

MIRA INFORM REPORT

Report No. :	524983
Report Date :	13.08.2018

IDENTIFICATION DETAILS

Name :	STEINHOFF ASIA PACIFIC LTD
Registered Office :	Level 4, 1 Epping Rd, North Ryde, Nsw 2113
Country :	Australia
Date of Incorporation :	1981
Legal Form :	Australian Proprietary Company
Line of Business :	The subject operates as a chain of furniture retail outlets invoice in the retail of furniture and homewares including tables, chairs, sofas, beds, coffee tables bedding, glassware, bathroom accessories and soft furnishings.
No. of Employees :	9,213 (Australian Group)

RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23rd January 2017)

MIRA's Rating :	B
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Credit Rating	Explanation	Rating Comments
B	Medium Risk	Business dealings permissible on a regular monitoring basis

Status :	Moderate
Payment Behaviour :	Slow
Litigation :	Clear

NOTES :

Any query related to this report can be made on e-mail : infodept@mirainform.com while quoting report number, name and date.

ECGC Country Risk Classification List

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Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
Australia	A1	A1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

AUSTRALIA - ECONOMIC OVERVIEW

Following two decades of continuous growth, low unemployment, contained inflation, very low public debt, and a strong and stable financial system, Australia enters 2018 facing a range of growth constraints, principally driven by the sharp fall in global prices of key export commodities. Demand for resources and energy from Asia and especially China is growing at a slower pace and sharp drops in export prices have impacted growth.

The services sector is the largest part of the Australian economy, accounting for about 70% of GDP and 75% of jobs. Australia was comparatively unaffected by the global financial crisis as the banking system has remained strong and inflation is under control.

Australia benefited from a dramatic surge in its terms of trade in recent years, although this trend has reversed due to falling global commodity prices. Australia is a significant exporter of natural resources, energy, and food. Australia's abundant and diverse natural resources attract high levels of foreign investment and include extensive reserves of coal, iron, copper, gold, natural gas, uranium, and renewable energy sources. A series of major investments, such as the US\$40 billion Gorgon Liquid Natural Gas Project, will significantly expand the resources sector.

Australia is an open market with minimal restrictions on imports of goods and services. The process of opening up has increased productivity, stimulated growth, and made the economy more flexible and dynamic. Australia plays an active role in the WTO, APEC, the G20, and other trade forums. Australia's free trade agreement (FTA) with China entered into force in 2015, adding to existing FTAs with the Republic of Korea, Japan, Chile, Malaysia, New Zealand, Singapore, Thailand, and the US, and a regional FTA with ASEAN and New Zealand. Australia continues to negotiate bilateral agreements with Indonesia, as well as larger agreements with its Pacific neighbors and the Gulf Cooperation Council countries, and an Asia-wide Regional Comprehensive Economic Partnership that includes the 10 ASEAN countries and China, Japan, Korea, New Zealand and India.

Source : CIA

COMPANY NAME

STEINHOFF ASIA PACIFIC LTD

T/AS FREEDOM
ACN: 051 493 764
ABN: 55 051 493 764

SUMMARY

Established	1981
Incorporated	1991
Line of Business	chain of furniture retail outlets
Status	Trading
Adverse Listings	<u>Nil</u>

EXECUTIVE SUMMARY

Steinhoff Asia Pacific Group Holdings P/L - consolidated

As at 1 Oct 2017 – 5months

Revenue	\$2,293,614,000.00
Profit b/tax	\$17,364,000.00
Profit a/tax	\$60,803,000.00
Net Profit Margin	2.65%

On 21 September 2017 the Deed of Cross Guarantee with the subjects holding entity Steinhoff Asia Pacific Holdings P/L was revoked. On this date the subject entered into a Deed of cross Guarantee with Steinhoff Asia Pacific Group Holdings P/L. The effect of the Deed is that each party that forms part of the closed group guarantee the debts of each other.

For the same period the closed group recorded revenue of \$2,148,069,000 which resulted in an operating Profit before tax of \$38,121,000 and an operating profit after tax of \$81,564,000.

As at 1 October 2017 the closed group recorded a deficiency in Working Capital of \$222,621,000 and a current ratio of 0.68 to 1.

At the same date the closed group recorded Net Assets of \$455,869,000. After deducting intangibles of \$566,845,000 this results in a deficiency in Net Worth of \$110,976,000.

The group is dependent on the financial support of the ultimate holding entity Steinhoff International Holdings NV, (SIH) to continue as a going concern.

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SIH has made a number of statements potentially negatively impacting its financial statements. These include concerns over the validity and recoverability over a large value of its assets and other accounting irregularities which will require its accounts to be restated.

This has the potential to impact the Australian Group as it has borrowings of \$478,338,000 at 1 October 2017 which includes \$333,824,000 of borrowings from related parties

CORPORATE SEARCH

Company Type Australian Proprietary Company

Incorporation Date: 25 Mar 1991

Incorporation State: Australian Capital Territory

Registered Office Level 4, 1 Epping Rd
NORTH RYDE, NSW 2113

Number of Shares Issued: 109336536

Paid Capital: \$72,533,791

Directors DIEPERINK, PHILIP JEAN
Resident overseas
Appointed: 03.02.2015

SCHAAFSMA, TIMOTHY WILLIAM
Appointment Date: 10 May 2006
Date of Birth: 06 Sep 1973
Gender: Male
Address: 46 Hunter Street LEWEISHAM, New South Wales 2049 Australia
Resident Overseas: No

MAREE VAN DER MERWE, DANIEL
Appointment Date: 10 May 2006
Date of Birth: 21 May 1958
Gender: Unknown
Address:
Resident Overseas: Yes

GORDON, MICHAEL
Appointment Date: 29 Apr 2003
Date of Birth: 21 Aug 1966
Gender: Male
Address: 1 CATHERINE Street ST IVES, New South Wales 2075 Australia
Resident Overseas: No

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Secretary GORDON, MICHAEL
Appointment Date: 3 Sep 2014
Date of Birth: 21 Aug 1966
Gender: Male
Address: 1 CATHERINE Street ST IVES, New South Wales 2075 Australia
Resident Overseas: No

SECURITY INTERESTS

Effective 30 January 2012 the Personal Property Securities Register (PPSR) was introduced to give the different Commonwealth, State and Territory laws and registers regarding security interests in personal property under one national system.

As a result of PPS Reform a number of existing Commonwealth, State and Territory personal property security registers will close. Interests registered on existing security interest registers will be migrated to the national PPS Register. Subsequently Registered Charges are no longer lodged with the Australian Securities and Investments Commission (ASIC).

BUSINESS STRUCTURE

HEAD OFFICE Level 4, 1 Epping Rd
NORTH RYDE, NSW 2113

TELEPHONE (612) 9882 9000
(612) 9882 9119

FACSIMILE (612) 9882 9009

EMAIL Heidi_saunders@freedom.com.au (Finance Manager)
Jessica_sheridan@freedom.com.au

WEBSITE <http://www.freedom.com.au>

DISTIRBUTION CENTRE 2 Harvey Rd
KINGS PARK, NSW 2148

TRADING STYLE FREEDOM FURNITURE
GUESTS FURNITURE

WAREHOUSE 2 Harvey Rd
KINGS PARK, NSW 2148

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BRANCHES	The subject maintains 62 Freedom Furniture Stores
PRIMARY ASSOCIATES	SNOOZE MANAGEMENT P/L BAYSWISS P/L STEINHOFF PACIFIC P/L STEINHOFF AUSTRALIA P/L BAY LEATHER REPUBLIC P/L
HOLDING ENTITY	STEINHOFF ASIA PACIFIC HOLDINGS P/L
AUSTRALIAN HOLDING ENTITY	STEINHOFF ASIA PACIFIC GROUP HOLDINGS P/L
ULTIMATE HOLDING ENTITY	STEINHOFF INTERNATIONAL HOLDINGS LTD
BANK	ANZ BANKING GROUP
EMPLOYEES	9,213 (Australian Group),

BACKGROUND

The subject was incorporated in the ACT on 25 March 1991 as Pademella P/L, changing name on 31 December 1991 to Freedom Furniture P/L, changing name on 7 February 2000 to Freedom Group Ltd, before adopting the current style on 16 January 2006.

The subject began as Freedom Furniture in 1981. It was listed on the Australian Stock Exchange in 1996 and with the acquisition of the Guests and Andersons furniture chains in 1999, became Freedom Group Limited. In 2001, Freedom and Steinhoff International entered into a strategic alliance whereby Steinhoff would take over the company's manufacturing operations. Subsequently, Freedom Group acquired the Capt'n Snooze (now Snooze) and Bayswiss businesses.

In 2005, the Group rolled out the first of its Bay Leather Republic stores and at the beginning of 2006, Freedom Group was renamed Steinhoff Asia Pacific.

In 2008 the closure of the groups Bayswiss operations were finalised.

On 10 June 2010 the group acquired G&G Furniture Imports P/L

In 2011 the group closed down Freedom Home & Café P/L. The loss from these discontinued operations totalled \$5,798,000.

OPERATIONS

The subject operates as a chain of furniture retail outlets invoice in the retail of furniture and homewares including tables, chairs, sofas, beds, coffee tables bedding, glassware, bathroom accessories and soft furnishings.

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Activities are conducted from premises located at the above listed trading address.

ADVERSE

A search of records of on 25 July 2018 failed to trace any litigation listed against the subject at that date.

FINANCES

The subject is not required to lodge financial statements with the Australian Securities and Investments Commission.

On 21 September 2017 the Deed of Cross Guarantee with the subjects holding entity Steinhoff Asia Pacific Holdings P/L was revoked. On this date the subject entered into a Deed of cross Guarantee with Steinhoff Asia Pacific Group Holdings P/L. The effect of the Deed is that each party that forms part of the closed group guarantee the debts of each other.

Steinhoff Asia Pacific Group Holdings P/L was incorporated on 8 June 2017 and the end of financial year was 1 October 2017. Subsequently the financial results for the last financial year represent only 5 months of trading.

Below is a summary of the Group's income results for the past financial years (5 months of trading).

Steinhoff Asia Pacific Group Holdings P/L - consolidated

As at 1 Oct 2017 – 5months

Revenue	\$2,293,614,000.00
Profit b/tax	\$17,364,000.00
Profit a/tax	\$60,803,000.00
Net Profit Margin	2.65%

For the same period the closed group recorded revenue of \$2,148,069,000 which resulted in an operating Profit before tax of \$38,121,000 and an operating profit after tax of \$81,564,000.

Steinhoff Asia Pacific Group Holdings P/L was incorporated to acquire the assets and operations of Pepkor South East Asia P/L, Spotco Holdings P/L and Fantastic Holdings Ltd.

During fiscal 2017 Group recorded Net Cashflows from operating activities totalling \$77,574,000.

As at 1 October 2017 the Group recorded total current assets of \$459,552,000. They included receivables of \$76,410,000 and inventories of \$363,487,000.

Current liabilities at the same date totalled \$762,384,000 and included payables of \$296,575, external borrowings of \$59,770,000 and related borrowings of \$333,824,000.

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As at 1 October 2017 the Group recorded a deficiency in Working Capital of \$302,832,000 and a current ratio of 0.6 to 1 showing some tightness in liquidity levels.

For the same period the closed group recorded a deficiency in Working Capital of \$222,621,000 and a current ratio of 0.68 to 1.

Net Assets totalled \$411,431,000 as at 1 October 2017. At this date, the Group further recorded a Debt to Equity ratio of 2.25 to 1.

At the same date the closed group recorded Net Assets of \$455,869,000. After deducting intangibles of \$566,845,000 this results in a deficiency in Net Worth of \$110,976,000.

The group is dependent on the financial support of the ultimate holding entity Steinhoff International Holdings NV, (SIH) to continue as a going concern.

SIH has made a number of statements potentially negatively impacting its financial statements. These include concerns over the validity and recoverability over a large value of its assets and other accounting irregularities which will require its accounts to be restated.

This has the potential to impact the Australian Group as it has borrowings of \$478,338,000 at 1 October 2017 which includes \$333,824,000 of borrowings from related parties

The Australian group accounts were prepared on a going concern basis.

Steinhoff Asia Pacific Group Holdings P/L - consolidated

	As at 1 Oct 2017 – 5months
Revenue	\$2,293,614,000.00
Profit b/tax	\$17,364,000.00
Profit a/tax	\$60,803,000.00
Net Profit Margin	2.65%
Current Assets	\$459,552,000.00
Non Current Assets	\$876,885,000.00
Total Assets	\$1,336,437,000.00
Current Liabilities	\$762,384,000.00
Non Current Liabilities	\$162,622,000.00
Total Liabilities	\$925,006,000.00
Net Assets	\$411,431,000.00
Working Capital	(\$302,832,000.00)
Current Ratio	0.60
Debt to Equity	2.25

TRADE SURVEY

During the current investigation, contact with the subject's principals was unable to be established.

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MIRA INFORM PRIVATE LIMITED
605, Palmspring, Near D'Mart, Link Road,
Malad (West), Mumbai - 400 064. INDIA
Tel : 91-22-40448000 (44 lines)
Fax : 91-22-40448045 / 40448046
E-mail : mira@mirainform.com
info@mirainform.com
Website : <http://www.mirainform.com>
<http://www.miraglobalcheck.com>
<http://www.miraglobalcollections.com>

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Subsequently details pertaining to the company's suppliers were unable to be obtained and a trade survey could not be conducted.

Trade payment records from further sources in the past 4 months have traced the following data for the subject.

Total Owing: \$1,223

Total Past Due: \$981

Average Late Payment Days: 30

All Industries Late Payment Days: 10

Within terms: \$242

1 – 30 days past due: \$254

31 – 60 days past due: \$727

61 – 90 days past due: \$0

91+ days: \$0

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FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 68.95
UK Pound	1	INR 88.19
Euro	1	INR 79.00
AUD	1	INR 50.61

Note : Above are approximate rates obtained from sources believed to be correct

INFORMATION DETAILS

Analysis Done by :	NIY
Report Prepared by :	SYL

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RATING EXPLANATIONS

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)