



# ANNUAL FINANCIAL STATEMENTS

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# REPORT OF THE INDEPENDENT AUDITORS



TO THE MEMBERS OF STEINHOFF INTERNATIONAL HOLDINGS LIMITED

## INTRODUCTION

We have audited the annual financial statements and group annual financial statements of Steinhoff International Holdings Limited, set out on pages 43 to 85 for the year ended 30 June 2001. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

## SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

## AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2001 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

A handwritten signature in cursive script that reads "Deloitte &amp; Touche".

## **Deloitte & Touche**

*Registered Accountants and Auditors  
Chartered Accountants (SA)*

Pretoria  
3 September 2001



# DIRECTORS' REPORT

for the year ended 30 June 2001

The directors have pleasure in presenting the annual financial statements of the company and the group for the year ended 30 June 2001.

## NATURE OF BUSINESS

Steinhoff is a holding company invested predominantly in the household goods and related industries. Steinhoff is a globally integrated lifestyle supplier that manufactures, warehouses and distributes household goods and also provides financial and management services to group companies.

## DIVIDENDS

The directors have resolved to award capitalisation shares to shareholders registered at the close of business on Friday, 5 October 2001, with shareholders having the right to elect, instead to receive a final cash dividend of 12 cents (2000: 9 cents) per share, payable Wednesday, 7 November 2001.

## SUBSIDIARY COMPANIES

Particulars of the company's subsidiaries are provided in note 9.

The attributable interest of the company in the aggregate income and losses of its subsidiaries for the year ended 30 June 2001 is:

	2001 R'000	2000 R'000
Aggregate amount of income after taxation	604 183	354 647

## RISK MANAGEMENT

The group has continued to use a risk management policy which incorporates elements of self-insurance. This is backed by an active risk appraisal and review programme and the extent of external insurance cover is at all times sufficient to ensure that the level of risk retained by the group is not significant.

## SHARE CAPITAL

The following shares were issued during the year:

Date	Number of shares	Consideration	Issue price
28 August 2000	107 000	Assets	R6,00
10 October 2000	9 424 400	Cash	R6,20
3 November 2000	8 738 806	Capitalised dividend	R6,30
9 March 2001	500 000	Cash	R6,32
15 March 2001	6 000 000	Cash	R6,32



# DIRECTORS' REPORT

for the year ended 30 June 2001

CONTINUED



## DISPOSAL OF TRADEMARK

During the latter part of the financial year a transaction was entered into whereby the majority of the trademarks housed in the Steinhoff Africa Group were sold. At the same time Steinhoff Africa entered into a licensing agreement whereby Steinhoff Africa will pay a licence fee based on a percentage of turnover in perpetuity subject to the payment of a minimum amount for the first seven years of the agreement. The transaction is based on an independent valuation of the trademarks performed by a valuator.

This transaction impacted on the results for the current year as follows:

- Cash received by the group of R498 million,
- A liability relating to future minimum licence fees payable of approximately R318 million included in long-term borrowings, and
- A capital gain amounting to approximately R179 million, which was excluded from the calculation of headline earnings.

## MANAGEMENT OF BUSINESS BY COMPANIES

Steinhoff Africa was managed in terms of an agreement with Stafric Investments and Management Services (Pty) Limited, a company owned and controlled directly and indirectly by some of the executive directors of the Steinhoff Africa until 28 February 2001, at which date the agreement was terminated. In terms of this termination the key members of management and executive directors are now directly employed by the group companies.

## DIRECTORATE

The directors in office at the financial year-end and date of this report, were as follows:

### Executive

Bruno Ewald Steinhoff (German)  
Markus Johannes Jooste  
Fredrik Johannes Nel  
Daniel Maree van der Merwe  
Norbert Walter Steinhoff (German)

### Non-executive

Karel Johan Grove  
Dirk Emil Ackerman  
Claus Edmund Daun (German)  
Dr Deenadayalen Konar

## DIRECTORS' SHAREHOLDING

At 30 June 2001 the present directors of the company held direct and indirect beneficial and non-beneficial interests, including family interest, in 392 072 025 (2000: 452 091 902) or 47,3% (2000: 56,2%) of the company's issued ordinary shares.





#### SECRETARY

Mr S J Grobler acts as secretary to the company.

#### Business address

28 Sixth Street  
Wynberg  
2090

#### Postal address

PO Box 1955  
Bramley  
2018

#### APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

It is the directors' responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the group. The external auditors are responsible for independently auditing and reporting on the financial statements.

The financial statements set out in this report have been prepared by management on the basis of appropriate accounting policies which have been consistently applied and which are supported by prudent judgements and estimates. The financial statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice as applied in South Africa.

The directors have reasonable expectation, and the auditors concur, that the company and the group have adequate resources to continue in operation for the foreseeable future and the annual financial statements have therefore been prepared on a going concern basis.

The annual financial statements for the year ended 30 June 2001, which appear on pages 43 to 85 were approved by the board and signed on its behalf on 3 September 2001.

**Bruno Ewald Steinhoff**  
*Executive Chairman*

**Markus Johannes Jooste**  
*Group Managing Director*

#### SECRETARY CERTIFICATION

I certify, in accordance with section 268 G(d) of the Companies Act, 1973, as amended ("the Act") that the company has lodged with the Registrar of Companies all such returns as are required for a public company in terms of the Act and that all such returns are true, correct and up to date.

**Stephanus Johannes Grobler**  
*Company Secretary*

# PRINCIPAL ACCOUNTING POLICIES

for the year ended 30 June 2001



The annual financial statements and group annual financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies which have been consistently applied in all material respects.

## PRESENTATION OF FINANCIAL STATEMENTS

These financial statements are presented in South African Rands.

The financial statements for the year cover the twelve-month period ended 30 June 2001.

Unless otherwise stated, all amounts in the annual financial statements are shown rounded off to the nearest R1 000.

## CONSOLIDATION

The consolidated annual financial statements of Steinhoff International Holdings Limited incorporate the annual financial statements of the company and enterprises controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Where the group's interest in subsidiary undertakings is less than 100%, the share attributable to outside shareholders is reflected in minority interests.

The operating results of subsidiaries acquired or disposed of during the reporting period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Premiums arising on the acquisitions of subsidiaries and any excess of net assets of a subsidiary over the cost of acquisition are treated in terms of the group's accounting policy for goodwill.

## INTERESTS IN ASSOCIATES

An associate is an enterprise over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

Where a group enterprise transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Premiums arising on the acquisitions of interests in associates and any excess of net assets of an associate over the cost of acquisition are treated in terms of the group's accounting policy for goodwill.

## INTERESTS IN JOINT VENTURES

A joint venture is defined as a contractual arrangement whereby two or more entities undertake an economic activity which is subject to joint control. Joint control implies that neither of the contracting parties is in a position to unilaterally control the assets of the venture. Joint ventures are accounted for by means of the proportionate consolidation method whereby the attributable share of each of the assets, liabilities, income and expenses and cash flows of the jointly controlled entity is combined on a line-by-line basis with similar items in the group's annual financial statements. The consolidated cash flow statement includes the group's share of the cash flows of the jointly controlled entity. A proportionate share of intercompany items is eliminated.



Any difference between the cost of acquisition and the group's share of the net identifiable assets, fairly valued, is recognised and treated according to the group's accounting policy for goodwill.

### INVESTMENTS

Investments, other than interests in associates and joint ventures, are stated at cost less amounts written off and impairment losses. Where, in the opinion of the directors, a permanent diminution in value has occurred, an impairment loss is recognised and charged to income.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost to the group, less accumulated depreciation.

The gross carrying amount of property, plant and equipment is initially measured using the historical cost basis of accounting. Subsequent expenditure relating to an item of property, plant and equipment is capitalised to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the item concerned, will flow to the enterprise. All other subsequent expenditures are recognised as expenses in the period in which they are incurred.

Depreciation is provided on the reducing balance basis at rates which will reduce the book values to estimated residual values over the expected useful lives of the assets. The method and rates used are determined by conditions in the relevant industry. Depreciation rates are:

Plant and machinery	10%
Motor vehicles	20%
Office equipment and furniture	10%
Computer equipment and production software	25%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The recorded value of depreciated assets is periodically compared to the anticipated recoverable amount if the asset were to be sold. Where an asset's recorded value has declined below the recoverable amount, and the decline is expected to be of a permanent nature, the decline is recognised as an expense.

Land and buildings and improvements thereon are not depreciated, except for capitalised lease premises on which the lease improvements are written off over the term of the lease.

### PATENTS AND TRADEMARKS

The initial cost of acquiring a patent or trademark is capitalised and amortised on a straight-line basis over its estimated useful life, which ordinarily does not exceed 20 years. The cost of renewing patents and trademarks is charged to the income statement.

### GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is capitalised and amortised on a straight-line basis over its useful economic life, a period generally not exceeding 20 years. Where in the opinion of the directors, a permanent diminution in value has occurred, an impairment loss is recognised and charged to income.

Goodwill arising on the acquisition of an associate is not recognised separately on the face of the balance sheet but is included within the carrying amount of the associate.



# PRINCIPAL ACCOUNTING POLICIES

for the year ended 30 June 2001

CONTINUED



Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet.

Negative goodwill represents the excess of the group's interest in the fair value of the identifiable assets and liabilities acquired over the cost of acquisition. Negative goodwill that relates to anticipated future losses or expenditure is recognised as income when these losses or expenditure are incurred. Negative goodwill that relates to identifiable non-monetary assets acquired is recognised as income on a straight-line basis over the useful economic life of the non-monetary assets, a period generally not exceeding five years.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill or negative goodwill is included in the determination of the profit or loss on disposal.

## LEASED ASSETS

### The group as lessor

Rental income from operating leases is recognised when the income is due. The group is not party to any finance leases as lessor.

### The group as lessee

Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of finance charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Capitalised leased assets are depreciated using the reducing balance basis at rates which will reduce the book values to estimated residual values over the expected useful lives of these assets or, where shorter, the term of the relevant lease.

Rentals payable under operating leases are charged to income when the rental is due.

## INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost of work-in-progress and finished goods comprises direct materials and, where applicable, direct labour costs and, where appropriate, those manufacturing overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on the first-in first-out basis. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Where necessary, provision is made for obsolete, slow moving and defective inventories.

## TAXATION

The charge for taxation is based on the results for the year as adjusted for items that are non-assessable or disallowed.

Temporary differences arise from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of assessable tax profit. In general, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities which affects neither the tax profit nor the accounting profit at the time of the transaction. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

## FOREIGN CURRENCIES

Transactions in currencies other than the reporting currency are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date. Profits and losses arising on foreign exchange currencies are dealt with in the income statement.

In order to hedge its exposure to foreign exchange risks, the group enters into currency forward contracts. Unrealised gains and losses arising on fair valuing currency forward contracts designated as hedges of identified exposures are charged to income and the resultant foreign exchange asset or liability recognised in the balance sheet.

All foreign subsidiaries of the company are classified as foreign entities. On consolidation, the assets and liabilities of these entities are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and are recognised as income or as expenses in the period in which the entity is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the historical rate.

## REVENUE RECOGNITION

### Sale of goods

Revenue from sale of goods is recognised when substantially all the risks and rewards of ownership have been transferred to the buyer and the enterprise does not retain continuing managerial control of the goods to a degree usually associated with ownership, when the amount of revenue and costs incurred or to be incurred in respect of the sale transactions can be measured reliably, and when the collectability of the consideration in respect of the sale is reasonably assured.

### Interest

Interest revenue is recognised on a time-proportion basis by reference to the principal amount outstanding and at the interest rate applicable.

### Rental income

Rental income is recognised when the right to receive rentals is assured.

### Dividend income

Dividend income from investments is recognised when the right to receive payment has been established.

## BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale) are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs capitalised.

All other borrowing costs are expenses in the period in which they are incurred.

## EXCEPTIONAL ITEMS

All items of income and expense arising in the ordinary course of business are taken into account in arriving at income before taxation. Where items of income and expense are of such size, nature or incidence that their disclosure is relevant to explain the performance of the group or company, they are separately disclosed and appropriate explanations are provided.



# PRINCIPAL ACCOUNTING POLICIES

for the year ended 30 June 2001

CONTINUED



## RETIREMENT BENEFIT COSTS

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans, where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit plans, the expected costs of providing retirement benefits, as calculated periodically by independent actuaries, are charged to income over the service lives of employees covered by such plans, so that the cost is a substantially level percentage of current and expected future pensionable payroll.

Actuarial gains are only recognised if the company's right to the gain has been established.

Actuarial gains and losses which exceed 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and post service cost, plus the present value of available refunds and reductions in the future contributions to the plan.

## EARNINGS PER SHARE

Earnings per share is the earnings attributable to shareholders for the year divided by the weighted average number of shares in issue, and is expressed in cents.

Fully diluted earnings per share is calculated on the maximum number of shares that would have been in issue at year-end had all share options been exercised and other potential dilutions taken place at the beginning of the year.

Headline earnings per share is based on the earnings attributable to shareholders after abnormal items but before taking into account exceptional items, adjusted for the attributable value of items of a capital nature, and is calculated on the weighted average number of shares in issue.

## DIVIDEND REINVESTMENTS

Ordinary shares issued as a capitalisation dividend award are capitalised by applying to a shareholder's shareholding, on the dividend payment date, the ratio that a cash dividend bears to the issue price of the shares to be issued.

## RESEARCH AND DEVELOPMENT COSTS

Research costs are recognised as an expense in the period in which they are incurred.

Expenditure on development is charged to income in the year in which it is incurred except where a clearly defined project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are capitalised as an intangible asset and amortised on a straight-line basis over the life of the project from the date of commencement of commercial operation.

## PROVISIONS

Provisions are recognised when the group has a present obligation as a result of a past event and it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

Provisions for restructuring costs are recognised when the group has a detailed formal plan for the restructuring which has been notified to affected parties.

## FINANCIAL INSTRUMENTS

### Financial assets

The group's principal financial assets are bank balances and cash, funds on call and deposit, accounts and other receivables and loans receivable.

Bank balances and cash and funds on call and deposit are stated at fair value.

Accounts and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Loans receivable are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Debt instruments issued, which carry a right to convert to equity that is dependent on the outcome of uncertainties beyond the control of both the group and the holder, are classified as liabilities except where the possibility of non-conversion is remote.

Significant financial liabilities include finance lease obligations, interest-bearing bank loans and overdrafts and accounts and other payables.

Equity instruments comprise ordinary share capital.

The accounting policy adopted for finance lease obligations is outlined above.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Accounts and other payables are stated at their nominal value.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

### Derivative financial instruments

Derivative financial instruments, comprising currency forward contracts, are not recognised in the financial statements on inception. The policy adopted for instruments designed to hedge foreign exchange risks is outlined under 'Foreign currencies' above.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in equity. Amounts deferred in equity are recognised in the income statement in the same period in which the hedged firm commitment or forecasted transaction affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

### Effects of changing prices

While current cost financial statements are not published, the group continues to monitor the effects of inflation and currency fluctuations on profitability, cash flow, assets and liabilities.



# INCOME STATEMENTS

for the year ended 30 June 2001



	Notes	Group		Company	
		2001 R'000	2000 R'000	2001 R'000	2000 R'000
Revenue		5 773 532	4 594 086	7 161	-
Cost of sales		3 678 615	3 126 115	7 161	-
Gross profit		2 094 917	1 467 971	-	-
Sundry income		323 312	469 567	17 587	71 620
Gain on sale of trademark		179 283	-	-	-
Distribution costs		453 726	310 277	-	-
Salaries and wages		640 383	579 269	1 094	-
Operating expenses		743 457	558 962	8 208	4 324
Goodwill and other impairment write-offs		37 531	-	-	-
Restructuring costs		44 384	3 111	-	-
Operating income	1	678 031	485 919	8 285	67 296
Finance costs	2	110 716	118 462	8 123	18 591
Income from investments	3	64 068	67 337	268	17 270
Income before taxation		631 383	434 794	430	65 975
Taxation	4	27 130	16 091	360	1 919
Net income after taxation		604 253	418 703	70	64 056
Share of associate companies' retained income		38 111	13 276	-	-
Loss attributable to outside shareholders		1 819	732	-	-
Earnings attributable to ordinary shareholders		644 183	432 711	70	64 056
Basic earnings per share (cents)	5	78	55		
Fully diluted earnings per share (cents)	5	77	54		
Headline earnings per share (cents)	5	67	52		
Dividends per share (cents)	6	12	9		
Dividend cover (times)		6	6		

# BALANCE SHEETS

as at 30 June 2001

	Notes	Group		Company	
		2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets and goodwill	7	26 241	30 283	-	-
Property, plant and equipment	8	1 646 104	1 492 597	11	15
Interest in subsidiary companies	9	-	-	1 703 132	1 703 802
Interest in associate companies	10	343 204	186 480	-	-
Interest in joint venture companies	11	-	56 329	-	-
Investments and loans	12	202 986	66 096	6 468	100
Deferred taxation assets	13	9 541	-	-	-
		2 228 076	1 831 785	1 709 611	1 703 917
<b>Current assets</b>					
Foreign currency asset	14	202 141	163 796	26 862	52 405
Inventories	15	768 409	741 068	-	4 605
Accounts receivable	16	1 682 585	1 478 298	472	3 063
Short-term loans		40	42 985	-	-
Taxation receivable		6 335	6 997	-	-
VAT receivable		6 423	12 701	100	-
Funds on call and deposit		423	397	-	-
Bank balances and cash		983 419	732 909	54 511	8 969
		3 649 775	3 179 151	81 945	69 042
<b>Total assets</b>		<b>5 877 851</b>	<b>5 010 936</b>	<b>1 791 556</b>	<b>1 772 959</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital and premium	17	1 681 887	1 583 778	1 681 887	1 583 778
Reserves	18	1 331 913	619 785	47 892	50 705
Ordinary shareholders' equity		3 013 800	2 203 563	1 729 779	1 634 483
Outside shareholders' interest	19	10 037	16 733	-	-
<b>Non-current liabilities</b>					
Long-term liabilities	20	713 973	203 375	-	-
Deferred taxation liabilities	13	4 529	9 830	-	-
		718 502	213 205	-	-
<b>Current liabilities</b>					
Accounts payable	21	1 167 314	1 188 239	6 433	13 390
Short-term liabilities	22	662 404	895 665	-	-
Taxation payable		26 532	27 279	344	7 544
VAT payable		82 184	9 309	-	-
Dividends payable		-	14 482	-	14 482
Bank overdrafts		197 078	442 461	55 000	103 060
		2 135 512	2 577 435	61 777	138 476
<b>Total equity and liabilities</b>		<b>5 877 851</b>	<b>5 010 936</b>	<b>1 791 556</b>	<b>1 772 959</b>
Net asset value per share (cents)		363	274		



# STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2001



	Share capital and premium R'000	Non-distributable reserves R'000	Distributable reserves R'000	Total R'000
<b>GROUP</b>				
Balance at 30 June 1999	1 477 892	18 722	173 526	1 670 140
Earnings attributable to ordinary shareholders	-	-	432 711	432 711
Dividends	-	-	(13 364)	(13 364)
Issue of share capital	119 396	-	-	119 396
Goodwill written off against share premium account	(13 510)	-	-	(13 510)
Surplus on acquisition of subsidiary	-	6 267	-	6 267
Foreign currency translation reserve	-	1 923	-	1 923
Share of associate companies' retained earnings transferred to non-distributable reserves	-	12 972	(12 972)	-
Balance at 30 June 2000	1 583 778	39 884	579 901	2 203 563
Earnings attributable to ordinary shareholders	-	-	644 183	644 183
Dividends	-	-	(2 883)	(2 883)
Issue of share capital	98 109	-	-	98 109
Foreign currency translation reserve	-	70 828	-	70 828
Share of associate companies' retained earnings transferred to non-distributable reserves	-	32 501	(32 501)	-
Balance at 30 June 2001	1 681 887	143 213	1 188 700	3 013 800
<b>COMPANY</b>				
Balance at 30 June 1999	1 477 892	-	13	1 477 905
Earnings attributable to ordinary shareholders	-	-	64 056	64 056
Dividends	-	-	(13 364)	(13 364)
Issue of share capital	119 396	-	-	119 396
Goodwill written off against share premium account	(13 510)	-	-	(13 510)
Balance at 30 June 2000	1 583 778	-	50 705	1 634 483
Earnings attributable to ordinary shareholders	-	-	70	70
Dividends	-	-	(2 883)	(2 883)
Issue of share capital	98 109	-	-	98 109
Balance at 30 June 2001	1 681 887	-	47 892	1 729 779

# CASH FLOW STATEMENTS

for the year ended 30 June 2001

	Notes	Group		Company	
		2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash generated from operations	26	733 923	125 129	3 218	1 300
Dividends received		5 610	-	-	-
Interest received		64 068	67 337	268	17 270
Interest paid		(110 716)	(118 462)	(8 123)	(18 591)
Dividends paid		(17 365)	(8 472)	(17 365)	(8 472)
Taxation paid	27	(43 192)	(9 560)	(7 560)	(369)
Net cash inflow/(outflow) from operating activities		632 328	55 972	(29 562)	(8 862)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Additions to property, plant and equipment		(223 297)	(340 369)	-	-
Increase in intangible asset		-	(30 000)	-	-
Proceeds from sale of property, plant and equipment		64 506	339 669	-	-
Proceeds on sale of trademarks		12 919	-	-	-
Acquisition of subsidiary companies	28	(41 134)	(247 271)	-	-
Proceeds from disposal of subsidiary companies	29	-	9 564	-	-
Decrease/(increase) in short-term loans		44 490	(42 016)	-	-
Net increase in investments and loans		(132 719)	(25 983)	(6 368)	(100)
Net increase in interest in associate companies		(124 002)	(146 690)	-	-
Net decrease/(increase) in interest in joint ventures		56 329	(56 329)	-	-
Net decrease/(increase) in amounts due by subsidiaries		-	-	670	(234 984)
Payment to outside shareholders		(4 487)	-	-	-
Net cash outflow from investing activities		(347 395)	(539 425)	(5 698)	(235 084)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds on issue of share capital	30	98 109	119 396	98 109	119 396
Net increase in long-term liabilities		450 683	121 403	-	-
Net (decrease)/increase in short-term liabilities		(271 780)	504 491	5 210	-
Net cash inflow from financing activities		277 012	745 290	103 319	119 396



# CASH FLOW STATEMENTS

for the year ended 30 June 2001

CONTINUED



	Notes	Group		Company	
		2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		561 945	261 837	68 059	(124 550)
Cash and cash equivalents at beginning of year		454 641	196 385	(41 686)	82 864
Effects of exchange rate changes on cash and cash equivalents		(27 681)	(3 581)	-	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	31	988 905	454 641	26 373	(41 686)
The R498 million proceeds received on the disposal of the majority of the trademarks of Steinhoff Africa is included in the cash flow as follows:					
Cash flows from operating activities:					
- Capital gain		179 283	-	-	-
Cash flows from financing activities:					
- Increase in long-term liabilities		287 250	-	-	-
- Increase in short-term liabilities		31 218	-	-	-
		497 751	-	-	-

# SEGMENTAL INFORMATION

for the year ended 30 June 2001

## BUSINESS AND GEOGRAPHICAL SEGMENTS

The segment information set out below is based on the requirements of AC115: Segment Reporting.

### Business segments

For management purposes, the group is currently organised into two operating divisions – Manufacturing and Wholesale & Distribution. These divisions are the basis on which the group reports its primary segment information.

Principal activities are as follows:

Manufacturing – manufacturing of household goods

Wholesale & Distribution – warehousing, wholesaling and distribution of household goods.

Segment information about these businesses is presented below.

Year ended 30 June 2001	Manufacturing R'000	Wholesale & Distribution R'000	Total R'000
Revenue	4 087 206	1 686 326	5 773 532
Profit before interest, taxation, capital gain on sale of trademarks, restructuring costs and impairment write-offs including share of associate companies' income	469 546	151 047	620 593
Net assets	2 411 620	602 180	3 013 800
Year ended 30 June 2000	Manufacturing R'000	Wholesale & Distribution R'000	Total R'000
Revenue	3 419 197	1 174 889	4 594 086
Profit before interest, taxation, capital gain on sale of trademarks, restructuring costs and impairment write-offs including share of associate companies' income	375 467	97 874	473 341
Net assets	1 840 607	362 956	2 203 563

### Geographical segments

The group's operations are located in Southern Africa, European Community, Eastern Europe and Australia. The following table provides an analysis of the group's sales, profit before interest, taxation, capital gain on sale of trademarks, restructuring costs and impairment write-offs including share of associate companies' income and net assets, analysed by geographical market in which the operations are located:



# SEGMENTAL INFORMATION

for the year ended 30 June 2001

CONTINUED



Year ended 30 June 2001	Southern Africa R'000	European Community R'000	Eastern Europe R'000	Australia R'000	Total R'000
Revenue	2 254 691	2 029 069	1 439 036	50 736	5 773 532
Profit before interest, taxation, capital gain on sale of trademarks, restructuring costs and impairment write-offs including share of associate companies' income	179 182	293 471	144 807	3 133	620 593
Net assets	1 302 982	1 422 551	277 225	11 042	3 013 800

Year ended 30 June 2000	Southern Africa R'000	European Community R'000	Eastern Europe R'000	Australia R'000	Total R'000
Revenue	1 918 548	1 770 009	857 611	47 918	4 594 086
Profit before interest, taxation, capital gain on sale of trademarks, restructuring costs and impairment write-offs including share of associate companies' income	185 098	174 190	117 748	(3 695)	473 341
Net assets	1 077 247	864 765	260 338	1 213	2 203 563

Profit before interest, taxation, capital gain on sale of trademarks, restructuring costs and impairment write-offs including share of associate companies' income is reconciled to operating income as follows:

	2001 R'000	2000 R'000
Profit before interest, taxation, capital gain on sale of trademarks, restructuring costs and impairment write-offs including share of associate companies' income	620 593	473 341
Less: Share of associate companies' income	(38 111)	(13 276)
Less: Loss attributable to outside shareholders	(1 819)	(732)
Less: Goodwill and other impairment write-offs	(37 531)	-
Less: Restructuring costs	(44 384)	-
Plus: Capital gain on sale of trademarks	179 283	-
Plus: Capital profit on sale of property	-	26 586
Operating income per income statement	678 031	485 919

## Capital expenditure and depreciation per segment

Due to the structure and nature of activities of the group, capital expenditure and depreciation are managed on a group basis which facilitates efficient and effective utilisation of group assets.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2001

	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>1. OPERATING INCOME</b>				
Operating income is stated after taking account of the following items:				
<b>1.1 Auditors' remuneration</b>				
– Audit fees	8 271	7 907	219	250
– Other fees	3 886	3 003	136	–
– Expenses	19	25	–	–
– Underprovision in prior year	948	402	34	55
	<b>13 124</b>	<b>11 337</b>	<b>389</b>	<b>305</b>
<b>1.2 Directors' emoluments</b>				
Executive directors				
– Salaries, bonuses and benefits			4 171	4 018
Non-executive directors				
– Fees			132	126
Total directors' emoluments			<b>4 303</b>	<b>4 144</b>
Paid by:				
– Company			132	126
– Subsidiary companies			4 171	4 018
			<b>4 303</b>	<b>4 144</b>
<b>1.3 Fees paid for services</b>				
– Administrative	6 454	6 631	–	–
– Managerial: Fees	7 785	8 335	2 018	1 986
– Managerial: Bonuses	3 820	–	3 820	–
– Technical, consultancy and 'know-how'	7 475	1 802	–	–
– Secretarial	465	134	–	120
<b>1.4 Net increase/(decrease) in foreign currency asset</b>	<b>38 345</b>	<b>102 632</b>	<b>(25 543)</b>	<b>22 899</b>
<b>1.5 Foreign exchange gains/(losses)</b>	<b>84 455</b>	<b>(24 133)</b>	<b>43 009</b>	<b>(4 509)</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2001

CONTINUED



	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>1. OPERATING INCOME (continued)</b>				
<b>1.6 Depreciation and impairment</b>				
– Buildings	102	–	–	–
– Plant and machinery	52 217	48 525	–	–
– Motor vehicles	8 316	9 547	–	–
– Capitalised leased assets	164	78	–	–
– Leasehold improvements	358	573	–	–
– Office and computer equipment, furniture and other assets	37 766	23 082	4	5
	<b>98 923</b>	<b>81 805</b>	<b>4</b>	<b>5</b>
<b>1.7 Operating lease charges</b>				
– Property	30 149	25 754	528	–
– Plant, equipment, vehicles and other	14 013	6 690	–	–
	<b>44 162</b>	<b>32 444</b>	<b>528</b>	<b>–</b>
<b>1.8 (Loss)/profit on disposal of property, plant and equipment</b>				
– Land and buildings	(4 159)	27 152	–	–
– Plant and machinery	(3 421)	1 003	–	–
– Motor vehicles	(3 114)	971	–	–
– Leasehold improvements	24	40	–	–
– Office and computer equipment, furniture and other assets	(5 798)	2 482	–	–
	<b>(16 468)</b>	<b>31 648</b>	<b>–</b>	<b>–</b>
<b>1.9 Post-retirement benefit expenses</b>				
– Pension fund contributions (defined benefit plans)	2 732	3 568	–	–
– Provident fund contributions (defined contribution plans)	18 867	18 258	–	–
– Post-retirement medical aid contributions (made for retired employees)	2 626	2 396	–	–
Total provident fund contributions	<b>24 225</b>	<b>24 222</b>	<b>–</b>	<b>–</b>

	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>2. FINANCE COSTS</b>				
Interest paid				
– Loans	31 038	22 683	–	–
– Bank overdrafts	75 577	86 097	8 123	18 591
– Lease liabilities	3 842	1 123	–	–
– Other	259	8 559	–	–
	110 716	118 462	8 123	18 591
<b>3. INCOME FROM INVESTMENTS</b>				
Interest received	64 068	64 185	268	17 270
Profit on sale of investments	–	3 152	–	–
	64 068	67 337	268	17 270
<b>4. TAXATION</b>				
<b>4.1 Taxation charge</b>				
Current year				
– South African normal taxation	5 857	7 641	–	5 734
– South African deferred taxation	(3 550)	969	–	–
– Foreign normal taxation	32 386	36	–	–
– Foreign deferred taxation	(9 311)	11 047	–	–
	25 382	19 693	–	5 734
Adjustment to prior year's taxation of subsidiaries				
– South African normal taxation	3 233	(596)	–	–
– South African deferred taxation	(1 845)	765	–	–
– Foreign normal taxation	–	(649)	–	–
	1 388	(480)	–	–
Secondary tax on companies				
– Current year	360	1 810	360	1 810
– Prior year	–	(4 932)	–	(5 625)
	360	(3 122)	360	(3 815)
	27 130	16 091	360	1 919



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2001

CONTINUED



	Group		Company	
	2001 R'000	2000 R'000	2001 %	2000 %
<b>4. TAXATION (continued)</b>				
<b>4.2 Reconciliation of rate of taxation</b>				
South African normal tax rate			30,0	30,0
Adjusted for:				
Non-taxable income			(30,0)	(21,3)
Secondary tax on companies			83,7	(5,8)
			83,7	2,9
Effective tax rate				
<p>The effective rate of taxation for the group is lower than the standard rate of taxation mainly as a result of the utilisation of tax losses in subsidiary companies, favourable tax dispensations granted to foreign subsidiaries, lower statutory tax rates of foreign subsidiaries and permanent differences between taxable and accounting profits.</p>				
<b>4.3 Tax losses</b>				
The estimated tax losses available for set-off against future taxable income are as follows:	255 285	133 373	-	-
<b>5. EARNINGS PER SHARE</b>				
<b>5.1 Basic</b>				
<p>Earnings per share of 78 cents (2000: 55 cents) are based on earnings attributable to shareholders of R644 183 000 (2000: R432 711 000) and is calculated using the weighted average number of shares in issue during the year of 822 129 343 (2000: 785 042 850).</p>				
<b>5.2 Diluted</b>				
<p>Fully diluted earnings per share of 77 cents (2000: 54 cents) are based on 842 129 013 (2000: 796 392 314) shares, and calculated on the earnings attributable to shareholders representing a dilution of 2% (2000: 1%) in earnings per share stated in 5.1 above. This calculation thus does not recognise any funds to be received from the exercise of allocated options or any projected growth in attributable earnings arising from such additional funds, which could compensate for any dilution in earnings per share.</p>				
<b>5.3 Headline</b>				
<p>Headline earnings per share of 67 cents (2000: 52 cents) are based on the headline earnings of R546 815 000 (2000: R406 125 000), and calculated using the weighted average number of shares in issue during the year of 822 129 343 (2000: 785 042 850).</p>				



	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>5. EARNINGS PER SHARE (continued)</b>				
Headline earnings is reconciled to earnings attributable to shareholders as follows:				
Earnings attributable to ordinary shareholders	644 183	432 711		
<i>Less:</i>				
– Capital profit on sale of property	–	(26 586)		
– Capital gain on sale of trademarks	(179 283)	–		
– Closure costs of German manufacturing plant	44 384	–		
– Goodwill and other impairment write-offs	37 531	–		
Headline earnings	546 815	406 125		

#### 6. DIVIDENDS PER SHARE

A capitalisation share award is awarded to shareholders registered at the close of business on 5 October 2001, with shareholders having the right to elect to receive instead a final cash dividend of 12 cents per share.

Shareholders receiving the capitalisation award will be issued new ordinary shares in the company. The number of shares is determined by applying, to a shareholder's shareholding on 5 October 2001, a ratio that 12 cents bears to the issue price of the shares to be issued.

The new shares to be issued will be issued as fully paid shares of 0,5 cents each at an issue price to be determined on 29 October 2001, by way of capitalisation of part of the company's reserves, and will rank in all respects with the shares then in issue.

Due to the application of the new South African Statement of Generally Accepted Accounting Practice, AC107, the dividend will only be accounted for in the next financial year when the shareholders' right to receive the dividends is established.

The dividends included in the statement of changes in equity represents an estimate of the cash dividend as follows:

	Company	
	2001 R'000	2000 R'000
Estimated cash dividends	–	14 482
Prior year dividend under/(over) provision	2 883	(1 118)
Dividends per statement of changes in equity	2 883	13 364

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2001

CONTINUED



	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>7. INTANGIBLE ASSETS AND GOODWILL</b>				
<b>7.1 Goodwill</b>				
At beginning of year	30 000	-	-	-
Reclassified from property, plant and equipment	34 491	-	-	-
Arising at acquisition of subsidiary	8 359	7 435	-	-
Impairment write-off	(31 984)	-	-	-
Disposal of contracts	(15 000)	-	-	-
Exchange differences	375	-	-	-
Arising on contracts acquired	-	30 000	-	-
Arising on acquisition of the remainder of shareholding of a subsidiary	-	6 075	-	-
Written off to share premium	-	(13 510)	-	-
<b>Total goodwill</b>	<b>26 241</b>	<b>30 000</b>	<b>-</b>	<b>-</b>
<b>7.2 Trademarks</b>				
Cost:				
At beginning and end of year	3 000	3 000	-	-
Amortisation				
At beginning of year	2 717	2 416	-	-
Current year	283	301	-	-
At end of year	3 000	2 717	-	-
<b>Total trademarks</b>	<b>-</b>	<b>283</b>	<b>-</b>	<b>-</b>
<b>Total intangible assets and goodwill</b>	<b>26 241</b>	<b>30 283</b>	<b>-</b>	<b>-</b>

8. PROPERTY, PLANT AND EQUIPMENT

	Opening balance R'000	Additions R'000	Disposals R'000	Subsidiaries acquired R'000	Reclassi- fication R'000
<b>Group</b>					
<b>Cost</b>					
Land and buildings	934 828	38 603	(9 030)	-	32 121
Plant and machinery	654 738	79 224	(49 642)	7 787	22 691
Motor vehicles	110 965	17 209	(64 848)	20 546	1 612
Capitalised lease assets	7 610	-	(134)	-	(6 152)
Leasehold improvements	11 562	10 383	(289)	289	(2 540)
Office and computer equipment, furniture and other assets	284 490	77 878	(20 173)	2 435	(46 740)
	2 004 193	223 297	(144 116)	31 057	992
	Reclassified to goodwill R'000	Exchange differences R'000	Intergroup purchases R'000	Intergroup disposals R'000	Closing balance R'000
<b>Group</b>					
<b>Cost</b>					
Land and buildings	-	105 569	605	(607)	1 102 089
Plant and machinery	-	51 878	49 530	(81 941)	734 265
Motor vehicles	-	(6 135)	1 398	(3 707)	77 040
Capitalised lease assets	-	-	-	-	1 324
Leasehold improvements	-	251	554	(1 018)	19 192
Office and computer equipment, furniture and other assets	(34 491)	23 322	5 120	(8 646)	283 195
	(34 491)	174 885	57 207	(95 919)	2 217 105



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2001

CONTINUED



	Opening balance R'000	Current year R'000	Disposals R'000	Subsidiaries acquired R'000	Reclassi- fication R'000	
<b>8. PROPERTY, PLANT AND EQUIPMENT (continued)</b>						
<b>Group</b>						
<i>Accumulated depreciation</i>						
Land and buildings	(39 486)	(102)	2 719	-	(1 264)	
Plant and machinery	(303 586)	(52 217)	26 812	-	(288)	
Motor vehicles	(42 988)	(8 316)	19 847	(3 246)	(629)	
Capitalised lease assets	(1 641)	(164)	91	-	1 054	
Leasehold improvements	(2 404)	(358)	53	(24)	965	
Office and computer equipment, furniture and other assets	(121 491)	(37 766)	13 620	(655)	(830)	
	(511 596)	(98 923)	63 142	(3 925)	(992)	
			Reclassified to goodwill R'000	Exchange differences R'000	Intergroup disposals R'000	Closing balance R'000
<b>Group</b>						
<i>Accumulated depreciation</i>						
Land and buildings		-	(16 515)	2	(54 646)	
Plant and machinery		-	(28 781)	32 411	(325 649)	
Motor vehicles		-	(2 253)	2 309	(35 276)	
Capitalised lease assets		-	-	-	(660)	
Leasehold improvements		-	-	464	(1 304)	
Office and computer equipment, furniture and other assets		-	(9 870)	3 526	(153 466)	
		-	(57 419)	38 712	(571 001)	



	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>8. PROPERTY, PLANT AND EQUIPMENT (continued)</b>				
<b>Company</b>				
<b>Cost</b>				
Computer equipment	22	-	-	22
	Opening balance R'000	Current year R'000	Disposals R'000	Closing balance R'000
<b>Company</b>				
<b>Accumulated depreciation</b>				
Computer equipment	7	4	-	11
	<b>2001 R'000</b>	<b>2000 R'000</b>	<b>2001 R'000</b>	<b>2000 R'000</b>
<b>Net book value</b>				
Land and buildings	1 047 443	895 342	-	-
Plant and machinery	408 616	351 152	-	-
Motor vehicles	41 764	67 977	-	-
Capitalised lease assets	664	5 969	-	-
Leasehold improvements	17 888	9 158	-	-
Office and computer equipment, furniture and other assets	129 729	162 999	11	15
	<b>1 646 104</b>	<b>1 492 597</b>	<b>11</b>	<b>15</b>

Details of land and buildings are available at the registered office of the company.

Assets with a book value of R382 181 000 (2000: R18 335 000) are encumbered as set out in note 20.

Property, plant and equipment, with the exception of motor vehicles and land, are insured at approximate cost of replacement. Motor vehicles are insured at market value.

Certain categories of assets were reclassified to bring the classification in line with the current year's disclosure.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2001

CONTINUED



	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>9. INTEREST IN SUBSIDIARY COMPANIES</b>				
Shares at cost less amounts written off	-	-	34 329	34 329
Loans to subsidiaries	-	-	1 668 803	1 669 473
Investment in subsidiaries	-	-	1 703 132	1 703 802
Interest of holding company				
	Issued share capital	Effective shareholding (%)	Shares at cost R'000	Net loans R'000
The company's principal subsidiaries are:				
- Steinhoff Africa Holdings (Proprietary) Limited	R35 700	100	34 096	728 633
- Steinhoff Möbel Holdings Alpha GmbH	DM70 000	100	233	940 170
			34 329	1 668 803
	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>10. INTEREST IN ASSOCIATE COMPANIES</b>				
Shares at cost less amounts written off				
- Unitrans Limited	228 163	152 127	-	-
- Ukraine Polster Design GmbH and Leder und Classic Polstermöbelfabrik GmbH	2 377	2 174	-	-
- Loungefoam (Proprietary) Limited	-	-	-	-
- Longhaul Properties Wadeville (Proprietary) Limited	-	-	-	-
- @ Work Holdings (Proprietary) Limited	-	-	-	-
	230 540	154 301	-	-



	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>10. INTEREST IN ASSOCIATE COMPANIES (continued)</b>				
Attributable share of post-acquisition retained earnings				
– At beginning of year	15 603	4 375	–	–
– Associate companies disposed	–	(1 893)	–	–
– Exchange differences	18	(155)	–	–
– Current year share of income	38 111	13 276	–	–
– Dividends received	(5 610)	–	–	–
At end of year	48 122	15 603	–	–
Loans due by associate companies	64 542	16 576	–	–
	343 204	186 480	–	–
	Percentage holding		Carrying value	
	2001 %	2000 %	2001 R'000	2000 R'000
Listed				
– Unitrans Limited	14,4	10,0	274 601	165 707
– Shares			228 163	152 127
– Post-acquisition earnings			31 640	13 580
– Loans			14 798	–
Unlisted				
– Loungefoam (Proprietary) Limited	33,3	33,3	12 131	14 733
– Longhaul Properties Wadeville (Proprietary) Limited	45,0	45,0	1 843	1 843
– Ukraine Polster Design GmbH and Leder und Classic Polstermöbelfabrik GmbH	50,0	50,0	4 929	4 197
– @ Work Holdings (Proprietary) Limited	40,0	–	49 700	–
			343 204	186 480
Market value of listed investment including directors' valuation of loan			288 324	174 313
Directors' valuation of unlisted investments			68 603	20 773
<b>Nature of businesses</b>				
Unitrans Limited: Transportation and freight services				
Loungefoam (Proprietary) Limited: Manufactures foam products				
Ukraine Polster Design GmbH and Leder und Classic Polstermöbelfabrik GmbH: Manufactures furniture				
Longhaul Properties Wadeville (Proprietary) Limited: Property company				
@ Work Holdings (Proprietary) Limited: Manufactures office furniture				

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2001

CONTINUED



	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>10. INTEREST IN ASSOCIATE COMPANIES (continued)</b>				
Aggregate financial information in respect of associated companies:				
Balance sheets				
Assets				
- Property, plant and equipment	747 017	682 707	-	-
- Net current assets	224 544	354 827	-	-
- Deferred taxation	6 860	-	-	-
- Other assets	171 768	-	-	-
	<b>1 150 189</b>	<b>1 037 534</b>	<b>-</b>	<b>-</b>
Equity and liabilities				
- Share capital and reserves	928 868	826 418	-	-
- Long-term liabilities	114 609	61 850	-	-
- Deferred taxation	106 712	119 092	-	-
- Other liabilities	-	30 174	-	-
	<b>1 150 189</b>	<b>1 037 534</b>	<b>-</b>	<b>-</b>
Income statements				
Revenue	5 426 151	4 453 182	-	-
Income before taxation	262 836	189 772	-	-
Taxation	(49 330)	(48 872)	-	-
Net income after taxation	<b>213 506</b>	<b>140 900</b>	<b>-</b>	<b>-</b>
<b>11. INTEREST IN JOINT VENTURE COMPANIES</b>				
Amounts owing by joint venture	-	56 329	-	-
The proportionate share of the elements of the joint venture is as follows:				
Balance sheet				
- Property, plant and equipment	23 924	20 989	-	-
- Current assets	28 423	42 648	-	-
- Current liabilities	(14 229)	(7 308)	-	-
- Long-term liabilities	(38 118)	(56 329)	-	-
Income statement				
- Revenue	67 881	-	-	-
- Expenses	(76 673)	-	-	-
- Net loss before tax	<b>(8 792)</b>	<b>-</b>	<b>-</b>	<b>-</b>



	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>12. INVESTMENTS AND LOANS</b>				
Unlisted investments at cost	9 975	14 149	-	-
Loans receivable	193 011	51 947	6 468	100
	202 986	66 096	6 468	100
Directors' valuation of unlisted investments	9 975	14 149	-	-
<b>13. DEFERRED TAXATION ASSETS/(LIABILITIES)</b>				
<b>13.1 Deferred taxation movement</b>				
<i>Assets</i>				
Balance at beginning of year	-	-	-	-
Exchange differences	136	-	-	-
Current year charge	9 405	-	-	-
	9 541	-	-	-
<i>Liabilities</i>				
Balance at beginning of year	(9 830)	(8 096)	-	-
Current year charge	5 301	(1 734)	-	-
	(4 529)	(9 830)	-	-
<b>13.2 Deferred taxation balances</b>				
<i>Assets</i>				
Provision for taxation on temporary differences resulting from:				
- Property, plant and equipment	9 541	-	-	-
Total deferred taxation assets	9 541	-	-	-
<i>Liabilities</i>				
Provision for taxation on temporary differences resulting from:				
- Property, plant and equipment	(5 037)	(14 698)	-	-
- Other	508	4 868	-	-
Total deferred taxation liabilities	(4 529)	(9 830)	-	-

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 14. FOREIGN CURRENCY ASSET

The group utilises currency derivatives to eliminate or reduce the exposure of its foreign currency denominated assets and liabilities, and to hedge future transactions and cash flows. The group is party to foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the group's principal markets. As a matter of policy, the group does not enter into derivative contracts for speculative purposes.

	Group		Company	
	2001 '000	2000 '000	2001 '000	2000 '000
Net currency forward contracts to sell/(buy) foreign currency				
Deutsche marks	-	238 102	268 620	238 205
Euros	(1 096)	-	-	-
US dollars	(136 220)	(128 841)	-	-
UK pounds	328	552	-	-
Other	-	(245)	-	-

These currency forward contracts were fair-valued at year-end. The fair values are based on market values of equivalent instruments at the balance sheet date. Fair-valuing the currency forward contracts resulted in foreign currency assets/(liabilities) as follows:

	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
Net result of fair valuing currency forward contracts				
Deutsche marks	-	52 415	26 862	52 405
Euros	(187)	-	-	-
US dollars	202 314	111 249	-	-
UK pounds	14	135	-	-
Other	-	(3)	-	-
Net foreign currency asset	202 141	163 796	26 862	52 405





	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>15. INVENTORIES</b>				
<b>15.1 Inventories at cost less provisions</b>				
– Raw materials	323 503	318 860	–	–
– Work-in-progress	83 332	76 432	–	–
– Consumables and spares	15 189	12 760	–	–
– Packing material	3 545	1 673	–	–
– Finished goods	342 840	331 343	–	4 605
	768 409	741 068	–	4 605
<b>15.2 Inventories carried at net realisable value</b>	991	6 717	–	–
<b>16. ACCOUNTS RECEIVABLE</b>				
Gross trade receivables	1 243 722	983 708	472	–
Less: provision for bad debts	(72 235)	(71 756)	–	–
Net trade receivables	1 171 487	911 952	472	–
Other receivables and amounts due	511 098	566 346	–	876
Amounts due from subsidiary companies	–	–	–	2 187
	1 682 585	1 478 298	472	3 063
<b>17. SHARE CAPITAL AND PREMIUM</b>				
<b>17.1 Authorised</b>				
1 000 000 000 ordinary shares of 0,5 cents each	5 000	5 000	5 000	5 000
<b>17.2 Issued</b>				
829 322 687 (2000: 804 552 481) ordinary shares of 0,5 cents each	4 147	4 023	4 147	4 023
Share premium	1 677 740	1 579 755	1 677 740	1 579 755
Total issued share capital and premium	1 681 887	1 583 778	1 681 887	1 583 778
<b>17.3 Unissued shares (number of shares '000)</b>	170 677	195 448	170 677	195 448
<b>17.4 Share options</b>			<b>Number of shares</b>	Number of shares
Options allocated at 30 June			19 999 670	11 349 464

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2001

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	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>18. RESERVES</b>				
<b>18.1 Non-distributable reserves</b>				
Retained income of associate companies	47 368	14 867	-	-
Negative goodwill arising on acquisition of subsidiaries	6 267	6 267	-	-
Foreign currency translation reserve	89 578	18 750	-	-
	<b>143 213</b>	<b>39 884</b>	<b>-</b>	<b>-</b>
<b>18.2 Distributable reserves</b>				
Retained income	1 188 700	579 901	47 892	50 705
	<b>1 331 913</b>	<b>619 785</b>	<b>47 892</b>	<b>50 705</b>
The accumulated distributable reserves, if declared as a cash dividend, would be subject to secondary tax on companies. In the normal course of business, it is not expected that such a distribution from past distributable reserves will arise.				
<b>19. OUTSIDE SHAREHOLDERS' INTEREST</b>				
Equity interest:				
Balance at beginning of year	16 733	17 336	-	-
Exchange differences	(390)	(64)	-	-
Payments to outside shareholders	(4 487)	-	-	-
Movement per income statement	(1 819)	(732)	-	-
Arising on acquisition of subsidiaries	-	193	-	-
Balance at end of year	<b>10 037</b>	<b>16 733</b>	<b>-</b>	<b>-</b>





	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>20. LONG-TERM LIABILITIES</b>				
<b>20.1 Analysis of closing balance</b>				
Secured financing				
– Term loans	354 841	341 832	–	–
– Capitalised finance lease agreements	299	1 114	–	–
– Instalment sale agreements	451	937	–	–
– Long-term licence fee liability	318 468	–	–	–
– Other	–	81	–	–
Unsecured loans	110 069	2 504	–	–
	784 128	346 468	–	–
Portion payable before 30 June 2002 included in short-term liabilities (see note 22)	70 155	143 093	–	–
Net long-term liabilities	713 973	203 375	–	–
<b>20.2 Weighted average interest rates</b>	<b>%</b>	<b>%</b>		
– Term loans	6,0	6,8	–	–
– Capitalised finance lease agreements	14,5	18,2	–	–
– Instalment sale agreements	14,9	10,7	–	–
– Long-term licence fee liability	–	–	–	–
– Other	–	14,0	–	–
– Unsecured loans	8,0	–	–	–
<b>20.3 Analysis of repayments</b>				
Repayable in the 12 months to:				
– 30 June 2002	70 155	143 093	–	–
– Thereafter	713 973	203 375	–	–
	784 128	346 468	–	–

The book value of assets encumbered in favour of secured lenders amounts to R382 181 000 (2000: R18 335 000) (see note 8).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2001

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	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>21. ACCOUNTS PAYABLE</b>				
Trade payables	743 194	486 152	4	-
Provisions	66 228	49 936	-	-
Other payables and amounts due	357 892	652 151	1 219	5 647
Amounts due by subsidiary companies	-	-	5 210	7 743
	<b>1 167 314</b>	<b>1 188 239</b>	<b>6 433</b>	<b>13 390</b>

	Opening balance R'000	Additional provision R'000	Amounts utilised R'000	Amounts reversed R'000	Exchange differences R'000	Total R'000
Provisions						
Group						
Provisions consisting of						
Leave pay	15 531	30 195	(17 148)	(842)	2 312	30 048
Bonus provision	5 758	3 128	(2 478)	(489)	-	5 919
Warranty provisions	13 904	10 165	(14 577)	(593)	2 470	11 369
Pension provisions	14 743	1 190	-	-	2 959	18 892
	<b>49 936</b>	<b>44 678</b>	<b>(34 203)</b>	<b>(1 924)</b>	<b>7 741</b>	<b>66 228</b>

	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>22. SHORT-TERM LIABILITIES</b>				
Current portion of long-term liabilities (note 20)	70 155	143 093	-	-
Short-term loans payable	592 249	752 572	-	-
	<b>662 404</b>	<b>895 665</b>	<b>-</b>	<b>-</b>





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## 23. RETIREMENT BENEFIT INFORMATION

### 23.1 Provident and pension funds

The majority of the group's South African employees are members of the Steinhoff Group Retirement Fund. The Steinhoff Group Retirement Fund operates as a defined contribution provident fund. Certain employees are members of the Afcol Pension Fund. This pension fund is governed by the Pension Funds Act of 1956 and is actuarially valued at intervals of not more than three years. The current contributions are calculated on the pensionable emoluments of members.

A statutory valuation of the pension fund was done on 1 April 1999 by an independent consulting actuary using the Attained Age Method. The actuarial value of liabilities was determined at R126,4 million. The value placed on the assets of the fund for purposes of the actuarial valuation was R137,9 million, reflecting a funding level of 109%. The actuarial valuation was based on the following principal assumptions:

- A long-term interest rate of 15% per annum was used to determine a present value of future benefit plans.
- For equities an investment return of 15% per annum was used to discount assumed investment income to the present.

At the valuation of the fund (1 April 1999), the actuary was of the opinion that the current contribution rate be maintained and that this will be sufficient for the fund to remain financially sound.

The employees of the group's subsidiaries in Europe are members of state-managed retirement benefit schemes operated by the governments of the various countries. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the group, with respect to the retirement benefit schemes, is to make the specified contributions.

### 23.2 Post-retirement medical benefits

The group provides certain post-retirement medical benefits by funding a portion of the medical aid contributions of certain retired members. These are charged against income as incurred. The group is continuing to review the contribution and benefit structures in its medical aid scheme to ensure that these are well positioned against steeply rising health care costs and to establish the existence and extent, if any, of future obligations towards pensioners.

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## 25. FINANCIAL RISK MANAGEMENT

### Treasury risk management

Senior executives meet on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecast.

### Foreign currency management

Material forward currency contracts are summarised in note 14. The writing of option contracts is prohibited; currency options are only purchased as a cost-effective alternative to forward currency contracts.

### Liquidity risk management

The group continuously manages its liquidity risk which is evidenced by its liquid resources and unutilised borrowing facilities.

### Concentration of credit risk

Potential concentrations of credit risk consist principally of short-term cash and cash equivalent investments and trade debtors. The group deposits short-term cash surpluses with major banks of high quality credit standing. Trade debtors comprise a widespread customer base and group companies perform ongoing credit evaluations on the financial condition of their customers. At 30 June 2001, the group did not consider there to be any significant concentration of credit risk which had not been adequately provided for. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the group companies' management based on prior experience and the current economic environment.

### Fair value of financial instruments

The group's financial instruments consist mainly of cash at bank and cash equivalents, investments, loans due to the group, accounts and other receivables, accounts and other payables and long and short-term liabilities.

The estimated net fair values, at 30 June 2001, have been determined using available market information and appropriate valuation methodologies as detailed below, but are not necessarily indicative of the amounts that the group could realise in the normal course of business.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2001

CONTINUED



	Carrying amount 2001 R'000	Fair value 2001 R'000	Carrying amount 2000 R'000	Fair value 2000 R'000
<b>25. FINANCIAL RISK MANAGEMENT (continued)</b>				
Fair value of financial instruments (continued)				
Group				
<i>Assets</i>				
Liquid resources	983 842	983 842	733 306	733 306
Accounts receivable	1 682 585	1 682 585	1 478 298	1 478 298
Foreign currency assets	202 141	202 141	163 796	163 796
Investments and loans	203 026	203 026	109 081	109 081
<i>Liabilities</i>				
Liquid resources	197 078	197 078	442 461	442 461
Short-term liabilities	662 404	662 404	895 665	895 665
Accounts payable	1 167 314	1 167 314	1 188 239	1 188 239
Long-term liabilities	713 973	713 973	203 375	203 375
Company				
<i>Assets</i>				
Liquid resources	54 511	54 511	8 969	8 969
Accounts receivable	472	472	3 063	3 063
Foreign currency assets	26 862	26 862	52 405	52 405
Investments and loans	6 468	6 468	100	100
<i>Liabilities</i>				
Liquid resources	55 000	55 000	103 060	103 060
Accounts payable	6 433	6 433	13 390	13 390

The following methods and assumptions were used by the group in establishing fair values:

*Liquid resources, current amounts receivable and current amounts payable*

The carrying amounts reported in the balance sheet approximate fair values.

*Foreign currency assets*

Currency forward contracts are revalued at year-end and the carrying amounts reported in the balance sheet approximate fair values.

*Investments and loans*

The carrying amounts reported in the balance sheet approximate fair values.

*Borrowings*

The carrying amounts reported in the balance sheet approximate fair values.



	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>26. CASH GENERATED FROM OPERATIONS</b>				
Net income before taxation	631 383	434 794	430	65 975
Adjusted for:				
Net loss/(profit) on disposal of property, plant and equipment	16 468	(31 648)	-	-
Depreciation and impairment of property, plant and equipment	98 923	81 805	4	5
Depreciation of intangible asset	283	301	-	-
Goodwill written off	31 984	-	-	-
Investment income	(64 068)	(67 337)	(268)	(17 270)
Finance costs	110 716	118 462	8 123	18 591
Profit on disposal of subsidiary	-	(3 425)	-	(47 437)
Loss on disposal of contracts	2 081	-	-	-
Operating profit before working capital changes	827 770	532 952	8 289	19 864
Working capital changes:				
Decrease/(increase) in inventories	57 848	(158 794)	4 605	(4 605)
(Increase)/decrease in accounts receivable	(64 834)	(297 480)	2 591	14 263
(Decrease)/increase in accounts payable	(165 891)	48 451	(12 167)	(28 222)
Decrease/(increase) in VAT receivable	6 155	-	(100)	-
Increase in VAT payable	72 875	-	-	-
Net changes in working capital	(93 847)	(407 823)	(5 071)	(18 564)
Cash generated from operations	733 923	125 129	3 218	1 300
<b>27. TAXATION PAID</b>				
Taxation payable at beginning of year	(20 282)	(14 866)	(7 544)	(5 994)
Exchange differences	(840)	(579)	-	-
Taxation payable of subsidiaries acquired	(431)	(40)	-	-
Current taxation expense per income statement	(41 836)	(14 357)	(360)	(1 919)
Taxation payable at end of year	20 197	20 282	344	7 544
Net taxation paid	(43 192)	(9 560)	(7 560)	(369)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2001

CONTINUED



	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>28. ACQUISITION OF SUBSIDIARY COMPANIES</b>				
The fair value of assets and liabilities assumed at date of acquisition were as follows:				
<b>Assets</b>				
- Property, plant and equipment	27 132	320 308	-	-
- Investments	-	21 322	-	-
- Inventories	653	104 035	-	-
- Accounts receivable	13 830	169 463	-	-
- Cash on hand	-	12 112	-	-
- Shareholders' loan	9 300	-	-	-
<b>Liabilities</b>				
- Long-term liabilities	-	(38 390)	-	-
- Trade payables	(7 309)	(319 853)	-	-
- Bank overdraft	-	(118 921)	-	-
- Short-term liabilities	-	(16 624)	-	-
- Taxation payable	(431)	(40)	-	-
- Other liabilities	(1 100)	-	-	-
Outside shareholders' interest	-	(193)	-	-
Fair value of assets and liabilities acquired	42 075	133 219	-	-
Net goodwill at acquisition	8 359	7 243	-	-
Total purchase price	(50 434)	(140 462)	-	-
Bank overdraft at acquisition	-	(118 921)	-	-
Cash on hand at acquisition	-	12 112	-	-
Shareholders' loan account	9 300	-	-	-
Net cash outflow at acquisition of subsidiaries	(41 134)	(247 271)	-	-



	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>29. DISPOSAL OF SUBSIDIARY COMPANY</b>				
The fair value of assets and liabilities disposed at the date of disposal were as follows:				
<b>Assets</b>				
- Property, plant and equipment	-	95 881	-	-
- Investments	-	1 843	-	-
- Inventories	-	3 880	-	-
- Accounts receivable	-	39 574	-	-
- Cash on hand	-	185	-	-
<b>Liabilities</b>				
- Long-term liabilities	-	(96 838)	-	-
- Trade payables	-	(38 081)	-	-
- Bank overdraft	-	(1 688)	-	-
- Short-term liabilities	-	(120)	-	-
Fair value of assets and liabilities disposed	-	4 636	-	-
Profit on disposal	-	3 425	-	-
Proceeds on disposal	-	8 061	-	-
Bank overdraft at date of disposal	-	1 688	-	-
Cash on hand at date of disposal	-	(185)	-	-
Net cash inflow at disposal of subsidiary	-	9 564	-	-
<b>30. PROCEEDS ON ISSUE OF SHARE CAPITAL</b>				
Increase in share capital and share premium	100 153	123 628	100 153	123 628
Less: Preliminary expenses paid	(2 044)	(4 232)	(2 044)	(4 232)
Cash proceeds on issue of share capital	98 109	119 396	98 109	119 396

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2001

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	Group		Company	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
<b>31. CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents consist of cash on hand and balances with banks as well as near-cash instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:				
Funds on call and deposits	423	397	-	-
Bank balances and cash	983 419	732 909	54 511	8 969
Bank overdrafts	(197 078)	(442 461)	(55 000)	(103 060)
Foreign currency asset	202 141	163 796	26 862	52 405
	<b>988 905</b>	<b>454 641</b>	<b>26 373</b>	<b>(41 686)</b>

## 32. RELATED PARTY TRANSACTIONS

Related party relationships exist between shareholders, subsidiaries, joint ventures and associate companies within the group. These transactions are concluded at arm's length in the normal course of business. All material intergroup transactions are eliminated on consolidation.

### 32.1 Subsidiaries, joint ventures and associate companies

Details of investments in principal subsidiaries, associate companies and joint ventures are disclosed in notes 9, 10 and 11 respectively.

### 32.2 Shareholders

Details of the major shareholders of the company and a summary of the categories of shareholders are disclosed on page 86.

During the year group companies transacted with a wholly-owned subsidiary, of a shareholder, Fihag Finanz und Handels AG, to the value of R42,8 million being a recovery of costs in accordance with contractual arrangements. In addition Fihag Finanz und Handels AG also acts as agent and advisor to Steinhoff Europe AG in the management of its exchange rate exposures as disclosed in note 14.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2001

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## 32. RELATED PARTY TRANSACTIONS (CONTINUED)

### 32.3 Interests of directors in contracts

Steinhoff Africa utilised certain management services provided by Stafric Investments and Management Services (Proprietary) Limited, a company owned and controlled, directly and indirectly, by certain of the executive directors of the company. These services include the services of certain executive directors and several other key members of management. This arrangement was terminated on 28 February 2001.

All directors of the company have confirmed that they were not materially interested in any other contract of significance with the company or any of its subsidiary companies which could have resulted in a conflict of interest during the year.

### 32.4 Shareholders and related interests of directors and officers in share capital

Details have been included in the directors' report.

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## 33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to improve comparability.

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