

## Steinhoff reveals vast writedown of assets after PwC probe

Retailer seeks to claw back cash on suspect deals as it posts operating loss of €152m

Joseph Cotterill JUNE 29, 2018

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Steinhoff has written down billions of euros in assets as the global retailer said it was seeking to claw back cash on suspect related-party deals central to South Africa's biggest corporate scandal.

The Frankfurt and Johannesburg-listed company said in unaudited half-year results on Friday that it was examining how much can be recovered from the transactions with related parties that may not have been carried out at market rates.

These were revealed by a PwC probe into the accounting black hole that wiped \$15bn off the group's stock when revealed last year.

Steinhoff, owner of Poundland in the UK and Mattress Firm of the US among other brands, was engaged in the "substantial, complex and time-consuming" task of identifying deals that may be carried out outside market value, Heather Sonn, Steinhoff's chairwoman, said.

Steinhoff on Friday restated nearly €11bn of equity and wrote down the value of assets from €34.7bn to €22.3bn in the fiscal 2017 restated accounts.

"In instances where there is no security on the loans in the entity with the liability, or where the group does not have sufficient information to perform a recoverability test, management has deemed it appropriate to impair these assets," the company said.

Impairments included €2.4bn in goodwill and €1.5bn in property. Other charges of €7bn included inflated income, incorrect application of group accounting rules and the incorrect classification of asset and liabilities among other factors, the group said, warning of further recalculations.

In addition to restating accounts for the 2017 fiscal year, the company posted an operating loss of €152m for the six months ending in March and revealed net debt costs of €224m over the period, underlining the scale of a liquidity crisis threatening its survival.

Earlier on Friday, Steinhoff said it had reached an [eleventh-hour deal with creditors](#) to proceed with critical talks on restructuring its €9.4bn debt, which is two-and-half times its equity.

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**We all want to see Steinhoff stabilised and are determined to pursue every available avenue to make this happen**

Heather Sonn, Steinhoff's chairwoman

Extending the deadline to July 20 was critical as the group had interest payments due on Friday.

Steinhoff has also been selling subsidiaries to raise some cash.

Steinhoff's shares have fallen by 97 per cent since the company revealed the multibillion-euro hole in its accounts, bringing a dramatic end to a dealmaking spree under its longtime chief executive Markus Jooste, who turned the German discount furniture maker into a global force.

Mr Jooste resigned in the wake of the revelations and the company referred him to South African anti-corruption police. Bheki Cele, the South African police minister, said this week that three cases of fraud related to Steinhoff are being investigated.

[Steinhoff](#) said the PwC probe was likely to take until the end of the year.

[Christo Wiese](#), one of South Africa's richest men who backed Mr Jooste and was formerly Steinhoff's chairman and largest shareholder, is suing the company to demand back billions of dollars in stock purchases.

None of Steinhoff's main three regulators in the Netherlands, Germany and South Africa is seeking to suspend the group's shares, it said.

"We all want to see Steinhoff stabilised and are determined to pursue every available avenue to make this happen," Ms Sonn said.



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