

Registration number: 01264703

# Serais Investments Limited

Annual Report and Financial Statements

for the 52 week period from 1 October 2017 to 29 September 2018



## **Serais Investments Limited**

### **Contents**

Company Information	1
Directors' Report	2 to 4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 to 8
Income Statement	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 to 25

## **Serais Investments Limited**

### **Company Information**

<b>Directors</b>	P Stanworth
	G Forsyth
<b>Company secretary</b>	JH Robins
<b>Registered office</b>	5th Floor, Festival House Jessop Avenue Cheltenham Gloucestershire GL50 3SH
<b>Auditor</b>	Deloitte LLP Statutory Auditor 2 Hardman Street Manchester M3 3HF

## **Serais Investments Limited**

### **Directors' Report for the Period from 1 October 2017 to 29 September 2018**

The directors present their report and the financial statements for the 52 week period from 1 October 2017 to 29 September 2018.

The directors' report has been prepared taking advantage of the small companies exemption. A strategic report has not been prepared, taking advantage of the exemption in s414B of the Companies Act 2006.

#### **Directors of the company**

The directors, who held office during the period and thereafter, unless otherwise stated, were as follows:

JH Robins (resigned 25 May 2018)

PJ Dieperink (resigned 25 May 2018)

P Stanworth (appointed 25 May 2018)

G Forsyth (appointed 25 May 2018)

#### **Dividends**

No dividends have been declared or proposed during the period or prior period, or since the period end.

#### **Business review**

The company is an investment property company.

Revenue for the 52 week period was £28,000 (2017: 53 week period: £34,000) and the company's loss after tax was £4,000 (2017: £nil).

The directors do not anticipate the principal activity of the business changing in the foreseeable future and expect the current level of activity to continue.

The directors have considered the possible effects of Brexit on the company, but do not expect it to have a material effect on the company directly. However the company may be indirectly affected based on any negative effects of Brexit on the tenants which sublet the company's property.

## **Serais Investments Limited**

### **Directors' Report for the Period from 1 October 2017 to 29 September 2018 (continued)**

#### **Important events after the financial period**

Following the period end, in August 2019, the funding agreement that had been in place since January 2018 as described in note 15 was terminated by mutual consent as part of a refinancing elsewhere in the Steinhoff International Holdings N.V. Group ("SIHNV Group"). Steinhoff UK Retail Limited repaid the amount it owed to Pepco Group Limited (formerly Pepkor Europe Limited) via intercompany set off against a loan due from its parent company, Steinhoff UK Holdings Limited. In addition, a further working capital facility which was provided by Steinhoff UK Holdings Limited to the cash pooling group, gave the cash pooling group additional working capital. This working capital facility is to be novated to Alteri Investors on completion of the sale described below.

During August 2019, the company's indirect parent companies Steinhoff Europe AG (SEAG) and Steinhoff Finance Holding GmbH (SFHG) successfully completed the implementation of the Restructuring (as detailed in the SEAG CVA and the SFHG CVA which can be found on the International company website <http://www.steinhoffinternational.com>). Among other things, the SIHNV Group has implemented certain changes to the Group's European corporate holding structure and the restructuring of SEAG's and SFHG's financial indebtedness extending the expiry of debt instruments to 31 December 2021. The implementation of the SEAG CVA and the SFHG CVA is not expected to have any detrimental impact on Steinhoff UK Holdings Limited or its trading subsidiaries' (of which the company forms a part) operating businesses, their landlords or trade creditors.

Following the period end, Alteri Investors reached agreement with Steinhoff UK Holdings Limited to acquire the Blue group (as defined in note 15), including this company. At the date of signing the accounts, contracts for the sale have been exchanged and completion is pending regulatory approval.

#### **Going concern**

The financial statements have been prepared on the going concern basis on the assumption that the company will continue in operational existence for the foreseeable future, namely for 12 months from the date of signing the financial statements. In forming the conclusion that the accounts should be prepared on this basis, the directors have taken into account a number of factors, making certain assumptions and estimates in the process.

As discussed further in note 2 of the financial statements, the directors note that the combination of circumstances highlighted in that note represents a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Further details regarding the preparation of financial statements on a going concern basis can be found in note 2 of the financial statements.

#### **Directors' liabilities**

The company has purchased directors' and officers' liability insurance cover which was in place during the period and remains in place as at the date of this report.

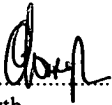
#### **Disclosure of information to the auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

**Serais Investments Limited**

**Directors' Report for the Period from 1 October 2017 to 29 September 2018 (continued)**

Approved by the Board on 24 December 2019 and signed on its behalf by:

  
.....  
G Forsyth  
Director

## **Serais Investments Limited**

### **Statement of Directors' Responsibilities**

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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## **Serais Investments Limited**

### **Independent Auditor's Report to the members of Serais Investments Limited**

#### **Report on the audit of the financial statements**

##### **Disclaimer of opinion**

We do not express an opinion on the accompanying financial statements of Serais Investments Limited (the 'Company'). Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements for the period ended 29 September 2018 which comprise:

- the Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

##### **Basis for disclaimer of opinion**

In preparing the financial statements management was required to make significant judgements, as described in the basis of preparation, in relation to the exceptional circumstances surrounding the ultimate parent company, Steinhoff International Holdings N.V. group (the 'Group') of which the Company is a member, following the announcement of accounting irregularities on 5th December 2017. These significant judgments continue to apply and could subsequently impact the Company. As a result there remain multiple material uncertainties that potentially interact with each other and for which the cumulative effect could be both material and pervasive to the financial statements as a whole. These uncertainties are set out below:

##### *Material uncertainty related to going concern*

As set out in note 2 in the financial statements, concerning the Company's ability to continue as a going concern. The Company has historically been reliant on borrowing facilities arranged at a group level and has been party to a cash pooling arrangement with other Group entities in the UK. A critical assumption regarding the Company's ability to continue as a going concern is securing new ownership for the Company which will enable replacement funding to be secured. Contracts for sale of the Company have been exchanged, with completion subject to regulatory approval.

Further critical assumptions regarding the Company's ability to continue as a going concern include cash inflows from customer revenue, continuation of current supplier and credit insurance terms, the impact of Brexit, volatility of foreign currency exchange rates, and no indication of shareholder or vendor claims against companies in the Group.

As stated in note 2, these events or conditions, along with the other matters as set forth in note 2 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the ultimate parent company's, the Group's, and therefore the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

## **Serais Investments Limited**

### **Independent Auditor's Report to the members of Serais Investments Limited (continued)**

#### **Basis for disclaimer of opinion (continued)**

##### *Material uncertainty with respect to litigation*

As set out in the basis of preparation in note 2 concerning litigation. Following the public announcement on 5 December 2017 by the Group and the subsequent sharp decline in the stock price of the Group's shares, the Group has received several claims from investors, which have been described in the basis of preparation. Although Group management is unable to estimate the potential cash outflow in the case of unfavorable decisions by the courts, the potential outflows of cash for the Group could be considerable.

##### *Material uncertainty related to the scope and impact of the Forensic Investigation Report*

As set out in the basis of preparation in note 2 concerning a Forensic Investigation into accounting irregularities across the Group which was completed in March 2019; the Investigation Report remains confidential and legally privileged and is not directly available to management of the Company. In addition, the scope of the Forensic Investigation was set at the Group level and therefore may not have identified all matters that would have been identified had the scope been set at the Company level. Whilst management of the Company have undertaken enquiries with management of the Group in order to satisfy themselves that no further adjustments are required to be made to the Company's financial statements, the impact of the Report's subject matter cannot be assessed with certainty and may result in future material adjustments.

#### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities in respect of the Directors' report and the financial statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## **Serais Investments Limited**

### **Independent Auditor's Report to the members of Serais Investments Limited (continued)**

#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters prescribed by the Companies Act 2006**

Because of the significance of the matter described in the basis for disclaimer of opinion section of our audit report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit performed subject to the pervasive limitation described above, we have not identified any material misstatements in the Directors' Report.

##### **Matters on which we are required to report by exception**

Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

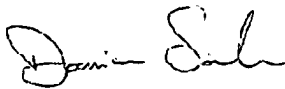
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

##### **Use of our report**

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.



Damian Sanders FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Manchester, United Kingdom

24 December 2019

## Serais Investments Limited

### Income Statement for the Period from 1 October 2017 to 29 September 2018

	Note	52 weeks to 29 September 2018 £ 000	53 weeks to 30 September 2017 £ 000
Revenue	4	28	34
Other operating expenses		<u>(33)</u>	<u>(34)</u>
Operating loss	5	<u>(5)</u>	<u>-</u>
Loss before tax		(5)	-
Income tax credit	8	<u>1</u>	<u>-</u>
Loss for the period		<u><u>(4)</u></u>	<u><u>-</u></u>

The above results were derived from continuing operations.

There were no items of comprehensive income in the current or prior periods other than the loss for the period and, accordingly, no statement of comprehensive income is presented.

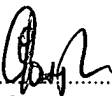
**Serais Investments Limited**

(Registration number: 01264703)

**Statement of Financial Position as at 29 September 2018**

	Note	29 September 2018 £ 000	30 September 2017 £ 000
<b>Fixed assets</b>			
Tangible assets	9	-	-
Investments	10	-	-
		<u>-</u>	<u>-</u>
<b>Current assets</b>			
Debtors	11	4,766	4,771
Income tax asset		1	-
		<u>4,767</u>	<u>4,771</u>
<b>Creditors: Amounts falling due within one year</b>	12	<u>(8)</u>	<u>(8)</u>
<b>Net current assets</b>		<u>4,759</u>	<u>4,763</u>
<b>Net assets</b>		<u>4,759</u>	<u>4,763</u>
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Retained earnings		<u>4,759</u>	<u>4,763</u>
<b>Shareholder's funds</b>		<u>4,759</u>	<u>4,763</u>

Approved by the Board on 24 December 2019 and signed on its behalf by:

  
 .....  
 G Forsyth  
 Director

# Serais Investments Limited

## Statement of Changes in Equity for the Period from 1 October 2017 to 29 September 2018

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 October 2017	-	4,763	4,763
Loss and total comprehensive expense for the period	-	(4)	(4)
At 29 September 2018	-	4,759	4,759

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 25 September 2016	-	4,763	4,763
Total comprehensive result for the period	-	-	-
At 30 September 2017	-	4,763	4,763

The notes on pages 12 to 25 form an integral part of these financial statements.

## **Serais Investments Limited**

### **Notes to the Financial Statements for the Period from 1 October 2017 to 29 September 2018**

#### **1 General information**

The company is a private company limited by share capital incorporated under the Companies Act 2006 and domiciled in England & Wales. The functional currency of the company is considered to be pounds sterling as that is the currency of the primary economic environment in which the company operates.

The address of its registered office is:

5th Floor, Festival House  
Jessop Avenue  
Cheltenham  
Gloucestershire  
GL50 3SH  
England

These financial statements were authorised for issue by the Board on 24 December 2019.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### **Basis of preparation**

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. They have been prepared under the historical cost convention.

As widely reported, in December 2017 an announcement was made by the company's ultimate parent, Steinhoff International Holdings N.V. ("SIHNV", "the Group"), that an investigation into accounting irregularities was to take place, and PwC were appointed to perform an independent forensic investigation. The results of these investigations were reported in the 2018 SIHNV financial statements. Key items identified, which may subsequently have an impact on the company, were:

## **Serai Investments Limited**

### **Notes to the Financial Statements for the Period from 1 October 2017 to 29 September 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **Basis of preparation (continued)**

###### *Scope and impact of the Forensic Investigation Report*

The Forensic Investigation was completed by PwC in March 2019 and an overview of the report was made available on the Group's website. The full report on the Forensic Investigation (the "Report") remains confidential and legally privileged and management of the company are unable to obtain direct access to the report.

Management has made enquiries with and received information from Group management in order to satisfy themselves that no further adjustments are required to be made in the company's financial statements as a result of matters identified in the Report. Management consider that they have taken all the steps that they ought to have taken in order to conclude, in the absence of direct access to the Report, on any further impact on the company of matters identified in the Report. Management is aware that the scope of the Report was at the Group level, and therefore may not have identified all matters that would have been identified had the scope been set at the company level; also, the Report includes various limitations and caveats. Consequently, the impact of the Report's subject matter on the financial statements cannot be assessed with certainty and may result in future material adjustments.

###### *Litigation*

The SIHNV Group has received several shareholder and vendor claims and notices of regulatory investigation. A key assumption in the SIHNV Group cash flows is that no material claims or fines are awarded against the Group and will become payable during the next twelve months. As SIHNV management is unable to estimate the potential cash outflow in the case of unfavourable decisions by the courts, the potential outflows of cash could be considerable.

###### *Remediation plan*

In the SIHNV financial statements the Supervisory Board as well as the Management Board have given a description of their 'Remediation Plan' (including phase 2 of the PwC Investigation). This remediation plan, which is described as in progress, includes measures taken and to be taken to strengthen governance, to strengthen group-wide-controls, including the 'tone at the top', and other measures to prevent the accounting irregularities recurring. It also includes measures taken or to be taken to correct non-compliance with laws and regulations that have occurred. Furthermore, it includes actions taken and to be taken to recuperate the losses that were caused by the individuals and/or organisations that played a part in the accounting irregularities or were instrumental in it.

## **Serais Investments Limited**

### **Notes to the Financial Statements for the Period from 1 October 2017 to 29 September 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **Summary of disclosure exemptions**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of IAS 7 Statement of Cash Flows;
- (c) the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- (d) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- (e) The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
- (f) the requirement in paragraphs 30 and 31 of IAS 8 to disclose new IFRS's not yet effective.

Where relevant, equivalent disclosures have been given in the group accounts of Steinhoff International Holdings N.V.. The group accounts of Steinhoff International Holdings N.V. are available to the public and can be obtained from [www.steinhoffinternational.com](http://www.steinhoffinternational.com).

##### **Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and the financial statements.

During the period, the company met its day to day working capital requirements through cash resources and the cash pooling agreement as described in note 15. Following the period end, in August 2019, the funding agreement that had been in place since January 2018 was terminated. Steinhoff UK Retail Limited repaid the amount it owed to Pepco Group Limited (formerly Pepkor Europe Limited) via intercompany set off against a loan due from its parent company, Steinhoff UK Holdings Limited. In addition, a further working capital facility which was provided by Steinhoff UK Holdings Limited to Steinhoff UK Group Properties Limited which is in the same cash pooling arrangement as the company, gave the company additional working capital. At 16 December 2019 the companies within the cash pooling arrangement had aggregate net cash of £17.1 million.

The company and the other companies who are party to the cash pooling agreement ("the Blue group") produce weekly cash flow forecasts which extend out over 65 weeks. These forecasts and projections show that the company should be able to continue in operational existence for the foreseeable future, namely for 12 months from the date of signing the financial statements. However, it is noted that these cash flow forecasts, by their very nature, have inherent assumptions and uncertainties included.

## **Serais Investments Limited**

### **Notes to the Financial Statements for the Period from 1 October 2017 to 29 September 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **Going concern (continued)**

In the year to 30 September 2018, the Blue group recorded an EBITDA loss of £19.6 million and made a loss before taxation for the year of £42.9 million, and in the year ending 30 September 2019 recorded an EBITDA loss of £31.9 million and made a further loss before taxation of £38.0 million. Trading in both years was negatively impacted by events at the Steinhoff International level; a resulting reduction in credit terms and working capital outflow; difficulties with key suppliers; extreme weather over key trading periods and “teething” issues due to new system implementations. The market reduction in consumer confidence, mainly due to political and economic uncertainty linked to Brexit as well as a reduction in the number of housing transactions has also impacted the purchases of big ticket furniture items. The forecasts envisage a significant turnaround in performance, based on a set of key strategic initiatives to reduce the cost base of the business, combined with ancillary revenue growth and optimisation of the vertical supply chain. The revenue growth of 3% in FY20, combined with a reduction in overhead costs of 4% results in a predicted EBITDA loss of £5.8 million for that year.

On 15 November 2019, Alteri Investors reached an agreement to acquire the Blue group from Steinhoff UK Holdings Limited. At the date of signing the accounts, contracts for the sale have been exchanged and completion is pending regulatory approval which is expected in the near future. The Blue group currently has access to a bridging loan facility of £5 million which was drawn down on 20 December 2019. On completion, the directors understand the Blue group will have access to a new working capital facility of £5 million made available by Alteri Investors, replacing the bridging loan which will be repaid. The existing £40 million working capital facility which was provided by Steinhoff UK Holdings Limited to the Blue group and fully drawn in the year to September 2019 is expected to be novated to Alteri Investors on completion of the sale.

In addition, on completion the Blue group will receive further funds with proceeds received by Steinhoff UK Holdings Limited used to repay intercompany payable balances to the Blue group resulting in a net cash inflow of £8 million.

Following the completion of the sale, the Blue group will not have any receivables or payables with Steinhoff UK Holdings Limited, or any borrowings from external parties.

The existing fully drawn £40 million facility and new £5 million working capital facility with Alteri Investors contain financial covenants which will apply to the Blue group following completion of the sale. Financial covenants include historical and forecast EBITDA requirements measured at monthly intervals, minimum borrowing base being aggregate value of receivables and inventory (net of provision) and cash (excluding loan amounts) measured at monthly intervals, as well as minimum cash requirements measured on a weekly basis using a two-week rolling average cash position. Latest management forecasts show headroom against each of these covenants with £5 million headroom built into the minimum borrowing base and weekly cashflow covenants and £4 million headroom on forecasted EBITDA requirements. If requested by the Blue group, the financial covenants which apply to the facilities can be renegotiated at the sole discretion of Alteri Investors.

Forecasts show that the Blue group will have net cash balances throughout the forecast period with minimum headroom of £8.6 million over the next 18 months; note that the base case scenario includes the aforementioned £5 million facility, and assumes a further £8 million cash inflow from Steinhoff UK Holdings Limited upon completion which is forecast to be received during January 2020.

## Serais Investments Limited

### Notes to the Financial Statements for the Period from 1 October 2017 to 29 September 2018 (continued)

#### 2 Accounting policies (continued)

##### Going concern (continued)

A key sensitivity to the Blue group cash forecasts is cash inflows from customer revenue as explained below. Management have modelled a 7.5% drop in budgeted footfall which shows that there would still be cash headroom over the next 18 month period. Management can mitigate the effects of reduction in footfall by reducing capital expenditure and reducing marketing expenditure and other costs.

The directors draw attention to the following critical assumptions that are key in arriving at the cash flows, namely:

##### *New Ownership*

Alteri Investors has reached an agreement to acquire the Blue group from Steinhoff UK Holdings Limited. At the date of signing the accounts, contracts for the sale have been exchanged and completion is pending regulatory approval. The forecast cash inflow of £8 million during January 2020 from Steinhoff UK Holdings Limited and the replacement of the bridging loan with a £5 million working capital facility is subject to completion of the sale.

Management have had discussions with the regulators which suggest approval will be obtained and the deal will be completed in early January 2020. Management believe it is extremely unlikely that the deal will not complete.

Management have had constructive discussions to date with the new owners, however, their plans for the business are not known at this point in time.

##### *Cash inflows from customer revenue*

The uncertainty which is most sensitive is the forecasted cash inflows from customers, as these can be affected by many different external factors, particularly in the retail businesses, such as the current uncertain economic conditions, which create uncertainty over the level of demand for the Blue group's products. Management are forecasting minimal growth in underlying revenues, but are, due to rectification of a key supplier issue and issues regarding a system implementation last year, forecasting fewer cancellations and thus there is a growth in forecasted reported revenue of 3%. Management are of the opinion that these inflows are achievable based on past experience and the turnaround plan that is currently in operation; however if cash inflows do not meet forecast, management plan to mitigate the effects of this and maintain liquidity by reducing capital expenditure and reducing marketing expenditure and other costs.

##### *Supplier and Credit Insurance Terms*

The cash flow forecasts are based on continuation of current supplier payment terms and credit limits. The supplier payment terms of the businesses in the Blue group deteriorated in the aftermath of the events at Steinhoff International in December 2017 resulting in external finance being obtained in January 2018. Further deterioration of these terms would increase working capital requirements and reduce liquidity. This risk is managed through dialogue with suppliers and credit insurers. If there was a further deterioration in terms the Blue group would mitigate this by increased purchasing through its vertical supply chain or seeking alternative suppliers.

##### *Brexit*

A key risk to the UK Group is the potential impact of Brexit which is not yet clear due to a lack of consensus and clarity about the terms of departure. Management of those companies in the UK Group which are likely to be most affected by Brexit are taking relevant action to mitigate the risks as far as possible.

## **Serais Investments Limited**

### **Notes to the Financial Statements for the Period from 1 October 2017 to 29 September 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **Going concern (continued)**

###### *Foreign currency exchange rates*

Included in the cash flow forecasts is an assumption on the likely future exchange rate between pound sterling and the US dollar. Following the events in the wider Steinhoff group in December 2017, the Blue group has been unable to enter into forward foreign exchange contracts, which exposes the Blue group to the effects of foreign exchange movements. This risk is mitigated by continuously monitoring foreign currency requirements, revising sales prices where necessary, and looking for opportunities to purchase from suppliers in pound sterling where possible.

###### *Shareholder/vendor claims in the SIHNV Group*

As explained in the Basis of preparation note above, the SIHNV Group has received several shareholder and vendor claims and notices of regulatory investigation. The Blue group's cash flow forecasts assume that the Blue group receives no material claims itself in relation to these claims against the wider SIHNV Group, as there has been no indication that such claims will be made against the Blue group.

Whilst the directors have instituted measures to preserve cash and improve trading performance, the combination of these circumstances creates material uncertainties over future trading results and cash flows.

The directors have concluded that the combination of these circumstances represents a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern, and therefore the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, namely for 12 months from the date of signing the financial statements. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **Exemption from preparing group accounts**

The financial statements contain information about Serais Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Steinhoff International Holdings N.V., a company incorporated in The Netherlands.

##### **Adoption of new and revised standards**

None of the standards, interpretations and amendments effective for the first time from 1 October 2017 have had a material effect on the financial statements.

## **Serais Investments Limited**

### **Notes to the Financial Statements for the Period from 1 October 2017 to 29 September 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **Revenue recognition**

Revenue comprises rent received and is recognised in the statement of comprehensive income as it accrues on a day to day basis. All revenue is earned from UK business.

The company recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and
- specific criteria have been met for each of the company activities.

##### **Property, plant and equipment**

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

##### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Leasehold improvements	2% per annum or lease term if shorter

##### **Investments**

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

##### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

## **Serais Investments Limited**

### **Notes to the Financial Statements for the Period from 1 October 2017 to 29 September 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **Financial assets and liabilities**

###### ***Classification***

The financial assets are loans and receivables.

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

###### ***Recognition and measurement***

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

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

###### ***Impairment***

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

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

The directors believe that the following critical judgements are to be disclosed that have a material impact on the financial statements.

##### **Recoverability of receivables from group undertakings**

Receivables from group undertakings of £4,766,000 as shown in note 11 are highly material to the financial statements. The directors have reviewed the recoverability of this balance by considering the financial position of the counterparty and its ability to repay this balance if required. As a result of this review, the directors have concluded that no impairment is necessary on this balance.

##### **Going concern**

For the assumptions made in forming the going concern opinion, refer note 2.

## Serai Investments Limited

### Notes to the Financial Statements for the Period from 1 October 2017 to 29 September 2018 (continued)

#### 4 Revenue

The analysis of the company's revenue for the period from continuing operations is as follows:

	52 weeks to 29 September 2018 £ 000	53 weeks to 30 September 2017 £ 000
Rent receivable	<u>28</u>	<u>34</u>

All revenue is earned from UK business.

#### 5 Operating loss

Arrived at after charging:

	52 weeks to 29 September 2018 £ 000	53 weeks to 30 September 2017 £ 000
Operating lease expense - property	<u>33</u>	<u>33</u>

#### 6 Staff costs

The company has no employees other than the directors. There were no staff costs during either period.

The emoluments of the directors were paid by fellow subsidiaries of Steinhoff International Holdings N.V. It is not practicable to split their remuneration between their services to group companies.

#### 7 Auditor's remuneration

Audit fees of £4,000 (2017: £3,000) were borne by a fellow group company and not recharged. There were no amounts paid to the auditor for non-audit services in either period.

## Serais Investments Limited

### Notes to the Financial Statements for the Period from 1 October 2017 to 29 September 2018 (continued)

#### 8 Income tax

Tax credited in the income statement:

	52 weeks to 29 September 2018 £ 000	53 weeks to 30 September 2017 £ 000
<b>Current taxation</b>		
UK corporation tax	<u>(1)</u>	<u>-</u>

The tax on loss before tax for the period is the same as the standard rate of corporation tax in the UK (2017 - the same as the standard rate of corporation tax in the UK) of 19% (2017 - 19.5%).

The differences are reconciled below:

	52 weeks to 29 September 2018 £ 000	53 weeks to 30 September 2017 £ 000
Loss before tax	<u>(5)</u>	<u>-</u>
Corporation tax at standard rate	<u>(1)</u>	<u>-</u>
Total tax credit	<u>(1)</u>	<u>-</u>

Included within the Finance Act 2016 was a reduction in the corporation tax rate to 17% from 1 April 2020. This will affect the company's future tax charge.

Neither the Finance Act 2017 nor the Finance Act 2018 are expected to have a material effect on the company's tax position.

#### Deferred tax

There are £20,796,000 of unused capital tax losses (2017 - £20,796,000) for which no deferred tax asset is recognised in the statement of financial position due to the unpredictability of future capital profits.

## Serais Investments Limited

### Notes to the Financial Statements for the Period from 1 October 2017 to 29 September 2018 (continued)

#### 9 Property, plant and equipment

	Leasehold improvements £ 000
<b>Cost or valuation</b>	
At 1 October 2017 and 29 September 2018	86
<b>Depreciation</b>	
At 1 October 2017 and 29 September 2018	86
<b>Carrying amount</b>	
At 1 October 2017 and 29 September 2018	-

#### 10 Investments

<b>Subsidiaries</b>	£ 000
<b>Carrying amount</b>	
At 1 October 2017 and 29 September 2018	-

Details of the subsidiaries as at 29 September 2018 are as follows:

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2018	2017
Furniture Limited*	Shed Dormant	5th Floor, Festival House, Jessop Avenue, Cheltenham, GL50 3SH United Kingdom	Ordinary shares	100%	100%

\* indicates direct investment of the company

## Serais Investments Limited

### Notes to the Financial Statements for the Period from 1 October 2017 to 29 September 2018 (continued)

#### 11 Trade and other receivables

	29 September 2018 £ 000	30 September 2017 £ 000
Receivables from group undertakings	<u>4,766</u>	<u>4,771</u>

Receivables from group undertakings are repayable on demand and bear no interest.

#### 12 Trade and other payables

	29 September 2018 £ 000	30 September 2017 £ 000
Accrued expenses	<u>8</u>	<u>8</u>

#### 13 Share capital

##### Allotted, called up and fully paid shares

	29 September 2018		30 September 2017	
	No.	£	No.	£
Ordinary shares of £0.01 each	100	1	100	1
Deferred shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
	<u>200</u>	<u>101</u>	<u>200</u>	<u>101</u>

The company has abolished its authorised share capital.

Subject to the rights attaching to the deferred shares, the ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

The deferred shares confer on the holders thereof no dividend or voting rights and deferred rights to return of capital on a liquidation or reduction of capital; they do not confer any rights of redemption.

## Serais Investments Limited

### Notes to the Financial Statements for the Period from 1 October 2017 to 29 September 2018 (continued)

#### 14 Obligations under leases and hire purchase contracts

##### Operating leases

The total value of future minimum lease payments is as follows:

	29 September 2018 £ 000	30 September 2017 £ 000
Within one year	33	33
In two to five years	132	132
Over five years	1,332	1,365
	<u>1,497</u>	<u>1,530</u>

The amount of non-cancellable operating lease payments recognised as an expense during the period was £33,000 (2017 - £33,000).

#### 15 Contingent liabilities

In January 2018, a 2 year funding agreement was entered into with an external finance provider by Pepco Group Limited (formerly Pepkor Europe Limited), an indirect subsidiary of Steinhoff UK Holdings Limited, to stabilise the UK businesses and provide medium term funding to allow those businesses to operate independently and with autonomy from the Steinhoff International Group. On the back of this agreement, Steinhoff UK Retail Limited, a fellow subsidiary of Steinhoff UK Holdings Limited, had a facility agreement with Pepco Group Limited, of which £66,187,000 was outstanding at the period end. The company also entered into a standstill and cash pooling agreement with various other UK group companies ("the Blue group"), which comprises Steinhoff UK Retail Limited, Steinhoff UK Group Properties Limited, Serais Investments Limited, Homestyle Group Operations Limited, Steinhoff UK Manufacturing Limited, Relyon Group Limited, Unitrans UK Limited, Unitrans Logistics (UK) Limited, Relyon Limited, Steinhoff UK Beds Limited, Formation Furniture Limited (previously known as Steinhoff UK Upholstery Limited) and Unitrans Limited. This provides the Blue group with liquidity and enables the Blue group to draw on cash generated by profitable companies within the Blue group to fund capital projects and several strategic initiatives including the Blue group's turnaround plan.

Following the period end, in August 2019, the aforementioned funding agreement was repaid by Pepco Group Limited as described in note 17 and Steinhoff UK Retail Limited repaid the amount it owed to Pepco Group Limited.

## **Serais Investments Limited**

### **Notes to the Financial Statements for the Period from 1 October 2017 to 29 September 2018 (continued)**

#### **16 Parent and ultimate parent undertaking**

The company's immediate parent is Steinhoff UK Group Properties Limited, incorporated in England & Wales.

The ultimate parent and controlling party is Steinhoff International Holdings N.V., incorporated in The Netherlands.

The most senior parent entity producing publicly available financial statements is Steinhoff International Holdings N.V.. These financial statements are available from [www.steinhoffinternational.com](http://www.steinhoffinternational.com).

#### **Relationship between entity and parents**

The parent of the largest and smallest group in which these financial statements are consolidated is Steinhoff International Holdings N.V..

The registered office of Steinhoff International Holdings N.V. is:

Building B2

Vineyard Office Park

Cnr Adam Tas & Devon Valley Road

Stellenbosch 7600

South Africa

Consolidated accounts are available from [www.steinhoffinternational.com](http://www.steinhoffinternational.com).

#### **17 Important events after the financial period**

Following the period end, in August 2019, the funding agreement that had been in place since January 2018 as described in note 15 was terminated by mutual consent as part of a refinancing elsewhere in the Steinhoff International Holdings N.V. Group ("SIHNV Group"). Steinhoff UK Retail Limited repaid the amount it owed to Pepco Group Limited (formerly Pepkor Europe Limited) via intercompany set off against a loan due from its parent company, Steinhoff UK Holdings Limited. In addition, a further working capital facility which was provided by Steinhoff UK Holdings Limited to the cash pooling group, gave the cash pooling group additional working capital. This working capital facility is to be novated to Alteri Investors on completion of the sale described below.

During August 2019, the company's indirect parent companies Steinhoff Europe AG (SEAG) and Steinhoff Finance Holding GmbH (SFHG) successfully completed the implementation of the Restructuring (as detailed in the SEAG CVA and the SFHG CVA which can be found on the International company website <http://www.steinhoffinternational.com>). Among other things, the SIHNV Group has implemented certain changes to the Group's European corporate holding structure and the restructuring of SEAG's and SFHG's financial indebtedness extending the expiry of debt instruments to 31 December 2021. The implementation of the SEAG CVA and the SFHG CVA is not expected to have any detrimental impact on Steinhoff UK Holdings Limited or its trading subsidiaries' (of which the company forms a part) operating businesses, their landlords or trade creditors.

Following the period end, Alteri Investors reached agreement with Steinhoff UK Holdings Limited to acquire the Blue group (as defined in note 15), including this company. At the date of signing the accounts, contracts for the sale have been exchanged and completion is pending regulatory approval.