is required to reimburse Steinhoff International Holdings Limited with the difference between the exercise price on the share right and the market price of the share at the time of exercising the right. The company has recognised a provision at fair value, using cash-settled share-based payment principles, and a corresponding adjustment against equity.

Critical judgements and estimates in applying the accounting policies

In the process of applying the accounting policies described above, management has made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements.

Pension scheme

Valuations of the company's defined benefit schemes are inherently based on various assumptions for investment returns, discount rates, salary and pension increases in inflation. Details of the assumptions used may be found in note 17.

Goodwill

The calculation for considering the impairment of the carrying amount of goodwill requires a comparison of the present value of the cash-generating units for which goodwill has been allocated, to the value of goodwill in the statement of financial position. The calculation of present value requires an estimation of the future cash flows expected to arise from the cash-generating units and the selection of a suitable discount rate. Details of the assumptions made may be found in note 8.

STEINHOFF UK RETAIL LIMITED
STATEMENT OF ACCOUNTING POLICIES (continued)
FOR THE 52 WEEKS ENDED 28 JUNE 2014

Standards and interpretations

There have been no new or revised Standards or Interpretations which have affected the amounts reported in these financial statements, other than changes to IAS 19 Employee Benefits (see note 17).

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective. The directors anticipate that the adoption of these standards and interpretations will have no material impact on the company's financial statements.

- Amendments to IAS 19 (Feb 2014) Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs (Sept 2014): 2010-2012 Cycle
- Annual Improvements to IFRSs (Sept 2014): 2011-2013 Cycle
- Annual Improvements to IFRSs (Sept 2014): 2012-2014 Cycle
- Amendments to IFRS 11 (May 2014) Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 18 (May 2014) Clarification of Acceptable Methods of Depreciation and Amortisation
- IFRS 15 (May 2014) Revenue from Contracts with Customers
- Amendments to IAS 27 (August 2014) Equity Method in Separate Financial Statements
- Amendments to IFRS 10 and IAS 28 (September 2014) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

STEINHOFF UK RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 28 JUNE 2014

1 Restructuring costs

During the previous period, the company transferred a portion of the warehouse and distribution network, including staff and certain tangible fixed assets (note 10) to a fellow group company, and a lease for a new warehouse was entered into by the Steinhoff UK Group. As a result, exceptional costs of £1,962,000, including redundancies and duplicate warehouse costs, were incurred. There were no such costs incurred in the current period.

2 Investment revenue & finance costs

Investment revenue

Intercompany loan interest

Bank and other interest receivable

Total interest revenue

Dividends received

52 weeks to 28 June 2014 £'000	52 weeks to 29 June 2013 £'000
---	---

1,643	2,129
-------	-------

-	299
---	-----

1,643	2,428
-------	-------

35	-
----	---

1,678	2,428
-------	-------

Finance costs

Intercompany loan interest

Bank and other interest payable

1,026	1,015
-------	-------

77	143
----	-----

1,103	1,158
-------	-------

3 Staff costs

The aggregate remuneration (including executive directors) comprised:

Wages and salaries

Social security costs

Pension costs (note 17)

52 weeks to 28 June 2014 £'000	52 weeks to 29 June 2013 £'000
---	---

65,811	66,138
--------	--------

6,156	6,416
-------	-------

682	527
-----	-----

72,649	73,081
--------	--------

The average monthly number of employees (including executive directors) was:

Selling and distribution

Administration

Number	Number
2,217	2,331
292	292

2,509	2,623
-------	-------

4 Directors' emoluments and transactions

Highest paid director's emoluments:

Short term employee benefits

Post employment benefits

52 weeks to 28 June 2014 £'000	52 weeks to 29 June 2013 £'000
---	---

556	481
-----	-----

-	36
---	----

556	517
-----	-----

The highest paid director exercised share options during the period.

Members of defined contribution scheme

Number	Number
2	2

Key management personnel

The remuneration of the directors of the company, who are the key management personnel, is set out in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

52 weeks to 28 June 2014 £000	52 weeks to 29 June 2013 £000
--	--

Short term employee benefits

Post employment benefits

1,059	1,083
-------	-------

40	46
----	----

1,099	1,129
-------	-------

Certain directors of the company are members of the Steinhoff International Holdings Limited share incentive scheme. During the period 2 (2013: 1) directors who are remunerated by the company exercised options under this scheme.

The emoluments of Messrs Jooste, Nel, Odendaal, Grobler and van der Merwe were paid by Steinhoff International Holdings Limited in South Africa in both the current and prior period. It is not practicable to split their remuneration between their services to group companies. Details of the emoluments can be found in that company's financial statements. Mr Sussman did not receive remuneration from the Group.

STEINHOFF UK RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 28 JUNE 2014

5 Profit before taxation

The profit from ordinary activities before taxation is stated after charging/(crediting):

	52 weeks to 28 June 2014 £'000	52 weeks to 29 June 2013 £'000
Cost of inventories recognised as an expense	209,926	209,963
Cost of inventories written off recognised as an expense	4,138	6,319
Net foreign exchange gain	(1,048)	(593)
Depreciation of property, plant & equipment (note 10)	8,427	7,310
Impairment of property, plant & equipment (note 10)	1,600	1,180
Amortisation of intangible assets (note 9)	890	796
Impairment of intangible assets (note 9)	-	718
Operating lease rentals - leasehold properties (note 22)	38,542	39,638
Operating lease rentals - other fixed assets (note 22)	2,603	3,121
Loss/(profit) on disposal of property, plant & equipment	171	(62)
Loss on disposal of intangible assets	-	1
Staff costs (note 3)	72,649	73,081

Auditor's remuneration:

Fees payable to the company's auditor for the audit of the company's annual accounts

197 196

Auditor's remuneration for non-audit services:

Tax services

2 3

Represented
(note 17)

52 weeks to
28 June
2014
£'000

52 weeks to
29 June
2013
£'000

6 Taxation

Current tax

UK corporation tax on profit for the period
Difference in respect of prior periods' corporation tax
Current tax charge

4,990 4,118
(155) (426)
4,835 3,692

Deferred tax

Movement on deferred tax asset (note 16)

602 235

Total taxation

5,437 3,927

The tax charge for the period can be reconciled to the profit per the income statement as follows:

Profit before taxation

20,804 14,625

Tax at the current UK corporation tax rate of 22.5% (2013: 23.75%)
Expenses not deductible for tax purposes
Timing differences not recognised
Chargeable gains
Change in corporation tax rates
Difference in respect of prior periods' tax

4,681 3,473
158 218
511 580
(39) -
281 82
(155) (426)

5,437 3,927

22.5% is the average rate of corporation tax for the period following the reduction in the UK rate from 23% to 21% with effect from 1 April 2014. The UK Government announced a further reduction in the UK corporation tax rate from 21% to 20% from 1 April 2015. As this was substantively enacted on 2 July 2013, the deferred tax balances have been calculated using the rate of 20%.

7 Dividends

Amounts recognised as distributions to equity holder in the period:

Dividend declared of 0.68081p (2013: £nil) per ordinary share

5,000 -

STEINHOFF UK RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 28 JUNE 2014

	28 June 2014 £'000	29 June 2013 £'000
8 Goodwill		
Cost and carrying amount		
At start and end of period	<u>73,393</u>	<u>73,393</u>

Goodwill, which is attributable to furniture and bed retailing, is reviewed annually for impairment. Each cash generating unit's recoverable amount is based on projections of the unit's cash generating performance extrapolated into perpetuity. The projections use the budget for the next 3 financial years including an assumption of ongoing selling and marketing support from Steinhoff Europe, and an assumption of growth of 2.7% thereafter. Cash flows are discounted at a weighted average cost of capital of 8.47% (2013: 7.82%). The directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money.

The growth rates are based on management estimates taking into account current trading performance and expected future economic conditions. Anticipated growth rates across divisions remains positive as in the previous period despite the challenging economic conditions as there are opportunities to increase the store footprint and market share.

The results of the calculations are subject to sensitivity tests in assessing whether any impairment is required. Based on the above assumptions, the directors have concluded that no impairment is required.

9 Intangible assets	Software & total £'000
Cost	
At 30 June 2013	8,174
Additions	906
Disposals	<u>(1,068)</u>
At 28 June 2014	<u>8,012</u>
Amortisation	
At 30 June 2013	5,301
Charge for period	890
Disposals	<u>(1,020)</u>
At 28 June 2014	<u>5,171</u>
Net book amount	
At 28 June 2014	<u>2,841</u>
At 30 June 2013	<u>2,873</u>
	Software & total £'000
Cost	
At 1 July 2012	7,629
Additions	562
Disposals	<u>(17)</u>
At 29 June 2013	<u>8,174</u>
Amortisation	
At 1 July 2012	3,795
Charge for period	796
Impairment	718
Disposals	<u>(8)</u>
At 29 June 2013	<u>5,301</u>
Net book amount	
At 29 June 2013	<u>2,873</u>
At 1 July 2012	<u>3,834</u>

STEINHOFF UK RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 28 JUNE 2014

10 Property, plant & equipment

Cost

	Short leasehold property interests £'000	Equipment and vehicles £'000	Total £'000
At 30 June 2013	11,482	53,212	64,694
Additions	3,992	9,970	13,962
Transfer to fellow group company	(830)	(3,639)	(4,469)
Transfers between categories	2,976	(2,976)	-
Disposals	(1,907)	(8,567)	(10,474)

At 28 June 2014

Depreciation

	Short leasehold property interests £'000	Equipment and vehicles £'000	Total £'000
At 30 June 2013	7,636	33,726	41,362
Charge for period	1,706	6,721	8,427
Impairment charge	-	1,600	1,600
Transfer to fellow group company	(31)	(2,516)	(2,547)
Transfers between categories	2,014	(2,014)	-
Disposals	(1,740)	(8,567)	(10,307)

At 28 June 2014

Net book amount

	Short leasehold property interests £'000	Equipment and vehicles £'000	Total £'000
At 28 June 2014	6,128	19,050	25,178

At 30 June 2013

	Short leasehold property interests £'000	Equipment and vehicles £'000	Total £'000
At 30 June 2013	3,846	19,486	23,332

Cost

	Short leasehold property interests £'000	Equipment and vehicles £'000	Total £'000
At 1 July 2012	10,110	56,751	66,861
Additions	2,114	11,650	13,764
Transfer to fellow group company	(181)	(3,690)	(3,871)
Disposals	(561)	(11,499)	(12,060)

At 29 June 2013

Depreciation

	Short leasehold property interests £'000	Equipment and vehicles £'000	Total £'000
At 1 July 2012	6,994	40,086	47,080
Charge for period	1,178	6,132	7,310
Impairment	-	1,180	1,180
Transfer to fellow group company	(127)	(2,398)	(2,525)
Disposals	(409)	(11,274)	(11,683)

At 29 June 2013

Net book amount

	Short leasehold property interests £'000	Equipment and vehicles £'000	Total £'000
At 29 June 2013	3,846	19,486	23,332

At 1 July 2012

	Short leasehold property interests £'000	Equipment and vehicles £'000	Total £'000
At 1 July 2012	3,116	16,665	19,781

11 Investments in subsidiaries

Cost

	28 June 2014 £'000	29 June 2013 £'000
At start and end of period	3,115	3,115

Provision

	28 June 2014 £'000	29 June 2013 £'000
At start and end of period	3,015	3,015

Carrying amount

	28 June 2014 £'000	29 June 2013 £'000
At end of period	100	100

At start of period

Principal operating subsidiaries

Principal operating subsidiaries	Place of incorporation and operation	Principal activity	Proportion of ownership and voting rights	
			28 June 2014	29 June 2013
Steinhoff UK Upholstery Limited	England & Wales	Import/distribution	100%	100%

The investments in subsidiaries are stated at cost less provision for impairment. The impairment is against dormant subsidiaries, details about which have not been disclosed.

	28 June 2014 £'000	29 June 2013 £'000
12 Inventories		
Goods for resale	41,768	39,253

	28 June 2014 £'000	29 June 2013 £'000
13 Trade and other receivables		
Trade receivables	3,004	3,932
Other receivables	4,528	4,287
Prepayments and accrued income	3,032	3,057
Less provision for impairment of receivables	(188)	(306)
	10,376	10,970
Amounts owed by group undertakings	100,411	115,422
	110,787	126,392

The majority of the company's sales are paid for in cash or by debit/credit card. The credit period on sales of goods, where credit is given, is less than 30 days. The provision for receivables is estimated by the company's management based on prior experience and the current economic environment.

Included in the company's receivable balance are debtors with a carrying amount of £378,000 (2013: £279,000) which are past due at the reporting date for which the company has not provided as there has not been a significant change in credit quality and the company believes that the amounts are still considered recoverable. The company does not hold any collateral over these balances. The average age of these receivables is less than 1 month overdue (2013: same).

Based on the financial position of the larger Steinhoff group, the directors consider there to be no significant credit risk arising from amounts owed by group undertakings. Further details on make up of the group balances is provided in note 24. Amounts owed by group undertakings are neither impaired nor overdue.

	2014 £'000	2013 £'000
Movement in the allowance for doubtful debts		
At start of period	306	485
Amounts written off in the period	-	(75)
Amounts recovered in the period	(91)	(117)
(Decrease)/increase in allowance recognised in the income statement	(27)	13
At end of period	188	306

In determining the recoverability of the receivable, the company considers any change in the credit quality of the customer from the date credit was initially granted up to the reporting date. The concentration of credit risk in third parties is limited due to the customer base being large, the relative balances being immaterial and unrelated. The credit risk of the larger Steinhoff Group is considered low based on the financial position and expected support of this group. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The ageing of receivables is:

	2014 Value of receivables		2013 Value of receivables	
	£'000	%	£'000	%
Neither past due nor impaired	107,377	99.7%	123,056	99.8%
Past due up to 3 months but not impaired - trade debts	351	0.3%	265	0.2%
Past due by over 3 months but not impaired - trade debts	27	0.0%	14	0.0%
	107,755	100%	123,335	100%

STEINHOFF UK RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 28 JUNE 2014

	28 June 2014 £'000	29 June 2013 £'000
14 Trade and other payables - less than one year		
Trade payables	21,422	22,894
Amounts owed to group undertakings	58,022	92,253
Other payables	621	174
Customer deposits received	21,782	21,316
Other taxes and social security	12,350	4,455
Accruals and deferred income	22,595	21,384
	136,792	162,476

The directors consider that the carrying amount of trade and other payables approximate to their fair value.

The average credit period taken for trade payables is between 30 and 60 days.

15 Provisions for liabilities and charges	Property £000	Share options £000	Total £000
At 30 June 2013	1,292	1,877	3,169
Utilised during the period	-	(796)	(796)
Charged during the period	(292)	3,583	3,291
At 28 June 2014	1,000	4,664	5,664
Included in current liabilities	-	1,770	1,770
Included in non-current liabilities	1,000	2,894	3,894
At 28 June 2014	1,000	4,664	5,664
	Property £000	Share options £000	Total £000
At 1 July 2012	1,164	-	1,164
Charged during the period	128	1,877	2,005
At 29 June 2013	1,292	1,877	3,169
Included in current liabilities	83	796	879
Included in non-current liabilities	1,209	1,081	2,290
At 29 June 2013	1,292	1,877	3,169

Property provisions are calculated based on the remaining term of the lease or estimated date of assignment if earlier.

Provisions for share options are calculated in accordance with the accounting policy.

STEINHOFF UK RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 28 JUNE 2014

	28 June 2014 £000	29 June 2013 £000
16 Deferred tax asset		
Accelerated capital allowances	5,676	5,933
Pension fund (note 17)	674	1,726
Short term timing differences	1,955	1,694
	8,305	9,353
Recognised as recoverable in non-current assets:		
- in respect of defined benefit pension schemes (note 17)	674	1,726
- in respect of share based payments	933	432
	1,607	2,158
Not recognised	6,698	7,195
	8,305	9,353

The amount recognised as an asset represents the amount expected to be recovered from the utilisation of tax losses in the foreseeable future. The amount not recognised is due to the unpredictability of future profit streams, though tax losses may be carried forward indefinitely.

	28 June 2014 £000	29 June 2013 £000
The movements on the deferred taxation asset during the period were as follows:		
At start of period	2,158	2,201
Charge for the period - income statement (note 6)	(602)	(235)
(Charge)/credit for the period - statement of comprehensive income	(486)	383
Deferred tax on share based payments charge in equity (note 19)	537	(191)
At end of period	1,607	2,158

17 Retirement benefits

Defined contribution schemes

The company now operates one defined contribution pension scheme. The assets of the scheme are held separately from those of the company in funds under the control of trustees.

The total cost charged to the income statement of £682,000 (2013: £527,000) represents contributions payable to this scheme by the company at rates specified in the rules of the scheme. At 28 June 2014, contributions of £96,000 (2013: £54,000) had not been paid over to the scheme.

Defined benefit schemes

The company operates two defined benefit pension schemes. Under the schemes, the employees are entitled to retirement benefits based on final salary on attainment of retirement age (or earlier withdrawal or death). No other post-retirement benefits are provided.

The pension schemes were transferred from a fellow group company in a previous period. That company originally operated eight defined benefit schemes, which were closed to future accrual of benefits towards the end of 2006. At that time, all active members became deferred members. Seven of these eight schemes were merged in October 2007.

The current recovery plan is for contributions of £1.7m per annum until March 2017 or until the funding shortfall has been eliminated if sooner. In addition, the company is paying £0.3m per annum into an escrow account until 30 June 2015. Therefore total contributions next year are expected to be around £2m.

The company operates these plans under the same regulatory framework. Benefits are paid to members from trustee-administered funds - the trustees are responsible for ensuring that the plan is sufficiently funded to meet current and future benefit payments. Plan assets are held in trusts and are governed by UK regulations.

The nature of the relationship between the company and the trustees is also governed by UK regulations. The trustees must agree a funding plan with the sponsoring company such that any funding shortfall is expected to be met by additional contributions and investment outperformance. In order to assess the level of contributions required, triennial valuations are carried out with plan's obligations measured using prudent assumptions (relative to those used to measure accounting liabilities).

The trustees' other duties include managing the investment of plan assets, administration of plan benefits and exercising of discretionary powers. The company works closely with the trustees to manage the plan.

Major financial assumptions for the IAS 19 valuation were:

	2014 %	2013 %
<i>Assumptions (% per annum)</i>		
Discount rate	4.20	4.60
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in payment (RPI)	3.15	3.20
Rate of increase in pensions in payment (CPI)	2.20	2.25
Rate of increase in deferred pensions	2.20	2.25
Inflation (RPI) assumption	3.20	3.25
Inflation (CPI) assumption	2.20	2.25

17 Retirement benefits (continued)

The following table shows assumed life expectancies for example members at 28 June. The underlying mortality tables at 28 June 2014 are based on the published SAPS tables, with 113%/109% loading for pensioners/non-pensioners and with CMI improvements tending to 1% from 2013. For 2013, the 2010 CMI improvements were used.

<i>Life expectancy (yrs)</i>	2014	2013
Current pensioner aged 65 (male)	21.2	21.3
Current pensioner aged 65 (female)	23.5	23.4
Future pensioner aged 65 in 10 years (male)	22.1	22.2
Future pensioner aged 65 in 10 years (female)	24.5	24.5

At 28 June 2014, members have been assumed to take 85% of the maximum allowable amount of tax-free cash at retirement. The remaining demographic assumptions at 28 June 2014 are the same as those used for the 31 December 2013 actuarial valuation of the merged scheme.

The following information in respect of the schemes has been provided in accordance with the requirements of IAS 19:

	Fair value 2014 £000	Fair value 2013 £000
Equities / Diversified Growth Fund	45,770	45,525
Bonds	23,819	22,366
Cash	198	324
Escrow account	627	375
Total market value of assets	70,414	68,590
Less deferred tax	(14,083)	(15,776)
	56,331	52,814
Present value of scheme liabilities	73,785	76,094
Less deferred tax	(14,757)	(17,502)
	59,028	58,592
Net pension liability under IAS 19R	(2,697)	(5,778)
Included in non-current assets (note 16)	674	1,726
Included in non-current liabilities	(3,371)	(7,504)
Total	(2,697)	(5,778)

Amendments to IAS 19 'Employee Benefits'

The changes to IAS 19 are effective for the company's accounts for the period ending 28 June 2014. Retrospective adoption is required and so the prior period has been restated.

The key change affecting the Group is the replacement of the expected return on pension plan assets and interest expense on pension plan liabilities with a single net interest component calculated on the net defined benefit liability or asset using the discount rate used to determine the defined benefit obligation.

The impact has been an increase in the charge to the income statement of approximately £0.7 million for the period ended 29 June 2013 and approximately £1.2 million for the period ended 28 June 2014. The income statement for the prior period has therefore been represented, but the statement of financial position at 29 June 2013 has not changed.

17 Retirement benefits (continued)

Reconciliation of company statement of financial

The movement in the net defined benefit obligation over the period is as follows:

	Present value of obligation £000	Fair value of plan assets £000	Surplus/ (deficit) of plans £000
At 1 July 2012	(72,302)	64,555	(7,747)
Administration expenses (represented)	-	(545)	(545)
Interest (expense)/income (represented)	(3,277)	2,953	(324)
Total (cost)/credit recognised in income statement (represented)	(3,277)	2,408	(869)
Return on plan assets not included in income statement (represented)	-	2,525	2,525
Change in financial assumptions	(4,190)	-	(4,190)
Change in demographic assumptions	-	-	-
Experience gains/(losses)	-	-	-
Total remeasurements in other comprehensive income (represented)	(4,190)	2,525	(1,665)
Employer contributions	-	2,777	2,777
Benefit payments	3,675	(3,675)	-
Other movements	3,675	(898)	2,777
At 29 June 2013	(76,094)	68,590	(7,504)
Administration expenses	-	(421)	(421)
Interest (expense)/income	(3,381)	3,080	(301)
Total (cost)/credit recognised in income statement	(3,381)	2,659	(722)
Return on plan assets not included in income statement	-	1,934	1,934
Change in financial assumptions	(4,150)	-	(4,150)
Change in demographic assumptions	534	-	534
Experience gains	4,112	-	4,112
Total remeasurements in other comprehensive income	496	1,934	2,430
Employer contributions	-	2,425	2,425
Benefit payments	5,194	(5,194)	-
Other movements	5,194	(2,769)	2,425
At 28 June 2014	(73,785)	70,414	(3,371)

There is no asset ceiling as the company is deemed to have an unconditional right to a refund.

The impact on the liabilities at 28 June 2014 of each of the significant actuarial assumptions is:

Movement in assumption	Effect on liabilities at 28 June 2014
Discount rate +/- 0.1%	-/+ £1.1 million
Inflation assumptions +/- 0.1%	+/- £0.6 million
Life expectancy +/- 1 year	+/- £2.4 million

We have assumed that changes in the inflation assumption have a knock-on effect on the pension increase and deferred revaluation assumptions. The above sensitivity figures have been calculated on an approximate basis using weighted average ages.

The duration, or average term to payment for the benefits due weighted by liability, is 16 years.

Risks and risk management

The company's defined benefit pension plan, in common with the majority of such plans in the UK, have a number of areas of risk. The areas of risk are:

- Asset volatility – the liabilities are calculated with reference to bond yields. The Schemes hold a large proportion of their assets in return-seeking assets, which can be volatile and thus may lead to short-term fluctuations in the statement of financial position liability. However, the company believes that such assets offer the best returns over the long term with an acceptable level of risk;

- Changes in bond yields – falling bond yields tend to increase the liabilities. However, the investment in corporate bonds offers a degree of matching, i.e. the movement in assets arising from changes in bond yields partly matches the movement in the liabilities. In this way, the exposure to movements in bond yields is reduced;

- Inflation risk – a proportion of the Schemes' obligations are linked to inflation;

- Life expectancy – the majority of the Schemes' obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

Areas of risk management

Although investment decisions in the UK are the responsibility of the trustees, the company takes an active interest to ensure that pension plan risks are managed efficiently and effectively.

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	28 June 2014 £'000	29 June 2013 £'000
18 Called-up share capital		
<i>Ordinary shares</i>		
Issued and fully paid:		
734,418,057 ordinary shares of 0.1p each	734	734

19 Reserves	Retained earnings	
	2014	2013
	£'000	£'000
At start of period	9,499	2,689
Actuarial (profit)/loss on retirement benefit schemes net of deferred tax	1,944	(1,282)
Share based payments charge (note 15)	(2,687)	(2,942)
UK corporation tax on share based payments charge	-	527
Deferred tax on share based payments charge (note 16)	537	(191)
Profit for the period	15,367	10,698
Dividend paid	(5,000)	-
At end of period	19,660	9,499

The charges from share based payments arise from accounting under IFRS 2 in respect of the Steinhoff International Group's share option scheme. The company is required to reimburse Steinhoff International Holdings Limited with the difference between the exercise price on the share right and the market price of the share at the time of exercising the right, for which a provision has been recognised (see note 15). For more information, see the accounting policies.

20 Financial commitments

The company has entered into a composite cross guarantee with the other companies in the Steinhoff UK Group to guarantee the Steinhoff UK group's bank loans and overdrafts. The maximum potential liability under this guarantee at period end was limited to £10,000,000 (2013: £10,000,000).

21 Financial instruments

Capital risk management

The company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The company's overall strategy remains unchanged from the prior period.

The capital structure of the company consists of debt, which includes the bank overdraft, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of financial position.

The company is not subject to any externally imposed capital requirements.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policy note.

Categories of financial instruments	2014	2013
	£'000	£'000
Financial assets at amortised cost		
Cash	13,979	17,852
Loans and receivables		
- Trade and other receivables	7,344	7,913
- Amounts owed by group undertakings		
- non-current loans	26,550	26,550
- current account balances	100,411	115,422
	148,284	167,737
Financial liabilities at amortised cost		
Trade payables	21,422	22,894
Amounts owed to group undertakings - current	58,022	92,253
Other payables	621	174
	80,065	115,321

The non-current amounts owed to and due from group undertakings all fall due for repayment on or after 30 September 2015. The current amounts have no fixed period of repayment and have therefore been treated as current.

21 Financial instruments (continued)

Financial risk management objectives

The executive team is responsible for implementing the risk management strategy to ensure that an appropriate risk management framework is operating effectively, embedding a risk mitigation culture throughout the company. The board and the audit and risk management committee are provided with a consolidated view of the risk profile of the company. All major exposures are identified and mitigating controls identified and implemented.

Regular management reporting and assessment of the effectiveness of controls by internal audit provide a balanced assessment of the effectiveness of key risks and controls.

The Steinhoff UK central finance function communicates with operating divisions and consolidates the company's requirements. It plays a role in the identification and management of the following risks: currency risk, interest rate risk, credit risk and liquidity risk.

Foreign currency risk management

The majority of the company's inventory is sourced outside the United Kingdom and as such the company is exposed either directly or indirectly to the fluctuation in exchange rates. The foreign currency risk is managed centrally by the Steinhoff UK group. The consolidated UK group requirement is reviewed on a weekly basis and forward cover is purchased by a fellow subsidiary to cover expected usage in line with guidelines issued by Steinhoff International Holdings Ltd.

To the extent that purchases are done through group companies or other intermediaries in sterling, the impact on pricing is closely monitored and fluctuations in the cost of goods for resale, if material, are factored into future sales prices.

The carrying amount of the company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2014	2013	2014	2013
	£000	£000	£000	£000
USD	(67)	(105)	24	31
Euro	(3)	(1)	9	34

Foreign currency sensitivity

The company is mainly exposed to US dollars and Euros. The sensitivity analysis of the company's exposure to foreign currency risk at the reporting date in the table below has been determined based on the change taking place at the beginning of the financial period and held constant throughout the reporting period.

(Decrease)/increase in profits

	Weakening pound		Strengthening pound	
	2014	2013	2014	2013
	£000	£000	£000	£000
USD 10%	(1,585)	(1,194)	1,585	1,194
Euro 10%	(8)	(7)	8	7

Forward exchange contracts

The administration of forward contracts is centralised for the Steinhoff UK group so no forward contracts are entered into by the company.

The company does not speculate with derivatives or other financial instruments.

Interest rate risk management

The company manages interest rate risk centrally through the Steinhoff UK group's central treasury. Divisional cash resources are matched with the net funding requirements. Funds are from three sources namely internally generated funds, the company facilities and group resources and are managed to keep a competitive market related cost of funding.

The company has variable rate borrowings, and ensures that as far as practical, interest costs are maintained at the lowest possible level.

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and a stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period.

At the reporting date, if interest rates had been 50 basis points lower and all other variables were held constant, the company's net profit would reduce by £195,000 (2013: £492,000). If interest rates had been 50 basis points higher and all other variables were held constant, the company's net profit would increase by £195,000 (2013: £792,000). This is mainly attributable to the group's exposure to interest rates on its variable rate group loans and bank borrowings.

Credit risk management

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables. The company deposits short-term cash surpluses with the same bank granting it overdraft facilities. Receivables comprise a large and widespread customer base and the company performs ongoing credit evaluations on the financial condition of customers. The ability of group undertakings to repay amounts due is assessed. At 28 June 2014, the company did not consider there to be any other significant concentration of credit risk which had not been adequately provided for. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment.

21 Financial instruments (continued)

Liquidity risk management

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the company could be required to pay its liabilities earlier than expected.

Liquidity risk is managed at various levels, starting at the ultimate holding company and cascading down to the UK group of companies of which this company is one. The UK group manages liquidity risk by monitoring forecast cash flows which are provided weekly and by ensuring that adequate borrowing facilities are available. The company generates its own cash to meet obligations, and additional cash is obtained from existing lines of credit and from group facilities based on the forecast requirements.

The following table details the company's remaining contractual maturity for its non-derivative financial liabilities and has been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities except where the company is entitled and intends to repay the liability before its maturity.

	0 - 3 months £000	3 months to 1 year £000	1-5 years £000	More than 5 years £000	Total £000
2014					
Amounts payable to group companies	58,022	-	-	-	58,022
Trade and other payables	21,356	504	183	-	22,043
	79,378	504	183	-	80,065
2013					
Amounts payable to group companies	92,253	-	-	-	92,253
Trade and other payables	22,730	338	-	-	23,068
	114,983	338	-	-	115,321

Fair values

The fair values of the company's trade receivables, cash and cash equivalents, trade payables, short-term provisions and loans and overdrafts with a maturity of less than one year are assumed to approximate to their book value. The company's interest bearing financial liabilities are all subject to floating interest rates, and so the fair value of interest bearing assets and liabilities also approximates to book value.

	52 weeks to 28 June 2014 £'000	52 weeks to 29 June 2013 £'000
22 Operating lease commitments		
Minimum lease payments under operating leases recognised as an expense during the period	41,145	42,759

At the statement of financial position date the company had outstanding commitments for future minimum lease payments under non cancellable operating leases which fall due as follows:

	Land & Buildings 28 June 2014 £000	Plant & Machinery 28 June 2014 £000	Land & Buildings 29 June 2013 £000	Plant & Machinery 29 June 2013 £000
The company as lessee				
Amount falling due:				
Within one year	4,740	2,768	5,506	2,610
Between two and five years	15,235	3,792	16,591	3,609
After five years	32,527	50	35,850	-
Total	52,502	6,610	57,947	6,219

The administration of leases for land and buildings is performed by fellow subsidiaries of Steinhoff International Holdings Limited. These companies pay all costs arising from these leases, and recharge agreed costs to Steinhoff UK Retail Limited who occupy the properties.

Lease commitments are non-cancellable in respect of vehicles and on other plant and machinery.

The administration of sub-let vacant stores or parts of stores to third parties is also administered by fellow subsidiaries of Steinhoff International Holdings Limited. The income and expenditure from this activity is recognised in those companies.

23 Parent company and ultimate controlling party

The company is a wholly-owned subsidiary undertaking of Steinhoff UK Holdings Limited, a company registered in England and Wales.

The ultimate controlling party is Steinhoff International Holdings Limited, a company incorporated in The Republic of South Africa.

The largest and smallest group for which the results of the company are consolidated is headed by Steinhoff International Holdings Limited. Copies of these consolidated financial statements may be obtained via the website www.steinhoffinternational.com.

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24 Related party transactions

Transactions between the company and its associates in the Steinhoff International Holdings Limited group are disclosed below.

	Sales of goods/ services £000	Purchase of goods/ services £000	Rental of properties and associated costs £000	Net finance revenue/ (costs) £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Period ended 28 June 2014						
Steinhoff UK Holdings Limited - parent company	-	-	-	-	18,500	(18)
Other companies in the Steinhoff Group	61,432	(173,830)	(69,906)	617	108,461	(58,004)
	<u>61,432</u>	<u>(173,830)</u>	<u>(69,906)</u>	<u>617</u>	<u>126,961</u>	<u>(58,022)</u>
Amounts owed by/(to) related parties consist of:						
Non-current					26,550	-
Current (notes 13, 14)					100,411	(58,022)
					<u>126,961</u>	<u>(58,022)</u>
Period ended 29 June 2013						
Steinhoff UK Holdings Limited - parent company	-	-	-	(344)	18,500	(363)
Other companies in the Steinhoff Group	61,432	(161,330)	(70,536)	1,458	123,472	(91,890)
	<u>61,432</u>	<u>(161,330)</u>	<u>(70,536)</u>	<u>1,114</u>	<u>141,972</u>	<u>(92,253)</u>
Amounts owed by/(to) related parties consist of:						
Non-current					26,550	-
Current (notes 13, 14)					115,422	(92,253)
					<u>141,972</u>	<u>(92,253)</u>

All transactions have been negotiated on an arms length basis and are no less favourable than those arranged with third parties. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received in respect of the intercompany balances, except as disclosed in note 20.