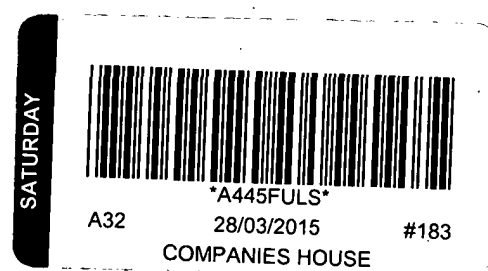


Steinhoff UK Holdings Limited

Annual report and financial statements

Year ended 30 June 2014

Registered number 03738136



Steinhoff UK Holdings Limited

Year ended 30 June 2014

Annual report and financial statements 2014

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Steinhoff UK Holdings Limited

Year ended 30 June 2014

Strategic report

Steinhoff UK Holdings Limited is a company incorporated in the United Kingdom. The address of the registered office is 5th Floor, Festival House, Jessop Avenue, Cheltenham, Gloucestershire, GL50 3SH, England.

The directors present their annual report on the affairs of the company, together with the financial statements and independent auditor's report, for the year ended 30 June 2014. In preparing this strategic report, the directors have complied with S414(C) of the Companies Act.

Business review

The company is an investment holding company. The majority of transactions are with group undertakings, and the key performance indicators for the company are profit after taxation and net assets, both of which are shown in the accounts. Due to the nature of the business the directors do not consider there to be any non-financial key performance indicators on which the business is managed.

The profit after taxation was £5,984,000 (2013: £110,000). The increase was mainly attributable to dividends received from subsidiaries in the current year, net of write-down of investments in subsidiaries, of £5,000,000 (2013: £nil). The write-down of investments arose following the receipt of dividends of £218,155,000 from a non-trading subsidiary. The investment in this subsidiary was subsequently written down by £218,155,000 to reflect the revised net asset value of the subsidiary.

Profit for the year of £5,984,000, less dividends paid of £10,000,000, resulted in net assets reducing from £158,606,000 to £154,590,000.

Risks and uncertainties

The company is an investment company with investments in wholly owned subsidiaries, linked mainly to the furniture and beds markets. The success of these entities is therefore influenced by the economic environment in which they operate. The directors believe that the company is well placed, with the support of its parent company, to manage its business risks successfully in the current economic conditions.

The financial position of the company, its cash flows, and liquidity position are detailed in the financial statements. In addition, note 15 to the financial statements includes the company's objectives, policies and processes for managing its financial risk and its exposures to credit risk and liquidity risk.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. 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 note 1 to the financial statements.

By order of the board



F Dieperink

Director

25 March 2015

Steinhoff UK Holdings Limited

Year ended 30 June 2014

Directors' report

Directors

The directors who held office during the year and to the date of this report, unless otherwise stated, were as follows:

P J Dieperink
S J Grobler
M J Jooste
H Odendaal
S Summers (appointed 2 January 2014)
I D Sussman (resigned 6 May 2014)
D M van der Merwe

Dividends

During the year, the company declared a final dividend of £10,000,000 relating to the year ended 30 June 2013. No dividend has been declared for the year ended 30 June 2014.

Risks and uncertainties

The company's principal risks and uncertainties are detailed in the Strategic report and note 15 to the financial statements.

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:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- 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 board



P Dieperink

Director

25 March 2015

Steinhoff UK Holdings Limited

Year ended 30 June 2014

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 year. 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 HOLDINGS LIMITED

We have audited the financial statements of Steinhoff UK Holdings Limited for the year ended 30 June 2014 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and the related notes 1 to 15. 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 apparent 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 30 June 2014 and of its profit for the year 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STEINHOFF UK HOLDINGS LIMITED *(continued)*

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year 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 UK

25 MARCH 2015

Steinhoff UK Holdings Limited

Year ended 30 June 2014

Statement of comprehensive income

	<i>Note</i>	2014 £000	2013 £000
Revenue – dividends from subsidiaries		223,155	-
Impairment against investments in subsidiaries	7	(218,155)	-
Administrative (expenses)/income		(2)	1
Operating profit		4,998	1
Interest income	4	297	519
Finance costs	4	(18)	(400)
Profit before taxation		5,277	120
Taxation credit/(charge)	5	707	(10)
Profit after taxation	2	5,984	110

All results were derived from continuing operations.

As there are no items which would be recognised in a separate statement of comprehensive income other than the net profit for the year, the company has adopted the approach allowable in IAS 1:81(a) to present one statement of comprehensive income.

Steinhoff UK Holdings Limited

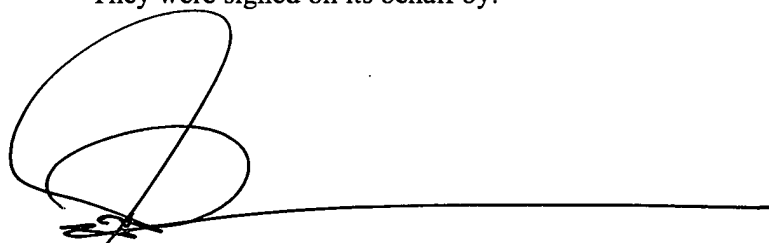
As at 30 June 2014

Statement of financial position

	<i>Note</i>	2014 £000	2013 £000
Non-current assets			
Investments in subsidiaries	7	411,639	629,794
Amounts receivable from group undertakings	13	12,206	16,384
		<u>423,845</u>	<u>646,178</u>
Current assets			
Receivables	8	18,050	18,151
Current tax receivables		595	-
Cash & cash equivalents		5,875	975
		<u>24,520</u>	<u>19,126</u>
Total assets		<u>448,365</u>	<u>665,304</u>
Current liabilities			
Current tax liabilities		-	(28)
Other payables	9	(22,182)	(17,222)
		<u>(22,182)</u>	<u>(17,250)</u>
Net current assets		<u>2,338</u>	<u>1,876</u>
Non-current liabilities			
Amounts payable to group undertakings	13	(271,593)	(489,448)
Net assets		<u>154,590</u>	<u>158,606</u>
Equity			
Share capital	10	-	-
Share premium		106,385	106,385
Profit and loss account		48,205	52,221
Equity shareholder's funds		<u>154,590</u>	<u>158,606</u>

The financial statements of Steinhoff UK Holdings Limited, registered number 03738136, were approved by the Board of Directors and authorised for issue on 25 March 2015.

They were signed on its behalf by:



P Dieperink
Director

Steinhoff UK Holdings Limited

Year ended 30 June 2014

Statement of changes in equity

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 1 July 2012	-	106,385	202,112	308,497
Profit for the financial year	-	-	110	110
Dividends paid (note 6)	-	-	(150,001)	(150,001)
At 30 June 2013	-	106,385	52,221	158,606
Profit for the financial year	-	-	5,984	5,984
Dividends paid (note 6)	-	-	(10,000)	(10,000)
At 30 June 2014	-	106,385	48,205	154,590

Steinhoff UK Holdings Limited

Year ended 30 June 2014

Cash flow statement

	<i>Note</i>	2014 £000	2013 £000
Net cash generated by operating activities	11	5,381	110
Investing activities			
Reduction in amounts owed by group undertakings		4,279	-
Interest received	4	297	519
Net cash generated by investing activities		4,576	519
Financing activities			
Increase in amounts owed to group undertakings		4,961	149,995
Interest paid	4	(18)	(400)
Dividends paid	6	(10,000)	(150,001)
Net cash used in financing activities		(5,057)	(406)
Net increase in cash and cash equivalents		4,900	223
Cash and cash equivalents at beginning of year		975	752
Cash and cash equivalents at end of year		5,875	975

Steinhoff UK Holdings Limited

Year ended 30 June 2014

Notes to the financial statements

1 Significant accounting policies

Basis of accounting

The financial statements of the company are presented as required by the Companies Act 2006. As permitted by that Act, they have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below and have been applied consistently throughout the current and prior years.

Consolidated financial statements have not been prepared by the company as permitted by Section 401 of the Companies Act 2006.

Going concern

The company's forecasts and projections, taking account of reasonably possible changes in performance and economic conditions in the UK retail sector, show that the company should be able to continue to generate profits and cash for the foreseeable future.

The directors have received confirmation that Steinhoff Europe AG, the parent 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.

After making enquiries, the directors have a reasonable expectation that the company has adequate 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.

Recognition of revenue

Revenue is attributable to the company's principal activity, which is that of an investment company. All revenue is earned from UK business. Dividend income is accounted for when it is receivable, being when it is approved for distribution.

Interest income

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

Finance costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Operating profit

Operating profit is stated before finance costs.

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 year. 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 years 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.

Steinhoff UK Holdings Limited

Year ended 30 June 2014

Notes to the financial statements *(continued)*

1 Significant accounting policies *(continued)*

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. The company does not enter into derivative financial instruments. All transactions are in sterling so there is no exposure to foreign currency risk.

Financial assets

The financial assets are loans and receivables.

Financial assets - loans and receivables

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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand less overdrafts.

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

Steinhoff UK Holdings Limited

Year ended 30 June 2014

Notes to the financial statements *(continued)*

1 Significant accounting policies *(continued)*

Future developments

There have been no new or revised Standards or Interpretations which have affected the amounts reported in these financial statements.

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

2 Profit for the year

Profit for the year is stated after deducting auditor's remuneration of £24,000 (2013: £22,000) in respect of the audit of the company's financial statements. There were no amounts paid to the auditor for non-audit services in either year.

3 Staff costs

The company had no employees other than the directors. There were no staff costs during either year.

Remuneration of key management personnel

The directors are the key management personnel of the company. The emoluments of the directors were paid by fellow subsidiaries of Steinhoff International Holdings Limited. It is not practicable to split their remuneration received from other companies to state the amount which relates to services for this company.

Steinhoff UK Holdings Limited

Year ended 30 June 2014

Notes to the financial statements (continued)

4 Interest income and finance costs

	2014 £000	2013 £000
<i>Interest income</i>		
Interest receivable from group companies	293	508
Bank interest receivable	4	10
Other interest receivable	-	1
	<u>297</u>	<u>519</u>
<i>Finance costs</i>		
Interest payable to group companies	-	(244)
Bank interest payable	(18)	(156)
	<u>(18)</u>	<u>(400)</u>

5 Taxation

	2014 £000	2013 £000
Analysis of tax credit/(charge) in the year		
Corporation tax credit/(charge) on profit for the year	596	(29)
Difference in respect of prior years' corporation tax	111	19
	<u>707</u>	<u>(10)</u>

Factors affecting the tax credit/(charge) for the current year

The current tax for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before tax	<u>5,277</u>	<u>120</u>
Current tax at 22.5% (2013: 23.75%)	(1,187)	(29)
Effects of:		
Non taxable income	50,210	-
Expenses not deductible for tax purposes	(49,085)	-
Compensating adjustment claim	658	-
Difference in respect of prior years' corporation tax	111	19
Total current tax credit/(charge)	<u>707</u>	<u>(10)</u>

22.5% is the average rate of corporation tax for the year following the reduction in the UK rate from 23% to 21% with effect from 1 April 2014.

Steinhoff UK Holdings Limited

Year ended 30 June 2014

Notes to the financial statements (continued)

6 Dividends

Amounts recognised as distributions to equity holders during the year:

	2014 £000	2013 £000
Final dividend of £98,039.22 per ordinary share for the year ending 30 June 2013 (2013: £1,470,600 per ordinary share for the year ending 30 June 2012)	<u>10,000</u>	<u>150,001</u>

7 Investments in subsidiaries

	2014 £000	2013 £000
Cost		
At the start and end of the year	<u>629,794</u>	<u>629,794</u>
Provision		
At the start of the year	-	-
Impairment against investments	<u>(218,155)</u>	<u>-</u>
At the end of the year	<u>(218,155)</u>	<u>-</u>
Net book value		
At the end of the year	<u>411,639</u>	<u>629,794</u>
At the start of the year	<u>629,794</u>	<u>629,794</u>

Details of the company's principal subsidiaries are as follows:

Name	Principal activity	Ownership interest and voting power held	
		2014	2013
Pritex Limited	Manufacturing	100%	100%
Relyon Limited	Manufacturing	100%	100%
Relyon Group Limited	Foreign currency management	100%	100%
Steinhoff UK Beds Limited	Manufacturing	100%	100%
Steinhoff UK Group Properties Limited *	Property management	100%	100%
Steinhoff UK Retail Limited *	Retail	100%	100%
Steinhoff UK Upholstery Limited	Import/distribution	100%	100%
Unitrans Limited	Logistics	100%	100%

* owned directly

All of the above subsidiary undertakings are incorporated in England & Wales. Investments which do not significantly affect the profits or net assets of the group have been omitted. Unless indicated to the contrary, subsidiaries are held indirectly.

During the year, dividends of £218,155,000 were received from a non-trading subsidiary of the company. Following receipt of these dividends, the investment in this subsidiary was written down to reflect the revised net asset value of the subsidiary.

Steinhoff UK Holdings Limited

Year ended 30 June 2014

Notes to the financial statements (continued)

8 Receivables

	2014 £000	2013 £000
Amounts owed by group undertakings	<u>18,050</u>	<u>18,151</u>

There is no provision against receivables. The directors assess the ability of group undertakings to repay amounts due and consider there to be no significant credit risk arising. At the statement of financial position date no receivables were past due or impaired. No interest is charged on overdue receivables.

9 Other payables

	2014 £000	2013 £000
Amounts owed to group undertakings	22,000	17,039
Accruals and deferred income	<u>182</u>	<u>183</u>
	<u>22,182</u>	<u>17,222</u>

The directors consider that the carrying amounts of trade and other payables approximate to their fair value. The amounts owed to group undertakings are unsecured and no interest is charged.

10 Share capital

	2014 £000	2013 £000
Issued and fully paid:		
102 ordinary shares of £1 each	<u>-</u>	<u>-</u>

11 Note to the cash flow statement

	2014 £000	2013 £000
Operating profit	4,998	1
Impairment against investments in subsidiaries	218,155	-
Non-cash dividend received	(217,855)	-
(Reduction)/increase in payables	<u>(1)</u>	<u>107</u>
Cash generated by operations	5,297	108
Taxes received	<u>84</u>	<u>2</u>
Net cash generated by operating activities	<u>5,381</u>	<u>110</u>

12 Contingent liabilities

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 these guarantees is limited to £10,000,000 (2013: £10,000,000).

The company is also guarantor to senior notes held elsewhere in the Steinhoff International group; namely \$142.5 million maturing on 15 March 2015.

Steinhoff UK Holdings Limited

Year ended 30 June 2014

Notes to the financial statements (continued)

13 Related party transactions

	Year to 30 June 2014		As at 30 June 2014			
	Income £000	Expenditure £000	Current		Non-current	
			Amounts payable £000	Amounts receivable £000	Amounts payable £000	Amounts receivable £000
Parent	-	-	10,000	-	-	-
Other Steinhoff companies	293	-	12,000	18,050	271,593	12,206
Total	293	-	22,000	18,050	271,593	12,206

	Year to 30 June 2013		As at 30 June 2013			
	Income £000	Expenditure £000	Current		Non-current	
			Amounts payable £000	Amounts receivable £000	Amounts payable £000	Amounts receivable £000
Parent	-	244	-	-	-	-
Other Steinhoff companies	508	-	17,039	18,151	489,448	16,384
Total	508	244	17,039	18,151	489,448	16,384

Other Steinhoff companies include all subsidiaries and associated companies of Steinhoff International Holdings Limited excluding the immediate parent. Dividend income is excluded from the above analysis.

14 Ultimate holding company and controlling party

The company is a wholly owned subsidiary of Steinhoff Europe AG, a company registered in Austria. The ultimate parent company and 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.

Steinhoff UK Holdings Limited

Year ended 30 June 2014

Notes to the financial statements (continued)

15 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 year.

The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and retained earnings as disclosed in the statement of financial position and note 10.

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 note 1.

Categories of financial instruments	2014	2013
	£000	£000
Financial assets at amortised cost		
Amounts owed by group undertakings		
- non-current	12,206	16,384
- current	18,050	18,151
Cash & cash equivalents	5,875	975
	<u>36,131</u>	<u>35,510</u>
Financial liabilities at amortised cost		
Amounts owed to group undertakings		
- current	22,000	17,039
- non-current	271,593	489,448
	<u>293,593</u>	<u>506,487</u>

The non-current amounts owed from and to group undertakings are repayable on or after 30 September 2015. The current amounts owed from and to group undertakings have no fixed date of repayment and have therefore been treated as current.

Financial risk management objectives

The directors are responsible for implementing the risk management strategy to ensure that an appropriate risk management framework is operating effectively, embedding a risk 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 are 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 company does not speculate with derivatives or other financial instruments. The central finance function of the UK group communicates with operating divisions and consolidates the UK group's requirements. It plays a role in the identification and management of the following risks: interest rate risk, credit risk and liquidity risk.

Steinhoff UK Holdings Limited

Year ended 30 June 2014

Notes to the financial statements *(continued)*

15 Financial instruments *(continued)*

Market risk

The company's activities expose it primarily to the financial risks of changes in interest rates. Cash resources are matched with the net funding requirements sourced from three sources namely internally generated funds, the company facilities, and group resources. The company only operates in the United Kingdom and all transactions are in sterling so has no exposure to changes in foreign currency exchange rates.

During the course of the year there has been no change to the market risk or manner in which the company manages its exposure.

Interest rate risk management

All interest bearing assets and liabilities of the company are at variable rates of interest and are structured to achieve a competitive market related cost of funding.

Credit risk management

Potential concentration of credit risk consist principally of short-term cash and cash equivalent investments, and amounts owed by group undertakings. The company deposits short-term cash surpluses with the same bank granting the group overdraft facility. The ability of group undertakings to repay amounts due is regularly assessed.

At 30 June 2014, the company did not consider there to be any other significant concentration of credit risk which had not been adequately provided for.

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 forecast requirements.

Repayment terms are agreed for amounts payable to other group companies and loan agreements are put in place for all balances which are repayable more than one year from the statement of financial position date.

The following table details the company's remaining contractual maturity for its financial liabilities as at the statement of financial position date and has been drawn up based on the undiscounted contractual maturities of the financial liabilities except where the company is entitled and intends to repay the liability before its maturity.

Steinhoff UK Holdings Limited

Year ended 30 June 2014

Notes to the financial statements *(continued)*

15 Financial instruments *(continued)*

Liquidity risk management *(continued)*

	0 - 3 months £000	3 months to 1 year £000	1-5 years £000	Total £000
2014				
Amounts owed to group undertakings				
- current	22,000	-	-	22,000
- non-current	-	-	271,593	271,593
	<u>22,000</u>	<u>-</u>	<u>271,593</u>	<u>293,593</u>
2013				
Amounts owed to group undertakings				
- current	17,039	-	-	17,039
- non-current	-	-	489,448	489,448
	<u>17,039</u>	<u>-</u>	<u>489,448</u>	<u>506,487</u>

Fair values

The fair values of the company's receivables, cash and cash equivalents, payables and bank loans and overdrafts are assumed to approximate to their book value.