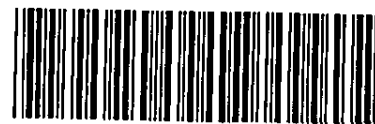


STEINHOFF UK HOLDINGS LIMITED

**ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Registered number 3738136

THURSDAY



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COMPANIES HOUSE

STEINHOFF UK HOLDINGS LIMITED
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STEINHOFF UK HOLDINGS LIMITED
DIRECTORS' REPORT

The directors present their annual report on the affairs of the group, together with the financial statements and independent auditor's report, for the year ended 30 June 2012

Principal activities

The principal activities of the group comprise the manufacture and retail of furniture and beds, and logistics. The principal operating subsidiaries of the group in the year are listed in note 12a to the financial statements.

The company is a wholly owned subsidiary of Steinhoff Europe AG (Austria). The ultimate parent company is Steinhoff International Holdings Limited, a company incorporated in The Republic of South Africa.

Results and dividends

The audited financial statements for the year ended 30 June 2012 are set out on pages 6 to 31. The group's profit after taxation for the year was £23,956,000 (2011: £42,443,000).

The directors paid an interim dividend of £1,900,000 (2011: £2,200,000). On 21 August 2012, the company declared a final dividend for the year ended 30 June 2012 of £150,001,200.

Enhanced business review

Steinhoff International Holdings Limited is the parent of a group of companies and has subsidiary companies operating in the United Kingdom. Steinhoff UK Holdings Limited is the parent company for the retail, manufacturing and logistics entities in the Steinhoff UK Group.

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

In the year ended 30 June 2012, the demand for big-ticket items in the UK remained muted, with consumer confidence being plagued by concerns about jobs, the economy and finances. Revenue in the Retail divisions has shown good growth, being 3% up on the prior year but promotion-led sales has caused the group's margin to drop from 50.5% to 48.1%. The merging of divisions and reductions in other cost categories has however seen the group record like-for-like growth in operating profit from £21.8 million (before the impairment of goodwill in the prior year) to £24.8 million.

During the year, both the furniture and bed divisions finalised new concept store formats and commenced with their roll out in existing and certain new stores. The performance of these stores has been very promising, and new opportunities for rolling out this concept will continue to be evaluated in the year ahead.

Manufacturing revenue has continued to grow, both from an intragroup and external customer point of view. External revenue has increased by 4% from the prior year. Margins have come under pressure, but operating profit has nonetheless increased year on year. External revenue from Logistics has reduced year on year as this division has concentrated more on providing a service to the Retail divisions.

Included in the prior year profit before taxation is an impairment of goodwill of £7.7 million. Following the closure of a number of stores under the Reid fascia, management performed impairment calculations which showed that the goodwill associated with the acquisition of Reid needed to be impaired to its value in use. This value was based on the division's future budgeted profitability.

Interest receivable on related party loans totalled £5.4 million (2011: £4.5 million). Intercompany interest payable reduced from £2.3 million to £0.6 million.

During the prior year, the group transferred certain trademarks relating to Homestyle Group Operations Limited to a fellow subsidiary of Steinhoff International Holdings Limited. No taxation charge arose on this transfer, so the group was able to release a deferred taxation liability of £30.9 million. Current taxation increased from £3.1 million in the prior year to £4.2 million, due to the increased taxable profit, offset by the utilisation of unrecognised deferred tax assets brought forward.

The group's net asset value increased from £402.3 million to £420.6 million at 30 June 2012, largely due to the profit for the year. Tangible net asset value, defined as net asset value less goodwill and intangible assets, improved from £180 million to £197 million, after the aforementioned increase in net asset value.

The group's operating cash flows before changes in working capital increased from £32.7 million in the prior year to £34.3 million in the current year.

Health and safety, specifically time lost due to injuries, is an important non-financial key performance indicator for the business, and the group has continued to improve in this area during the period.

Principal risks and uncertainties

The group has considerable financial resources together with a large number of customers and suppliers. As a consequence, the directors believe that the group 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 current downturn in the world economy has had an impact on the retail sector and in particular, the household goods sector. On the back of the current results and strong balance sheet the directors believe that the group has proved that it is able to adapt to these changed circumstances. The strength of its ultimate parent also ensures that it will be well positioned to capitalise on weaker competitors and to benefit from any future market consolidation.

STEINHOFF UK HOLDINGS LIMITED
DIRECTORS' REPORT (continued)

Principal risks and uncertainties (continued)

The retail 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 group 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 group finances operations through a mixture of internal resources, bank and group borrowings, and makes use of the Steinhoff International group's treasury function to obtain the required funding. The group'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 group 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.

The group's activities expose it to the financial risks of changes in foreign currency exchange rates. The group deals with a number of foreign suppliers. To the extent that the group purchases goods in foreign currencies directly and does not have a natural hedge through activities in other parts of the group, the foreign currency requirements are forecasted. Forward contracts are then entered into by the group, 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 group does not use derivative financial instruments for speculative purposes.

Note 28 to the financial statements includes the group'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.

Going concern

After making enquiries, the directors have a reasonable expectation that the group has adequate trading opportunities and resources to continue in operational existence for the foreseeable future. The company has also received a letter from Steinhoff Europe AG, confirming that it will continue to provide support for a period of 12 months from the date of signing the financial statements. 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.

Directors

The directors who served during the year and thereafter were as follows:

I M Topping (resigned 11 August 2011)
P J Dieperink
S J Grobler
I D Sussman
J H N Van der Merwe (resigned 16 September 2011)
M J Jooste
H Odendaal (appointed 16 September 2011)

Supplier payment policy

The group's policy is to agree terms of payment with suppliers when entering into a transaction and abide by them.

Employees

The companies within the Steinhoff UK group 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 within the group continues and that appropriate training is arranged.

The group values all full and part time staff and seeks to improve the skills and performance of employees and so enhance career development opportunities. The group seeks at all times to provide and manage a safe working environment in all operations and undertake in-house health and safety audits. The group endeavours to keep staff fully informed on matters of significance to them and to regularly consult with them on matters which affect them.

Auditor

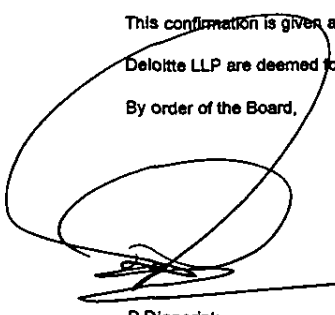
Each of the directors at the date of approval of this annual report confirms that:

- 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 provisions 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 2013

STEINHOFF UK HOLDINGS 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 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 group and company and of the profit or loss of the group 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 group and 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 group and 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 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity the Group and Company Cash Flow Statements, the Statement of Accounting Policies and the related notes 1 to 30. 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 and as applied in accordance with the provisions of the Companies Act 2006.

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 group's and 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. 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 group's and the company's affairs as at 30 June 2012 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements 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 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 by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company 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

26 March 2013

STEINHOFF UK HOLDINGS LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 £000	2011 £000
Revenue	1	469,703	459,349
Cost of sales		<u>(243,885)</u>	<u>(227,552)</u>
Gross profit		225,818	231,797
Selling and distribution costs		(160,042)	(161,085)
Administrative expenses		(40,972)	(48,927)
Impairment of goodwill	9	<u>-</u>	<u>(7,731)</u>
		<u>(201,014)</u>	<u>(217,753)</u>
Operating profit		24,804	14,044
Interest income	2	5,446	4,495
Pension finance cost	20	(128)	(169)
Finance costs	3	<u>(1,305)</u>	<u>(2,816)</u>
		4,012	1,510
Profit before taxation	6	28,816	15,554
Taxation (charge)/credit	7	<u>(4,860)</u>	<u>26,889</u>
Profit after taxation		<u>23,956</u>	<u>42,443</u>

All results were derived from continuing operations

STEINHOFF UK HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 £'000	2011 £'000
Actuarial (loss)/gain on defined benefit pension schemes	20	(5,687)	2,672
Deferred tax effect of actuarial gain/loss	7	1,365	(695)
Gain arising on cash flow hedges		422	-
UK corporation tax on cash flow hedges		(108)	-
Net (expense)/income recognised directly in equity		<u>(4,008)</u>	<u>1,977</u>
Profit for the year		<u>23,956</u>	<u>42,443</u>
Total comprehensive income for the year		<u>19,948</u>	<u>44,420</u>

STEINHOFF UK HOLDINGS LIMITED
BALANCE SHEETS
AS AT 30 JUNE 2012

	Notes	Group 30 June 2012 £'000	Group 30 June 2011 £'000	Company 30 June 2012 £'000	Company 30 June 2011 £'000
Non-current assets					
Goodwill	9	214,980	214,980	-	-
Intangible assets - brands	10a	4,365	4,453	-	-
Intangible assets - software, patents & trademarks	10b	4,090	3,018	-	-
Property, plant & equipment	11	32,218	33,076	-	-
Deferred tax assets	19	2,094	1,355	-	-
Amounts owed by group undertakings	27	-	-	38,237	38,237
Investments in subsidiary undertakings	12a	-	-	629,794	374,256
Other investments	12b	-	-	-	-
		257,747	256,882	668,031	412,493
Current assets					
Inventories	13	50,186	50,327	-	-
Trade and other receivables	14	293,917	237,521	22,481	8,138
Cash and cash equivalents		3,660	5,616	752	11,298
Derivative financial instruments	28	548	-	-	-
		348,311	293,464	23,233	19,436
Total assets		606,058	550,346	691,264	431,929
Current liabilities					
Trade and other payables	15	(148,905)	(123,724)	(19,441)	(2,830)
Bank overdrafts	16	(10,000)	-	-	(10,506)
Bank loan	16	-	(1,360)	-	-
Obligations under finance leases	17	(4)	(11)	-	-
Corporation tax payable		(3,317)	(2,545)	(18)	(4)
Derivative financial instruments	28	-	(14)	-	-
Short term provisions	18	(4,152)	(4,821)	-	-
		(166,378)	(132,475)	(19,457)	(13,340)
Net current assets		181,933	160,989	3,776	6,096
Non-current liabilities					
Retirement benefit obligation	20	(7,747)	(4,420)	-	-
Obligations under finance leases	17	-	(3)	-	-
Amounts owed to group undertakings	27	-	-	(363,310)	(110,237)
Long term provisions	18	(11,342)	(11,173)	-	-
		(19,089)	(15,596)	(363,310)	(110,237)
Total liabilities		(185,467)	(148,071)	(382,787)	(123,577)
Net assets		420,591	402,275	308,497	308,352
Equity					
Share capital	21	-	-	-	-
Share premium account		106,385	306,385	106,385	306,385
Hedging and translation reserves		314	-	-	-
Retained earnings		313,892	95,890	202,112	1,967
Total equity		420,591	402,275	308,497	308,352

The financial statements of Steinhoff UK Holdings Limited, registered number 3738136, were approved by the board of directors and authorised for issue on 25 March 2013

P J Dieperink
Director

STEINHOFF UK HOLDINGS LIMITED
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Share capital	Share Premium	Hedging and translation reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Group					
At 1 July 2010	-	306,385	1,003	52,962	360,350
Profit for the year	-	-	-	42,443	42,443
Dividends (note 8)	-	-	-	(2,200)	(2,200)
Share based payment charge (note 22)	-	-	-	(295)	(295)
Transfer following sale of foreign subsidiary (note 29)	-	-	(1,003)	1,003	-
Actuarial gain on retirement benefit schemes	-	-	-	1,977	1,977
At 1 July 2011	-	306,385	-	95,890	402,275
Profit for the year	-	-	-	23,956	23,956
Dividends (note 8)	-	-	-	(1,900)	(1,900)
Share based payment credit (note 22)	-	-	-	268	268
Cash flow hedge net of corporation tax	-	-	314	-	314
Reduction in share premium (note 22)	-	(200,000)	-	200,000	-
Actuarial loss on retirement benefit schemes	-	-	-	(4,322)	(4,322)
At 30 June 2012	-	106,385	314	313,892	420,591

	Share capital	Share Premium	Hedging and translation reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Company					
At 1 July 2010	-	306,385	-	1,155	307,540
Profit for the year (note 22)	-	-	-	3,012	3,012
Dividends (note 8)	-	-	-	(2,200)	(2,200)
At 1 July 2011	-	306,385	-	1,967	308,352
Profit for the year (note 22)	-	-	-	2,045	2,045
Dividends (note 8)	-	-	-	(1,900)	(1,900)
Reduction in share premium (note 22)	-	(200,000)	-	200,000	-
At 30 June 2012	-	106,385	-	202,112	308,497

STEINHOFF UK HOLDINGS LIMITED
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Cash flows from operating activities					
Operating profit		24,804	14,044	2,003	3,007
Impairment of goodwill	9	-	7,731	-	-
Amortisation of brands	10a	88	160	-	-
Amortisation of software and patents	10b	809	427	-	-
Depreciation and fixed asset impairments	11	10,716	9,688	-	-
Loss on sale of investment	12b	-	14	-	-
Share based payment	22	268	(295)	-	-
(Increase)/decrease in fair value of derivative financial instruments	28	(140)	2,543	-	-
Loss on disposal of property, plant and equipment	6	728	223	-	-
Loss on disposal of intangible assets	6	53	302	-	-
Movement on property provisions	18	(500)	169	-	-
Pension contributions paid into defined benefit scheme	20	(2,489)	(2,342)	-	-
Operating cash flows before changes in working capital		34,337	32,664	2,003	3,007
Decrease in inventories		141	4,791	-	-
(Increase)/decrease in trade and other receivables		(853)	(1,689)	-	112
(Increase)/decrease in net intercompany receivables		(24,561)	4,208	-	-
(Decrease)/increase in trade and other payables		(5,449)	1,105	27	3
Cash generated by operations		3,615	41,079	2,030	3,122
Taxation (paid)/received		(3,570)	(4,953)	(4)	15
Net cash flows generated by operating activities		45	36,126	2,026	3,137
Cash flows from investing activities					
Interest received	2	5,446	4,495	452	530
Purchase of property, plant and equipment	11	(11,668)	(9,069)	-	-
Purchase of intangible assets	10b	(1,908)	(1,317)	-	-
Proceeds on sale of investment		-	91	-	-
Proceeds on disposal of property, plant and equipment		702	527	-	-
Net proceeds on disposal of subsidiary	29	-	5,793	-	-
Net cash (outflow)/inflow for capital expenditure and financial investment		(7,428)	520	452	530
Cash flows from financing activities					
Other changes in amounts due to/from group undertakings		-	-	(224)	2,606
Repayment of bank loans		(1,360)	(1,340)	-	-
Repayment of obligations under finance leases		(10)	(14)	-	-
Interest paid	3	(1,305)	(2,816)	(394)	(521)
Dividends paid	8	(1,900)	(2,200)	(1,900)	(2,200)
Net cash flows used in financing activities		(4,575)	(6,370)	(2,518)	(115)
Net (decrease)/increase in cash and cash equivalents		(11,956)	30,276	(40)	3,552
Opening cash and cash equivalents		5,616	(24,660)	792	(2,760)
Closing cash and cash equivalents		(6,340)	5,616	752	792
Cash and cash equivalents comprised of					
- Cash and cash equivalents		3,660	5,616	752	11,298
- Bank overdrafts	16	(10,000)	-	-	(10,506)
		(6,340)	5,616	752	792

**STEINHOFF UK HOLDINGS LIMITED
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2012**

Basis of accounting

The financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

Exemption has been taken in accordance with Section 408 of the Companies Act 2006, not to produce a parent company only income statement for Steinhoff UK Holdings Limited.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 2 to 3 which describes the financial position of the group, its cash flows, liquidity position, the group'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.

As highlighted in note 16 to the financial statements, the group meets its day to day working capital requirements through a series of overdraft facilities, revolving credit facilities and intercompany loans. The current economic conditions create uncertainty particularly over the level of demand for the group's products, the exchange rate between sterling and dollar and euro and thus the consequence for the cost of the group's raw materials and goods for resale and also the availability of bank finance in the foreseeable future.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should in the foreseeable future be able to operate within the level of the current facility.

The directors have received confirmation that Steinhoff Europe AG (Austria), 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. In considering the ability of Steinhoff Europe AG (Austria), and ultimately Steinhoff International Holdings Limited's ability to provide any necessary support, the directors have obtained assurance from Steinhoff Europe AG (Austria)'s and Steinhoff International's management as to their forecasts and the continuing availability of their facilities.

After making enquiries from the parent company, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern bases in preparing the annual report and accounts.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Steinhoff UK Holdings Limited and its subsidiary undertakings made up to 30 June each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition up to the effective date of disposal as appropriate.

The subsidiary financial statements are generally prepared under the same accounting policies as those used by the group. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The trading subsidiary companies involved in retail have accounting periods which end on the Saturday nearest to the end of June. The consolidated income and expenditure account includes 53 weeks trading in the year ending 30 June 2012 and 52 weeks in the year ending 30 June 2011 in these subsidiaries.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given and liabilities incurred or assumed in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially recognised at cost, being the excess of the cost of acquisition over the fair values of the identifiable net assets acquired. Any deficiency of the cost of acquisition below the fair values of the identifiable assets acquired is credited to the income statement.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and trade and assets represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently remeasured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary 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.

STEINHOFF UK HOLDINGS LIMITED
STATEMENT OF ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 30 JUNE 2012

Other intangible assets

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.

Other intangible assets are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

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.

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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

The group as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Borrowing costs

All borrowing costs are recognised as expenses in the period in which they are incurred.

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 group'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 balance sheet 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 comprehensive income. 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 balance sheet 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.

Share based payments

The group has applied the requirements of IFRS 2 'Share based payment'. Certain directors of the group 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, and the amount attributable to this group is credited or charged to the Income Statement. Steinhoff International Holdings Limited does not recharge the UK group for these services so an amount equal to the annual charge/credit is charged/credited directly to reserves in accordance with IFRS 2.

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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet 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 balance sheet 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.

The carrying amount of deferred tax is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of that asset to be recovered.

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.

STEINHOFF UK HOLDINGS LIMITED
STATEMENT OF ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 30 JUNE 2012

Taxation (continued)

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 group intends to settle its current tax assets and liabilities on a net basis

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

<i>Land, buildings & structural assets</i>	
Freehold and long-leasehold buildings	2% per annum
Short-leasehold interests	Term of lease
Structural assets	Term of lease
<i>Equipment and vehicles</i>	
Equipment, fixtures and fittings	10-25% per annum
Display assets	50% per annum
Vehicles	20-25% per annum
Plant & machinery	6.67-20% per annum

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, over the term of the relevant lease. 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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group 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 group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 (or 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 (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the purchase price of materials and goods for resale. 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.

Financial Instruments

Derivative financial instruments

The group enters into forward foreign exchange contracts to manage exposure to foreign exchange rate risk. Further details of these derivative financial instruments are disclosed in note 28 to the financial statements. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of foreign currency risk of firm commitments (cash flow hedges).

Hedge accounting

The Group designates certain hedging instruments in respect of foreign currency risk on firm commitments as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item. Note 28 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are detailed in the statement in changes of equity.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in overheads. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Trade receivables

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

STEINHOFF UK HOLDINGS LIMITED
STATEMENT OF ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 30 JUNE 2012

Financial Instruments (continued)

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

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 group after deducting all of its liabilities

Trade payables

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

Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs

Foreign currency

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the company, and the presentation currency for the consolidated financial statement

In preparing the financial statements the individual companies' transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period

Provisions

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

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

Property provisions

Provisions for property related costs require management to make judgements and estimates in relation to the level of provision required and the length of time for which provisions may be required. The provisions are reviewed regularly in the light of the most current information available

Pension scheme

Valuations of the group'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 20

Goodwill and trademarks

The calculation for considering the impairment of the carrying amount of goodwill and trademarks 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 consolidated balance sheet. 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

Standards and Interpretations

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 group's financial statements

- Annual Improvements to IFRSs 2009-2011 Cycle (May 2012),
- Amendments to IAS 32 (December 2011) Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 7 (December 2011) Disclosures – Offsetting Financial Assets and Financial Liabilities,
- IFRS 9 Financial Instruments,
- Amendments to IAS 1 (June 2011) Presentation of Items of Other Comprehensive Income,
- IAS 19 (revised June 2011) Employee Benefits,
- IFRS 13 Fair Value Measurement,
- IFRS 12 Disclosure of Interests in Other Entities,
- IFRS 11 Joint Arrangements,
- IFRS 10 Consolidated Financial Statements,
- IAS 28 (revised May 2011) Investments in Associates and Joint Ventures,
- IAS 27 (revised May 2011) Separate Financial Statements, and
- Amendments to IAS 12 (December 2010) Deferred Tax Recovery of Underlying Assets

STEINHOFF UK HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1 Revenue	2012	2011
An analysis of the group's revenue, all of which is attributable to continuing operations, is as follows	£'000	£'000
Retail of furniture and beds	433,868	422,471
Manufacture of beds and other foam products	33,775	32,430
Logistics	2,060	4,448
	469,703	459,349
2 Interest income	2012	2011
	£'000	£'000
Interest receivable on loans to related parties	5,378	4,495
Other interest receivable	70	-
	5,448	4,495
3 Finance costs	2012	2011
	£'000	£'000
Bank loan and overdrafts	682	514
Finance leases	1	2
Interest payable on loans from related parties	642	2,300
	1,305	2,816
4 Staff costs	2012	2011
	Number	Number
The average monthly number of employees (including executive directors) was		
Selling and distribution	2,788	3,097
Production & logistics	812	730
Administration	453	493
	4,051	4,320
Their aggregate remuneration comprised	£'000	£'000
Wages and salaries	91,350	92,209
Social security costs	8,540	8,829
Pension costs (note 20)	936	1,068
	100,826	102,106
5 Directors' emoluments and transactions	2012	2011
	£'000	£'000
The remuneration of executive directors, who are the key management of the group, is set out in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures"		
Short term employee benefits	443	756
Post employment benefits	27	64
Aggregate directors' emoluments	470	820
Number of directors who were members of defined contribution scheme	1	2
Certain directors of the company are members of the Steinhoff International Holdings Limited share incentive scheme During the year no (2011 no)		
director exercised options under this scheme		
Highest paid director's emoluments	2012	2011
	£'000	£'000
Emoluments	443	470
No directors are members of the defined benefit pension scheme		
No director is beneficially entitled in any significant contract to which the company or a subsidiary was a party during the year		
The emoluments of Messrs Grobler, Van der Merwe, Jooste and Odendaal were paid by Steinhoff International Holdings Limited It is not practicable to split their remuneration received to state the amount which relates to services for the Steinhoff UK group Mr Sussman does not receive any emoluments from the group		

STEINHOFF UK HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

6 Profit before taxation

	2012 £'000	2011 £'000
Profit for the year has been arrived at after charging/(crediting)		
Cost of inventories recognised as an expense	213,510	193,161
Cost of inventories written off recognised as an expense	2,459	1,975
Foreign exchange (gains)/losses	(819)	1,412
Depreciation of property, plant and equipment - owned assets (note 11)	8,794	9,216
Depreciation of property plant and equipment - leased assets (note 11)	5	5
Impairment of property, plant & equipment (note 11)	1,917	467
Amortisation of intangible assets (note 10)	897	587
Impairment of goodwill (note 9)	-	7,731
Operating lease rentals - leasehold properties (note 25)	38,844	43,882
Operating lease rentals - other assets (note 25)	5,494	5,829
Staff costs (note 4)	100,826	102,106
Loss on disposal of property, plant & equipment	728	223
Loss on disposal of intangible assets	53	302

Auditor's remuneration

	2012 £'000	2011 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	21	23
Fees payable to the company's auditor for the audit of the company's subsidiaries pursuant to legislation	337	336
Total audit fees	358	359
Fees payable to the company's auditor and their associates for other services to the group	£'000	£'000
Tax compliance services	30	44
Other services	15	243
Total non-audit fees	45	287

Fees payable to the company's auditor and their associates for non-audit services to the company are not required to be disclosed because financial statements are required to disclose such fees on a consolidated basis

7 Taxation

	2012 £'000	2011 £'000
<i>Current tax charge</i>		
UK corporation tax on profit for the year	(3,285)	(3,787)
Difference in respect of prior years' corporation tax	(949)	699
	(4,234)	(3,088)
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 19)	29	30,727
Origination and reversal of timing differences on pension scheme liabilities (note 19)	(655)	(750)
	(626)	29,977
Total taxation (charge)/credit	(4,860)	26,889

The tax for the year can be reconciled to the profit per the Income statement as follows

	2012	2011
Profit before taxation	28,816	15,554
Tax at the current UK corporation tax rate of 25.5% (2011: 27.5%)	(7,348)	(4,277)
Expenses not deductible for tax purposes	(168)	(2,067)
UK corporation tax on capital gains	(22)	-
Reversal of deferred tax liability relating to brands	-	30,862
Movement in deferred tax asset not recognised	3,723	1,979
Change in corporation tax rates	(103)	-
Prior year tax difference	(952)	392
Total taxation (charge)/credit	(4,860)	26,889

In addition to the amount charged to the income statement a deferred tax credit of £1,365,000 (2011: charge of £695,000) relating to the actuarial loss (2011: gain) on the group's defined benefit pension schemes has been credited (2011: charged) directly to equity

During the prior year, the group disposed of certain trademarks as a going concern sale to a fellow subsidiary of Steinhoff International Limited. Since no tax liability arose on the disposal, the related deferred tax liability was released.

The UK Government announced a reduction in the UK corporation tax rate from 24% to 23% from 1 April 2013. As this was not substantively enacted until 17 July 2012, the deferred tax balances have been stated using the rate in operation at 30 June 2012 of 24%. The reduction in the balance sheet carrying value of deferred tax assets and liabilities to reflect the rate of tax of 24% has resulted in a current year tax charge of £103,000.

The UK Government has indicated that it intends to enact a further reduction in the main tax rate down to 21% by 1 April 2014. Future rate reductions would further reduce the UK deferred tax assets and liabilities recognised but the actual impact will be dependent on the deferred tax position at the time.

STEINHOFF UK HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

	2012 £'000	2011 £'000
8 Dividends		
Amounts recognised as distributions to equity holder in the year		
Dividend paid for the year ended 30 June 2012 of £18,627.45 (2011: £21,568.63) per share	1,900	2,200

9 Goodwill	Group 30 June 2012 £'000	Group 30 June 2011 £'000
Cost		
At start and end of year	222,711	222,711
Accumulated impairment losses		
At start of year	7,731	-
Impairment loss	-	7,731
At end of year	7,731	7,731
Book value		
At end of year	214,980	214,980
At start of year	214,980	222,711

Following the closure of several stores in Northern Ireland and Republic of Ireland in the prior year, management performed an impairment review on the goodwill which arose on the acquisition of the Reid business. Following this review, management concluded that the goodwill arising on the acquisition of the Reid business should be impaired by £7,731,000, to its value in use.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying value of goodwill has been allocated as follows:

	2012 £'000	2011 £'000
Retail of furniture and beds	203,308	203,308
Manufacture of beds, bedroom furniture and other foam products	3,186	3,186
Logistics	8,486	8,486
	214,980	214,980

Goodwill 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 three financial years including an assumption of ongoing marketing support from Steinhoff Europe, and an assumption of growth thereafter, of:

	2012	2011
Retail of furniture and beds	2.70%	2.70%
Manufacture of beds, bedroom furniture and other foam products	2.70%	2.70%
Logistics	2.70%	2.70%

The growth rates are based on management estimates taking into account current trading performance and expected future economic conditions. Anticipated growth is the same as in the previous period despite the challenging economic conditions as there are opportunities to increase market share as several competitors have ceased trading.

Cash flows are discounted at a weighted average cost of capital of 5.63% (2011: 6.26%). The directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money.

The results of the calculations are then subject to sensitivity tests in assessing whether any impairment is required. Management have concluded that no further impairment is required.

10a Intangible assets - brands

	Group 30 June 2012 £'000	Group 30 June 2011 £'000
Cost		
At start of year	4,856	115,077
Disposals	-	(110,221)
At end of year	4,856	4,856
Amortisation		
At start of year	403	243
Charge for the year	88	160
At end of year	491	403
Book value		
At end of year	4,365	4,453
At start of year	4,453	114,834

During the prior year, the group disposed of certain trademarks as part of a going concern sale at book value relating to Homestyle Group Operations Limited to a fellow subsidiary of Steinhoff International Holdings Limited.

STEINHOFF UK HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

10a Intangible assets - brands (continued)

The brands arose on the acquisition of subsidiary undertakings. The values of the brands relate to the acquisition of

	30 June 2012 £'000	30 June 2011 £'000
Homestyle Operations Limited	3,390	3,390
Unitrans Limited	975	1,063

Brands are reviewed annually for impairment using the same assumptions applied to the goodwill impairment test (note 9). Management have concluded that no impairment is required.

10b Intangible assets - software, patents & trademarks

	Group 30 June 2012 £'000	Group 30 June 2011 £'000
At start of year	6,038	2,073
Additions	1,906	1,317
Disposals	(72)	(302)
Disposal of subsidiary (Note 29)	-	(11)
Transfer from property, plant & equipment	129	2,961
At end of year	8,001	6,038
Amortisation		
At start of year	3,020	319
Charge for the year	809	427
Disposals	(19)	-
Transfer from property, plant & equipment	101	2,274
At end of year	3,911	3,020
Book value		
At end of year	4,090	3,018
At start of year	3,018	1,754

11 Property, plant & equipment - group

	Land, buildings and structural assets £'000	Plant and machinery £'000	Equipment and vehicles £'000	Total £'000
Cost				
At 1 July 2011	23,630	8,732	81,527	113,889
Additions	4,654	680	6,334	11,668
Transfer between categories	(3,014)	-	3,014	-
Transfer to intangible assets	(27)	-	(102)	(129)
Disposals	(3,574)	-	(11,412)	(14,986)
At 30 June 2012	21,669	9,412	79,361	110,442
Accumulated depreciation				
At 1 July 2011	11,006	5,588	64,219	80,813
Charge for year	1,426	523	6,850	8,799
Impairment	-	-	1,917	1,917
Transfer to intangible assets	(15)	-	(86)	(101)
Disposals	(1,838)	-	(11,366)	(13,204)
At 30 June 2012	10,579	6,111	61,534	78,224
Carrying amount				
At 30 June 2012	11,090	3,301	17,827	32,218
At 1 July 2011	12,624	3,144	17,308	33,076

STEINHOFF UK HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

11 Property, plant & equipment - group (continued)

	Land, buildings and structural assets	Plant and machinery	Equipment and vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2010	29,447	9,923	83,578	122,948
Additions	7,402	499	1,168	9,069
Disposal of subsidiary (Note 29)	(3,320)	(1,643)	(576)	(5,539)
Transfer between categories	(6,582)	-	6,582	-
Transfer to intangible assets	-	-	(2,961)	(2,961)
Disposals	(3,317)	(47)	(6,264)	(9,628)
At 30 June 2011	23,630	8,732	81,527	113,889
Depreciation				
At 1 July 2010	12,353	6,270	65,234	83,857
Charge for year	1,302	475	7,444	9,221
Impairment	-	-	467	467
Disposal of subsidiary (Note 29)	-	(1,125)	(455)	(1,580)
Transfer to intangible assets	-	-	(2,274)	(2,274)
Disposals	(2,649)	(32)	(6,197)	(8,878)
At 30 June 2011	11,006	5,588	64,219	80,813
Net book amount				
At 30 June 2011	12,624	3,144	17,308	33,076
At 1 July 2010	17,094	3,653	18,344	39,091

The net book value of tangible fixed assets include £39,000 (2011 £44,000) in respect of equipment and vehicles held under finance leases and hire purchase contracts

12a Investments in subsidiaries

	Company 30 June 2012 £'000	Company 30 June 2011 £'000
Shares in subsidiary undertakings		
At start of year	374,256	274,256
Additions	255,538	100,000
At end of year	629,794	374,256

Principal group investments

The parent company has investments in the following subsidiary undertakings which principally affected the profits or net assets of the group. Those investments which are not significant have been omitted

Company	Principal activity	Year end date	Country of incorporation	Proportion of ownership	
				2012	2011
Homestyle Group Operations Limited	Property management	30 June	United Kingdom	100%	100%*
Homestyle Operations Limited	Retail	30 June	United Kingdom	100%	100%
Steinhoff UK Group Properties Limited	Property management	30 June	United Kingdom	100%	100%*
Steinhoff UK Upholstery Limited	Import/distribution	30 June	United Kingdom	100%*	100%*
Relyon Limited	Manufacture	30 June	United Kingdom	100%*	100%*
Pntex Limited	Manufacture	30 June	United Kingdom	100%*	100%*
Unitrans Limited	Logistics	30 June	United Kingdom	100%*	95%*

* owned via subsidiary companies

The company has 100% of the voting rights in all of the above companies (2011 same)

As described in the statement of accounting policies, the year end for the retail and property operations is the last Saturday of the reporting year in line with industry practices

During the year, Homestyle Group Operations Limited and Steinhoff UK Group Properties Limited were purchased by the company from Steinhoff UK Retail Limited, a subsidiary of the company, for £253,073,000 and £2,465,000 respectively. These transactions have had no effect on the group's consolidated results.

Also during the year a subsidiary of the company acquired the remaining shares in the company which owns Unitrans Limited, which is now owned 100% by the group.

During the prior year, Relyon Holland B.V. (formerly Norma Boxmeer B.V.) was sold to a fellow subsidiary of Steinhoff International Holdings Limited (see note 29). There was no gain or loss on the sale for the group.

On 24 December 2010, the trade and assets of Homestyle Group Operations Limited were ultimately transferred into Homestyle Operations Limited. Homestyle Group Operations Limited then ceased all retail activities and became a property management company.

Also during the prior year, Homestyle Operations Limited (formerly J.W. Carpenter Limited) issued 1 million 0.1p shares for consideration of £100 million.

STEINHOFF UK HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
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	Group 30 June 2012 £'000	Group 30 June 2011 £'000
12b Other investments		
Cost		
At start of year	-	219
Disposals	-	(219)
At end of year	-	-
Provision		
At start of year	-	114
Disposals	-	(114)
At end of year	-	-
Carrying amount		
At end of year	-	-
At start of year	-	105

During the prior year, the investment was sold for £91,000 to a third party

13 Inventories	Group 30 June 2012 £'000	Group 30 June 2011 £'000	Company 30 June 2012 £'000	Company 30 June 2011 £'000
Raw materials	2,430	1,862	-	-
Work in progress	1,015	851	-	-
Goods for resale	46,741	47,614	-	-
	50,186	50,327	-	-
14 Trade and other receivables	Group 30 June 2012 £'000	Group 30 June 2011 £'000	Company 30 June 2012 £'000	Company 30 June 2011 £'000
Trade receivables	10,050	9,135	-	-
Less provision for impairment of receivables	(655)	(1,618)	-	-
	9,395	7,517	-	-
Amounts owed by group undertakings	-	-	22,481	8,138
Amounts owed by related companies	258,444	202,901	-	-
Other receivables	3,723	2,957	-	-
Other tax recoverable	6,142	2,958	-	-
Prepayments and accrued income	16,213	21,188	-	-
	293,917	237,521	22,481	8,138

The majority of the group's sales are paid for in cash or by debit/credit card. The average credit period on sales of goods, where credit is given, is between 30 and 60 days. The provision for trade receivables is estimated by the group's management based on prior experience and the current economic environment.

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14 Trade and other receivables (continued)

Included in the group's trade receivable balance are debtors with a carrying amount of £571,000 (2011 £624,000) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the group believes that the amounts are still considered recoverable. The group does not hold any collateral over these balances. The average age of these receivables is between 1 and 3 months overdue (2011 less than 1 month overdue).

Amounts owed by group undertakings are incurred in the normal course of trading and the directors consider there to be no significant credit risk. They are neither impaired nor overdue.

Movement in the allowance for doubtful debts	2012 £'000	2011 £'000
At the start of the year	1,618	1,657
On disposal of subsidiary	-	(81)
Amounts written off in the year	(81)	(810)
Amounts recovered in the year	(840)	-
(Decrease)/increase in allowance recognised in the income statement	(262)	852
At the end of the year	655	1,618

In determining the recoverability of the trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk on third party debt is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are specific trade receivables with a balance of £93,000 (2011 £50,000) due from companies which have been placed under liquidation. These balances have been fully provided for.

The ageing of receivables is	2012 £'000	2012 %	2011 £'000	2011 %
Neither past due nor impaired	277,133	99.8%	215,709	99.7%
Past due up to 3 months but not impaired - trade debts	571	0.2%	624	0.3%
Past due by over 3 months but not impaired - trade debts	-	0.0%	-	0.0%
	277,704	100%	216,333	100%

The ageing of impaired trade receivables is	2012 £'000	2011 £'000
60-90 days overdue	62	38
90-120 days overdue	38	31
120+ days overdue	313	369
	413	438

	Group 30 June 2012 £'000	Group 30 June 2011 £'000	Company 30 June 2012 £'000	Company 30 June 2011 £'000
15 Trade and other payables - less than one year				
Trade payables	52,760	55,988	-	-
Amounts owed to group undertakings	-	-	19,365	2,781
Amounts owed to related companies	32,460	1,478	-	-
Other payables	4,901	6,585	-	-
Other taxes payable	2,506	2,260	-	-
Customer deposits received	21,684	22,960	-	-
Accruals and deferred income	34,604	34,453	78	49
	148,905	123,724	19,441	2,830

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

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

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	Group 30 June 2012 £'000	Group 30 June 2011 £'000	Company 30 June 2012 £'000	Company 30 June 2011 £'000
18 Bank overdrafts and other loans				
Bank overdrafts	10,000	-	-	10,506
Bank loans	-	1,360	-	-
	<u>10,000</u>	<u>1,360</u>	<u>-</u>	<u>10,506</u>
The borrowings are repayable as follows	£'000	£'000	£'000	£'000
On demand or within one year	10,000	1,360	-	10,506
Between two and five years	-	-	-	-
	<u>10,000</u>	<u>1,360</u>	<u>-</u>	<u>10,506</u>

Bank borrowings are arranged at floating interest rates linked to bank base rate, thus exposing the group to interest rate risk. All bank borrowings are in sterling so no exposure to exchange rate risk arises.

	30 June 2012	30 June 2011
The average interest rates in the year were		
Bank overdrafts	3.2%	3.3%
Bank loans	<u>1.5%</u>	<u>1.4%</u>

Bank overdrafts and revolving credit facilities are repayable on demand. At the year end, there was a £20 million facility (2011: £50 million).

A bank loan of £9.4 million was taken out in 2005. The last payment was made during the year.

At 30 June 2012 the group had available £10 million (2011: £50 million) of undrawn committed facilities in respect of which all conditions precedent had been met.

	Minimum lease payments 30 June 2012 £000	Present value 30 June 2012 £000	Minimum lease payments 30 June 2011 £000	Present value 30 June 2011 £000
17 Obligations under finance leases				
Amounts payable under finance leases				
Within one year	4	4	11	10
In the second to fifth years inclusive	-	-	3	3
	<u>4</u>	<u>4</u>	<u>14</u>	<u>13</u>
Less future finance charges	-	-	(1)	-
Present value of finance lease obligations	<u>4</u>		<u>13</u>	

All lease obligations are denominated in sterling. The fair value of the group's lease obligations approximates to their carrying amount.

The group's obligations under finance leases are secured by the lessor's charges over the leased assets.

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18 Provisions - group

	30 June 2012 £000	30 June 2011 £000
At start of year	15,994	15,825
Released during the year	(1,735)	(2,077)
Charged during the year	2,027	3,524
Utilisation of provision	(792)	(1,278)
At end of year	15,494	15,994
	30 June 2012 £000	30 June 2011 £000
Included in current liabilities	4,152	4,821
Included in non-current liabilities	11,342	11,173
Total provisions	15,494	15,994

All provisions are property provisions and are raised for future rental costs where properties are vacant, and for expected committed costs exceeding contribution where a store is loss making. The provision is calculated based on the remaining term of the lease or estimated date of assignment if earlier.

The group also provides for dilapidations where expenditure is expected to be incurred to restore leasehold premises to the condition required under individual lease agreements at the end of their term.

19 Deferred tax asset

The major deferred tax liabilities and assets recognised by the group, and movements thereon are

	Retirement benefit obligations £'000	Intangible assets brands £'000	Short term timing differences - asset £'000	Short term timing differences - liability £'000	Total £'000
At 1 July 2010	2,594	(30,862)	304	(409)	(28,373)
(Charge)/credit to income (note 7)	(750)	30,862	(98)	(37)	29,977
Disposal of subsidiary (note 29)	-	-	-	446	446
Charge to equity	(695)	-	-	-	(695)
At 1 July 2011	1,149	-	206	-	1,355
(Charge)/credit to income (note 7)	(655)	-	29	-	(626)
Credit to equity	1,365	-	-	-	1,365
At 30 June 2012	1,859	-	235	-	2,094

The deferred tax asset arising from short term timing differences includes £464,000 (2011: £408,000) relating to the share based payments under the Steinhoff International Holdings Limited share option scheme. This arises on timing differences between the annual charge or credit recorded in the income statement and the actual corporation tax deduction taken when options are exercised.

During the prior year, the group disposed of trademarks as part of a going concern sale to a fellow subsidiary of Steinhoff International Limited. Since no tax liability arose on the disposal, the related deferred tax liability was released.

The company itself has no deferred tax asset or liability.

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	2012 £'000	2011 £'000
19 Deferred tax (continued)		
At the balance sheet date the group had the following unprovided deferred tax assets		
Depreciation in excess of capital allowances	6,434	4,033
Tax losses carried forward	4,747	4,511
Short-term timing differences	1,350	2,285
	12,531	10,829

A deferred tax asset has not been recognised in respect of these losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

20 Retirement benefits

Defined contribution schemes

The group operates three defined contribution pension schemes (company - nil). The assets of the schemes are held separately from those of the company and group in funds under the control of trustees.

The total cost charged to the income statement of £936,000 (2011: £1,068,000) represents contributions payable to these schemes by the group at rates specified in the rules of the schemes.

Defined benefit schemes

The group operates two defined benefit pension schemes (company - nil). 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 group originally operated eight defined benefit schemes, which were closed to future accrual of benefits during 2006. At that time, all active members became deferred members. Seven of these eight schemes were merged in October 2007.

Major financial assumptions for the IAS 19 valuation were	2012 %	2011 %
<i>Assumptions (% per annum)</i>		
Discount rate	4.65	5.50
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in payment (RPI)	2.75	3.40
Rate of increase in pensions in payment (CPI)	1.80	2.65
Rate of increase in deferred pensions	1.80	2.70
Inflation (RPI) assumption	2.80	3.50
Inflation (CPI) assumption	1.80	2.70
Expected rate of return on assets	6.14	6.92

The following table shows assumed life expectancies for example members at 30 June. The underlying mortality tables at 30 June 2012 and 30 June 2011 are based on the published SAPS tables with 113%/109% loading for pensioners/non-pensioners and with CMI improvements tending to 1% from 2010.

<i>Life expectancy (yrs)</i>	2012	2011
Current pensioner aged 65 (male)	21.2	21.1
Current pensioner aged 65 (female)	23.3	23.2
Future pensioner aged 65 in 10 years (male)	22.2	22.1
Future pensioner aged 65 in 10 years (female)	24.4	24.3

At 30 June 2012, members have been assumed to take 85% of the maximum allowable amount of tax-free cash at retirement. The remaining demographic assumptions at 30 June 2012 are the same as those used for the 31 December 2010 actuarial valuation of the merged scheme.

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20 Retirement benefits (continued)

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

	Expected rate of return (gross of expenses)	Fair value	Expected rate of return (gross of expenses)	Fair value
	2012	2012	2011	2011
	%	£000	%	£000
Equities	7.00%	21,647	7.75%	22,676
Diversified Growth Fund	7.00%	19,669	7.75%	18,210
Bonds	4.65%	23,224	5.5%	23,277
Cash	3.0%	15	3.0%	180
Total market value of assets		64,555		64,343
Less deferred tax		(15,493)		(16,729)
		49,062		47,614
Present value of scheme liabilities		72,302		68,763
Less deferred tax		(17,352)		(17,878)
		54,950		50,885
Net pension liability under IAS 19		(5,888)		(3,271)
Included in non-current assets (note 19)		1,859		1,149
Included in non-current liabilities		(7,747)		(4,420)
Total		(5,888)		(3,271)

The expected return on assets assumption has been derived by considering the appropriate return for each of the main asset classes listed above. The yields assumed on bond investments are based on published redemption yields at the balance sheet date. The assumed return on equities and diversified growth funds reflects an allowance for the expected outperformance of these asset classes over government bonds in the long-term. The expected rate of returns are gross of expenses.

	30 June 2012 £000	30 June 2011 £000
Analysis of amount charged to the Income Statement		
Total charge to operating profit	-	-
Net interest		
Expected return on scheme assets	3,537	3,535
Interest on scheme liabilities	(3,666)	(3,704)
Net charge	(129)	(169)
Amounts charged to the Income Statement	(129)	(169)
Statement of Comprehensive Income		
Actual less expected return on assets	(1,595)	476
Experience gains	-	242
Change in assumptions (loss)/gain	(4,092)	1,954
Actuarial (loss)/gain recognised before tax	(5,687)	2,672
Pre tax cumulative amount of (losses) and gains recognised in the statement of comprehensive income	(4,324)	1,363
Movement in deficit during the year		
Deficit in scheme at beginning of year	(4,420)	(9,265)
Contributions	2,489	2,342
Other finance expense	(129)	(169)
Actuarial (loss)/gain	(5,687)	2,672
Deficit in scheme before deferred tax	(7,747)	(4,420)
Deferred tax	1,859	1,149
Deficit in scheme at end of year net of deferred tax	(5,888)	(3,271)

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Details of experience gains and losses					
Scheme assets	64,555	64,343	60,677	49,858	54,685
Scheme liabilities	(72,302)	(68,763)	(69,942)	(58,800)	(62,013)
Deficit before tax	(7,747)	(4,420)	(9,265)	(8,942)	(7,328)
Experience gain on plan liabilities	-	242	-	-	3,223
Experience (loss)/gain on scheme assets	(1,595)	476	8,855	(7,794)	(7,883)

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20 Retirement benefits (continued)

	Group 30 June 2012 £000	Group 30 June 2011 £000
Movements in the present value of defined benefit obligations were as follows		
At 1 July	68,763	69,942
Interest expense	3,668	3,704
Actuarial loss/(gain)	4,092	(2,196)
Benefits paid	(4,219)	(2,687)
At 30 June	<u>72,302</u>	<u>68,763</u>
Movements in the fair value of scheme assets were as follows		
At 1 July	64,343	60,677
Expected return on scheme assets	3,637	3,535
Actuarial (loss)/gain	(1,595)	476
Employer contributions	2,489	2,342
Benefits paid	(4,219)	(2,687)
At 30 June	<u>64,655</u>	<u>64,343</u>
Actual return on assets	<u>1,942</u>	<u>4,011</u>

Group contributions to the defined benefit schemes for the year to 30 June 2013 are expected to be around £2.5 million (including scheme-related expenses)

The forthcoming changes to IAS 19 will be effective for the group's accounts for the year ending 28 June 2014. Retrospective adoption is required and so the prior year will be 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 group estimates that, based on the results for the year ending 30 June 2012, the effect of the IAS 19 amendment will be to increase the total amount charged to the Income Statement by around £0.9 million. The net pension liability will be unaffected by the changes.

21 Share capital

	Group & company 30 June 2012 £	Group & company 30 June 2011 £
Issued and fully paid		
102 ordinary shares of £1 each (2011: 102)	<u>102</u>	<u>102</u>

22 Statement of changes in equity

The adjustments arising from share based payments arise from accounting under IFRS 2 in respect of the Steinhoff International Group's share option scheme. It has been agreed that the group will not be required to reimburse the parent company for services received under this scheme. Amounts charged to the income statement of £268,000 (June 2011: amounts credited of £295,000) were therefore credited to reserves (June 2011: debited to reserves).

On 28 September 2011, the company reduced its share premium by £200 million. The reserve arising from the reduction was credited to retained earnings in accordance with section 642 of the Companies Act 2006.

The profit for the financial year in the accounts of Steinhoff UK Holdings Limited was £2,045,000 (2011: £3,012,000). As provided by Section 408 of the Companies Act 2006, no income statement is presented in respect of Steinhoff UK Holdings Limited.

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

The currency reserve was released in the prior year following the sale of the group's only foreign subsidiary (see note 29).

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23 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 year end was limited to £20,000,000 (2011: £51,380,000). After the year end, the group's potential liability reduced to £10,000,000.

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

24 Capital commitments

Capital expenditure contracted for by the group but not provided in the accounts at 30 June 2012 amounted to £1,455,000 (2011: £805,000).

The company had no capital commitments at 30 June 2012 (2011: same).

25 Operating lease arrangements

	30 June 2012 £000	30 June 2011 £000
Group as lessee		
Lease payments under operating leases recognised as an expense during the year	44,338	49,711

At the balance sheet date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Land & Buildings 30 June 2012 £000	Plant & Machinery 30 June 2012 £000	Land & Buildings 30 June 2011 £000	Plant & Machinery 30 June 2011 £000
The group as lessee				
Amount falling due				
Within one year	32,295	3,453	33,241	3,779
Between two and five years	110,049	4,504	114,394	5,648
After five years	114,037	319	127,407	1,241
Total	256,381	8,276	275,042	10,668

Lease commitments are non-cancellable in respect of vehicles and on short and long term leases in respect of certain land and buildings.

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and certain repair costs.

The group as lessor

At the balance sheet date, the group had contracts with sub-tenants for the following total future minimum lease rentals:

	30 June 2012 £000	30 June 2011 £000
Amount falling due		
Within one year	-	5

Company

The company had no lease commitments either as a lessee or lessor at 30 June 2012 or 30 June 2011.

26 Parent company and ultimate controlling party

The company is a wholly-owned subsidiary undertaking of Steinhoff Europe AG, a company registered in Austria.

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

The largest 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. These Steinhoff UK Holdings Limited group accounts consolidate the smallest group of which the Steinhoff UK Holdings Limited company is a member.

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27 Related party transactions

Group

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associates in the Steinhoff International Holdings Limited group are disclosed below.

	Sales of goods/ services £000	Purchase of goods/ services £000	Net interest income /(expense) £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Year ended 30 June 2012					
Fellow subsidiaries in the Steinhoff International group	61,432	6,152	5,376	258,444	(506)
Parent company	-	-	(842)	-	(31,954)
Total	61,432	6,152	4,734	258,444	(32,480)
Year ended 30 June 2011					
Fellow subsidiaries in the Steinhoff International group	61,579	4,068	2,194	202,901	(1,478)
Parent company	-	-	-	-	-
Total	61,579	4,068	2,194	202,901	(1,478)
Company					
Year ended 30 June 2012					
Fellow subsidiaries in the Steinhoff International group	-	-	-	38,237	(383,310)
- non-current	-	-	-	-	-
- current	2,029	-	254	22,481	(19,365)
Total	2,029	-	254	60,718	(382,675)
Year ended 30 June 2011					
Fellow subsidiaries in the Steinhoff International group	-	-	-	38,237	(110,237)
- non-current	-	-	-	-	-
- current	3,167	-	268	8,138	(2,781)
Total	3,167	-	268	46,375	(113,018)

All transactions are made on an arms length basis. The amounts outstanding are unsecured. No guarantees have been given or received in respect of the intercompany balances, except as disclosed in note 23.

28 Financial Instruments

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.

	Group 30 June 2012 £000	Group 30 June 2011 £000	Company 30 June 2012 £000	Company 30 June 2011 £000
Categories of financial instruments				
Derivative financial instruments				
Foreign currency contracts designated as hedging instrument carried at fair value	422	-	-	-
Time value of foreign currency options carried at fair value through profit and loss	128	-	-	-
	548	-	-	-
Financial assets at amortised cost				
Cash	3,660	5,816	752	11,298
Loans and receivables				
- Trade receivables	9,395	7,517	-	-
- amounts due from related companies/group undertakings	258,444	202,901	60,718	46,375
- other receivables	3,723	2,957	-	-
	275,222	218,991	61,470	57,673
Derivative financial instruments				
Foreign currency contracts and options	-	14	-	-
Financial liabilities at amortised cost				
Bank overdrafts	10,000	-	-	10,506
Bank loans	-	1,360	-	-
Trade payables	52,750	55,988	-	-
Amounts owed to related companies/group undertakings	32,480	1,478	382,675	113,018
Other payables	4,901	6,585	-	-
	100,111	65,411	382,675	123,524

The fair values of financial instruments have been determined by reference to prices available from the markets on which the instruments are traded. These are considered to be Level One in classification.

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28 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 group. The board and the audit and risk management committee are provided with a consolidated view of the risk profile of the group. 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 key risks and the effectiveness of controls.

The group does not speculate with derivatives or other financial instruments. The Steinhoff UK central finance function communicates with operating subsidiaries and consolidates the group'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. This central function is operated within a subsidiary, therefore there is no impact on this company.

Market risk

The group's activities expose it to both interest rate and foreign currency risk. Interest rate risk is managed centrally through the Steinhoff International group's central treasury. Group cash resources are matched with the net funding requirements sourced from three sources namely internally generated funds, the Steinhoff UK group facilities, and the Steinhoff International group resources.

The foreign currency risk is managed centrally at the Steinhoff UK group level. The group manages the foreign currency risk associated with foreign currency purchases through the use of forward contracts as a commercial hedge.

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

Foreign currency risk management

The majority of the group's goods for resale are sourced from outside the United Kingdom and as such the group is exposed to the fluctuation in exchange rates. To the extent that the group contracts to purchase goods in a foreign currency, forward cover is purchased in line with group guidelines. The impact of exchange rate fluctuation on pricing is closely monitored, and if necessary, increasing costs are factored into future sales prices.

The Steinhoff UK group foreign currency requirement is reviewed on a weekly basis and forward cover is purchased to cover expected usage in line with guidelines issued by Steinhoff International Holdings Limited.

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

	Assets		Liabilities	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	£000	£000	£000	£000
US Dollar	2,557	1,570	(7,082)	(9,962)
Euro	2,444	2,029	(546)	(12)

Foreign currency sensitivity

The group is mainly exposed to US Dollars and Euros. The following table details the group's sensitivity to a percentage change in pounds sterling against these currencies. The sensitivity analysis of the group's exposure to foreign currency risk at the reporting date has been determined based on a 10% change taking place at the beginning of the financial period and held constant throughout the reporting period.

Profit/(Loss)	Weakening Pound		Strengthening pound	
	2012	2011	2012	2011
	£000	£000	£000	£000
US Dollar 10%	(10,627)	(7,260)	10,607	7,680
Euro 10%	(77)	(781)	77	765

Forward exchange contracts

The group uses forward exchange contracts to hedge its foreign currency risk against sterling. The forward exchange contracts have maturities of less than one year after balance sheet date. As a matter of policy, the group does not enter into derivative contracts for speculative purposes. The details of such contracts at year-end, by currency, were:

	Foreign currency		Notional value		Fair value	
	2012	2011	2012	2011	2012	2011
	£000	£000	£000	£000	£000	£000
Outstanding contracts & options						
Less than 3 months	26,250	23,500	17,894	14,702	225	(17)
3 to 6 months	24,200	18,300	15,327	11,450	181	(6)
6 to 12 months	12,000	5,400	7,541	3,324	142	9
Total	64,450	47,200	40,762	29,476	548	(14)

The average exchange rate on these contracts was \$1.58 (2011: \$1.60) per £1.

In the above analysis, where the group has related call and put options for dollar purchases, only the option expected to mature given the rate at year end is included in the foreign currency and notional value analysis, although the fair value takes into account both put and call options.

These amounts are based on market values of equivalent instruments at the balance sheet date. Changes in the fair value of currency derivatives amounting to £140,000 have been credited (2011: £2,543,000 charged) to administration expenses in the year, with £422,000 (2011: £Nil) being credited directly to reserves.

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FOR THE YEAR ENDED 30 JUNE 2012

28 Financial Instruments (continued)

Interest rate risk management

Interest rate risk is managed centrally. All interest bearing assets and liabilities of the group are at variable rates of interest and are structured to achieve a competitive market related cost of funding.

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.

If interest rates had been 50 basis points lower and all other variables were held constant, the group's net profit would reduce by £800,000 (2011 £258,000). If interest rates had been 50 basis points higher and all other variables were held constant, the group's net profit would increase by £800,000 (2011 £258,000). This is attributable to the group's exposure to interest rates on its variable rate borrowings and interest received from related parties.

Credit risk management

Potential concentration of credit risk consist principally of short-term cash and cash equivalent investments, trade and other receivables. The group deposits short-term cash surpluses with the same bank granting it overdraft facilities. Trade receivables comprise a large and widespread customer base and the group performs ongoing credit evaluations on the financial condition of customers. The ability of group undertakings to repay amounts due is assessed. At 30 June 2012, the group 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 balance sheet are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment.

Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity 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 Steinhoff UK group of companies. The Steinhoff UK group manages liquidity risk by monitoring forecast cash flows which are provided each week by operating subsidiaries, and ensuring that adequate borrowing facilities or funds are available. The Steinhoff UK group generates its own cash to meet obligations, and additional cash is obtained from existing lines of credit and from Steinhoff International group facilities based on forecast requirements.

The following table details the group's remaining contractual maturity for its non-derivative and derivative financial liabilities and has been drawn up based on the undiscounted contractual maturities of the financial liabilities.

	0 - 3 months £000	3 months to 1 year £000	1-5 years £000	Total £000
2012				
Financial liabilities at amortised cost				
<i>Non-derivative</i>				
Bank overdrafts	10,000	-	-	10,000
Trade payables	52,472	183	95	52,750
Amounts owed to related companies	32,480	-	-	32,480
Other payables	4,901	-	-	4,901
	99,833	183	95	100,111
2011				
Financial liabilities at amortised cost				
<i>Non-derivative</i>				
Bank loans	-	1,360	-	1,360
Trade payables	54,556	1,342	90	55,988
Amounts owed to related companies	1,478	-	-	1,478
Other payables	6,585	-	-	6,585
	62,619	2,702	90	65,411
<i>Derivative</i>				
Derivative financial instruments	17	(3)	-	14

Fair values

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

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29 Disposal of Investment in subsidiary

On 1 July 2010, Relyon Holland B V (formerly known as Norma Boxmeer B V) was sold to a fellow subsidiary of Steinhoff International Holdings Limited
The net assets sold are set out below

	Note	Carrying value pre-disposal £000	Disposal value £000
Intangible assets - software and patents	10b	11	11
Property, plant & equipment	11	3,959	3,959
Inventories		892	892
Trade and other receivables		866	866
Cash and cash equivalents		616	616
Trade and other payables		(825)	(825)
Tax liabilities		(325)	(325)
Net amount owed from related companies		1,661	1,661
Net deferred tax liabilities	19	(446)	(446)
Net assets sold		6,409	6,409
The consideration was satisfied by			
Cash		<u>6,409</u>	
Net cash flow arising on disposal			
Cash consideration		6,409	
Cash disposed		<u>(616)</u>	
Net cash Inflow		5,793	

30 Events after the balance sheet date

On 21 August 2012, the company declared a final dividend for the year ended 30 June 2012 of £150 001,200

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