Steinhoff International Holdings Proprietary Limited

(Registration number 1998/003951/07)
Audited Annual Financial Statements
for the year ended 30 September 2019

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment holding
Directors	LJ du Preez TLR de Klerk DI Pauker
Registered office	Building B2 Vineyard Office Park Cnr Adam Tas & Devon Valley Road Stellenbosch 7600
Business address	Building B2 Vineyard Office Park Cnr Adam Tas & Devon Valley Road Stellenbosch 7600
Postal address	PO Box 122 Stellenbosch 7600
Holding company	Steinhoff Investment Holdings Limited incorporated in South Africa
Ultimate holding company	Steinhoff International Holdings N.V. incorporated in the Netherlands
Bankers	Standard Bank of South Africa Limited
Auditors	Mazars Registered Auditor
Secretary	Steinhoff Secretarial Services Proprietary Limited
Company registration number	1998/003951/07
Tax reference number	9599003713
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The financial statements were internally compiled under the supervision of: TLR de Klerk (director) BCom (Hons), CTA, Hdip (Tax), CFM
Issued	24 June 2020

Contents

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards, the Companies Act 71 of 2008 and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards, the Companies Act 71 of 2008 and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have made an assessment of the ability of the company to continue as a going concern and have concluded that a material uncertainty exists with regards to the going concern assumption.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 5 to 8.

The financial statements set out on pages 8 to 50, which have been prepared on the going concern basis, were approved by the board of directors on __________________________ and were signed on their behalf by:

____

TLR de Klerk

Company Secretary's Certification

We certify, in accordance with section 88(2)(e) of the Companies Act, that other than the filing of an annual return and the completion of a Compliance Checklist for the reporting period and certain prior periods due to the unavailability of completed annual financial statements, the Company has lodged with the Companies and Intellectual Properties Commission all such returns as are required for a private company in terms of the Act and that all such returns are true, correct and up to date.

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NJ Lewis
Steinhoff Secretarial Services Proprietary Limited

Date: ______________________

Independent Auditor's Report

To the shareholder of Steinhoff International Holdings Proprietary Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the annual financial statements of Steinhoff International Holdings Proprietary Limited set out on pages 14 to 50 which comprise the statement of financial position as at 30 September 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the financial statements of 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 on going concern to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

We were not appointed as auditors of the Steinhoff International Holdings Proprietary Limited in the prior financial year. The previous auditor issued a disclaimer of opinion relating to the going concern on these financial statements. We were unable to obtain sufficient and appropriate audit evidence that the closing balances for the period ended 30 September 2018 were free from material misstatement, and consequently we are unable to express an opinion on the opening balances contained in these financial statements for the year ended 30 September 2019. We were unable to satisfy ourselves by alternative means concerning the opening balances and comparative figures.

As indicated in the financial statements, the company incurred a total comprehensive loss of R 133,482,602 for the year ended 30 September 2019 (2018: R 830,732,111) and, at that date, its total liabilities exceed, its total assets by R 1,720,751,006 (2018: R 1,587,268,405).

REGISTERED AUDITOR – A FIRM OF CHARTERED ACCOUNTANTS(SA) • IRBA REGISTRATION NUMBER 900222

MAZARS HOUSE RIALTO ROAD GRAND MOORINGS PRECINCT CENTURY CITY 7441 • PO BOX 134 CENTURY CITY 7446 • DOCEX 9 CENTURY CITY
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Material uncertainties and inability to obtain sufficient appropriate audit evidence relating to going concern

We have not been able to obtain sufficient appropriate audit evidence to support the going concern assumption, in relation to the following material uncertainties which are both material and pervasive. These material uncertainties and their potential interaction are described below.

Material uncertainty with respect to Litigation, claims and contingent payment undertaking payments

Following the public announcement on 5 December 2017 and the subsequent sharp decline in the share price of the Group and Company's ultimate parent Company, Steinhoff International Holdings N.V., the Company has received several claims from investors and vendors, which have been described in note 24 (Commitments and contingencies) and note 27 (Events after the reporting period, legal proceedings) to financial statements. The potential outcomes of the litigation and claims facing the Group and Company cannot be reasonably estimated by management at this time. Although 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 and impact the going concern assumption. We were unable to obtain sufficient appropriate audit evidence to determine whether any adjustment to the financial statements is required with respect to the recognition of a provision in respect of IAS 37 Provisions, Contingent Liabilities and Contingent Assets in respect of litigation and claims.

As described in note 8 (Borrowings) the obligations of the Company under the 2021 and 2022 convertible bonds were restructured into the 21/22 Term Loan Facility in terms of an instrument referred to as the Contingent Payment Undertaking (the SIHPL CPU) The Company undertook to use reasonable endeavours to pay an amount of up to 25% of the aggregate outstanding amount of the Facility A1 loans to the bondholders within 5 business days after implementation of the CVA. The amount that the Company will have available to repay is dependent on SINVH and Steinhoff Africa repaying intercompany loans due to the Company.

Other Matters

Reports Required by the Companies Act

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for this other information.

We have read the other information and, in doing so, considered whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. However, due to the disclaimer of opinion in terms of the International Standard on Auditing (ISA) 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*, we are unable to report further on this other information

Predecessor Auditor

We were not engaged to perform the audit of the financial statements of Steinhoff International Holdings Proprietary Limited for the year ended 30 September 2018. The predecessor auditor expressed a disclaimer of opinion relating to going concern on those financial statements on 24 October 2019.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the 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 Financial Statements

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018),* parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Mazars

Mazars
Partner: Duncan Dollman
Registered Auditor
Date: 25 June 2020
Cape Town

Directors' Report

The directors submit their report on the financial statements of Steinhoff International Holdings Proprietary Limited for the year ended 30 September 2019.

1. Holding company

The company's holding company is Steinhoff Investment Holdings Limited ("SINVH") which holds 100% (2018: 100%) of the company's equity. Steinhoff Investment Holdings Limited is incorporated in South Africa.

2. Ultimate holding company

The company's ultimate holding company is Steinhoff International Holdings N.V. ("Steinhoff N.V." or together with its subsidiaries the "Group") which is incorporated in the Netherlands. Steinhoff N.V. is primarily a global holding company with investments in a diverse range of retail businesses. The Group operates in Africa, Australasia, Europe, the United Kingdom and the United States of America.

3. Nature of business

Steinhoff International Holdings Proprietary Limited (the "Company" or "SIHPL") was incorporated in South Africa and holds investments in, and loans with companies in the Group, both in South Africa and Europe.

There have been no material changes to the nature of the company's business from the prior year.

4. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards, the requirements of the Companies Act 71 of 2008 and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new standards during the current year as set out in note 2.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

5. Stated share capital

The Company's authorised stated share capital comprises 6 000 000 000 ordinary shares of no par value and 1 000 000 000 non-redeemable, cumulative, non-participating preference shares of no par value.

There have been no changes to the authorised or issued share capital during the year under review.

6. Contracts

No contracts, other than those disclosed in note 21 (Interest of directors and officers in contracts), in which directors and officers of the Company had an interest and that significantly affected the affairs or business of the Company, or which could have resulted in a conflict of interest, were entered into during the year.

7. Dividends

No dividends or distributions were approved or paid during the year under review (2018: Rnil).

8. Directors

The directors in office at the date of this report are as follows:

Directors	Designation	Changes
LJ du Preez	Executive	
TLR de Klerk	Executive	Appointed 7 May 2019
DI Pauker	Non-executive	Appointed 14 August 2019
PJ Dieperink	Executive	Resigned 7 May 2019

Directors' Report

9. External audit

The 2019 financial statements have been audited by the external auditor, Mazars.

Under International Auditing Standards the auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base their opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive or the auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

A significant uncertainty resulted in a ‘disclaimer of opinion’ from the external auditor. In its auditor’s report Mazars has described the reasons why it has come to that conclusion and it is clear that the Company finds itself in the extremely rare circumstance described above, namely that because of the uncertainty, Mazars cannot form an opinion on the financial statements due to the potential interaction of the uncertainty and its cumulative effect on the 2019 financial statements. In the auditor's report Mazars details the reasons why it has come to these conclusions. The main uncertainty listed and explained in the Basis for Opinions in the audit opinion are as follows:

Material uncertainty with respect to Litigation, claims and contingent payment undertaking payments

Following the public announcement on 5 December 2017 and the subsequent sharp decline in the share price of the Group and Company’s ultimate parent Company, Steinhoff International Holdings N.V., the Company has received several claims from investors and vendors, which have been described in note 26 (Going Concern) and note 27 (Events after the reporting period, legal proceedings) to financial statements. The potential outcomes of the litigation and claims facing the Group and Company cannot be reasonably estimated by management at this time. Although 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 and impact the going concern assumption. We were unable to obtain sufficient appropriate audit evidence to determine whether any adjustment to the financial statements is required with respect to the recognition of a provision in respect of IAS 37 Provisions, Contingent Liabilities and Contingent Assets in respect of litigation and claims. As described in note 8 (Borrowings) the obligations of the Company under the 2021 and 2022 convertible bonds were restructured into the 21/22 Term Loan Facility in terms of an instrument referred to as the Contingent Payment Undertaking (the SIHPL CPU) The Company undertook to use reasonable endeavours to pay an amount of up to 25% of the aggregate outstanding amount of the Facility A1 loans to the bondholders within 5 business days after implementation of the CVA. The amount that the Company will have available to repay is dependent on SINVH and Steinhoff Africa repaying intercompany loans due to the Company.

Directors' Report

10. Significant transactions during the year

Litigation

The Company has received several shareholder and vendor claims and notices of regulatory investigations. A key assumption in the Company forecast cash flows and going concern assessment is that no material claims or fines are awarded against the Company and will become payable during the next twelve months. These legal proceedings and regulatory investigations have been initiated against the Company during the past 30 months. The Board of the Company, in consultation with Steinhoff N.V.'s Supervisory Board and the Management Board, assisted by a newly constituted litigation committee ("Steinhoff N.V. Litigation Working Group") which includes representation of the board of the Company, and in consultation with the Group's attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the regulatory bodies. Several initial defenses have already been filed by the Company in these legal proceedings. However, litigation remains a material uncertainty as to its ultimate impact on the liquidity of the Company.

CVA Implementation

Factors including the withdrawal of undrawn facilities, closure of bank accounts, termination of the cash pooling arrangements between the European group subsidiaries and ratings downgrades had the combined effect of creating enormous liquidity constraints within the Group. The various announcements and press coverage together with the inability to produce audited accounts at entity level, because of the ongoing forensic investigation, resulted in additional supplier and credit insurance pressure on the Group's operating companies. On 30 November 2018, two of Steinhoff N.V.'s subsidiaries which accounts for most of the Group's financial creditors, Steinhoff Europe AG ('SEAG") and Steinhoff Finance Holdings GmbH ("SFHG"), launched company voluntary arrangements ("CVAs"). The CVAs seek to implement the restructuring plan set out in the agreement entered into between SEAG, SFHG and the creditor groups to create an extended period of time to ensure fair treatment across the various creditor groups, allow management to focus on delivering value at the Group's operating business, and achieving a deleveraging of the Group and a detailed assessment of all contingent litigation claims, which became effective on 20 July 2018 (the "Lock-Up Agreement"). The steps to be implemented pursuant to each of the CVAs included amendments to the corporate holding structure, revised corporate governance across the European holding companies and the restructuring of the existing financial indebtedness including the issuance of new debt by certain newly incorporated Luxembourg companies.

In particular, the restructuring steps that have been implemented pursuant to each of the CVAs seek:

- to revise the terms of the Group's principal European debt instruments, and the guarantees of such debt instruments, to provide a common set of covenants and security package and a maturity date set sufficiently in advance (being 31 December 2021);
- as a result of those maturity dates, to afford the Group the opportunity to seek to improve the value of its assets for the benefit of its creditors and avoid a situation whereby SEAG's and SFHG's assets would be realised in a distressed scenario, potentially reducing any returns to SEAG's or SFHG's creditors and other stakeholders;
- through the revised debt terms, to improve the Group's liquidity position by providing that the interest accruing on the new debt pursuant to the restructuring will be PIK, rather than in cash;
- The PIK rate applicable to the New Lux Finco 1 Debt will be 10% per annum. The PIK rates applicable to the New Lux Finco 2 Debt will be:
  i. 10% per annum in relation to a "Super Senior Facility Loan";
  ii. 7.875% per annum in relation to a "Facility A1 Loan" or a "Facility B1 Loan"; and
  iii. 10.75% in relation to a "Facility A2 Loan" or a "Facility B2 Loan".
  Such PIK interest rates may increase in the event that certain creditor approved nominees are not appointed to the Supervisory Board of Steinhoff N.V. in due course;
- The new SEAG debt facility contains provisions that regulate the steps to be taken if the new SEAG HoldCo decides to undertake a material asset disposal outside of a default scenario. If that material asset disposal also requires a shareholder vote by the Steinhoff N.V. shareholders, the matter will be put to the Steinhoff N.V. shareholders. If the Steinhoff N.V. shareholders do not vote in favour of the sale there is a requirement that within approximately 75 days the SEAG debt is repaid in amount equal to the net proceeds that would have been obtained on the proposed sale. If Steinhoff N.V. does not raise the required funds within the required time to make the prepayment an event of default under the new debt facilities will occur. For more details users of the financial statements are referred to the CVA proposals and the new SEAG finance documentation. The CVA proposals, together with certain supporting documentation, can be downloaded free of charge at www.steinhoffinternational.com/restructuring-documents.php.
- To implement (or provide the framework to implement) revised corporate governance across the European holding companies in order to supplement and support the functions and specifications of those holding companies including the appointment of new directors to certain companies within the SEAG Group and the establishment of a litigation working group; and
- The debt instruments contain numerous other events of default. For more details please refer to the CVA Proposals and the new finance documentation.

10. Significant transactions during the year (continued)

CVA Implementation (continued)

Meetings of the creditors and members of SEAG and SFHG were held on 14 December 2018 at which the CVAs were approved by the requisite majorities. Various conditions are to be satisfied prior to implementation of the restructuring. It is envisaged that the relevant consents to make required amendments will be requested by way of a separate CVA consent request. On successful implementation of the CVAs, the SEAG and SFHG debt will be reclassified to long-term interest-bearing loans and borrowings.

On 13 August 2019, Steinhoff N.V. announced the successful implementation of the CVAs.

Contingent Payment Undertaking ("CPU")

The Company served as co-guarantor for the 2021 and 2022 convertible bonds issued by SFHG, a subsidiary of the Steinhoff N.V. Group.

In the 2018 Reporting Period the full amount of the guarantee (EUR 1.58 billion at the closing exchange rate of R16.43 per euro) was recognised as the borrower was in default with regards to the underlying obligations.

Upon the implementation of the CVA, the 2021 and 2022 convertible bonds issued by SFHG were restructured into the 21/22 Term Loan Facility and the SIHPL Contingent Payment Undertaking ("CPU") replaced the financial guarantee previously issued by the Company. Both the guarantee and the CPU liability are euro-denominated.

Under the SIHPL CPU, the Company undertook to take reasonable endeavours to pay an amount of up to 25 percent of the aggregate outstanding amount of Facility A1 loans to the bondholders within five business days after implementation of the CVA. The directors also recognised that the 2021 and 2022 convertible bonds guarantee claims at SIHPL ranked pari passu with other unsecured claims of SIHPL, including any contingent or non-notified claims that may be proved at a future date. The reasonable endeavours undertook by the directors includes extensive consultation with legal and financial advisors and engaging with lenders and litigants.

Whilst considering its obligations under the SIHPL CPU after the implementation of the CVA, the Company received letters of objection from three contingent creditors that sought to restrict the Company from making any payments under the SIHPL CPU. The Company agreed to give five clear business days’ notice to the objecting parties of any intention to make payment. Further discussions are ongoing with the relevant parties.

The Company believes it has fulfilled its obligations under the SIHPL CPU. No decision to pay has been made under the SIHPL CPU to date.

The amount that SIHPL will have available to repay, is dependent on SINVH and Steinhoff Africa Holdings Proprietary Limited ("Steinhoff Africa") repaying intercompany loans to SIHPL. In terms of a sum-of-the parts calculation performed on the Steinhoff Investments Holdings Limited group the Steinhoff Africa Holdings Proprietary Limited and SINVH loans are recoverable.

The amount the Company will be able to pay under the SIHPL CPU is limited to the net asset value before inclusion of the CPU financial liability.

The current portion of the CPU was determined in terms of the quasi-liquidation methodology which includes considering litigation claims against the Company. The amount is ultimately determined by the directors after extensive consultation with legal and financial advisors and engaging with lenders and litigants.

11. Events after the reporting period

Litigation

A number of contractual claims have been initiated against the Company during and after the 2019 Reporting Period. They are all being defended. No provisions have been made for these claims during the 2019 Reporting Period, as it is not yet possible to determine the timing and outflow, if any, relating to these claims.

A key assumption in the Company's cash flows is that no material judgments or fines are issued against the Company and/or its subsidiaries and will become payable during the next twelve months. These legal proceedings have been initiated against the Company since December 2017. The board, assisted by the Steinhoff N.V. Litigation Working Group, and in consultation with the Company's attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the relevant regulatory bodies. Several initial defences have already been filed by the Company in these legal proceedings. However, there remains a material uncertainty as to the ultimate impact of litigation on the liquidity of the Company.

For further details refer to note 24 and note 27 to the financial statements.

COVID-19

At the time of writing, there is widespread global uncertainty associated with the COVID-19 pandemic. We are closely monitoring the situation and its effect on underlying investments. While it is widely expected that the outbreak and spread of the COVID-19 may lead to challenges, it is not yet possible to determine accurately any future impact on the SIHPL and SINVH Group, which the Company has loans receivable from. Refer to the going concern disclosure below for more detail on the possible financial effect of COVID-19 on the Company.

Expected credit loss assessment

The impact on the calculation of the lifetime expected credit losses determined as part of the general approach, related party loans receivable was considered. In particular, the Company assessed which of its debtors, if any, have pre-existing conditions which would impair their ability to honour their loan commitments. In performing this exercise, the company used evidence gathered between the reporting date and the date on which the financial statements were authorised for issue. The fair value of the underlying investments of the SINVH Group have not decreased significantly and is still sufficient to cover all the liabilities. Based on the evidence obtained, it remains unlikely that any increase in the lifetime expected credit losses will be material.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

12. Going concern

In determining the appropriate basis of preparation, the board is required to consider whether the Company can continue in operational existence for the foreseeable future.

With the conclusion and implementation of the CVA (also refer to Note 8 - Borrowings), the existing debt instruments in SEAG and SFHG were reissued with effect from 13 August 2019, with a common maturity date of 31 December 2021. No cash interest is payable in this period, as interest will accrue and is only payable when the debt matures, providing the Group with a period in which it can concentrate on reducing debt and restoring value. The Company's cash flow forecasts indicate that both the Company can, based on certain critical assumptions, continue in operational existence for the foreseeable future, namely for 12 months after the date of authorisation of the Financial Statements.

However, the board draws shareholders' attention to the following material uncertainties that are key in arriving at the forecasted cash flows, namely:

Litigation and Regulation

The Company are subject to several legal claims and regulatory investigations (also refer to Note 24). A key assumption in the Company's cash flow forecasts is that no material judgements or fines are issued against the Company that will become payable during the next 12 months. The board assisted by the Steinhoff N.V. Litigation Working Group and in consultation with the Company's attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the regulatory bodies. Defenses have been filed by the Company in various legal proceedings and the Company have co-operated with various regulators in their investigations. However, there remains a material uncertainty as to the ultimate impact of litigation and regulatory enforcement on the liquidity of the Company. The majority of the claims and fines do not have an impact on the 2019 Financial Statements. These claims are contingent liabilities and have been disclosed in note 24 and note 27.

Directors' Report

12. Going concern (continued)

COVID-19

The COVID-19 pandemic has had a major effect on the South African economy so far. The indirect investment in Steinhoff N.V.'s fair value has slightly increased from R1.10 per share on 30 September 2019 to R0.99 per share on 22 June 2020. The Company can however not predict the full extent of the financial impact on the performance of the investment.

Since the Company does not have any underlying investments or operations, the effect of the COVID-19 pandemic is limited to the recoverability of the company's related party loan receivables. In terms of a sum-of-the parts calculation performed on the SINVH Group the Steinhoff Africa and SINVH loans are recoverable.

While the Company is confident that the actions it is taking to address the impact of COVID-19 are appropriate and timely, the situation remains fast moving and uncertain and these are being kept under constant review.

Timing of repayment of borrowings

In accordance with the SIHPL CPU (refer to note 8), the Company shall settle the amounts due under the 21/22 Term Loan Facility issued by Steenbok Lux Finco 1 SARL by 31 December 2021 and endeavour to make partial payment before that date. Whilst considering its obligations under the SIHPL CPU after the implementation of the CVA, the Company received letters of objection from three contingent creditors that sought to restrict the Company from making any payments under the SIHPL CPU. This creates an uncertainty relating to the timing of these material borrowing payments.

Conclusion

The board draws attention to the following facts:
- that in the Company's 2019 Financial Statements liabilities exceed assets, and
- that these material uncertainties extend beyond the foreseeable future.

These facts therefore cast significant doubt upon the Company's ability to continue as a going concern beyond the foreseeable future.

13. Auditors

The financial statements are subject to an audit and have been audited by Mazars.

They have been appointed for the current financial year and will be reappointed for the ensuing year.

14. Secretary

The Company secretary is Steinhoff Secretarial Services Proprietary Limited.

Business address: Building B2
Vineyard Office Park
Cnr Adam Tas & Devon Valley Road
Stellenbosch
7600

Statement of Financial Position as at 30 September 2019

	Note(s)	2019 R '000	2018 R '000
Assets			
Non-Current Assets			
Investments	4	843	1 990
Related party loans receivable	5	20 481 193	-
		20 482 036	**1 990**
Current Assets			
Related party loans receivable	5	3 989 189	30 193 094
Current tax receivable		22 681	19 665
Cash and cash equivalents	6	72 680	2 206
		4 084 550	**30 214 965**
Total Assets		**24 566 586**	**30 216 955**
Equity and Liabilities			
Equity			
Ordinary stated share capital	7	53 318 304	53 318 304
Reserves		(1 147)	-
Accumulated loss		(55 037 909)	(54 905 573)
		(1 720 752)	**(1 587 269)**
Liabilities			
Non-Current Liabilities			
Borrowings	8	22 202 788	-
Current Liabilities			
Other payables and accruals	9	41 965	41 327
Related party loans payable	10	62 840	5 776 287
Borrowings	8	3 979 745	25 986 610
		4 084 550	**31 804 224**
Total Liabilities		**26 287 338**	**31 804 224**
Total Equity and Liabilities		**24 566 586**	**30 216 955**

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2019 R '000	2018 R '000
Interest income	11	5 562	349
Other income		-	128
Net foreign exchange loss on financial instruments	12	(194 904)	(639 002)
Reversal of/(additional) impairments on financial assets	13	68 946	(19 947)
Administrative expenses	13	(11 421)	(100)
Operating loss	13	**(131 817)**	**(658 572)**
Finance costs	14	-	(124 902)
Fair value adjustments on investments	15	-	(53 340)
Loss before taxation		**(131 817)**	**(836 814)**
Taxation	16	(519)	(22)
Loss for the year		**(132 336)**	**(836 836)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		(1 147)	-
Items that may be reclassified to profit or loss:			
Fair value adjustment on available-for-sale financial assets		-	7 866
Fair value adjustment on available-for-sale financial assets - deferred taxation		-	(1 762)
Total items that may be reclassified to profit or loss		**-**	**6 104**
Other comprehensive income for the year net of taxation	17	**(1 147)**	**6 104**
Total comprehensive loss for the year		**(133 483)**	**(830 732)**

Statement of Changes in Equity

	Ordinary stated share capital R '000	Fair value reserve R '000	Accumulated loss R '000	Total equity R '000
Balance at 30 September 2017	**53 318 304**	**(6 104)**	**(54 068 737)**	**(756 537)**
Loss for the year	-	-	(836 836)	(836 836)
Other comprehensive income	-	6 104	-	6 104
Total comprehensive loss for the year	**-**	**6 104**	**(836 836)**	**(830 732)**
Balance at 30 September 2018	**53 318 304**	**-**	**(54 905 573)**	**(1 587 269)**
Loss for the year	-	-	(132 336)	(132 336)
Other comprehensive income	-	(1 147)	-	(1 147)
Total comprehensive loss for the year	**-**	**(1 147)**	**(132 336)**	**(133 483)**
Balance at 30 September 2019	**53 318 304**	**(1 147)**	**(55 037 909)**	**(1 720 752)**
Note(s)	7	17		

Statement of Cash Flows

	Note(s)	2019 R '000	2018 R '000
Cash flows from operating activities			
Cash (used in)/generated from operations	18	(10 783)	60
Interest received		2 168	-
Tax paid	19	(391)	-
Net cash from operating activities		**(9 006)**	**60**
Cash flows from investing activities			
Proceeds from loans to related parties		79 480	-
Net cash from investing activities		**79 480**	**-**
Cash flows from financing activities			
Repayment of loans from related parties	20	-	(3 000)
Net cash from financing activities		**-**	**(3 000)**
Total cash movement for the year		**70 474**	**(2 940)**
Cash at the beginning of the year		2 206	5 146
Total cash at end of the year	6	**72 680**	**2 206**

The majority of the proceeds from loans to related parties consists of the repayment of the loan to Conforama Holdings S.A.

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS"), the Companies Act 71 of 2008 and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The financial statements have been prepared on the historic cost basis, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in South African Rands, which is the Company's functional currency.

These accounting policies are consistent with the previous period except for the adoption of new standards during the current year as set out in note 2.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Going concern assumption (Refer to note 23)

In determining the appropriate basis of preparation of the financial statements, the board is required to consider whether the Company can continue in operational existence for the foreseeable future.

Correct classification and completeness of contingent liabilities

The directors apply their judgement to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing whether an obligation is probable, more likely than not, or remote. This judgement application is used to determine whether an obligation is recognised as a liability or disclosed as a contingent liability. Refer to note 8 and note 24.

Classification of current and non-current portion of SIHPL CPU liability

The current portion of the CPU was determined in terms of the quasi-liquidation methodology which includes considering litigation claims against the Company. The amount is ultimately determined by the directors after extensive consultation with legal and financial advisors and engaging with lenders and litigants.

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on management’s assessment of amounts that will become taxable in the future.

1.3 Financial instruments

Classification

The Company classifies financial assets and financial liabilities into the following categories:

- Financial assets measured at fair value;
- Financial assets measured at amortised cost;
- Financial assets measured at fair value through other comprehensive income
- Financial liabilities measured at amortised cost

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. Financial assets held at amortised cost are measured initially at fair value including transaction costs, except for trade receivables that do not contain a significant financing component which are measured at the transaction price determined under IFRS 15. Financial assets/liabilities held at fair value through profit and loss are measured at fair value excluding transaction costs. Financial liabilities at amortised cost are recognised initially at fair value.

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Financial assets/liabilities at fair value through profit or loss are subsequently measured at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income. Financial liabilities at amortised cost are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Gains and losses for financial instruments at fair value through other comprehensive income is recognised in other comprehensive income

Derecognition

Financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Accounting Policies

1.3 Financial instruments (continued)

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 4. The company has made the election to measure the investment in Steinhoff N.V. listed shares at fair value through other comprehensive income. Fair value adjustments recognised in other comprehensive income will not subsequently transfer to profit or loss.

These shares are not held for trading but rather as a strategic investment for the greater Steinhoff N.V. Group, therefore, management deemed the classification at fair value through other comprehensive income as more appropriate.

Recognition and measurement

Investments in equity instruments are recognised when the company becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss or in other comprehensive income (and accumulated in equity in the reserve for valuation of investments) , depending on their classification. Details of the valuation policies and processes are presented in note 25.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all financial assets held at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Impairment - Loans receivable that have no fixed terms of repayment

For loans receivable with no fixed terms of repayment, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the probability of default is usually small and the expected credit loss is immaterial as a result.

If the borrower could not repay the loan if demanded at the reporting date, the Company considers the expected manner of recovery to measure expected credit losses. This includes a ‘repay over time’ strategy. If the recovery strategies indicate that the lender would fully recover the outstanding balance of the loan, the expected credit loss is limited to the effect of discounting the amount due on the loan (at the loan’s effective interest rate, which is regarded as 0% if the loan is interest free) over the period until cash is realised. If the effective interest rate is 0%, and all strategies indicate that the lender would fully recover the outstanding balance of the loan, no impairment loss is recognised.

The Company considers that an event of default has occurred if the borrower does not repay the loan when demanded. The Company writes off a loan when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings.

Any reversal of provision for bad debt previously recognised, due to recovery of the balance is recognised in profit or loss in reversal of impairments on financial assets.

For loans that are credit impaired the interest income is recognised on the loan balance adjusted for impairment losses. A credit-impaired account will cure when the customer does not meet the criteria for being credit-impaired. For a debtor to cure, a significant improvement in the debtor’s payment behaviour is required. Any unrecognised interest as a result of the curing of debt is recognised as recovery of bad debt.

Accounting Policies

1.3 Financial instruments (continued)

Borrowings and loans from related parties

The following liabilities are classified as financial liabilities measured at amortised cost:
- Loans from related parties (note 10).
- Borrowings (note 8).

Borrowings expose the Company to liquidity risk and interest rate risk. Refer to note 23 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are classified as financial assets subsequently measured at amortised cost. Cash and cash equivalents comprise cash on hand and cash held at bank. For the purposes of the cash flow, the cost per the statement of cashflows is made up of cash and cash equivalents.

1.4 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, which affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Accounting Policies

1.5 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at a no-par value and classified as 'stated capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity

1.6 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;

In circumstances where the company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, company determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.7 Interest income

Interest is recognised on the time proportion basis, taking account of the principal debt outstanding and the effective rate over the period to maturity.

1.8 Related parties

Individuals or entities are related parties if any one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel (including directors) are also defined as related parties. Related party transactions and balances are disclosed in note 21.

Notes to the Financial Statements

2. Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

The Company has adopted IFRS 9: Financial Instruments with a date of transition of 1 October 2018 which resulted in changes to its accounting policies.

IFRS 9 replaces IAS 39: Financial Instruments: Recognition and Measurement. It makes changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Due to the immaterial impact of the adoption to the carrying amounts of financial assets and liabilities at the date of transition, no adjustments have been recognised in the opening balance of retained earnings and other reserves of the current period. Accordingly, the information presented for 2018 reflects the requirements of IAS 39. The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The contractual cash flow characteristics of the financial asset. If the contractual terms of the financial asset give rise to payments which are not solely payments of principal and interest on the principal amount outstanding the financial asset is measured at fair value.

As a result of the assessment performed by the directors, no additional provision has been recognised as at 1 October 2019 in line with the First Time Adoption of IFRS 9.

The impact of the adoption of the standard is not material but has resulted in additional disclosure.

The Company has reviewed and assessed existing financial assets as at 1 October 2018, based on the facts and circumstances that existed at that date, and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets with regard to their classification:

Instrument	**Classification: IAS 39**	**Classification: IFRS 9**
Listed investments	Available-for-sale	Fair value through other comprehensive income
Related party loans receivable	Loans and receivables	Amortised cost

The initial application of IFRS 9 did not have an impact on the classification of financial liabilities.

The Company has elected to continue measuring the investment in Steinhoff N.V. listed shares at fair value through other comprehensive income as was done before the adoption of IFRS 9. Under IAS 39 a permanent impairment of an investment classified as available-for-sale would result in the recognition of the impairment in profit and loss. This results in a reclassification of fair value adjustments previously recognised in other comprehensive income to profit and loss. Under IFRS 9 amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss.

Impairment of financial assets

The new impairment model applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15: Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument.

Notes to the Financial Statements

2. Changes in accounting policy (continued)

Financial assets where a 12-month ECL is recognised are considered to be ‘stage 1’; financial assets that are considered to have experienced a significant increase in credit risk are in ‘stage 2’; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in ‘stage 3’. The assessment of credit risk and the estimation of ECL is unbiased and probability-weighted, and incorporates all available information that is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.

As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

For financial assets where objective evidence of impairment exists (stage 3), the standard requires interest income to be calculated on the carrying value of the debtors, after allowance for expected credit losses based on the original effective interest rate.

The related party loans which would have fallen into stage 3 as a result of them being credit impaired were already fully impaired under IAS 39. The adoption of IFRS 9 had no impact on the impairment provisions raised. The impairment of loans assessed as performing under IFRS 9 would have an immaterial risk of impairment on the adoption of IFRS 9. This is due to the same reasons as stated in note 5. Note 5 provides detail on the underlying assets in the respective entities which supports the assessments of recoverability of the loans.

Application of IFRS 15 Revenue from contracts with customers

The new standard replaces IAS 18 and requires entities to recognise revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to contracts with customers.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Company has adopted the standard for the first time in the 2019 financial statements.

The adoption of this standard has not resulted in any changes to the manner in which the Company's revenue is recognised or measured.

Notes to the Financial Statements

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact:
• IFRS 9 Financial Instruments	01 January 2018	The impact of the standard is set out in note 2 Changes in accounting policy.
• IFRS 15 Revenue from Contracts with Customers	01 January 2018	The impact of the standard is set out in note 2 Changes in accounting policy.
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01 January 2018	The impact of the standard is set out in note 2 Changes in accounting policy.
• Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	01 January 2018	The impact of the standard is not material.

3.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 October 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Presentation of Financial Statements: Disclosure initiative	01 January 2020	Unlikely there will be a material impact
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020	Unlikely there will be a material impact
• Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
• Uncertainty over Income Tax Treatments	01 January 2019	Not expected to impact results but may result in additional disclosure
• IFRS 16 Leases	01 January 2019	Unlikely there will be a material impact

Notes to the Financial Statements

	2019 R '000	2018 R '000

4. Investments at fair value

Investments held by the company which are measured at fair value are as follows:

	2019 R '000	2018 R '000
Equity investments at fair value through other comprehensive income:		
Listed shares - Steinhoff N.V.	843	1 990
	843	**1 990**

The investment in Steinhoff N.V. comprises 770 123 (2018: 770 123) ordinary shares acquired during the 2016 reporting period. The original cost was R55.3 million. Refer to note 23 (Price risk).

Fair value information

Refer to note 25 Fair value information for details of valuation policies and processes.

Equity instruments at fair value through other comprehensive income

The Steinhoff N.V. shares are not held for trading but rather as a strategic investment for the greater Steinhoff N.V. Group, therefore management deemed the classification at fair value through other comprehensive income as more appropriate.

Initial adoption of IFRS 9

IFRS 9 Financial Instruments was adopted in the current year and replaces IAS 39. This note reflects the application of IFRS 9 to the specified instruments. Prior year figures have not been restated.

5. Loans to related parties

Trusts

	2019 R '000	2018 R '000
Steinhoff International Share Trust	20 197	19 947
Steinhoff International Share Trust - impairment provision	(20 197)	(19 947)
	-	-

The loan receivable from Steinhoff International Share Trust is unsecured, interest free and repayable when employees exercise their share options. An impairment provision has been made against this loan as the amount is not considered recoverable, based on the value of the underlying Steinhoff N.V. shares held at the reporting date.

Holding companies

	2019 R '000	2018 R '000
Steinhoff Investment Holdings Limited	17 749 184	19 941 736

The loan receivable from SINVH is unsecured, bears no interest and is repayable on demand. ECL's are limited to the 12-month ECL's. Credit losses on the outstanding capital is not expected as the loan is considered highly liquid due to the realisation of the underlying investments of SINVH which is, based on its fair value, sufficient to cover all of its liabilities.

On 12 August 2019, the Company entered into an agreement with SINVH whereby the loan receivable and loan payable between the entities were set off against each other resulting in a net loan receivable being recognised in the Company's records. Refer to note 23 (Offsetting of loans).

Notes to the Financial Statements

	2019 R '000	2018 R '000

5. Loans to related parties (continued)

Fellow subsidiaries

	2019 R '000	2018 R '000
Steinhoff Africa Holdings Proprietary Limited	6 721 198	10 251 358
Conforama Holdings S.A.	-	69 196
Conforama Holdings S.A. - impairment provision	-	(69 196)
Steinhoff Finance Holding GmbH (incorporated in Austria)	-	16 794 740
Steinhoff Finance Holding GmbH (incorporated in Austria) - impairment provision	-	(16 794 740)
Steenbok Newco 2A Limited	-	-
	6 721 198	**10 251 358**

The loan receivable from Steinhoff Africa is unsecured, bears no interest and is repayable on demand. Credit losses on the outstanding capital is not expected as the loan is considered highly liquid due to the realisation of the underlying investments of Steinhoff Africa which is, based on its fair value, sufficient to cover all of its liabilities.

On 12 August 2019, the Company entered into an agreement with Steinhoff Africa whereby the loan receivable and loan payable between the entities were set off against each other resulting in a net loan receivable being recognised in the Company's records. Refer to note 23 (Offsetting of loans).

The loan to Conforama Holdings S.A., which was fully impaired, was repaid in full during the year.

As part of the Europe restructuring, the SFHG CVA was filed with the English court and were implemented on 13 August 2019. The loan with SFHG was therefore transferred to Steenbok Newco 2A Limited ("Newco 2A"). The implementation of the CVA's does not change the nature of the loan. The loan receivable from Newco 2A is deemed to be 100% credit impaired at initial recognition. As a result, the loan was recognised at its fair value of nil.

Split between non-current and current portions

	2019 R '000	2018 R '000
Non-current assets	20 481 193	-
Current assets	3 989 189	30 193 094
	24 470 382	**30 193 094**

Exposure to credit risk

Loans receivable inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

5. Loans to related parties (continued)

Credit rating framework

For purposes of determining the credit loss allowances, management determine the credit rating grades of each loan at the end of the reporting period. These ratings are determined either externally through ratings agencies or internally where external ratings are not available.

The table below sets out the internal credit rating framework which is applied by management for loans for which external ratings are not available. The abbreviation "ECL" is used to depict "expected credit losses."

Internal credit grade	Description	Basis for recognising expected credit losses
Performing	Low risk of default and no amounts are past due. A low risk of default will be supported by a positive net asset value.	12m ECL
Doubtful	Either 30 days past due or there has been a significant increase in credit risk since initial recognition. A negative net asset value would indicate a significant increase in credit risk.	Lifetime ECL (not credit impaired)
In default	Either 90 days past due or there is evidence that the asset is credit impaired. Included in this category would be debt where the borrower is in significant financial dificulty, it has become probable that the borrower will enter bankruptcy or other financial reorganisation, the disappearance of the market in which the borrower operates.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.	Amount is written off

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for group loans receivable by credit rating grade:

2019

Instrument	Internal credit rating	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Loan to trust					
Steinhoff International Share Trust	In default	Lifetime ECL (credit impaired)	20 197	(20 197)	-
Loans to holding companies					
Steinhoff Investment Holdings Limited	Performing	12m ECL	17 749 184	-	17 749 184
Loans to fellow subsidiaries					
Steinhoff Africa Holdings Proprietary Limited	Performing	12m ECL	6 721 198	-	6 721 198

Notes to the Financial Statements

	2019 R '000	2018 R '000

5. Loans to related parties (continued)

Reconciliation of loss allowances

Reconciliation of impairment provision on credit-impaired loans and receivables

	2019	2018
Opening balance	(16 883 883)	(16 450 957)
Foreign exchange gains or losses	-	(412 979)
Movement in provision for expected credit losses	(250)	(19 947)
Reversal of impairments	69 196	-
Derecognition of loans	16 794 740	-
Closing balance	**(20 197)**	**(16 883 883)**

As part of the Europe restructuring, the SEAG and SFHG CVAs were filed with the English court and was implemented on 13 August 2019. The loan to SFHG was therefore ceded to Newco 2A. The loan with SFHG were derecognised and on initial recognition of the loan with Newco 2A, the loan was deemed to be credit-impaired. As a result the loan was recognised at its fair value of nil.

Fair value of related party loans receivable

The fair value of related party loans receivable approximates their carrying amounts.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Bank balances	72 680	2 206

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2019	2018
Credit rating (Moody's Short-term bank deposits (domestic))		
P3	72 680	2 206

7. Ordinary stated share capital

	2019	2018
Authorised		
6 000 000 (2018: 6 000 000) Ordinary shares of no par value	-	-
Issued		
3 862 638 640 (2018: 3 862 638 640) Ordinary shares	53 318 304	53 318 304

Notes to the Financial Statements

	2019 R '000	2018 R '000

8. Borrowings

	2019 R '000	2018 R '000
SIHPL CPU financial liability	26 182 533	-
2021 Convertible bonds - Guarantees	-	7 641 671
2022 Convertible bonds - Guarantees	-	18 344 939
	26 182 533	**25 986 610**

Split between non-current and current portions

	2019 R '000	2018 R '000
Non-current liabilities	22 202 788	-
Current liabilities	3 979 745	25 986 610
	26 182 533	**25 986 610**

The Company served as co-guarantor for the 2021 and 2022 convertible bonds issued by SFHG, a subsidiary of the Steinhoff N.V. Group.

In the 2018 Reporting Period the full amount of the guarantee (EUR 1.58 billion at the closing exchange rate of R16.43 per euro) was recognised as the borrower was in default with regards to the underlying obligations.

Upon the implementation of the CVA, the 2021 and 2022 convertible bonds issued by SFHG were restructured into the 21/22 Term Loan Facility and the SIHPL Contingent Payment Undertaking ("CPU") replaced the financial guarantee previously issued by the Company. Both the guarantee and the CPU liability are euro-denominated.

Under the SIHPL CPU, the Company undertook to take reasonable endeavours to pay an amount of up to 25 per cent of the aggregate outstanding amount of Facility A1 loans to the bondholders within five business days after implementation of the CVA. The directors also recognised that the 2021 and 2022 convertible bonds guarantee claims at SIHPL ranked pari passu with other unsecured claims of SIHPL, including any contingent or non-notified claims that may be proved at a future date. The reasonable endeavours undertook by the directors includes extensive consultation with legal and financial advisors and engaging with lenders and litigants.

Whilst considering its obligations under the SIHPL CPU after the implementation of the CVA, the Company received letters of objection from three contingent creditors that sought to restrict the Company from making any payments under the SIHPL CPU. The Company agreed to give five clear business days' notice to the objecting parties of any intention to make payment. Further discussions are ongoing with the relevant parties.

The Company believes it has fulfilled its obligations under the SIHPL CPU. No decision to pay has been made under the SIHPL CPU to date.

The amount that SIHPL will have available to repay, is dependent on SINVH and Steinhoff Africa repaying intercompany loans owed to SIHPL. In terms of a sum-of-the parts calculation performed on the SINVH Group the Steinhoff Africa and SINVH loans are recoverable.

The amount the Company will be able to pay under the SIHPL CPU is limited to the net asset value before inclusion of the CPU financial liability.

The current portion of the CPU was determined in terms of the quasi-liquidation methodology which includes considering litigation claims against the Company. The amount is ultimately determined by the directors after extensive consultation with legal and financial advisors and engaging with lenders and litigants.

Notes to the Financial Statements

	2019 R '000	2018 R '000

9. Other payables and accruals

	2019 R '000	2018 R '000
Financial instruments:		
Other payables - Steinhoff at Work Proprietary Limited	38 171	38 235
Accrued expenses	3 794	3 092
	41 965	**41 327**

Fair value of other payables and accruals

The fair value of other payables and accruals approximates their carrying amounts.

10. Loans from related parties

Holding companies

	2019 R '000	2018 R '000
Steinhoff International Holdings N.V.	62 840	62 840
Steinhoff Investment Holdings Limited	-	2 192 552
	62 840	**2 255 392**

The loan payable to Steinhoff N.V. is unsecured, bears no interest and is repayable on demand.

An intercompany loan agreement was entered into between the Company and SINVH in terms of which the loan receivable and loan payable was set-off against each other. Refer to note 23 (Offsetting of loans).

Fellow subsidiaries

	2019 R '000	2018 R '000
Steinhoff Africa Holdings Proprietary Limited	-	3 520 895

An intercompany loan agreement was entered into between the Company and Steinhoff Africa in terms of which the loan receivable and loan payable was set off against each other. Refer to note 23 (Offsetting of loans). The loan was unsecured, bore interest as determined from time to time with reference to various market related interest rates and had not fixed terms of repayment.

Split between non-current and current portions

	2019 R '000	2018 R '000
Current liabilities	62 840	5 776 287

Fair value of related party loans payable

The fair value of related party loans payable approximates their carrying amounts.

11. Interest income

	2019 R '000	2018 R '000
Interest income		
South African Revenue Service	3 144	-
Bank and other cash	2 168	118
Distribution from related party	250	231
Total interest income	**5 562**	**349**

Notes to the Financial Statements

		2019 R '000	2018 R '000

12. Net foreign exchange loss on financial instruments

Foreign exchange gains/(losses)			
Arising on related party loans receivable	5	1 019	-
Translation of foreign borrowings	8	(195 923)	(639 002)
		(194 904)	**(639 002)**

13. Operating loss

Operating loss for the year is stated after charging the following, amongst others:

Auditor's remuneration - external		
Audit fees	-	8

No audit fees were recognised in the current year since the 2017 and 2018 audits were only completed subsequent to year-end.

Other administrative expenses		
Director's remuneration	2 623	-
Other expenses	8 798	92
	11 421	**92**

Impairment/(reversal) of related party loans receivable		
Steinhoff International Share Trust	250	19 947
Conforama Holdings S.A.	(69 196)	-
	(68 946)	**19 947**

14. Finance costs

Related parties	-	124 902

15. Fair value adjustments on investments

Fair value losses		
Investment in Steinhoff N.V. (reclassified from other comprehensive income)	-	(53 340)

Notes to the Financial Statements

	2019 R '000	2018 R '000

16. Taxation

Major components of the tax expense

	2019 R '000	2018 R '000
Current		
Local income tax - current period	519	22

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2019 R '000	2018 R '000
Accounting loss	(131 817)	(836 814)
Tax at the applicable tax rate of 28%	(36 909)	(234 308)
Tax effect of adjustments on taxable income		
Provision for impairment of related party loans receivable	(19 305)	20 520
Expenses not incurred in the production of income	1 874	34 889
Non-deductible foreign exchange losses	54 859	178 921
	519	**22**

Estimation of uncertain tax positions relating to current and past restructurings

Due to the uncertainty associated with the tax impact of various restructurings implemented by the Group in the prior and current reporting periods, there is a possibility that the final outcome of tax assessments may differ significantly from the current estimate.

17. Other comprehensive income

Components of other comprehensive income - 2019

	Gross	Tax	Net
Items that will not be reclassified to profit (loss)			
Movements on fair adjustments on investments in equity instruments at fair value through other comprehensive income			
Fair value adjustment - Steinhoff N.V. listed shares	(1 147)	-	(1 147)

Components of other comprehensive income - 2018

	Gross	Tax	Net
Items that may be reclassified to profit (loss)			
Available-for-sale financial assets adjustments			
Fair value adjustments - Steinhoff N.V. listed shares	(45 474)	(1 762)	(47 236)
Cumulative fair value adjustments reclassified to profit or loss on impairment of investment	53 340	-	53 340
	7 866	**(1 762)**	**6 104**

Notes to the Financial Statements

	2019 R '000	2018 R '000

18. Cash (used in)/generated from operations

	2019 R '000	2018 R '000
Loss before taxation	(131 817)	(836 814)
Adjustments for:		
Net foreign exchange loss on financial instruments	194 904	639 002
Interest income	(5 562)	-
Finance costs	-	124 902
Fair value adjustments reclassified through profit or loss	-	53 340
Net impairments/(reversal) on financial assets	(68 946)	19 947
Other non-cash adjustments	-	(231)
Changes in working capital:		
Other receivables	-	326
Other payables and accruals	638	(412)
	(10 783)	**60**

19. Tax paid

	2019 R '000	2018 R '000
Balance at beginning of the year	19 665	19 687
Current tax for the year recognised in profit or loss	(519)	(22)
Accrued interest	3 144	-
Balance at end of the year	(22 681)	(19 665)
	(391)	**-**

20. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2019

	Opening balance	**Foreign exchange movements**	**Set off of loans**	**Total non-cash movements**	**Closing balance**
Borrowings	25 986 610	195 923	-	195 923	26 182 533
Loans from related parties	5 776 287	-	(5 713 447)	(5 713 447)	62 840
Total liabilities from financing activities	**31 762 897**	**195 923**	**(5 713 447)**	**(5 517 524)**	**26 245 373**

Reconciliation of liabilities arising from financing activities - 2018

	Opening balance	**Foreign exchange movements**	**Total non-cash movements**	**Cash flows**	**Closing balance**
Borrowings	25 347 608	639 002	639 002	-	25 986 610
Loans from related parties	5 779 287	-	-	(3 000)	5 776 287
Total liabilities from financing activities	**31 126 895**	**639 002**	**639 002**	**(3 000)**	**31 762 897**

Notes to the Financial Statements

21. Related parties

Relationships

Ultimate holding company	Steinhoff International Holdings N.V.
Holding company	Steinhoff Investment Holdings Limited
Fellow subsidiaries	Steinhoff Africa Holdings Proprietary Limited
	Steinhoff at Work Proprietary Limited
	Conforama Holdings S.A.
	Steenbok Newco 2A Limited
	Steinhoff Finance Holding GmbH
Related trust	Steinhoff International Share Trust

Related party balances

Refer to note 5 for the related party loans receivable and note 10 for the related party loans payable.

Amounts included in other payables regarding related parties		
Steinhoff at Work Proprietary Limited	38 171	38 235
Related party transactions		
Distribution received from related parties		
Steinhoff International Share Trust	250	231
Interest paid to related parties		
Steinhoff Africa Holdings Proprietary Limited	-	124 902
(Reversal)/additional impairment on related party loans		
Steinhoff International Share Trust	250	19 947
Conforama Holdings S.A.	(69 196)	-
	(68 946)	**19 947**
Compensation paid to DI Pauker		
Director fees	2 623	-

Interest of directors and officers in contracts

All directors and officers of the Company have, other than described below, confirmed that they had no interest in any contract of significance with the Company or any of its fellow subsidiary companies, which could have resulted in a conflict of interest during the period.

During the previous year, contracts were concluded with the following companies:

- Hoffman Inc (of which SJ Grobler is a partner) provided legal services to fellow subsidiaries and was reimbursed for expenses to the amount of approximately R11 million.
- Hoffman Inc. rented office space from fellow subsidiaries for an annual amount of approximately R195 300.

22. Directors' emoluments

Executive and non-executive

2019

	Basic remuneration R'000	Bonuses* R'000	Company directors' fees R'000	Supervisory Board fees	Total R'000
LJ du Preez	20 295	23 665	-	-	43 960
TLR de Klerk	6 500	17 530	-	-	24 030
DI Pauker*	-	-	2 623	1 186	3 809
PJ Dieperink*	28 517	8 734	-	-	37 251
	55 312	**49 929**	**2 623**	**1 186**	**109 050**

2018

LJ du Preez	13 002	16 827	-	29 829
PJ Dieperink*	6 568	18 663	-	25 231
M Nel	2 519	13 328	-	15 847
SJ Grobler	3 292	13 328	-	16 620
FJ Nel	4 700	2 500	-	7 200
N Bird	1 699	1 200	-	2 899
FJ Geldenhuys	1 854	1 555	-	3 409
SF Booysen	-	-	2 717	2 717
D Konar	-	-	1 296	1 296
MT Lategan	-	-	1 004	1 004
	33 634	**67 401**	**5 017**	**106 052**

The directors were appointed and resigned on the following dates:

- LJ du Preez was appointed on 19 June 2018
- TLR de Klerk was appointed on 7 May 2019
- DI Pauker was appointed on 14 August 2019
- PJ Dieperink was appointed on 19 June 2018 and resigned on 7 May 2019
- M Nel resigned on 31 January 2018
- SJ Grobler resigned on 2 February 2018
- FJ Nel resigned on 19 June 2018
- N Bird was appointed on 2 February 2018 and resigned on 19 June 2018
- FJ Geldenhuys was appointed on 2 February 2018 and resigned on 19 June 2018

* Includes a foreign amount converted to rand for reporting purposes.

Amounts included in bonuses include amounts accrued for the year and payable subsequent to year-end.

Remuneration for directors are only disclosed for the period that they were appointed as directors of the Company.

The above remuneration related to services rendered to other companies in the Steinhoff Group. The only remuneration paid by the Company was remuneration paid to DI Pauker.

Shareholding in Steinhoff N.V. by directors and in service as at the date of this report:	Number of shares held directly and indirectly
LJ du Preez	5 165
TLR de Klerk	194 270
	199 435

23. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2019

	Note(s)	Fair value through other comprehensive income - equity instruments	Amortised cost R'000	Total R'000
Investments	4	843	-	843
Loans to related parties	5	-	24 470 382	24 470 382
Cash and cash equivalents	6	-	72 680	72 680
		843	**24 543 062**	**24 543 905**

2018

	Note(s)	Available-for-sale R'000	Amortised cost R'000	Total R'000
Investments	4	1 990	-	1 990
Loans to related parties	5	-	30 193 094	30 193 094
Cash and cash equivalents	6	-	2 206	2 206
		1 990	**30 195 300**	**30 197 290**

Categories of financial liabilities

2019

	Note(s)	Amortised cost R'000	Total R'000
Borrowings	8	26 182 533	26 182 533
Other payables and accruals	9	41 965	41 965
Loans from related parties	10	62 840	62 840
		26 287 338	**26 287 338**

2018

	Note(s)	Amortised cost R'000	Total R'000
Borrowings	8	25 986 610	25 986 610
Other payables and accruals	9	41 327	41 327
Loans from related parties	10	5 776 287	5 776 287
		31 804 224	**31 804 224**

Notes to the Financial Statements

23. Financial instruments and risk management (continued)

Pre-tax gains and losses on financial instruments

Gains and losses on financial assets

2019

	Note(s)	Fair value through other comprehen- sive income - equity instruments	Amortised cost R'000	Total R'000
Recognised in profit or loss:				
Interest income	11	-	2 417	2 417
Net foreign exchange gain on settlement of related party loan	12	-	1 019	1 019
Movement in impairments in related party receivables	13	-	68 946	68 946
Recognised in other comprehensive income:				
Fair value loss on investments	17	(1 147)	-	(1 147)
Net gains/(losses)		**(1 147)**	**72 382**	**71 235**

2018

	Note(s)	Available-for-sale R'000	Amortised cost R'000	Total R'000
Recognised in profit or loss:				
Interest income	11	-	349	349
Net foreign exchange loss	12	(53 340)	-	(53 340)
Movement in impairments on related party receivables	13	-	(19 947)	(19 947)
Recognised in other comprehensive income:				
Fair value adjustment on investment		6 104	-	6 104
Net losses		**(47 236)**	**(19 598)**	**(66 834)**

23. Financial instruments and risk management (continued)

Gains and losses on financial liabilities

2019

	Note(s)	Amortised cost R'000	Total R'000
Recognised in profit or loss:			
Net foreign exchange loss on borrowings	12	(195 923)	(195 923)

2018

	Note(s)	Amortised cost R'000	Total R'000
Recognised in profit or loss:			
Finance costs	14	(124 902)	(124 902)
Net foreign exchange loss on borrowings	12	(639 002)	(639 002)
Net losses		**(763 904)**	**(763 904)**

Capital risk management

The capital structure of the company consists of borrowings disclosed in note 8, cash and cash equivalents disclosed in note 6, related party loans receivable in note 5, related party loans payable in note 10 and equity as disclosed in the statement of changes in equity. There are no externally imposed capital requirements. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The capital risk faced by the Company during the 2019 Reporting Period remained substantial.

The implementation of the CVA has enabled the Company to start improving the management of capital risk.

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company.

The company is exposed to credit risk on loans receivable and cash and cash equivalents.

The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Management evaluates the credit quality of loans receivable on a regular basis and does not expect any non-performance by the parties. The company takes into account any historic default experience, the financial position of the counterparty, the effective interest rate of the loan as well as future prospects in the industries in which the counterparties operate.

Notes to the Financial Statements

23. Financial instruments and risk management (continued)

Credit loss allowances for expected credit losses are recognised for all debt instruments but excluding those measured at fair value through profit or loss.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus, the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses.

The maximum exposure to credit risk is presented in the table below:

		2019			2018		
		Gross carrying amount R'000	**Impairment loss allowance R'000**	**Amortised cost R'000**	**Gross carrying amount R'000**	**Impairment loss allowance R'000**	**Amortised cost R'000**
Loans to related parties	5	24 490 578	(20 196)	24 470 382	47 076 977	(16 883 883)	30 193 094
Cash and cash equivalents	6	72 680	-	72 680	2 206	-	2 206
		24 563 258	**(20 196)**	**24 543 062**	**47 079 183**	**(16 883 883)**	**30 195 300**

The related party loans receivable was assessed for recoverability, as far as possible, on fair values of the underlying net assets. When the fair value of underlying assets was not available the net asset value of the party was used.

As at 30 September 2019, some of the related party loans receivable were past due but and fully impaired. Refer to note 5.

Notes to the Financial Statements

23. Financial instruments and risk management (continued)

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

Liquidity risk may also arise because of the possibility that the company could be required to pay its liabilities earlier than expected.

The maturity profile of contractual cash flows of non-derivative financial liabilities, held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2019

		Less than 1 year R'000	2 to 3 years R'000	Total R'000	Carrying amount R'000
Non-current liabilities					
Borrowings	8	-	22 202 788	22 202 788	22 202 788
Current liabilities					
Other payables and accruals	9	41 965	-	41 965	41 965
Loans from related parties	10	62 840	-	62 840	62 840
Borrowings	8	3 979 745	-	3 979 745	3 979 745
		(4 084 550)	**(22 202 788)**	**(26 287 338)**	**(26 287 338)**

2018

		Less than 1 year R'000	Total R'000	Carrying amount R'000
Current liabilities				
Borrowings	8	25 986 610	25 986 610	25 986 610
Other payables and accruals	9	41 327	41 327	41 327
Loans from related parties	10	5 776 287	5 776 287	5 776 287
		31 804 224	**31 804 224**	**31 804 224**

Notes to the Financial Statements

23. Financial instruments and risk management (continued)

Foreign currency risk

The Company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currency in which the Company deal primarily is Euros.

Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

Euro exposure:			
Non-current assets:			
Loans to related parties	5	-	16 794 740
Loans to related parties - impairment provision	5	-	(16 794 740)
Non-current liabilities:			
Borrowings	8	(22 202 788)	-
Current liabilities:			
Borrowings	8	(3 979 745)	(25 986 610)
Net Euro exposure		**(26 182 533)**	**(25 986 610)**

Exchange rates

Rand per unit of foreign currency:		
Euro	16.558	16.434

Foreign currency sensitivity analysis

The following information presents the sensitivity of the Company to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Increase or decrease in rate	2019 **R'000**	2018 **R'000**
Impact on profit or loss:		
Euro weakening by 10.2% (2018: weakening by 1.2%) to the rand	2 670 618	311 042

Notes to the Financial Statements

23. Financial instruments and risk management (continued)

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The debt of the Company is comprised of different instruments, which bear interest at either fixed or floating interest rates.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

Interest rate profile

The interest rate profile of interest-bearing financial instruments at the end of the reporting period was as follows:

30 September 2019	Variable interest R'000	Fixed rate R'000	Non-interest bearing R'000	Total R'000
Investments	-	-	843	843
Loans to related parties	-	-	24 470 382	24 470 382
Cash and cash equivalents	72 680	-	-	72 680
Other payables and accruals	-	-	(41 965)	(41 965)
Loans from related parties	-	-	(62 840)	(62 840)
Borrowings	-	-	(26 182 533)	(26 182 533)
	72 680	**-**	**(1 816 113)**	**(1 743 433)**
30 September 2018				
Investments	-	-	1 990	1 990
Loans to related parties	-	-	30 193 094	30 193 094
Cash and cash equivalents	2 206	-	-	2 206
Other payables and accruals	-	-	(41 327)	(41 327)
Loans from related parties	(3 520 895)	-	(2 255 392)	(5 776 287)
Borrowings	-	(25 986 610)	-	(25 986 610)
	(3 518 689)	**(25 986 610)**	**27 898 365**	**(1 606 934)**

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2019	2019	2018	2018
Increase or decrease in rate	**Increase R'000**	**Decrease R'000**	**Increase R'000**	**Decrease R'000**
Impact on profit or loss:				
100 basis points	727	(727)	(35 187)	35 187

Notes to the Financial Statements

23. Financial instruments and risk management (continued)

Price risk

The company is exposed to price risk because of its investments in equity instruments which are measured at fair value.

All equity exposure was to Steinhoff N.V. shares. The investment was fair valued at 30 September 2019 using a 30-day VWAP of R1.10. A one percent change in the 30-day VWAP used in the valuation of the listed ordinary shares, designated to be classified as at fair value through other comprehensive income, would result in an immaterial adjustment to the fair value, through other comprehensive income before taxation. Subsequent to the reporting date, the share price of Steinhoff N.V. increased slightly and traded on 22 June 2020 at R0.99 per share.

Offsetting of loans

During the Reporting Period, the Company entered into netting agreements with related parties whereby the loans payable and loans receivable were set off against each other (refer note 5 and 10).

The table below presents the recognised loans that are offset as at 30 September 2019 with the respective counterparties:

	SINVH R'000	Steinhoff Africa R'000
Loan receivable	19 941 736	10 242 093
Loan payable	(2 192 552)	(3 520 895)
Net loan position	**17 749 184**	**6 721 198**

24. Commitments and contingencies

24.1 Borrowing facilities

In terms of the memorandum of incorporation, the borrowing powers of the company are unlimited, to the extent that the total liabilities do not exceed the total assets in the latest set of financial statements of the Company or at the time of borrowing, or that the borrowing amount does not exceed an amount as authorised by Steinhoff N.V.

24.2 Contingent liabilities

Legal claims

The contractual claims discussed below were received by the relevant parties during and after the Reporting Period. They are all being defended. As these claims are based on the claimants' view that the financial reports allegedly relied upon by them were misleading, it is deemed that the claims received after the Reporting Period are, in terms of IAS 10, adjusting events. The base currency of the claims has been converted to the reporting currency by using the average exchange rates of the 2019 Reporting Period.

No provisions have been made for these claims as it is not yet possible to determine the timing and outflow, if any, relating to these claims.

Notes to the Financial Statements

24. Commitments and contingencies (continued)

Thibault Claimants v Steinhoff N.V. and SIHPL

- Thibault and Upington (subsequently substituted by Titan) ("Thibault Claimants") have instituted a claim against Steinhoff N.V. and SIHPL on 26 April 2018 for the cancellation of subscription agreements based on alleged misrepresentation and restitution as follows:
  i. contractual claim by the Thibault claimants against SIHPL for an amount of R34.7 billion based on the subscription agreement entered into between the parties on 25 November 2014, in terms of which Thibault subscribed for 609 million ordinary shares in SIHPL.
  ii. a claim by Thibault against Steinhoff N.V. for restitution of the assets distributed by SIHPL to Steinhoff N.V. in terms of the scheme of arrangement.
  iii. a claim of damages by Upington, in the amount of R24.69 billion based on subscription agreements whereby Upington subscribed for a combined total of 314 million Steinhoff shares for R24.69 billion. Upington was replaced by Titan as claimant after selling and ceding its claims to Titan. During July 2019, Conservatorium Holdings LLC, the legal successor in title to Upington's lenders ("Conservatorium") was granted leave, through Dutch legal proceedings, to levy a prejudgment attachment on Upington's claims against Steinhoff N.V. and SIHPL. As such, in March 2020 Conservatorium initiated intervention proceedings in the High Court of South Africa, for Conservatorium and Upington to be named as plaintiffs in the proceedings.

  Proceedings are ongoing.

GT Ferreira Claimants v Steinhoff N.V. and SIHPL

- GT Ferreira and the trustees of Tokara BEE Trust and the Tokara Employees Trust ("GT Ferreira Claimants") have instituted a claim on 1 June 2018 against Steinhoff N.V. and SIHPL, to have certain share swap agreements, entered into between the parties on or about 25 June 2015, declared void ab initio, alternatively declaring that such swap agreements were lawfully cancelled by the GT Ferreira Claimants on 10 May 2018 and ordering SIHPL to return to the GT Ferreira Claimants the PSG shares that formed part of the swap agreement, alternatively ordering SIHPL to pay the GT Ferreira Claimants the value of such PSG shares being in total R 1.17 billion. Proceedings are ongoing.

Wiesfam v Steinhoff N.V. and SIHPL

- Wiesfam Trust Proprietary Limited ("Wiesfam") has instituted a claim against Steinhoff N.V. and SIHPL on 26 April 2018 for the cancellation of subscription agreements based on alleged misrepresentation and restitution as follows:
  i. a contractual claim by Wiesfam against SIHPL for the return of 15.5 million PSG shares, alternatively payment of the amount of R3.4 billion as damages. The claim is based on an oral share issue agreement entered into between the parties on 15 December 2011, in terms of which Wiesfam subscribed for 29.7 million ordinary shares in SIHPL for a consideration of 15.5 million PSG shares. Wiesfam alleges that it was induced to enter into the share issue agreement based on certain fraudulent and/or negligent misrepresentations and non-disclosures made by SIHPL through Markus Jooste.
  ii. claim by Wiesfam against Steinhoff N.V. for restitution of the assets distributed by SIHPL to Steinhoff N.V. in terms of the scheme of arrangement.

  Proceedings are ongoing.

Le Toit v Steinhoff N.V., SIHPL and SINVH

- The Trustees of Le Toit trust ("Le Toit") have instituted a claim on 31 August 2018 against SIHPL, Steinhoff N.V., SINVH, Markus Jooste and Ben la Grange, for the cancellation of share exchange agreements, based on alleged misrepresentations, and claims for damages against the defendants for payment of the amount of R740 million.

- The claims are based on written share exchange agreements entered into between SIHPL and Le Toit on 24 June 2015, in terms of which SIHPL swapped 10.2 million ordinary shares in SIHPL for 3.8 million PSG shares. Proceedings are ongoing.

Enrico De Villers Greyling v SIHPL

- On 15 February 2019, Enrico De Villiers Greyling ("Greyling") instituted a claim against SIHPL for the return of 500 000 shares in PSG, valued at R196.18 per share, in exchange for 1.3 million Steinhoff shares issued to him in terms of an exchange agreement entered into on or about 24 June 2015 (initially for shares in SIHPL which were converted at listing of Steinhoff N.V.) which Greyling now seeks to cancel on the basis of alleged misrepresentation. There is no alternative claim for damages. Greyling seeks restitution of 500 000 PSG shares in exchange for 1.3 million Steinhoff N.V. shares. Proceedings are ongoing.

24. Commitments and contingencies (continued)

Hamilton vs Steinhoff N.V. and SIHPL

- Hamilton is seeking declaratory relief and damages flowing from the assertion that SIHNV and SIHPL together with the other named parties, allegedly misrepresented their financial position causing the relevant shareholders damage. Steinhoff filed a submission with preliminary motions and on applicable law in March 2020.

Shareholder claims

- On 20 March 2019, Trevo Capital Limited, a shareholder having acquired SIHPL shares on the secondary market (which were subsequently swapped for Steinhoff shares pursuant to the listing of Steinhoff N.V.), instituted a damages claim against SIHPL for loss emanating from the reduction in value of its Steinhoff shares in the amount of c.R2.16 billion. Proceedings are ongoing.

- On 25 March 2019, BVI, a shareholder, having acquired SIHPL shares from a company related to SIHPL and/or SIHPL itself (which were subsequently swapped for Steinhoff shares pursuant to the listing of Steinhoff N.V.), instituted a claim against SIHPL for loss emanating from the reduction in value of its Steinhoff shares in the amount of c.R2.16 billion. BVI has instituted a delictual claim based what is asserts was on false and misleading information, with an alternative statutory claim for breach of the South African Companies Act. Proceedings are ongoing.

- On 29 March 2019, previous members of management at Pepkor Holdings Limited, who had each entered into a share swap agreement with SIHPL whereby their shares in Pepkor Holdings Limited were swapped for shares in SIHPL (which were subsequently swapped for Steinhoff shares pursuant to the listing of Steinhoff N.V.) instituted proceedings against SIHPL for loss emanating from the reduction in value of their Steinhoff shares in the aggregate amount of R450 million. These parties have instituted a delictual claim based on what they assert was false and misleading information, with an alternative statutory claim for breach of the South African Companies Act. Proceedings are ongoing.

- In August 2018, Ms Dorethea de Bruyn ("De Bruyn") applied for the certification of a class action against SIHPL, Steinhoff N.V. and Steinhoff Secretarial Services Proprietary Limited. De Bruyn seeks, inter alia, leave to act as the representative plaintiff of the members of three proposed classes. The proposed class action alleges that certain alleged accounting irregularities and other financial transactions related to the Steinhoff Group caused investors significant financial losses. If certified, De Bruyn seeks an order to claim damages. Judgement on the certification proceedings is expected by 26 June 2020.

Notes to the Financial Statements

		2019 R '000	2018 R '000

25. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

Assets	Note(s)	2019 R '000	2018 R '000
Equity investments at fair value through other comprehensive income	4		
Listed shares - Steinhoff N.V.		843	1 990
Total		**843**	**1 990**

The fair value calculation of the financial assets and liabilities was performed at the reporting date.

There were no level 2 or level 3 financial assets or financial liabilities at 30 September 2019 and 30 September 2018. There were no transfers between categories during the year.

26. Going concern

In determining the appropriate basis of preparation, the board is required to consider whether the Company can continue in operational existence for the foreseeable future.

With the conclusion and implementation of the CVA (also refer to Note 8 - Borrowings), the existing debt instruments in SEAG and SFHG were reissued with effect from 13 August 2019, with a common maturity date of 31 December 2021. No cash interest is payable in this period, as interest will accrue and is only payable when the debt matures, providing the Group with a period in which it can concentrate on reducing debt and restoring value. The Company’s cash flow forecasts indicate that the Company can, based on certain critical assumptions, continue in operational existence for the foreseeable future, namely for 12 months after the date of authorisation of the Financial Statements.

However, the board draws shareholders’ attention to the following material uncertainties that are key in arriving at the forecasted cash flows, namely:

Litigation and Regulation

The Company are subject to several legal claims and regulatory investigations (also refer to Note 24). A key assumption in the Company's cash flow forecasts is that no material judgements or fines are issued against the Company that will become payable during the next 12 months. The board, assisted by the litigation committee of Steinhoff N.V. and in consultation with the Company’s attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the regulatory bodies. Defenses have been filed by the Company in various legal proceedings and the Company has co-operated with various regulators in their investigations. However, there remains a material uncertainty as to the ultimate impact of litigation and regulatory enforcement on the liquidity of the Company. The majority of the claims and fines do not have an impact on the 2019 Financial Statements. These claims are contingent liabilities and have been disclosed in note 24.

COVID-19

The COVID-19 pandemic has had a major effect on the South African economy so far. The indirect investment in Steinhoff N.V.'s fair value has slightly increased from R1.10 per share on 30 September 2019 to R0.99 per share on 22 June 2020. The Company can however not predict the full extent of the financial impact on the performance of the investment.

Since the Company does not have any underlying investments or operations, the effect of the COVID-19 pandemic is limited to the recoverability of the company's related party loan receivables. In terms of a sum-of-the parts calculation performed on the SINVH Group the Steinhoff Africa and SINVH loans are recoverable.

While the Company is confident that the actions it is taking to address the impact of COVID-19 are appropriate and timely, the situation remains fast moving and uncertain and these are being kept under constant review.

Timing of repayment of borrowings

In accordance with the SIHPL CPU (refer to note 8), the Company shall settle the amounts due under the 21/22 Term Loan Facility issued by Steenbok Lux Finco 1 SARL by 31 December 2021 and endeavour to make partial payment before that date. Whilst considering its obligations under the SIHPL CPU after the implementation of the CVA, the Company received letters of objection from three contingent creditors that sought to restrict the Company from making any payments under the SIHPL CPU. This creates an uncertainty relating to the timing of these material borrowing payments.

Conclusion

The board draws attention to the following facts:

- that in the Company's 2019 Financial Statements liabilities exceed assets, and
- that these material uncertainties extend beyond the foreseeable future.

These facts therefore cast significant doubt upon the Company's ability to continue as a going concern beyond the foreseeable future.

Notes to the Financial Statements

27. Events after the reporting period

Legal proceedings

Paul Ronald Potter vs SIHPL

- Potter instituted action proceedings in December 2019 for R69.4 million claiming damages allegedly sustained flowing from alleged misrepresentations in published financial statements, which allegedly led to Potters' loss.

Michael John Morris vs SIHPL

- Morris instituted action proceedings in December 2019 for R69.4 million claiming damages allegedly sustained flowing from alleged misrepresentations in published financial statements, which allegedly led to Morris' loss.

Francois Johan Malan vs SIHPL

- Malan instituted action proceedings in June 2020 claiming damages in the amount of R13.2 million arising from alleged misrepresentations in published financial statements.

Peter Andrew Berry vs SIHPL

- Berry instituted action proceedings in June 2020 claiming damages in the amount of R92.3 million arising from alleged misrepresentations in published financial statements.

Andre Frederick Botha vs SIHPL

- Botha instituted action proceedings in June 2020 claiming damages in the amount of R13.2 million arising from alleged misrepresentations in published financial statements.

Warren Wendell Steyn vs SIHPL

- Steyn instituted action proceedings in June 2020 claiming damages in the amount of R13.2 million arising from alleged misrepresentations in published financial statements.

Conservatorium Holdings LLC vs SIHPL, Steinhoff N.V. and 5 Others

- On 15 May 2020, Conservatorium Holdings LLC ("Conservatorium") initiated action proceedings in South Africa against SIHPL, Steinhoff NV, Thibault Square Financial Services Proprietary Limited ("Thibault"), Titan Premier Investments Proprietary Limited ("Titan"), Titan Group Investments Proprietary Limited, Christoffel Hendrik Wiese and Jacob Daniel Wiese. Conservatorium sues in its capacity as assignee and successor in title of rights and claims under certain Loan Facilities and Security Agreements (collectively, the "Financing Agreements") concluded in 2016 and 2017 between a consortium of banks (as lenders and cessionaries) and Upington Investment Holdings B.V. ("Upington", an erstwhile subsidiary of Titan), Thibault and Titan (as borrowers and cedants). Conservatorium alleges that on 25 November 2014, Thibault acquired 609 145 624 SIHPL shares for an aggregate consideration of R34.72 billion which were subsequently exchanged for shares in Steinhoff N.V. by virtue of the 2015 scheme of arrangement. Conservatorium alleges that in terms of the Financing Agreements, certain loan facilities were extended to Upington, collateralised by the pledge of 750 million Steinhoff N.V. shares via Upington and Titan. Conservatorium further alleges that it has subsequently acquired:
  - i. 94% of the claims, rights and benefits of the lenders against any party under or in connection with the Financing Agreements,
  - ii. any and all future claims (including claims against third parties) accruing to the lenders under contract, delict, law, statute or otherwise in connection with the Financing Agreements, and
  - iii. certain ancillary rights and claims. Accordingly, Conservatorium claims that but for alleged misrepresentations made by SIHPL, the lenders would not have extended the loan facilities and by doing so have incurred losses of €993,500,000 for which Conservatorium has acquired the right to claim €933,900,000, being 94% thereof, from SIHPL.

  Furthermore, Conservatorium alleges that it is entitled to claim the subscription price that Thibault paid to SIHPL in the amount of R34.72 billion. This matter is ongoing.

- Conservatorium initiated separate proceedings in the Netherlands in January 2020 (the "Dutch Conservatorium Claim"). The Dutch Conservatorium Claim is founded on the same facts as the claim in South Africa and seeks the same relief against SIHPL.

Notes to the Financial Statements

27. Events after the reporting period (continued)

Legal proceedings (continued)

Competition Commission vs SIHPL and Others

- This matter involves two referrals issued by the Competition Commission during November 2019. Under the first referral, the Competition Commission has charged a previous subsidiary of SIHPL, namely KAP Diversified Industrial Proprietary Limited ("KAP") of having colluded during the period 2009 to 2014 with its sole local competitor, namely Sonae Arauco South Africa Proprietary Limited ("Sonae") in that they allegedly fixed prices of certain timber products which they both manufactured and sold to merchants. In the second (related) referral, the Competition Commission has charged SIHPL itself with having committed the same offence during that period. The Competition Commission contends that the actual perpetration of the transgressions occurred between representatives of the sale staff of a subsidiary of KAP and their colleagues employed by Sonae. It is not alleged that any SIHPL employee participated in the alleged price fixing or that SIHPL knew or ought to have known that the transgressions were being perpetrated. The Competition Commission seeks a finding against SIHPL exclusively on a contention that by virtue of its shareholding in the KAP group it controlled the business and affairs of KAP and its subsidiaries. SIHPL has initiated review proceedings in the High Court of South Africa to set aside the referral by the Competition Commission.

COVID-19

At the time of writing, there is widespread global uncertainty associated with the COVID-19 pandemic. We are closely monitoring the situation and its effect on underlying investments. While it is widely expected that the outbreak and spread of the COVID-19 may lead to challenges, it is not yet possible to determine accurately any future impact on the SINVH Group, which the Company has loans receivable from. Refer to note 26 for more detail on the possible financial effect of COVID-19 on the Company.

Expected credit loss assessment

The impact on the calculation of the lifetime expected credit losses determined as part of the general approach, related party loans receivable was considered. In particular, the Company assessed which of its debtors, if any, have pre-existing conditions which would impair their ability to honour their loan commitments. In performing this exercise, the company used evidence gathered between the reporting date and the date on which the financial statements were authorised for issue. The fair value of the underlying investments of the SINVH Group have not decreased significantly and is still sufficient to cover all the liabilities. Based on the evidence obtained, it remains unlikely that any increase in the lifetime expected credit losses will be material.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.