Registration number: 01372780

Unitrans Limited

Annual Report and Financial Statements

for the Period from 1 October 2017 to 29 September 2018

Unitrans Limited

Contents

Unitrans Limited

Company Information

Directors	GD McDonald D B Hall
Company secretary	JH Robins
Registered office	5th Floor, Festival House Jessop Avenue Cheltenham Gloucestershire GL50 3SH United Kingdom
Auditor	Deloitte LLP Statutory Auditor 2 Hardman Street Manchester United Kingdom M3 3HF

Unitrans Limited

Strategic Report for the Period from 1 October 2017 to 29 September 2018

The directors present their strategic report for the period from 1 October 2017 to 29 September 2018.

Review of the business, Key performance indicators and Future developments
The company's principal activity is logistics. The company trades under the name of Concorde Specialist Logistics.

The key performance indicators for the company are revenue and profit before taxation.

Revenue reduced from £60,461,000 in the 53 weeks ended 30 September 2017 to £52,728,000 in the 52 weeks ended 29 September 2018. The reduction was due to lower volumes going through the business, but also a reduction in the gross margin percentage that was charged. The gross margin % reduced overall from 4.7% in the prior period to 0.9% in the current period. This reduction is as a result of losses sustained in the company's biggest customer, Steinhoff UK Retail Limited, resulting in the company having to negotiate a lower margin with them to ensure that the arrangement is sustainable.

Administrative expenses were broadly in line with the prior period, leading to an operating profit before exceptional costs of £76,000 (2017: £2,450,000).

Following a review of the company's receivables, a balance of £536,000 which was due from a fellow group company at the period end, was considered irrecoverable based on the net assets of the counterparty concerned. An impairment of £536,000 (2017: £nil) was therefore charged to the income statement during the period.

Finance income was £168,000 (2017: £nil) on a new loan that came into place at the start of the period, resulting in a loss before tax of £292,000 (2017: profit of £2,450,000).

The current period income tax expense of £392,000 was higher than the standard rate of tax in the UK of 19% due to a prior period adjustment of £192,000, timing differences not recognised of £118,000, and expenses not deductible for tax purposes of £137,000, as shown in note 10.

The statement of financial position shows that the company's financial position has reduced in terms of net assets by £684,000 as a consequence of the loss for the period.

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.

Principal risks and uncertainties

A number of key risks faced by the company and the Blue group (as defined in that note) are highlighted in the going concern section of note 2 to the financial statements, including:

• The expected new ownership of the company;
• Future cash inflows from customer revenue;
• Supplier and credit insurance terms;
• Brexit;
• Foreign currency exchange rates; and
• Potential shareholder/vendor claims in the wider Steinhoff International Group.

Please refer to note 2 for more information on the above risks.

Specific risks of Brexit to the Blue group as a whole and mitigations in place include:

• Raw material cost increases will be mitigated through sourcing additional suppliers and improving production efficiencies; and
• The risk of difficulties in recruitment and retention of employees, particularly migrant workers from within the EU, will be mitigated by development and training programmes for employees and increased focus on long-term-recruitment campaigns.

The financial position of the company and its liquidity position are described in the financial statements.

Credit risk

Potential concentration of credit risk consists principally of amounts owed by group undertakings. The ability of group undertakings to repay amounts due is regularly assessed.

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

Liquidity risk

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

Liquidity risk is managed at various levels, starting at the ultimate holding company and cascading down to the UK group of companies of which this company is one. The UK group manages liquidity risk by monitoring forecast cash flows which are provided weekly and by ensuring that adequate borrowing facilities are available.

The company generates its own cash to meet obligations, and additional cash is obtained from existing lines of credit and from group facilities based on forecast requirements.

Principal risks and uncertainties (continued)

Cash flow risk

Given the cash pooling agreement entered into during the period as described in note 21, there is a risk to the continuing availability of funding for the company. To mitigate this risk, cash forecasts are produced and monitored on an ongoing basis and there is regular contact between the company and fellow group companies which are also part of the cash pooling agreement to ensure that cash is available when required for the company's ongoing commitments.

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

....

GD McDonald
Director

Unitrans Limited

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

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

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

K Singh (resigned 1 October 2019)

S Summers (resigned 25 May 2018)

PJ Dieperink (resigned 25 May 2018)

GD McDonald

The following director was appointed after the period end:

D B Hall (appointed 1 October 2019)

Dividends
During the prior period the directors declared a dividend £1,000,000. No dividends have been declared or proposed during the current period or since the period end.

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

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

Employee involvement
We value equally our full and part time staff and we seek to improve the skills and performance of our employees and so enhance career development opportunities. We endeavour to keep our staff fully informed on matters of significance to them and to regularly consult with them on matters which affect them.

Environmental matters
The company is committed to reducing the potential impact of its activities on the environment. A full-time energy manager is employed by the Steinhoff UK Group, largely as a result of the desire to reduce emissions and associated environmental taxes, but also to ensure compliance with UK energy and emission policy.

The largest warehouse occupied by the company has solar PV panels contributing to the demand and solar hot water panels for domestic hot water.

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 21 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 21), including this company. At the date of signing the accounts, contracts for the sale have been exchanged and finalisation 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.

It is noted that the statement of financial position shows that the company had net current liabilities at the statement of financial position date. However due to the standstill and cash pooling agreement in place between the Blue group companies as described in note 21, the going concern basis of the company is determined by the future cash flows of the combined Blue group, as described in note 2.

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.

Unitrans 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:

....

GD McDonald
Director

Unitrans 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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;
- state whether UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Unitrans Limited

Independent Auditor's Report to the members of Unitrans Limited

Report on the audit of the financial statements

Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of Unitrans 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 23.

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.

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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Strategic report, 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.

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 Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have 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 Strategic Report or 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

Unitrans Limited

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

	Note	52 weeks ended 29 September 2018 £ 000	53 weeks ended 30 September 2017 £ 000
Revenue	4	52,728	60,461
Cost of sales		(52,246)	(57,602)
Gross profit		482	2,859
Administrative expenses		(406)	(409)
Operating profit before impairment of group receivables		76	2,450
Impairment of receivables from group undertakings	14	(536)	-
Operating (loss)/profit after impairment of group receivables	5	(460)	2,450
Finance income	6	168	-
(Loss)/profit before tax		(292)	2,450
Income tax expense	10	(392)	(497)
(Loss)/profit for the period attributable to owners of the company		(684)	1,953

The above results were derived from continuing operations.

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

Unitrans Limited

(Registration number: 01372780)
Statement of Financial Position as at 29 September 2018

	Note	29 September 2018 £ 000	30 September 2017 £ 000
Non-current assets			
Intangible assets	11	-	-
Tangible assets	12	2,674	3,221
Other financial assets	13	6,009	-
		8,683	3,221
Current assets			
Trade and other receivables	14	3,319	7,828
Cash at bank and in hand	15	43	-
		3,362	7,828
Creditors: Amounts falling due within one year			
Trade and other payables	16	(6,430)	(4,453)
Income tax liability		(200)	(497)
		(6,630)	(4,950)
Net current (liabilities)/assets		(3,268)	2,878
Net assets		5,415	6,099
Capital and reserves			
Called up share capital	17	200	200
Retained earnings		5,215	5,899
Shareholders' funds		5,415	6,099

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

....
GD McDonald
Director

The notes on pages 15 to 32 form an integral part of these financial statements.

Unitrans 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	200	5,899	6,099
Loss and total comprehensive expense for the period	-	(684)	(684)
At 29 September 2018	200	5,215	5,415

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 25 September 2016	200	4,946	5,146
Profit and total comprehensive income for the period	-	1,953	1,953
Dividends (note 20)	-	(1,000)	(1,000)
At 30 September 2017	200	5,899	6,099

1 General information

The company is a private company limited by share capital incorporated in the United Kingdom 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:

2 Accounting policies (continued)

Basis of preparation (continued)

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.

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.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report 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 21. 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.

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 EBTIDA 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.

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.

Trade with Steinhoff UK Retail Limited

The company is heavily reliant on fellow Blue group company, Steinhoff UK Retail Limited, the company from which the majority of the company's revenue is generated.

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.

2 Accounting policies (continued)

Going concern (continued)

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. More detail on the risks and mitigations in place is included in the Strategic Report.

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.

Changes in accounting policy

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.

Revenue recognition

Revenue is attributable to the company's principal activity and is generated in the UK. Revenue represents sales to customers at invoiced amounts less value added tax or local taxes on sales. Revenue from the sale of services is recognised on delivery of the service to the customer.

2 Accounting policies (continued)

Tax

The tax expense represents the tax currently payable. There is no deferred tax recognised.

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

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation.

These assets are reviewed for impairment in accordance with IAS 36 'Impairment of Assets' when there are indications that the carrying value may not be recoverable.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of these assets by equal annual instalments over their estimated useful economic lives. The periods/rates generally applicable are:

Asset class	Depreciation method and rate
Leasehold improvements	over the lease term
Plant, equipment and motor vehicles	10% to 33% per annum
Fixtures and fittings	20% per annum

Intangible assets

Software costs are measured initially at cost then amortised on a straight-line basis over their estimated useful economic lives of five years.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Leases

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.

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.

2 Accounting policies (continued)

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends
Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Defined contribution pension obligation
The company operates defined contribution schemes for certain employees. The assets of these schemes are held separately from those of the company in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

2 Accounting policies (continued)

Financial assets and liabilities

Classification

The financial assets are loans and receivables. Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as '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

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.

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

Derivatives and hedging

The company does not enter into derivative financial instruments including forward foreign exchange contracts.

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Impairment of receivables from group undertakings
A key judgement is the recoverability of receivables from group undertakings which have been assessed based on the financial position of the counterparties concerned. As highlighted in note 14, a provision of £536,000 was made on a balance which the directors believe may not be recoverable based on the net assets of the counterparty concerned.

4 Revenue

The directors have considered the operating segments of the business and consider there to be only one, being the principal activity of the company. All revenue is generated in the United Kingdom.

5 Operating (loss)/profit

Arrived at after charging:

	52 weeks ended 29 September 2018 £ 000	53 weeks ended 30 September 2017 £ 000
Depreciation expense	961	1,146
Operating lease expense - property	5,094	5,164
Operating lease expense - other	3,643	3,230
Loss on disposal of property, plant and equipment	-	20

6 Interest receivable and similar income

	52 weeks ended 29 September 2018 £ 000	53 weeks ended 30 September 2017 £ 000
Interest receivable from group undertakings	168	-

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	52 weeks ended 29 September 2018 £ 000	53 weeks ended 30 September 2017 £ 000
Wages and salaries	20,757	21,295
Social security costs	1,643	1,615
Pension costs, defined contribution scheme	198	150
	22,598	23,060

The average number of persons employed by the company (including directors) during the period, analysed by category was as follows:

	52 weeks ended 29 September 2018 No.	53 weeks ended 30 September 2017 No.
Administration and support	1	1
Distribution	891	951
	892	952

8 Directors' remuneration

The emoluments of the directors, including pension contributions, were paid by fellow subsidiary Steinhoff UK Retail Limited in the current and prior periods. It is not practicable to split their remuneration between their services to group companies.

9 Auditor's remuneration

	52 weeks ended 29 September 2018 £ 000	53 weeks ended 30 September 2017 £ 000
Audit of the financial statements	35	32

There were no non-audit fees payable to the company's auditor in either period.

10 Income tax

Tax charged in the income statement:

	52 weeks ended 29 September 2018 £ 000	53 weeks ended 30 September 2017 £ 000
Current taxation		
UK corporation tax	200	497
UK corporation tax adjustment to prior periods	192	-
	392	497

The tax on (loss)/profit before tax for the period is higher than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 19.5%).

The differences are reconciled below:

	52 weeks ended 29 September 2018 £ 000	53 weeks ended 30 September 2017 £ 000
(Loss)/profit before tax	(292)	2,450
Corporation tax at standard rate	(55)	478
Adjustments to prior periods	192	-
Timing differences	118	(5)
Expenses not deductible for tax purposes	137	25
Other adjustments	-	(1)
Total tax charge	392	497

The current period rate of corporation tax was 19% following the reduction from 20% from 1 April 2017.

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. The unrecognised deferred tax balances have also been calculated using this rate of 17%.

Neither the Finance Act 2017 nor the Finance Act 2018 nor the Finance Act 2019 are expected to have a material effect on the company's tax position.

10 Income tax (continued)

Deferred tax

There are £617,000 of deductible temporary differences (2017 - £317,000) and £80,000 of unused tax losses (2017 - £108,000) for which no deferred tax asset is recognised in the statement of financial position due to the uncertainty of whether these temporary differences will reverse in the future.

11 Intangible assets

	Software £ 000
Cost	
At 1 October 2017	75
At 29 September 2018	75
Amortisation	
At 1 October 2017	75
At 29 September 2018	75
Carrying amount	
At 29 September 2018	-
At 30 September 2017	-

12 Property, plant and equipment

	Leasehold improvements £ 000	Fixtures & fittings £ 000	Plant, equipment & motor vehicles £ 000	Total £ 000
Cost				
At 1 October 2017	1,271	5,926	2,287	9,484
Additions	9	386	34	429
Disposals	(6)	(35)	(228)	(269)
At 29 September 2018	1,274	6,277	2,093	9,644
Depreciation				
At 1 October 2017	832	3,620	1,811	6,263
Charge for the period	102	584	275	961
Eliminated on disposal	(6)	(34)	(214)	(254)
At 29 September 2018	928	4,170	1,872	6,970
Carrying amount				
At 29 September 2018	346	2,107	221	2,674
At 30 September 2017	439	2,306	476	3,221

13 Other financial assets

	29 September 2018 £ 000	30 September 2017 £ 000
Non-current financial assets		
Loans to group undertakings	6,009	-

The above loans to group undertakings have been classified as non-current, as under the terms of the standstill and cash pooling agreement as described in note 21, they are not expected to be repaid until January 2020.

Interest on loans which are governed by a formal loan agreement is charged at Bank of England base rate plus 2.85%. Other loans are interest-free.

14 Trade and other receivables

	29 September 2018 £ 000	30 September 2017 £ 000
Trade receivables	388	3,275
Receivables from group undertakings	557	3,537
Prepayments	1,493	427
Other receivables	881	589
	3,319	7,828

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

Receivables from group undertakings are stated net of a provision of £536,000 which was made on a balance which the directors believe may not be recoverable based on the net assets of the counterparty concerned. The impairment recognised during the period has been disclosed as a separate line item in the income statement as it is considered to be a one-off expense and not part of the company's ordinary trade.

15 Cash and cash equivalents

	29 September 2018 £ 000	30 September 2017 £ 000
Cash at bank	43	-

16 Trade and other payables

	29 September 2018 £ 000	30 September 2017 £ 000
Trade payables	418	845
Accrued expenses	4,063	2,687
Amounts due to group undertakings	1,751	565
Social security and other taxes	196	342
Other payables	2	14
	6,430	4,453

Amounts due to group undertakings are repayable on demand and bear no interest.

17 Share capital

Allotted, called up and fully paid shares

	29 September 2018 No. 000	29 September 2018 £ 000	30 September 2017 No. 000	30 September 2017 £ 000
Ordinary shares of £1 each	200	200	200	200

The company's authorised share capital is 500,000 (2017: 500,000) £1 ordinary shares.

18 Obligations under leases and hire purchase contracts

Operating leases

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

	29 September 2018 £ 000	30 September 2017 £ 000
Within one year	1,983	1,560
In two to five years	3,914	4,758
	5,897	6,318

19 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £198,000 (2017 - £150,000).

20 Dividends

	29 September 2018 £ 000	30 September 2017 £ 000
Final dividend of £Nil (2017 - £5) per ordinary share	-	1,000

21 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 23 and Steinhoff UK Retail Limited repaid the amount it owed to Pepco Group Limited.

22 Parent and ultimate parent undertaking

The company's immediate parent is Unitrans Logistics (UK) Limited.

The ultimate parent and controlling party is Steinhoff International Holdings N.V..

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.

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

23 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 21 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 21), including this company. At the date of signing the accounts, contracts for the sale have been exchanged and finalisation is pending regulatory approval.