



OVERVIEW

Steers Holdings Limited, Africa's leading Quick Service Restaurant (QSR) group is represented in all four major segments of the QSR market, namely burgers, pizza, fish and chicken through its brands Steers, Debonairs Pizza, FishAways and Church's Chicken, which it has marketed under license from Atlanta-based AFC Enterprises since December 2001. During the period under review, Steers and Debonairs Pizza retained brand leadership status in their categories and FishAways consolidated its niche position. Church's Chicken, given the nature of the category in which it competes, affords the Group important growth opportunities.

The company was recognised by its consumers during the year through the popular publication, Leisure Options, which awarded Steers "Best Burger" (for the seventh consecutive year), "Best Chips" and "Best Takeaway" titles, while Debonairs Pizza received the "Best Pizza" award (for the fourth consecutive year) in the QSR category for 2002.

FINANCIAL RESULTS

In a sector challenged by difficult trading conditions, Steers Holdings has performed well to deliver exceptional results. Despite food and fuel inflation and pressure on consumer spending, gross revenue for the period under review increased 20% from R242,9 million to R291,0 million. Net income after taxation increased by 51,2% to R16,2 million. Headline earnings per share of 25,8 cents reflect a 49,1% increase over the previous period.

These results bear testimony to the strength of the Group's brand portfolio and its committed franchisee and licensee network which is underpinned by a comprehensive food service function which extends across the product-supply value chain.

SEGMENT REPORT

	Gross revenue		Growth	%
	2003 R000	2002 R000		
Franchising	55 557	42 300	31	
Manufacturing and distribution	239 619	203 230	18	
Corporate services	16 222	15 266	6	
Less: Inter segment revenue	(20 335)	(17 909)	-	
Total	291 063	242 887	20	

	Operating profit		Growth	%
	2003 R000	2002 R000		
Franchising	10 703	8 132	32	
Manufacturing and distribution	13 232	10 803	22	
Corporate services	103	83	24	
Eliminations	(201)	(133)	-	
Total	23 837	18 885	26	

FRANCHISING DIVISION

The Franchising Division reported revenue of R55,6 million, an improvement of 31% from R42,3 million in the prior comparable period. Operating profit increased 32% to R10,7 million from R8,1 million. These results reflect Steers Holdings' philosophy of focusing on its core competencies and single-minded passion for building brands.

This past year saw the evolution of two major trends: the intensified demand for convenience by consumers and the move away from poor-quality processed food. The Group is strategically poised to manage these trends though its convenience-focused service offerings, including home delivery, drive-thru options and prime restaurant locations. In terms of demand for authenticity and good value, the Group's brands are widely recognised as best-in-class, evinced by strong local consumer support.

During the period under review, the first phase of the Group's brand re-engineering programme was successfully implemented and completed. Designed to revitalise the existing restaurant network in order to meet consumer expectations over the next three years, the programme has been favourably received by both franchisees and consumers alike. The company is cognisant of operating in a sophisticated retail environment where a world-class offering is critical – thus re-investing and re-engineering in order to maintain leadership in a brand-conscious market are imperative.

As at 28 February 2003, the Group's franchised network was as follows:

	South Africa	Rest of Africa	Total
Steers	281	40	321
Debonairs Pizza	147	25	172
FishAways	28	1	29
Church's Chicken	10	-	10
Total	466	66	532

The Group exited the year with 532 branded outlets, adding a net gain of 50 outlets during the year under review. Of these, only four outlets are company owned.

MANUFACTURING AND DISTRIBUTION DIVISION

This business unit continued to dedicate its efforts to service, quality and cost efficiency, and was rewarded with improved lev-

els of franchisee loyalty. Gross revenue improved 18% from R203,2 million to R239,6 million, while operating profit increased 22% to R13,2 million up from R10,8 million.

Pressure on margins as a result of raw material increases was addressed by prudent buying practices and enhanced operational efficiencies, which enabled the unit to contain price increases to franchisees. A business evaluation programme conducted within the unit highlighted opportunities in the financial, warehousing and manufacturing systems and these have and will be capitalised on going forward. During the period, labour and equipment efficiencies were instituted.

In addition, the entire Steers Retail Product range is currently the subject of a packaging re-launch programme which will be completed in the near future.

ACQUISITIONS

During the year under review, the Group acquired the remaining 25% shares of Pouyoukas Foods (Pty) Limited, making it a wholly owned subsidiary.

In line with the company's strategic intent not to sub-contract its brands within homogenous markets with a common currency, the Master License Agreement was bought back from the Eastern Cape licensee during the year under review for R7,2 million. The Western Cape is now the only region within the borders of South Africa outside the direct control of the company.

EVENTS AFTER BALANCE SHEET DATE

With effect from 1 June 2003 the Group will acquire the shares in Creative Coffee Franchise Systems (Pty) Limited, a company licenced to develop franchised coffee outlets under The House of Coffees, Brazilian and ESP Illy Boutique branded trademarks. This acquisition is subject to the completion of a due diligence exercise and the conclusion by Creative Coffee of suitable license agreements.

Management is confident that the combination of Steers Holdings' proven expertise in establishing and developing franchise outlets together with the reputable brandnames it is acquiring, will enable the Group to grow the Creative Coffee franchising business, and over time add value to the Group's operations and earnings.

PROSPECTS

Steers Holdings' growth will continue to be fuelled by three major factors, namely consumer desire for convenience, growth of the middle income market and demand for quality. The Group is well positioned to capitalise on each of these trends.

Primary focus will remain on establishing restaurants in the South African market and maximising all opportunities presented locally. The company will continue to explore potential prospects and acquisitions in the QSR sector according to the Group's stringent criteria of whether they are, or have the potential to be, best-in-class.

With continued focus on the Group's key drivers: growth, customers, quality and leadership, management is satisfied that performance will be enhanced in the year ahead.

CAUTIONARY ANNOUNCEMENT

Shareholders are advised that Steers Holdings Limited continues to trade under cautionary as a result of negotiations that have been entered into, which if concluded successfully, would have a material effect on the price of the company's securities. Accordingly, shareholders are advised to exercise caution when dealing in the company's securities until a full announcement is made.

DIVIDENDS

The Board of Directors have resolved to withhold the recommendation of a final dividend until the negotiations, as detailed in the cautionary announcement above, have been finalised.

On behalf of the Board

P Halamandaris
Chairman

T Halamandaris
Chief Executive Officer
14 May 2003

Steers Holdings Limited (Incorporated in the Republic of South Africa)
(Registration number 1969/004875/06) ("the company")
Directors P Halamandaris (*Chairman*) T Halamandaris (*Chief Executive Officer*)
KA Hedderwick JL Halamandaris* HR Levin* P Halamandaris (jnr)* * *Non-executive*
Company secretary P Papageorgiou

Highlights!

- Gross Revenue **+20%**
- Operating Profit **+26%**
- Headline Earnings per Share **+49%**

CONSOLIDATED INCOME STATEMENT

	28 February 2003 R000	28 February 2002 R000	% change
Gross revenue	291 063	242 887	20
Operating profit	23 837	18 884	26
Net interest received/(paid)	112	(638)	
Net income before taxation	23 949	18 246	31
Taxation	(7 777)	(7 556)	
Net income after taxation	16 172	10 690	51
Attributable to minority shareholders	-	-	
Attributable profit	16 172	10 690	51
<i>Adjusted for:</i>			
Amortisation of goodwill	695	479	
Loss on loan written off	3	16	
Profit on sale of non-current assets	(224)	(223)	
Headline earnings	16 646	10 962	52
Weighted average number of shares in issue	64 513 599	63 187 918	
Operating margin (%)	8,2	7,8	5
Earnings per share – cents	25,1	16,9	48
Headline earnings per share – cents	25,8	17,3	49
Dividends			
– final (prior year)	7,0	8,0	
– interim (current year)	6,0	5,0	
Total dividend for the year	13,0	13,0	

CONSOLIDATED BALANCE SHEET

	28 February 2003 R000	28 February 2002 R000
ASSETS		
Non-current assets	60 678	49 948
Tangible fixed assets	13 850	12 963
Intangible fixed assets	37 943	30 079
Deferred taxation	2 873	573
Loans	6 012	6 333
Current assets	64 625	53 772
Inventory	22 162	17 061
Trade and other receivables	32 650	35 624
Bank balances and cash	9 813	1 087
Total assets	125 303	103 720
EQUITY AND LIABILITIES		
Share capital and reserves	81 444	75 659
Ordinary shareholders' interest	81 301	75 516
Minority shareholders' interest	143	143
Non-current liabilities	10 597	2 652
Interest bearing borrowings	10 597	2 652
Current liabilities	33 262	25 409
Trade and other payables	29 374	23 627
Shareholders for dividend	155	142
Taxation	3 733	1 640
Total equity and liabilities	125 303	103 720

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	28 February 2003 R000	28 February 2002 R000
Balance at beginning of year	75 516	69 467
Net gains not recognised in the income statement – currency translation differences	(2 597)	2 692
Attributable profit	16 172	10 690
Dividends	(8 387)	(8 229)
Net movement in share capital	597	896
Ordinary shareholders' interest	81 301	75 516

CONSOLIDATED CASH FLOW STATEMENT

	28 February 2003 R000	28 February 2002 R000
Net cash flow from operating activities	15 128	7 391
Cash generated by operations	31 373	27 569
Net interest received/(paid)	112	(638)
Taxation paid	(7 983)	(11 390)
Dividends paid	(8 374)	(8 150)
Net cash flow from investing activities	(15 438)	(4 609)
Expended on non-current assets	(15 917)	(5 681)
Proceeds from disposal of non-current assets	479	1 072
Net cash flow from financing activities	9 036	(3 848)
Movement in share capital and reserves	597	896
Increase/(decrease) in interest bearing borrowings	8 439	(4 744)
Change in cash and cash equivalents	8 726	(1 066)
Cash and cash equivalents at beginning of year	1 087	2 153
Cash and cash equivalents at end of year	9 813	1 087

Notes

- 1 These financial statements have been prepared in conformity with South African Statements of Generally Accepted Accounting Practice, and the accounting policies are consistent with those applied in the previous year ended 28 February 2002.
- 2 These financial results have been audited by RSM Betty and Dickson and Galatis Chartered Accountants and their unqualified audit opinion is available for inspection at the company's registered office.
- 3 For the purposes of consistency with revised management structures, the Stores Development business unit is now accounted for in the Franchising Division. The comparative figures have been amended.

Sponsor

