



Annual financial statements 2011





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Preparation supervised by: Frikkie (FJ) Nel CA(SA)

## Independent auditors' report

to the shareholders of Steinhoff International Holdings Limited

We have audited the group annual financial statements of Steinhoff International Holdings Limited, which comprise the directors' report, the audit committee report, the statement of financial position at 30 June 2011, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 113.

### Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

### Auditors' responsibility

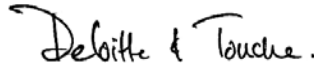
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the group financial statements present fairly, in all material respects, the financial position of Steinhoff International Holdings Limited as at 30 June 2011, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.



**Deloitte & Touche**  
*Registered auditors*  
Per U Böhmer  
Partner

6 September 2011

221 Waterkloof Road  
Waterkloof  
Pretoria  
0181

**National executive:** GG Gelink Chief Executive  
AE Swiegers Chief Operating Officer  
GM Pinnock Audit DL Kennedy Risk Advisory  
NB Kader Tax and Legal Services  
L Geeringh Consulting L Bam Corporate Finance  
JK Mazzocco Human Resources CR Beukman Finance  
TJ Brown Clients NT Mtoba Chairman of the Board  
MJ Comber Deputy Chairman of the Board

**Regional leader:** X Botha

A full list of partners and directors is available on request.

## Directors' report

for the year ended 30 June 2011

The directors have pleasure in presenting the group annual financial statements of Steinhoff International Holdings Limited (Steinhoff), for the year ended 30 June 2011.

Steinhoff is a holding company invested predominantly in household goods and diversified related industries with interests in continental Europe, the Pacific Rim, the United Kingdom and southern Africa. With revenues from continuing operations of R43 billion (2010: R36 billion), Steinhoff employs a vertically integrated and geographically diverse business model, consolidating all points of contact from raw material to retail outlet across an extensive product offering.

The results for the year under review are fully set out in the attached annual financial statements.

The board has resolved to award capitalisation shares from the share premium account to shareholders recorded in the register at the close of business on Friday, 2 December 2011 (2010: 3 December 2010) (the share award). Shareholders will, however, be entitled to decline the share award or any part thereof and instead elect to receive a cash distribution from the share premium account of 65 cents (2010: 63 cents) per share (the capital distribution). Elections will close on Friday, 2 December 2011 at 12:00 and the payment and issue date will be Monday, 5 December 2011 (2010: 6 December 2010).

	<b>Issued share capital</b>	<b>Effective shareholding %</b>
Steinhoff's subsidiary is Steinhoff Investment Holdings Limited (Steinhoff Investment)		
Ordinary shares	<b>R75 000</b>	<b>100</b>
Preference shares	<b>R15 000</b>	<b>27</b>
Steinhoff Investment's subsidiaries are:		
Hemisphere International Properties BV (incorporated in the Netherlands) (Hemisphere)	<b>€40 000</b>	<b>100<sup>1</sup></b>
Phaello Finance Company (Proprietary) Limited	<b>R22 000</b>	<b>100<sup>2</sup></b>
Steinhoff Africa Holdings (Proprietary) Limited (Steinhoff Africa)	<b>R35 700</b>	<b>100</b>
Steinhoff Finance Holding GmbH (incorporated in Austria) (Steinhoff Finance)	<b>€100 000</b>	<b>100</b>

<sup>1</sup> Held 55% directly and 45% indirectly

<sup>2</sup> Held 50% directly and 50% indirectly

The attributable interest of the company in the aggregated net income after taxation of all its direct and indirect subsidiaries for the year ended 30 June is:

	<b>2011 Rm</b>	<b>2010 Rm</b>
Aggregate amount of profit after taxation	<b>7 976</b>	<b>3 988</b>
Aggregate amount of loss after taxation	<b>(2 840)</b>	<b>(447)</b>
	<b>5 136</b>	<b>3 541</b>

### Major transactions

#### Purchase of Conforama Holding S.A.

On 25 January 2011 Steinhoff reached an agreement to acquire 99.98% of the entire issued share capital of Conforama from PPR S.A for a cash consideration of €1.2 billion. The acquisition of Conforama became unconditional following which the trading results of this group have been consolidated from 1 March 2011. On 30 June 2011, 131.9 million ordinary listed shares in Steinhoff were issued as vendor placing to replace acquisition funding relating to this transaction.

#### Sale of southern Africa retail assets to JD Group Limited

On 14 March 2011, Steinhoff Africa announced the disposal of its South African retail assets, being Unitrans Motor Enterprises (Proprietary) Limited (Unitrans Automotive and Hertz) and Steinhoff Doors and Building Materials (Proprietary) Limited (Steinbuild: Pennypinchers and Timbercity) to JD Group Limited (JD Group) for a consideration of R3 168 million. The consideration was settled to Steinhoff Africa by the issue of 49.3 million JD Group

## Directors' report

for the year ended 30 June 2011 (continued)

ordinary shares and R702.3 million paid in cash. The disposal was accounted for on 30 June 2011 and the JD Group associate investment was recognised on this date.

As an integral part of this transaction, a Steinhoff associate will acquire JD Group's interest in Abra Spółka Akyjna (Abra), the Polish retail chain, for cash. The latter transaction has obtained the approval of the Polish Competition authorities on 2 September 2011 and will be accounted for in the 2012 financial year.

### Convertible bond due 2016

On 22 September 2010, Steinhoff Finance issued a six-year, euro-denominated, convertible bond (the bond) to raise €390 million (before expenses). The bond pays interest semi-annually in arrears at a fixed rate of 5% per annum (pa) and is convertible into 139.3 million Steinhoff ordinary shares at an initial conversion price of 2 575.8 cents per share (representing an initial conversion premium of 35% to the prevailing underlying volume-weighted average share price at the date of pricing). The issue price of the bond is 100% and the redemption price is 107.51%. The bond is convertible into shares at the election of the bondholders. The company holds, subject to conditions, rights on early redemption. The bond was issued exclusively to international investors and is listed on the Frankfurt Stock Exchange. All amounts payable in respect of the bond are guaranteed by Steinhoff and Steinhoff undertook to procure the due and punctual delivery of the shares pursuant to the terms and conditions of the bond.

### Convertible bond due 2018

On 17 March 2011, Steinhoff Finance issued a seven-year, euro-denominated, convertible bond (the bond) to raise €467.5 million (before expenses). The bond pays interest semi-annually in arrears at a fixed rate of 4.5% pa and is convertible into 140.1 million Steinhoff ordinary shares at an initial conversion price of 3 178 cents per share (representing an initial conversion premium of 32% to the prevailing underlying volume-weighted average share price at the date of pricing). The issue price of the bond is 100% and the redemption price is 110.68%. The bond is convertible into shares at the election of the bondholders. The company holds, subject to conditions, rights on early redemption. The bond was issued exclusively to international investors and is listed on the Frankfurt Stock Exchange. All amounts payable in respect of the bond are guaranteed by Steinhoff and Steinhoff undertook to procure the due and punctual delivery of the shares pursuant to the terms and conditions of the bond.

### Issue of perpetual preference shares

During February 2011, Steinhoff Africa issued 2 000 perpetual preference shares and raised R3 billion in the process. These preference shares are treated as equity and accrue interest at 80% of the SA prime lending rate as quoted by Standard Bank Group Limited.

### Winding up of Fundiswa Investments (Proprietary) Limited

The remainder of the 23.2 million Steinhoff shares held by Fundiswa were sold in the market. The funds generated from the sale of shares were used to redeem the 'A' preference shares and all accrued dividends on 13 August 2010. Due to Steinhoff no longer carrying the majority of risks and rewards related to Fundiswa, the company was deconsolidated on this date. The company was subsequently deregistered.

### Steinhoff S'khulasonke Investments (Proprietary) Limited

On 30 June 2011, Steinhoff Investment sold 61 of the 100 preference shares held in S'khulasonke to a financial institution. These 61 preference shares were converted to 'A' and 'B' preference shares accruing dividends at rates more beneficial to S'khulasonke. As a result of this transaction Steinhoff Investment no longer carries the majority of the residual ownership risk in this structure and S'khulasonke was deconsolidated effective 30 June 2011. The group recognises its 17% ordinary shareholding as an available for sale investment and recognises the preference share funding provided to S'khulasonke as loans at amortised cost.

### Share capital

The company's authorised share capital comprises R15 million, divided into 3 000 000 000 ordinary shares of 0.5 cents each and 1 000 000 000 non-cumulative, non-redeemable, non-participating, variable rate preference shares of 0.1 cents each.

At year-end, subsidiaries and special-purpose vehicles of the group held 14 879 187 (2010: 71 171 565) shares in the company which have been netted off against issued ordinary share capital as treasury shares. In addition, the company has reserved for the allocation and potential issue on conversion 402 804 507 (2010: 120 778 368) ordinary shares under its obligations to the holders of convertible bonds.

The following ordinary shares were issued during the year:

	Date	Number of shares	Rm
Capitalisation distribution in shares	6 December 2010	45 131 680	996
Conforama vendor consideration placing shares	30 June 2011	131 885 305	2 942

## Contracts

No contracts, other than those disclosed in note 39.6, in which directors and officers of the company had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries or which could have resulted in a conflict of interest, were entered into during the year.

## Events after the reporting date

The directors are not aware of any significant events after the reporting date that will have a material effect on the group's results or financial position as presented in these financial statements.

## Directorate

The executive directors in office during the financial year and date of this report were:

Markus Johannes Jooste – Chief executive officer  
Hendrik Johan Karel Ferreira  
Stephanus Johannes Grobler  
Thierry Lois Joseph Guibert (appointed 1 May 2011)  
Fredrik Johannes Nel – Financial director  
Ian Michael Topping (British)  
(resigned 10 December 2010)  
Daniël Maree van der Merwe

The non-executive directors in office during the financial year and date of this report were:

Dr Deenadayalen Konar<sup>1</sup> – Chairman  
Dr Stefanus Francois Booysen<sup>1</sup>  
David Charles Brink<sup>1</sup>  
Yolanda Zoleka Cuba<sup>1</sup>  
Claas Edmund Daun<sup>1</sup> (German)  
Johannes Fredericus Mouton<sup>1</sup>  
Dr Franklin Abraham Sonn<sup>1</sup>  
Bruno Ewald Steinhoff (German)  
Paul Denis Julia van den Bosch (Belgian)  
(appointed 10 December 2010)

<sup>1</sup> Independent non-executive director

The alternate directors in office during the financial year and date of this report were:

Johannes Nicolaas Stephanus du Plessis  
Karel Johan Grové  
Andries Benjamin la Grange  
Angela Krüger-Steinhoff<sup>2</sup> (German)  
Mariza Nel (appointed 1 May 2011)

<sup>2</sup> Non-executive director

## Directors' shareholding

At 30 June 2011, the present directors and key management of the company held direct and indirect interests in 240 120 167 (2010: 240 674 850) or 14.5% (2010: 17.1%) of the company's issued ordinary shares.

There have been no changes to directors' shareholding between year-end and the date of this report. Details of the individual holdings are disclosed in note 40.

## Corporate governance

The group complies with the listings requirements of the JSE Limited (JSE) and in all material respects with the Code of Corporate Practice and Conduct published in the King Report on Corporate Governance.

## Share incentive schemes

At the annual general meeting held on 6 December 2010, shareholders approved the new Steinhoff International Holdings Limited Executive Share Rights Scheme. The terms of this scheme are discussed in note 24.7 and 150 000 000 unissued ordinary shares may be used for the implementation of this scheme. The number of shares reserved for this scheme is less than 10% of the current issued and reserved share capital. Furthermore, the company will ensure that the total rights outstanding at any time will not exceed 10% of the issued and reserved share capital. The directors are authorised to issue, allot or grant rights in respect of shares up to a maximum of 15 000 000 (2010: 30 000 000) shares of the company until the next annual general meeting in terms of the employee share incentive schemes. It is noted that the market-related performance hurdles in respect of the share grant that was due to vest on 1 December 2010, were not met and these rights were forfeited. Details of participation by directors in the share incentive schemes are set out in note 40 of the annual financial statements.

## Secretary

Stephanus Johannes Grobler acts as secretary to the company.

## Business address

28 Sixth Street  
Wynberg  
2090

## Postal address

PO Box 1955  
Bramley  
2018

## Directors' report

for the year ended 30 June 2011 (continued)

### Approval of the annual financial statements

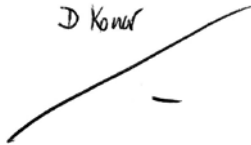
It is the directors' responsibility to ensure that the annual financial statements fairly present the state of affairs of the group. The external auditors are responsible for independently auditing and reporting on the financial statements.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance on the reliability of the financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

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 except where stated otherwise. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The directors reasonably believe that the group has adequate resources to continue in operation for the foreseeable future, and the annual financial statements have therefore been prepared on the going-concern basis.

The annual financial statements for the year ended 30 June 2011, which appear on pages 9 to 113, were approved by the board and signed on its behalf on 6 September 2011.



**Dr Deenadayalen Konar**  
*Independent non-executive chairman*



**Markus Johannes Jooste**  
*Chief executive officer*

### Secretary certification

I certify, in accordance with section 88(2)(e) of the South African Companies Act, 2008, 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*

# Audit committee report

for the year ended 30 June 2011

## Background

The committee is pleased to present our report for the financial year ended 30 June 2011 as recommended by the King Report on Corporate Governance and in line with the South African Companies Act, 2008, as amended (the Act).

The committee's operation is guided by a formal detailed charter that is in line with the Act and is approved by the board as and when it is amended. The committee has discharged all its responsibilities as contained in the charter. This process is supported by the audit subcommittees which are in place for all operating divisions and subsidiaries. These subcommittees meet in terms of formal mandates and deal with all issues arising at the operational division or subsidiary level. These subcommittees then elevate any unresolved issues of concern to the Steinhoff audit committee.

## Objective and scope

The overall objectives of the committee are as follows:

- To review the principles, policies and practices adopted in the preparation of the accounts of companies in the group and to ensure that the annual financial statements of the group and any other formal announcements relating to the financial performance comply with all statutory, regulatory and Steinhoff requirements as may be required.
- To ensure that the consolidated interim abridged financial statements of the group, in respect of the first six-month period, comply with all statutory, regulatory and Steinhoff requirements.
- To ensure that all financial information contained in any consolidated submissions to Steinhoff is suitable for inclusion in its consolidated financial statements in respect of any reporting period.
- To annually assess the appointment of the auditors and confirm their independence, recommend their appointment at the annual general meeting and approve their fees.
- To review the work of the group's external and internal auditors to ensure the adequacy and effectiveness of the group's financial, operating compliance and risk management controls.
- To review the management of risk and the monitoring of compliance effectiveness within the group.
- To perform duties that are attributed to it by the Act, the JSE and the King Report.

The committee performed the following activities:

- Received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes.
- Reviewed the reports of both internal and external auditors detailing their concerns arising out of their audits and requested appropriate responses from management resulting in their concerns being addressed.

- Made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings.
- Considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence.
- Reviewed and recommended for adoption by the board such financial information that is publicly disclosed which for the year included:
  - the integrated report for the year ended 30 June 2011, and
  - the interim results for the six months ended 31 December 2010.
- Considered the effectiveness of internal audit, approved the one-year operational strategic internal audit plan and monitored adherence of internal audit to its annual plan.
- Meetings were held with the internal and external auditors where management was not present, and no matters of concern were raised.

The audit committee is of the opinion that the objectives of the committee were met during the year under review.

Where weaknesses in specific controls had been identified, management undertook to implement appropriate corrective actions to mitigate the weakness identified.

## Membership

During the course of the year, the membership of the committee comprised solely independent non-executive directors. They are:

- Dr Stefanus Francois Booysen – Chairman
- David Charles Brink
- Dr Deenadayalen Konar

For the members' qualifications refer to the integrated report.

## External audit

The committee has satisfied itself through enquiry that the auditors of Steinhoff are independent as defined by the Act.

The committee, in consultation with executive management, agreed to an audit fee for the 2011 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 3.2 to the financial statements.

There is a formal procedure that governs the process whereby the external auditor is considered for the provision of non-audit services, and each engagement letter for such work is reviewed in accordance with set policy and procedure.

Meetings were held with the auditor where management was not present, and no matters of concern were raised.

## **Audit committee report**

for the year ended 30 June 2011 (continued)

The committee has reviewed the performance of the external auditors and nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2012 financial year, and Mr Udo Böhmer as the designated auditor. This will be his seventh year and last year as auditor of the company.

### **Annual financial statements**

The audit committee has evaluated the consolidated annual financial statements for the year ended 30 June 2011 and considers that it complies, in all material aspects, with the requirements of the Act and International Financial Reporting Standards. The committee has therefore recommended the annual financial statements for approval to the board. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.



**Dr Stefan Francois Booyesen**

*Audit committee chairman*

6 September 2011

## Income statement

for the year ended 30 June 2011

	Notes	2011 Rm	2010 <sup>1</sup> Rm
<b>Continuing operations</b>			
Revenue	1	43 040	35 512
Cost of sales		(26 314)	(21 028)
Gross profit		16 726	14 484
Other operating income		973	999
Distribution expenses		(2 803)	(2 756)
Other operating expenses		(9 472)	(7 863)
Capital items	2	(64)	(55)
Operating profit	3	5 360	4 809
Finance costs	4	(2 149)	(1 894)
Income from investments	5	987	908
Share of profit of associate companies	16	55	36
<b>Profit before taxation</b>		<b>4 253</b>	<b>3 859</b>
Taxation	6	(435)	(369)
<b>Profit for the year from continuing operations</b>		<b>3 818</b>	<b>3 490</b>
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	7	1 526	263
<b>Profit for the year</b>		<b>5 344</b>	<b>3 753</b>

### Profit attributable to:

Owners of the parent		5 136	3 541
Profit for the year from continuing operations		3 613	3 283
Profit for the year from discontinued operations		1 523	258
Non-controlling interests		208	212
Profit for the year from continuing operations		205	207
Profit for the year from discontinued operations		3	5
<b>Profit for the year</b>		<b>5 344</b>	<b>3 753</b>

### Earnings per share from continuing and discontinued operations:

Basic earnings per share (cents) <sup>2</sup>	8	342.9	249.5
Diluted earnings per share (cents) <sup>2</sup>	8	310.7	239.7
<b>Earnings per share from continuing operations:</b>			
Basic earnings per share (cents) <sup>2</sup>	8	238.2	230.5
Diluted earnings per share (cents) <sup>2</sup>	8	224.3	222.9

<sup>1</sup> The prior year figures have been re-presented to reflect the discontinued operations.

<sup>2</sup> The capitalisation share award on 6 December 2010 led to the restatement of comparative per share numbers, none of which resulted in a deviation of more than 2.0 cents.

## Statement of comprehensive income

for the year ended 30 June 2011

	<b>2011</b>	<b>2010</b>
	<b>Rm</b>	<b>Rm</b>
<b>Profit for the year</b>	<b>5 344</b>	<b>3 753</b>
<b>Other comprehensive income/(loss)</b>		
Actuarial gains/(losses) on defined benefit plans	47	(24)
Exchange differences on translation of foreign operations	1 392	(2 856)
Net fair value (loss)/gain on cash flow hedges and other fair value reserves	(32)	41
Total other comprehensive income/(loss) for the year	1 407	(2 839)
Deferred taxation	3	5
<b>Total other comprehensive income/(loss) for the year, net of taxation</b>	<b>1 410</b>	<b>(2 834)</b>
<b>Total comprehensive income for the year, net of taxation</b>	<b>6 754</b>	<b>919</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	6 406	1 095
Non-controlling interests	348	(176)
<b>Total comprehensive income for the year</b>	<b>6 754</b>	<b>919</b>

## Statement of financial position

for the year ended 30 June 2011

	Notes	2011 Rm	2010 Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	10	12 590	6 698
Intangible assets	11	23 340	10 977
Property, plant and equipment	12	27 204	13 221
Investment property	13	1 042	292
Vehicle rental fleet	14	-	15
Consumable biological assets	15	1 450	1 325
Investments in associate companies	16	4 274	920
Interest in joint-venture companies	17	1	7
Investments and loans	18	4 428	3 591
Deferred taxation assets	19	420	468
Derivative financial assets	20	-	278
		<b>74 749</b>	<b>37 792</b>
<b>Current assets</b>			
Derivative financial assets	20	75	41
Vehicle rental fleet	14	-	144
Inventories	21	8 813	4 520
Trade and other receivables	22	9 429	7 991
Short-term loans receivable	18	1 495	1 551
Funds on call and deposit	38	21	102
Bank balances and cash	38	6 300	5 019
		<b>26 133</b>	<b>19 368</b>
Assets classified as held for sale	23	37	21
		<b>26 170</b>	<b>19 389</b>
<b>Total assets</b>		<b>100 919</b>	<b>57 181</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary share capital and premium	24	8 474	4 923
Reserves	25	25 275	18 400
Preference share capital and premium	26	4 056	1 042
Total equity attributable to equity holders of the parent		<b>37 805</b>	<b>24 365</b>
Non-controlling interests		<b>3 025</b>	<b>2 696</b>
<b>Total equity</b>		<b>40 830</b>	<b>27 061</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	28	26 112	15 107
Equalisation of operating lease payments		16	137
Employee benefits	29	519	185
Deferred taxation liabilities	19	6 420	2 392
Deferred government grants		1	4
Provisions	30	2 263	277
Derivative financial liabilities	20	117	1
		<b>35 448</b>	<b>18 103</b>
<b>Current liabilities</b>			
Trade and other payables	31	18 711	8 027
Equalisation of operating lease payments		-	7
Employee benefits	29	517	470
Provisions	30	609	239
Derivative financial liabilities	20	3	33
Interest-bearing loans and borrowings	28	1 978	1 666
Bank overdrafts and short-term facilities		2 409	1 575
		<b>24 227</b>	<b>12 017</b>
Liabilities classified as held for sale	23	414	-
		<b>24 641</b>	<b>12 017</b>
<b>Total equity and liabilities</b>		<b>100 919</b>	<b>57 181</b>
Net asset value per ordinary share (cents)	8	2 056	1 657

## Statement of changes in equity

for the year ended 30 June 2011

	Ordinary share capital and premium Rm	Distributable reserves Rm	Convertible and redeemable bonds reserve Rm	Foreign currency translation reserve Rm
<b>Balance at 1 July 2009</b>	<b>3 718</b>	<b>15 783</b>	<b>353</b>	<b>775</b>
Net shares issued	2 134	-	-	-
Profit on treasury share transactions net of capital gains taxation	52	-	-	-
Purchase of shares	(61)	-	-	-
Sale of treasury shares	100	-	-	-
Capital distribution	(1 020)	-	-	-
Total comprehensive income for the year	-	3 541	-	(2 468)
Profit for the year	-	3 541	-	-
Other comprehensive income for the year	-	-	-	(2 468)
Preference dividends	-	(99)	-	-
Dividends paid	-	-	-	-
Eliminated on disposal of subsidiaries	-	-	-	-
Premium on acquisition of non-controlling interests	-	-	-	-
Share-based payments	-	-	-	-
Shares sold to non-controlling interests	-	-	-	-
Other reserve movements	-	(1)	-	-
<b>Balance at 30 June 2010</b>	<b>4 923</b>	<b>19 224</b>	<b>353</b>	<b>(1 693)</b>
Net shares issued	3 938	-	-	-
Profit/(loss) on treasury share transactions net of capital gains taxation	153	-	-	-
Purchase of shares	(35)	-	-	-
Sale of treasury shares	202	-	-	-
Capital distribution	(1 178)	-	-	-
Total comprehensive income for the year	-	5 136	-	1 252
Profit for the year	-	5 136	-	-
Other comprehensive income for the year	-	-	-	1 252
Preference dividends	-	(89)	-	-
Dividends paid	-	-	-	-
Acquired on acquisition of subsidiaries	-	-	-	-
Eliminated on disposal of subsidiaries	-	-	-	-
Deconsolidation of subsidiaries	471	-	-	-
Premium on acquisition of non-controlling interests	-	-	-	-
Share-based payments	-	-	-	-
Convertible bonds – equity portion	-	-	760	-
Convertible bonds – deferred taxation	-	-	(190)	-
Other reserve movements	-	-	-	-
<b>Balance at 30 June 2011</b>	<b>8 474</b>	<b>24 271</b>	<b>923</b>	<b>(441)</b>

Share-based payment reserve Rm	Other reserves Rm	Total ordinary equity attributable to owners of the parent Rm	Preference share capital and premium Rm	Total equity attributable to owners of the parent Rm	Non- controlling interests Rm	Total Rm
424	(32)	21 021	1 042	22 063	2 861	24 924
-	-	2 134	-	2 134	-	2 134
-	-	52	-	52	-	52
-	-	(61)	-	(61)	-	(61)
-	-	100	-	100	-	100
-	-	(1 020)	-	(1 020)	-	(1 020)
-	22	1 095	-	1 095	(176)	919
-	-	3 541	-	3 541	212	3 753
-	22	(2 446)	-	(2 446)	(388)	(2 834)
-	-	(99)	-	(99)	-	(99)
-	-	-	-	-	(20)	(20)
-	-	-	-	-	(1)	(1)
-	(8)	(8)	-	(8)	-	(8)
110	-	110	-	110	-	110
-	-	-	-	-	21	21
-	-	(1)	-	(1)	11	10
534	(18)	23 323	1 042	24 365	2 696	27 061
-	-	3 938	2 964	6 902	-	6 902
-	-	153	(12)	141	-	141
-	-	(35)	-	(35)	-	(35)
-	-	202	62	264	-	264
-	-	(1 178)	-	(1 178)	-	(1 178)
-	18	6 406	-	6 406	348	6 754
-	-	5 136	-	5 136	208	5 344
-	18	1 270	-	1 270	140	1 410
-	-	(89)	-	(89)	-	(89)
-	-	-	-	-	(24)	(24)
-	-	-	-	-	41	41
(14)	3	(11)	-	(11)	(33)	(44)
-	-	471	-	471	-	471
-	(74)	(74)	-	(74)	(30)	(104)
72	-	72	-	72	-	72
-	-	760	-	760	-	760
-	-	(190)	-	(190)	-	(190)
-	1	1	-	1	27	28
592	(70)	33 749	4 056	37 805	3 025	40 830

## Statement of cash flows

for the year ended 30 June 2011

	Notes	2011 Rm	2010 Rm
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	34	<b>7 202</b>	<b>5 698</b>
Dividends received		<b>13</b>	<b>7</b>
Interest received		<b>1 011</b>	<b>888</b>
Interest paid		<b>(1 871)</b>	<b>(1 712)</b>
Dividends paid		<b>(106)</b>	<b>(119)</b>
Taxation paid	35	<b>(573)</b>	<b>(290)</b>
<b>Net cash inflow from operating activities</b>		<b>5 676</b>	<b>4 472</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment and investment property		<b>(6 334)</b>	<b>(993)</b>
Proceeds on disposal and scrapping of property, plant and equipment, vehicle rental fleet and investment property		<b>180</b>	<b>289</b>
Additions to intangible assets and goodwill		<b>(85)</b>	<b>(45)</b>
Proceeds on disposal of intangible assets		<b>8</b>	<b>1</b>
Acquisition of subsidiary companies, net of cash acquired	36	<b>(8 355)</b>	<b>(5)</b>
Disposal of subsidiaries and businesses, net of cash disposed	37	<b>230</b>	<b>87</b>
Increase in investments and loans		<b>(343)</b>	<b>(1 655)</b>
Decrease in treasury shares		<b>395</b>	<b>160</b>
Decrease/(increase) in short-term loans receivable		<b>1</b>	<b>(957)</b>
Net decrease in interest in joint-venture companies		<b>6</b>	<b>3</b>
Net increase in investments in associate companies		<b>(763)</b>	<b>(148)</b>
Transactions with non-controlling interests		<b>(40)</b>	<b>(8)</b>
<b>Net cash outflow from investing activities</b>		<b>(15 100)</b>	<b>(3 271)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on issue of preference share capital		<b>2 963</b>	<b>-</b>
Capital distribution paid		<b>(182)</b>	<b>(113)</b>
Increase in bank overdrafts and short-term facilities		<b>730</b>	<b>32</b>
Increase in long-term interest-bearing loans and borrowings		<b>12 876</b>	<b>1 862</b>
Decrease in short-term interest-bearing loans and borrowings		<b>(6 080)</b>	<b>(1 999)</b>
<b>Net cash inflow/(outflow) from financing activities</b>		<b>10 307</b>	<b>(218)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>883</b>	<b>983</b>
Cash and cash equivalents at beginning of the year		<b>5 121</b>	<b>4 736</b>
Effects of exchange rate translations on cash and cash equivalents		<b>317</b>	<b>(598)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	38	<b>6 321</b>	<b>5 121</b>

## Segmental reporting

for the year ended 30 June 2011

	2011 Rm	2010 <sup>1</sup> Rm
<b>REVENUE</b>		
Retail activities – household goods	25 822	19 153
Manufacturing and sourcing of household goods and related raw materials	21 017	22 096
Logistics services	7 050	6 125
Corporate services	1 223	879
– Brand management	341	376
– Investment participation	433	350
– Central treasury, properties and other activities	449	153
	55 112	48 253
Intersegment revenue eliminations	(12 072)	(12 741)
	43 040	35 512
<b>OPERATING PROFIT BEFORE CAPITAL ITEMS</b>		
Retail activities – household goods	1 554	1 297
Manufacturing and sourcing of household goods and related raw materials	2 466	2 395
Logistics services	835	702
Corporate services	1 281	1 121
– Brand management	341	376
– Investment participation	433	350
– Central treasury, properties and other activities	507	395
	6 136	5 515
Intersegment profit eliminations	(712)	(651)
	5 424	4 864
<b>RECONCILIATION BETWEEN OPERATING PROFIT PER INCOME STATEMENT AND OPERATING PROFIT BEFORE CAPITAL ITEMS PER SEGMENTAL ANALYSIS</b>		
Operating profit per income statement	5 360	4 809
Capital items (note 2)	64	55
Operating profit before capital items per segmental analysis	5 424	4 864
<b>TOTAL ASSETS</b>		
Retail activities	57 100	21 256
– Household goods and building supplies	57 100	18 479
– Automotive	-	2 777
Manufacturing and sourcing of household goods and related raw materials	14 631	13 654
Logistics services	7 560	7 277
Corporate services	8 983	7 055
– Brand management	4 447	3 826
– Investment participation	2 867	2 370
– Central treasury, properties and other activities	1 669	859
	88 274	49 242

<sup>1</sup> The prior year figures have been re-presented to reflect the discontinued operations.

## Segmental reporting

for the year ended 30 June 2011 (continued)

	2011	2010
	Rm	Rm
<b>RECONCILIATION BETWEEN TOTAL ASSETS PER STATEMENT OF FINANCIAL POSITION AND TOTAL ASSETS PER SEGMENTAL ANALYSIS</b>		
Total assets per statement of financial position	100 919	57 181
Less: Cash and cash equivalents	(6 321)	(5 121)
Less: Investments in associate companies	(4 274)	(920)
Less: Investments in preference shares	(313)	(242)
Less: Interest-bearing short-term loans receivable	(1 495)	(1 401)
Less: Interest-bearing long-term loans receivable	(242)	(255)
Total assets per segmental analysis	88 274	49 242
<b>GEOGRAPHICAL ANALYSIS</b>		
<b>Revenue</b>		
Continental Europe	25 825	16 785
Pacific Rim	2 481	2 631
Southern Africa	8 926	8 123
United Kingdom	5 808	7 973
	43 040	35 512
<b>Non-current assets</b>		
Continental Europe	54 256	19 939
Pacific Rim	1 476	1 357
Southern Africa	13 624	10 750
United Kingdom	5 393	5 746
	74 749	37 792

### Basis of segmental presentation

The segmental information has been prepared in accordance with IFRS 8 – *Operating Segments* (IFRS 8) which defines requirements for the disclosure of financial information of an entity's operating segments. The standard requires segmentation based on the group's internal organisation and reporting of revenue and operating income based upon internal accounting methods.

### Identification of segments

The group discloses its operating segments according to the entity components regularly reviewed by the chief operating decision-makers. The components comprise various operating segments located globally. The revenue and non-current assets are further disclosed within the geographical areas in which the group operates. Segmental information is prepared in conformity with the measure that is reported to the chief operating decision-makers. These values have been reconciled to the consolidated financial statements. The measures reported by the group are in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Segment revenue excludes value added taxation and includes intersegment revenue. Net revenue represents segment revenue from which intersegment revenue has been eliminated. Sales between segments are made on a commercial basis. Segment operating profit before capital items represents segment revenue less segment expenses, excluding capital items included in note 2. Segment expenses include distribution expenses and other operating expenses. Depreciation and amortisation have been allocated to the segments to which they relate.

The segment assets comprise all assets of the different segments that are employed by the segment and that are either directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

## **Operational segments**

### **Retail activities – household goods**

Revenue in this segment is derived through retailing furniture, beds, related homewares and household products in continental Europe, the United Kingdom and the Pacific Rim. This segment incorporates all the retail operations of Steinhoff Asia Pacific, Steinhoff UK Holdings in the United Kingdom and Steinhoff Retail and Conforama in the European Union.

### **Manufacturing and sourcing of household goods and related raw materials**

This segment hosts all of Steinhoff's global manufacturing and sourcing interests. Revenue in southern Africa is derived from the timber operations of PG Bison and the manufacturing and supply of raw materials. In continental Europe, revenue is generated from manufactured and imported/sourced household goods and related homewares. European revenue also includes the importing operations in the Netherlands, the manufacturing and sourcing operations in Germany, the low-cost manufacturing operations in Hungary and Poland, and the manufacturing of household goods and automotive products in the United Kingdom, while in the Pacific Rim revenue is derived from the manufacturing operations in Australia and sourcing from the East.

### **Logistics services**

Revenue in this segment includes, in Africa, Unitrans Freight (specialised distribution and warehousing services to the mining, manufacturing, industrial and allied sectors of the economy), Unitrans Fuel and Chemical (specialised transportation and fuel logistics services to the petrochemical and gas industries), Unitrans Agriculture and Mining Services (transport and related logistics services to the sugar and agricultural industry including forestry) and Unitrans Passenger (transport of passengers under contract and through services to the public at large). This segment further includes the specialised distribution and warehousing services delivered to the group and external parties through our distribution and warehouse companies situated in continental Europe, the United Kingdom and the Pacific Rim.

### **Corporate services**

Steinhoff's various global corporate offices provide strategic direction and services to the decentralised operations globally, adding value through identifying and implementing our various strategies across the globe, which mainly comprise:

#### *Brand management*

Within the brand management segment, revenue is principally derived where customers and operating entities are levied royalties for the use and development of our own brands, trade names and trademarks.

#### *Investment participation*

In implementing our strategic direction, the group invests in strategic retail and supply partners either through equity investments and/or through loans on an arm's length basis. Revenue derived from these investments and loans (excluding interest thereon) is consolidated within the investment participation segment.

#### *Central treasury, properties and other activities*

Other activities include the managing of all group treasury-related income in various currencies, volume rebates, trade commissions, discounts and similar activities. Rentals received from investment property are also allocated to this segment.

## **Geographical segments**

The group's operations are principally located in continental Europe, the Pacific Rim, southern Africa and the United Kingdom.

## **Major customers**

No single customer contributes 10% or more of the group's revenue.

## Summary of accounting policies

for the year ended 30 June 2011

Steinhoff is a South African registered company. The consolidated annual financial statements of Steinhoff for the year ended 30 June 2011 comprise Steinhoff and its subsidiaries (together referred to as the Steinhoff Group) and the group's interest in associate companies and joint-venture companies.

### Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Accounting Standards Board (IASB), the International Financial Reporting Interpretations Committee of the IASB (IFRIC) and the requirements of the South African Companies Act, 2008, as amended.

### Adoption of new and revised standards

During the current year, the group has adopted and early adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2010. The adoption of these new and revised standards and interpretations has not resulted in material changes to the group's accounting policies.

The group adopted the following standards, interpretations and amended standards during the year:

IAS 12	Income Taxes: Deferred taxation: Recovery of underlying assets
IAS 32	Financial Instruments: Presentation: Accounting for rights issues (including rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The group adopted the following 2010 Improvements to IFRSs during the year:

IFRS 3	Business Combinations: Additional guidance provided on un-replaced and voluntarily replaced share-based payment awards
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### Basis of preparation

The annual financial statements are prepared in millions of South African rand (Rm) on the historical-cost basis, except for certain assets and liabilities which are carried at amortised cost, and derivative financial instruments and consumable biological assets which are stated at their fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results

of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed in note 33.

The accounting policies set out below have been applied consistently to the periods presented in these consolidated annual financial statements, except where stated otherwise.

The accounting policies have been applied consistently by all group entities.

### Basis of consolidation

#### Subsidiaries

Subsidiaries are entities controlled by the group (including special-purpose entities). Control exists when the group has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the group's interest in the fair values of the identifiable net assets acquired exceeds the cost of acquisition (negative goodwill), the excess is recognised in profit or loss in the period of acquisition. The interest of non-controlling shareholders is stated at the non-controlling interests' proportion of the fair values of the assets and liabilities recognised.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

Subsequently, any losses applicable to the non-controlling interest are allocated to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All material intergroup transactions, balances, income and expenses and unrealised gains and losses between group companies are eliminated on consolidation.

#### **Associate companies**

An associate company is an entity over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the entity, but which it does not control or jointly control.

The results of associate companies are incorporated in the consolidated financial statements using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5). When the group's share of losses exceeds its investment in the associate company, the group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an associate company.

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

Any difference between the cost of acquisition and the group's share of the net identifiable assets, liabilities and contingent liabilities, fairly valued, is recognised and treated according to the group's accounting policy for goodwill and is included in the carrying value of the investment in associate companies.

#### **Joint-venture companies**

A joint-venture company 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-venture companies are accounted for by the proportionate consolidation method whereby the attributable share of each of the assets, liabilities, income and expenses and cash flows of the joint-venture company is combined on a line-by-line basis with similar items in the group's consolidated financial statements, from the date that joint control commences until the date joint control ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5. A proportionate share of intergroup items is eliminated and unrealised profits and losses are eliminated to the extent of the group's interest in the relevant joint-venture company, except where unrealised losses provide evidence of an impairment of the asset transferred.

Any difference between the cost of acquisition and the group's share of the net identifiable assets, liabilities

and contingent liabilities, fairly valued, is recognised and treated according to the group's accounting policy for goodwill.

#### **Deferred contingent purchase consideration**

Where a structured business combination contains a puttable instrument on the interest of an apparent non-controlling shareholder, a financial liability for the present value of the best estimate thereof is recognised upon initial accounting for the business combination.

The liability arising is regarded as a deferred contingent purchase consideration and the unwinding of the present value of the liability is presented as an interest expense. Any other change in the liability is recognised through profit and loss if the acquisition was effective after the adoption of IFRS 3 – *Business Combination* (revised), including the impact of changes in interest rates on liabilities measured at fair value.

If the puttable arrangement is not exercised and settled, the derecognition of the financial liability is treated as a disposal of the anticipated interest in the subsidiary in accordance with the group's accounting policy for common control transactions.

#### **Common control transactions – premiums and discounts arising on subsequent purchases from, or sales to non-controlling interests in subsidiaries**

Unless a purchase price allocation has been performed for separate financial statements and reversed for group consolidated accounts, any increases or decreases in ownership interest in subsidiaries without a change in control are recognised as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

#### **Broad-based black economic empowerment (B-BBEE) transactions**

B-BBEE transactions involving the disposal or issue of equity interests in subsidiaries are only recognised when the accounting recognition criteria have been met.

Although economic and legal ownership of such instruments may have transferred to the B-BBEE partner, the derecognition of such equity interests sold or recognition of equity instruments issued in the underlying subsidiary by the parent shareholder is postponed until the accounting recognition criteria have been satisfied.

A dilution in the earnings attributable to the parent shareholders (in the interim period) is adjusted for in the diluted earnings per share calculation by an appropriate adjustment to the earnings used in such calculation.

## Summary of accounting policies

for the year ended 30 June 2011 (continued)

### Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on the acquisition of a subsidiary, associate company or joint-venture company represents the excess of the aggregate consideration transferred, non-controlling interest in the acquiree and in business combinations achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate company or joint-venture company recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is allocated to cash-generating units (CGUs) and is tested annually for impairment or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* on the basis of the carrying amount of each asset in the unit. In respect of associate companies, the carrying amount of goodwill is included in the carrying amount of the investment in the associate company.

On disposal of a subsidiary, associate company or joint-venture company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill arising on acquisition is recognised directly as a capital item in profit or loss.

### Intangible assets

#### Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense as it is incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process can be identified, the products and processes are technically and commercially feasible, it is probable that the asset created will generate future economic benefits, the cost can be measured reliably and the group intends to and has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

#### Other intangible assets

Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation

and impairment losses. If an intangible asset is acquired in a business combination, the cost of that intangible asset is measured at its fair value at the acquisition date.

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

#### Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### Amortisation

Amortisation of intangible assets is recognised in profit or loss on a straight-line basis over the assets' estimated useful lives, unless such lives are indefinite. An intangible asset is regarded as having an indefinite useful life when, based on analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but are tested for impairment annually or more often when there is an indication that the asset may be impaired. Other intangible assets are amortised from the date they are available for use.

The amortisation methods, estimated useful lives and residual values are reassessed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

### Property, plant and equipment

#### Owned assets

Property, plant and equipment are stated at cost to the group, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the costs of materials, direct labour, the initial estimate, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, borrowing costs capitalised and an appropriate proportion of production overheads.

Where components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The gain or loss on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### Leased assets

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease.

The capital element of future obligations under the leases is included as a liability in the statement of

financial position. Lease payments are allocated using the effective-interest method to determine the lease finance costs, which are charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

#### **Subsequent costs**

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred, if it is probable that additional future economic benefits embodied within the item will flow to the group and the cost of such item can be measured reliably. Costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as an expense when incurred.

#### **Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis at rates that will reduce the book values to estimated residual values over the estimated useful lives of the assets.

Land is not depreciated. Leasehold improvements on premises occupied under operating leases are written off over their expected useful lives or, where shorter, the term of the relevant lease.

The depreciation methods, estimated useful lives and residual values are reassessed annually.

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.

#### **Investment property**

Investment property is land and buildings which are held to earn rental income or for capital appreciation, or both.

Investment property is initially recognised at cost, including transaction costs, when it is probable that future economic benefits associated with the investment property will flow to the group and the cost of the investment property can be measured reliably. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction development is complete.

Investment property is accounted for under the cost model and the accounting treatment after initial recognition follows that applied to property, plant and equipment.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in capital items in the year of retirement or disposal. Transfers are made to investment property when there is a change in use of the property. Transfers are made from investment property when there is a change in use or when the amount will be recovered principally through a sale transaction.

#### **Consumable biological assets**

The group's timber plantations and livestock are classified as consumable biological assets. These assets are measured on initial recognition and at each reporting date at their fair value less estimated costs to sell. Costs to sell include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to the market. Gains and losses arising from changes in the fair value of the plantations less estimated costs to sell are recorded in profit or loss.

#### **Borrowing costs**

Borrowing cost is recognised as an expense in the period in which it is incurred, except to the extent that it is directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period to prepare for their intended use or sale. Borrowing costs directly attributable to these qualifying assets are capitalised as part of the costs of those assets.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs capitalised are the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purposes of obtaining a qualifying asset, the amount of borrowing costs capitalised is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate applied is the weighted average of the borrowing costs applicable to the borrowings of the group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale.

#### **Impairment of assets**

The carrying amounts of the group's assets, other than assets carried at fair value, are reviewed at each reporting date to determine whether there is any indication of impairment.

If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually and when there is an indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss as capital items.

## Summary of accounting policies

for the year ended 30 June 2011 (continued)

Financial assets are considered to be impaired if objective evidence indicates one or more events have had a negative effect on the estimated future cash flows of that asset. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs (group of units) and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

When a decline in the fair value of an available for sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

### Calculation of recoverable amount

The recoverable amount of the group's loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

The recoverable amount of non-financial assets is the greater of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

### Reversal of impairment losses

An impairment loss in respect of loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss but recognised directly in other comprehensive income. If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change

in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in previous years.

## Taxation

### Current taxation

Income taxation on the profit or loss for the year comprises current and deferred taxation. Income taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised directly in other comprehensive income or equity. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current taxation is the expected taxation payable on the taxable income for the year, using taxation rates enacted or substantially enacted at the reporting date, and any adjustment to taxation payable in respect of previous years.

### Deferred taxation

Deferred taxation is provided for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used in the computation of taxable income. The following temporary differences are not provided for: goodwill not deductible for taxation purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation rates enacted or substantially enacted at the reporting date.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associate companies and interest in joint-venture companies, except where the group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current taxation assets and liabilities on a net basis.

Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the taxation rates (and taxation laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred

taxation liabilities and assets reflects the taxation consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset will be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

#### **Secondary taxation on companies (STC) and additional income taxes on distribution of dividends**

STC and other additional taxes arising from the distribution of dividends are recognised in the year dividends are declared. A deferred taxation asset is recognised on unutilised STC credits when it is probable that such unused STC credits will be utilised in the future.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling and distribution expenses.

The cost of harvested timber is its fair value less estimated costs to sell at the date of harvest, determined in accordance with the accounting policy for consumable biological assets. Any change in fair value at the date of harvest is recognised in profit or loss. The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

Development properties comprise land valued at cost and development expenditure attributable to unsold properties.

Where necessary, the carrying amounts of inventory is adjusted for obsolete, slow-moving and defective inventories.

#### **Cash and cash equivalents**

Cash and cash equivalents are defined as bank and cash and short-term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are only included where the group has a legal right of set-off due to cash management.

#### **Non-current assets held for sale and discontinued operations**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction

rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. These assets may be a component of an entity, a disposal group or an individual non-current asset. Upon initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operation or a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. A disposal group that is to be abandoned may also qualify as a discontinued operation, but not as assets held for sale.

Discontinued operations are separately recognised in the financial statements once management has made a commitment to discontinue the operation without a realistic possibility of withdrawal which should be expected to qualify for recognition as a completed sale within one year from date of classification.

#### **Share capital**

##### **Preference shares**

Preference shares are classified as equity if they are non-redeemable and any dividends are discretionary, or are redeemable but only at the group's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

In order to calculate earnings attributable to ordinary shareholders, the amount of preference dividends (taking into account STC) for cumulative preference shares required for that period, whether or not declared, is deducted from profit attributable to equity holders in determining earnings per ordinary share.

The amount of preference dividends for the period used to calculate earnings per ordinary share does not include the amount of any preference dividends for cumulative preference shares paid or declared during the current period in respect of previous periods.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in accordance with the dividend policy below.

##### **Treasury shares**

When shares recognised as equity are purchased by group companies in their holding company and by the employee share trusts, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. When treasury shares are sold or reissued subsequently,

## Summary of accounting policies

for the year ended 30 June 2011 (continued)

the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

### Repurchase of issued shares

Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

### Dividends

Dividends on redeemable preference shares are recognised as a liability and recognised as an interest expense using the effective-interest method. Other dividends are recognised as a liability in the period in which they are declared.

Dividends received on treasury shares are eliminated on consolidation.

### Share-based payment transactions

#### Equity-settled

The fair value of the deferred delivery shares and the share rights granted to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and is expensed over the period during which the employees are required to provide services in order to become unconditionally entitled to the equity instruments.

The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The amount recognised as an expense is adjusted to reflect the actual number of deferred delivery shares and the share rights that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

#### Broad-based black economic empowerment transactions

Where goods or services are considered to have been received from black economic empowerment partners as consideration for equity instruments of the group, these transactions are accounted for as share-based payment transactions, even when the entity cannot specifically identify the goods or services received.

#### Group share-based payment transactions

Transactions in which a parent grants rights to its equity instruments directly to the employees of its subsidiaries are classified as equity-settled in the financial statements of the subsidiary, provided the share-based payment is classified as equity-settled in the consolidated financial statements of the parent.

The subsidiary recognises the services acquired with the share-based payment as an expense and recognises a corresponding increase in equity representing a capital contribution from the parent for those services acquired. The parent recognises in equity the equity-settled share-based payment and recognises a corresponding increase in the investment in subsidiary.

A recharge arrangement exists whereby the subsidiary is required to fund the difference between the exercise price on the share right and the market price of the share at the time of exercising the right. The recharge

arrangement is accounted for separately from the underlying equity-settled share-based payment as follows upon initial recognition:

- The subsidiary recognises a recharge liability at fair value, using cash-settled share-based payment principles, and a corresponding adjustment against equity for the capital contribution recognised in respect of the share-based payment.
- The parent recognises a corresponding recharge asset at fair value and a corresponding adjustment to the carrying amount of the investment in the subsidiary.

Subsequent to initial recognition, the recharge arrangement is remeasured at fair value at each subsequent reporting date until settlement date to the extent vested. Where the recharge amount recognised is greater than the initial capital contribution recognised by the subsidiary in respect of the share-based payment, the excess is recognised as a net capital distribution to the parent. The amount of the recharge in excess of the capital contribution recognised as an increase in the investment in subsidiary is deferred and recognised as dividend income by the parent when settled by the subsidiary.

### Convertible bonds

Bonds which are convertible to share capital, where the number of shares to be issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of the proceeds. The equity component of the convertible bonds is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in profit or loss is calculated using the effective-interest method.

### Employee benefits

#### Short-term employee benefits

The costs of all short-term employee benefits are recognised during the period in which the employee renders the related service. The provisions for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the group has a present obligation to pay as a result of the employee's services provided. The provisions have been calculated at undiscounted amounts based on current salary levels.

#### Defined contribution plans

Obligations for contributions to defined contribution pension plans and provident funds are recognised as an expense in profit or loss as incurred.

Obligations to state-managed pension schemes are dealt with as defined contribution plans where the

group's obligations under the schemes are equivalent to those arising in a defined contribution pension plan.

#### **Defined benefit plans**

The group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; those benefits are discounted to determine their present values, and the fair values of any plan assets are deducted. The calculations are performed by qualified actuaries using the projected unit credit method with actuarial updates being carried out at each reporting date.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that benefits vest immediately, the expense is recognised immediately in profit or loss.

Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur.

Where the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past-service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

#### **Long-term service benefits**

The group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted.

#### **Provisions**

Provisions are recognised when the group has a present constructive or legal 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.

If the effect is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### **Warranties**

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

#### **Restructuring**

A provision for restructuring is recognised when the group has approved a detailed and formal

restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

#### **Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligation under the contract.

#### **Foreign currency**

##### **Foreign currency transactions**

Transactions in currencies other than the functional currency of entities are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates ruling on the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at rates ruling at the dates the fair value was determined.

##### **Financial statements of foreign operations**

The assets and liabilities of all foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at rates of exchange ruling at the reporting date. The revenues and expenses of foreign operations are translated at rates approximating the foreign exchange rates ruling at the date of the transactions.

Foreign exchange differences arising on translation are recognised in other comprehensive income and aggregated in the foreign currency translation reserve (FCTR). The FCTR applicable to a foreign operation is released to profit or loss as a capital item upon disposal of that foreign operation.

##### **Net investment in foreign operations**

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges, are recognised in other comprehensive income and accumulated in the FCTR. They are released to profit or loss as a capital item upon disposal of that foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at the rates of exchange ruling at the reporting date.

#### **Financial instruments**

Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

##### **Effective-interest method**

The effective-interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant

## Summary of accounting policies

for the year ended 30 June 2011 (continued)

period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of a financial instrument, or, where appropriate, a shorter period.

### Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'available for sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Financial assets at FVTPL*

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling in the near future.
- It is part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 – *Financial Instruments: Recognition and Measurement* (IAS 39) permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset, fair value adjustments and foreign exchange gains or losses. Fair value is determined in the manner described in note 20.

#### *Available for sale financial assets*

Listed and unlisted shares and listed redeemable notes held by the group that are traded in an active market are classified as being available for sale and

are stated at fair value. Fair value is determined in the manner described in note 20. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income in the fair value reserve with the exception of impairment losses, interest calculated using the effective-interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in profit or loss for the period.

Dividends on available for sale equity instruments are recognised in profit or loss when the group's right to receive the dividends is established.

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset, impairment losses, gains or losses on disposal of the investment and foreign exchange gains or losses. The net gain or loss recognised in other comprehensive income incorporates all gains or losses resulting from changes in fair value.

#### *Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective-interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The net gain or loss recognised in profit or loss incorporates any dividends and interest earned on the financial assets, profitsharing, impairments and foreign exchange gains or losses.

#### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as available for sale, a significant or prolonged decline in fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as available for sale and finance lease receivables, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty.
- Default or delinquency in interest or principal payments.
- It becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Financial assets that would otherwise have been impaired or past due but have been renegotiated are accounted for by rolling over the old financial asset into the new financial asset with no resultant gain or loss from the renegotiation of the financial instrument.

#### *Derecognition of financial assets*

The group derecognises a financial asset only when the contractual rights to the cash flows from the

asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### **Financial liabilities and equity instruments issued by the group**

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recorded at proceeds received, net of direct issue costs.

##### *Compound instruments*

The component parts of compound instruments issued by the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective-interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income taxation effects, and is not subsequently remeasured.

##### *Financial guarantee contract liabilities*

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- The amount of the obligation under contract, as determined in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*.
- The amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

##### *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or is designated as at FVTPL.

## Summary of accounting policies

for the year ended 30 June 2011 (continued)

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future.
- It is part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy and information about the grouping is provided internally on that basis.
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest accrued or paid on the financial liability, fair value adjustments and foreign exchange gains and losses. Fair value is determined in the manner described in note 20.

### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective-interest method, with interest expense recognised on an effective-yield basis.

The net gain or loss recognised in profit or loss incorporates any interest accrued or paid on the financial liability and foreign exchange gains or losses.

### *Derecognition of financial liabilities*

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

### **Derivative financial instruments**

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps. Further detail of derivative financial instruments are disclosed in note 20.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities of firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

### *Embedded derivatives*

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

### *Hedge accounting*

The group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges in foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values of cash flows of the hedged item.

Note 20 sets out details of the fair value of the derivative instruments used for hedging purposes. Movements in the hedging reserve are also detailed in the statement of changes in equity.

### *Fair value hedges*

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised

in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

#### *Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in other comprehensive income are recycled to profit or loss in the periods when the hedged item is recognised in profit or loss, and it is included in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is being hedged results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in other comprehensive income at the time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognised immediately in profit or loss.

#### *Hedges of net investments in foreign operations*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income in the FCTR. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses deferred in the FCTR are recognised in profit or loss on disposal of the foreign operation.

## **Insurance contracts**

### **Classification of contracts**

Contracts under which the group accepts significant insurance risk from the policyholders, by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event affects the policyholder or other beneficiary are classified as insurance contracts.

## **Recognition and measurement of contracts**

### *Premiums*

General business written premiums comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commissions payable to intermediaries and exclude value added tax. Premiums written include adjustments to premiums written in prior accounting periods. Premiums are earned from the date of the attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received.

### *Unearned premium provision*

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily *pro rata* method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

### *Claims*

Claims incurred in respect of general business consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims outstanding comprise provisions for the group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and appropriate prudential margin. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported. Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

The directors consider whether or not the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them. The methods used, and the estimates made, are reviewed regularly.

### *Deferred acquisition costs*

The cost of acquiring new and renewal insurance business that is primarily related to the production of that business, which represents commission and other related expenses, are deferred over the period in which the related premiums are earned.

### *Reinsurance*

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after

## Summary of accounting policies

for the year ended 30 June 2011 (continued)

its initial recognition, that the group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the group will receive from the reinsurer.

The group ceded reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the group from its direct obligation to its policyholders. Premiums ceded and benefits reimbursed are presented in the income statement and statement of financial position on a gross basis.

Provisional reinsurance commission is recognised upfront where the group is not required to render further services. The provisional profit commission is recognised as the amount received, unless the group is aware of actual experience that will result in the final commission amount being different from the expected amount.

### *Liabilities and related assets under liability adequacy test*

Insurance contracts are tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs and any related assets. Where a shortfall is identified, an additional provision is made and the group recognised the deficiency in profit for the year.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

### **Goods sold and services rendered**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at reporting date. The stage of completion is assessed by reference to surveys of the work performed.

Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods as well as continuing management involvement with goods to a degree usually associated with ownership. Where the group acts as agent and is remunerated on a commission basis, only the commission income, and not the value of the business transaction, is included in revenue.

### **Insurance premiums**

Insurance premiums are stated before deducting reinsurances and commissions, and are accounted for when they become due.

### **Interest**

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

### **Rental income**

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

### **Dividend income**

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

### **Royalty income**

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

### **Operating leases**

Payments and receipts under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

### **Segmental reporting**

A segment is a distinguishable component of the group that is engaged in providing products or services which are subject to risks and rewards that are different from those of other segments. The basis of segmental reporting is representative of the internal structure used for management reporting as well as the structure in which the chief operating decision-makers review the information.

The basis of segmental allocation is determined as follows:

- Revenue that can be directly attributed to a segment and the relevant portion of the profit that can be allocated on a reasonable basis to a segment, whether from sales to external customers or from transactions with other segments of the group.
- Operating profit that can be directly attributed to a segment and a relevant portion of the operating profit that can be allocated on a reasonable basis to a segment, including profit relating to external customers and expenses relating to transactions with other segments of the group.
- Total assets are those assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Total assets exclude investments in associate companies, investments in preference shares, certain interest-bearing loans receivable, and cash and cash equivalents.

## Notes to the annual financial statements

for the year ended 30 June 2011

	2011 Rm	2010 <sup>1</sup> Rm
<b>1. REVENUE</b>		
<b>Continuing operations</b>		
Retail activities – household goods	25 822	19 153
Manufacturing and sourcing of household goods and related raw materials	21 017	22 096
Logistics services	7 050	6 125
Corporate services	1 223	879
– Brand management	341	376
– Investment participation	433	350
– Central treasury, properties and other activities	449	153
	<b>55 112</b>	<b>48 253</b>
Intersegment revenue eliminations	<b>(12 072)</b>	<b>(12 741)</b>
	<b>43 040</b>	<b>35 512</b>

	Gross of taxation and non- controlling interests 2011 Rm	Net of taxation and non- controlling interests 2011 Rm	Gross of taxation and non- controlling interests 2010 <sup>1</sup> Rm	Net of taxation and non- controlling interests 2010 <sup>1</sup> Rm
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## 2. CAPITAL ITEMS

### Continuing operations

Capital items reflect and affect the resources committed in producing operating/trading performance and are not the performance itself. These items deal with the platform/capital base of the entity.

(Income)/expenses of a capital nature are included in the 'capital items' line in the income statement. These (income)/expense items are:

2.1 Foreign currency translation reserve released on disposal of subsidiary	(2)	(2)	–	–
2.2 (Profit)/loss on sale of investments	(97)	(95)	36	36
2.3 Impairment	101	95	27	20
Goodwill	24	24	1	–
Property, plant and equipment	24	18	24	18
Intangible assets	17	17	–	–
Associate companies	3	3	–	–
Investments	33	33	–	–
Other	–	–	2	2
2.4 Loss/(profit) on disposal of property, plant and equipment	62	45	(8)	(16)
	<b>64</b>	<b>43</b>	<b>55</b>	<b>40</b>

<sup>1</sup> The prior year figures have been re-presented to reflect the discontinued operations.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Rm	2010 <sup>1</sup> Rm
<b>3. OPERATING PROFIT</b>		
Continuing operations		
Operating profit is stated after taking account of the following items:		
<b>3.1 Amortisation charges</b>		
Software	57	38
Other	9	7
	<b>66</b>	<b>45</b>
<b>3.2 Auditors' remuneration</b>		
Audit fees	50	48
Expenses	-	1
Fees for other services	9	11
Over provision in prior year	(1)	(1)
	<b>58</b>	<b>59</b>
<b>3.3 Personnel expenses</b>		
Retirement plans (note 3.5)	412	364
Salaries and wages	7 717	6 409
Share-based payments – equity-settled (note 24.7)	47	94
	<b>8 176</b>	<b>6 867</b>
<i>Recognised in:</i>		
Cost of sales	4 173	4 094
Distribution expenses	97	101
Other operating expenses	3 906	2 672
	<b>8 176</b>	<b>6 867</b>
<b>3.4 Directors' emoluments (included in personnel expenses)</b>		
<i>Directors' fees (note 40)</i>		
<i>Paid by:</i>		
Company	4	3
Subsidiary companies	6	5
	<b>10</b>	<b>8</b>
<i>Remuneration</i>		
<i>Paid by:</i>		
Company	-	1
Subsidiary companies	70	51
	<b>70</b>	<b>52</b>
<b>3.5 Post-retirement benefit expenses</b>		
Contributions to defined benefit plans	20	26
Contributions to defined contribution plans	181	151
Contributions to state-managed pension funds	211	187
	<b>412</b>	<b>364</b>

<sup>1</sup> The prior year figures have been re-presented to reflect the discontinued operations.

	2011 Rm	2010 <sup>1</sup> Rm
<b>3.6 Net foreign exchange gains</b>		
Net gain on forward exchange contracts	(30)	(65)
Net gain on conversion of monetary assets	(303)	(364)
	<b>(333)</b>	<b>(429)</b>
<b>3.7 Depreciation</b>		
Buildings	128	107
Plant and machinery	101	112
Long-haul motor vehicles, motor vehicles and equipment	391	334
Bus fleet	89	80
Leasehold improvements	248	135
Office and computer equipment, furniture and other assets	116	83
	<b>1 073</b>	<b>851</b>
<i>Recognised in:</i>		
Cost of sales	490	433
Distribution expenses	374	211
Other operating expenses	209	207
	<b>1 073</b>	<b>851</b>
<b>3.8 Operating lease charges</b>		
Rental of properties	1 516	1 332
Leases of plant, equipment, vehicles and other	253	91
	<b>1 769</b>	<b>1 423</b>
<p>The expense in respect of operating property lease charges of R1 516 million (2010: R1 332 million) is effectively reduced by R12 million (2010: R15 million) in respect of rental income received from sublet properties.</p>		
<b>3.9 Fair value (gains)/losses (excluding forward exchange contracts)</b>		
Fair value adjustment on cross-currency and interest rate swaps	336	(378)
Fair value adjustment on note purchase agreements	(382)	317
Fair value adjustment on consumable biological assets	(271)	(282)
	<b>(317)</b>	<b>(343)</b>
<b>3.10 Expenses directly attributable to timber plantations</b>		
Harvesting expenses	146	82
Other operating expenses	85	112
	<b>231</b>	<b>194</b>
<b>3.11 Expense raised through provision for warranties</b>	<b>16</b>	<b>57</b>
<b>3.12 Government grants recognised in income</b>	<b>(7)</b>	<b>(6)</b>
<b>3.13 Number of employees</b>	<b>48 840</b>	<b>35 010</b>

<sup>1</sup> The prior year figures have been re-presented to reflect the discontinued operations.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Rm	2010 <sup>1</sup> Rm
<b>4. FINANCE COSTS</b>		
<b>Continuing operations</b>		
Bank overdrafts	687	722
Convertible bonds	652	340
Loans	744	744
Other	66	94
<i>Less: Capitalised to investment property</i>	-	(6)
	<b>2 149</b>	<b>1 894</b>
<b>5. INCOME FROM INVESTMENTS</b>		
<b>Continuing operations</b>		
Dividends received		
Unlisted shares	-	7
Associate companies	13	-
Interest received		
Associate and joint-venture companies	1	6
Bank balances	509	471
Loans receivable	445	413
Other	19	11
	<b>987</b>	<b>908</b>
<b>6. TAXATION</b>		
<b>Continuing operations</b>		
<b>6.1 Taxation charge</b>		
Normal taxation		
South African normal taxation – current year	(14)	(40)
South African normal taxation – prior year adjustment	(14)	10
Foreign normal taxation – current year	315	154
Foreign normal taxation – prior year adjustment	(1)	(3)
	<b>286</b>	<b>121</b>
Deferred taxation		
South African deferred taxation – current year	23	21
South African deferred taxation – prior year adjustment	25	(3)
Foreign deferred taxation – current year	100	216
Foreign deferred taxation – prior year adjustment	-	(1)
Foreign deferred taxation – change in rate	(4)	-
	<b>144</b>	<b>233</b>
Capital gains taxation		
Current year	2	2
Prior year	(1)	-
	<b>1</b>	<b>2</b>
Secondary taxation on companies (STC)		
Current year	4	13
	<b>435</b>	<b>369</b>

For detail on deferred taxation assets/(liabilities) refer to note 19.

<sup>1</sup> The prior year figures have been re-presented to reflect the discontinued operations.

	2011 %	2010 %
<b>6.2 Reconciliation of rate of taxation</b>		
Standard rate of taxation	28.0	28.0
Effect of different statutory taxation rates of foreign subsidiaries in other jurisdictions	(15.5)	(16.0)
Effect of profit of associate companies	(0.4)	(0.3)
Prior year adjustments	0.2	0.2
STC	0.1	0.3
Net utilisation of unrecognised taxation losses and deductible temporary differences	(2.0)	(1.8)
Permanent differences and other	(0.2)	(0.8)
Effective rate of taxation	10.2	9.6

	Rm	Rm
<b>7. DISCONTINUED OPERATIONS</b>		

#### 7.1 Disposal of South African retail assets

On 14 March 2011, Steinhoff Africa announced the disposal of its South African retail assets, being Unitrans Motor Enterprises (Proprietary) Limited (Unitrans Automotive and Hertz) and Steinhoff Doors and Building Materials (Proprietary) Limited (Steinbuild: Pennypinchers and Timbercity) to JD Group Limited (JD Group) for a consideration of R3 168 million. The consideration was settled to Steinhoff Africa by the issue of 49.3 million JD Group ordinary shares and R702.3 million paid in cash. The disposal was accounted for on 30 June 2011 and the JD Group associate investment was recognised on this date. Details of the assets and liabilities disposed of, and the calculation of the profit on disposal, is disclosed in note 37.

#### 7.2 Analysis of profit for the year from discontinued operations

The results of the discontinued operations included in the income statement are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

##### Profit for the year from discontinued operations

Revenue <sup>1</sup>	14 288	12 528
Cost of sales	(11 963)	(10 320)
Gross profit	2 325	2 208
Other operating income	77	52
Distribution and other operating expenses	(2 022)	(1 917)
Capital items (note 7.3)	(55)	(8)
Operating profit	325	335
Net finance income	3	40
Profit before taxation	328	375
Attributable income taxation expense	(116)	(112)
	212	263
Gain on disposal of operations	1 285	-
Attributable income taxation expense	29	-
<b>Profit for the year from discontinued operations</b>	<b>1 526</b>	<b>263</b>
<b>Profit from discontinued operations attributable to:</b>		
Owners of the parent	1 523	258
Non-controlling interests	3	5
	<b>1 526</b>	<b>263</b>

<sup>1</sup> Includes revenue from insurance contracts which has been disclosed as premiums in note 41.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	<b>Gross of taxation and non- controlling interests 2011 Rm</b>	<b>Net of taxation and non- controlling interests 2011 Rm</b>	<b>Gross of taxation and non- controlling interests 2010 Rm</b>	<b>Net of taxation and non- controlling interests 2010 Rm</b>
<b>7. DISCONTINUED OPERATIONS (continued)</b>				
<b>7.3 Capital items for the year from discontinued operations</b>				
Loss on sale of investments	<b>27</b>	<b>27</b>	-	-
Impairment	<b>12</b>	<b>12</b>	-	-
Loss on disposal of property, plant and equipment	<b>6</b>	<b>5</b>	<b>2</b>	-
Loss on disposal and scrapping of vehicle rental fleet	<b>10</b>	<b>7</b>	<b>6</b>	<b>4</b>
	<b>55</b>	<b>51</b>	<b>8</b>	<b>4</b>
Gain on disposal of discontinued operations	<b>(1 285)</b>	<b>(1 314)</b>	-	-
	<b>(1 230)</b>	<b>(1 263)</b>	<b>8</b>	<b>4</b>

	<b>2011 Rm</b>	<b>2010 Rm</b>
<b>7.4 Cash flows from discontinued operations</b>		
Net cash inflow from operating activities	<b>278</b>	<b>210</b>
Net cash outflow from investing activities	<b>(165)</b>	<b>(31)</b>
Net cash outflow from financing activities	<b>(178)</b>	<b>(156)</b>
Net cash (outflow)/inflow	<b>(65)</b>	<b>23</b>

	<b>cents</b>	<b>cents</b>
<b>8. EARNINGS PER SHARE</b>		

The calculation of per share numbers uses the exact unrounded numbers which may result in differences when compared to calculating the numbers using the rounded number of shares and earnings as disclosed below.

### Basic earnings per share

Basic earnings per share is calculated by dividing the net earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding shares purchased by the group and held as treasury shares.

From continuing operations	<b>238.2</b>	<b>230.5</b>
From discontinued operations	<b>104.7</b>	<b>19.0</b>
Basic earnings per share	<b>342.9</b>	<b>249.5</b>
As previously stated <sup>1</sup>		<b>251.5</b>

<sup>1</sup> The capitalisation share award on 6 December 2010 led to the restatement of comparative per share numbers, none of which resulted in a deviation of more than 2.0 cents.

	<b>2011 cents</b>	<b>2010 cents</b>
<b>Diluted earnings per share</b>		
Diluted earnings per share is calculated by dividing the diluted earnings attributable to ordinary shareholders by the diluted weighted average number of ordinary shares in issue during the year. The calculation assumes conversion of all dilutive potential shares, regardless of whether the applicable market price triggers have been met. The calculation does not recognise any funds to be received from the exercise of allocated rights or any projected growth in attributable earnings arising from such additional funds, which could compensate for any dilution in earnings per share.		
From continuing operations	<b>224.3</b>	<b>222.9</b>
From discontinued operations	<b>86.4</b>	<b>16.8</b>
Diluted earnings per share	<b>310.7</b>	<b>239.7</b>
As previously stated <sup>1</sup>		<b>241.4</b>
<b>Headline earnings per share</b>		
Headline earnings per share is calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue during the year.		
From continuing operations	<b>241.1</b>	<b>233.4</b>
From discontinued operations	<b>17.8</b>	<b>19.3</b>
Headline earnings per share	<b>258.9</b>	<b>252.7</b>
As previously stated <sup>1</sup>		<b>254.6</b>
<b>Diluted headline earnings per share</b>		
Diluted headline earnings per share is calculated by dividing the headline earnings by the diluted weighted average number of shares in issue during the year.		
From continuing operations	<b>226.7</b>	<b>225.5</b>
From discontinued operations	<b>14.7</b>	<b>17.1</b>
Diluted headline earnings per share	<b>241.4</b>	<b>242.6</b>
As previously stated <sup>1</sup>		<b>244.2</b>
<b>Net asset value per ordinary share</b>		
Net asset value per ordinary share is calculated by dividing the ordinary shareholders' equity, adjusted by the non-redeemable cumulative preference shares, by the number of ordinary shares issued at year-end.		
Net asset value per ordinary share	<b>2 056</b>	<b>1 657</b>

<sup>1</sup> The capitalisation share award on 6 December 2010 led to the restatement of comparative per share numbers, none of which resulted in a deviation of more than 2.0 cents.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 million	2010 million
<b>8. EARNINGS PER SHARE (continued)</b>		
<b>8.1 Weighted average number of ordinary shares</b>		
Issued ordinary shares at beginning of the year	1 479	1 369
Effect of own shares held	(56)	(76)
Effect of shares issued	–	52
Effect of capitalisation share award <sup>1</sup>	31	42
Weighted average number of ordinary shares at end of the year for the purpose of basic earnings per share and headline earnings per share	1 454	1 387
Effect of dilutive potential ordinary shares – convertible bonds	271	121
Effect of dilutive potential ordinary shares – other	36	57
Weighted average number of ordinary shares for the purpose of diluted earnings per share and diluted headline earnings per share	1 761	1 565
	<b>Rm</b>	<b>Rm</b>
<b>8.2 Earnings attributable to owners of the parent</b>		
Earnings from continuing operations for the year attributable to owners of the parent	3 613	3 283
Dividend entitlement on non-redeemable cumulative preference shares	(150)	(81)
Earnings from continuing operations attributable to owners of the parent	3 463	3 202
Earnings from discontinued operations for the year attributable to owners of the parent	1 523	258
Earnings attributable to owners of the parent	4 986	3 460
<b>8.3 Reconciliation between earnings attributable to owners of the parent and diluted earnings</b>		
Earnings from continuing operations for the year attributable to owners of the parent	3 613	3 283
Dividend entitlement on non-redeemable cumulative preference shares	(150)	(81)
Dilutive adjustment on earnings – convertible bonds	478	263
Dilutive adjustment on earnings – other	8	27
Diluted earnings from continuing operations attributable to owners of the parent	3 949	3 492
Earnings from discontinued operations for the year attributable to owners of the parent	1 523	258
Diluted earnings attributable to owners of the parent	5 472	3 750
<b>8.4 Reconciliation between earnings and headline earnings</b>		
Earnings from continuing operations attributable to owners of the parent	3 463	3 202
Adjusted for capital items attributable to continuing operations (note 2)	43	40
Headline earnings from continuing operations attributable to owners of the parent	3 506	3 242
Earnings from discontinued operations for the year attributable to owners of the parent	1 523	258
Adjusted for capital items attributable to discontinued operations (note 7.3)	(1 263)	4
Headline earnings attributable to owners of the parent	3 766	3 504

<sup>1</sup> The capitalisation share award on 6 December 2010 led to the restatement of comparative per share numbers, none of which resulted in a deviation of more than 2.0 cents.

	2011 Rm	2010 Rm
<b>8.5 Reconciliation of headline earnings attributable to owners of the parent and diluted headline earnings</b>		
Headline earnings attributable to owners of the parent	3 506	3 242
Dilutive adjustment on earnings – convertible bonds	478	263
Dilutive adjustment on earnings – other	8	27
Diluted earnings from continuing operations attributable to owners of the parent	3 992	3 532
Earnings from discontinued operations for the year attributable to owners of the parent adjusted for capital items	260	262
Diluted headline earnings attributable to owners of the parent	4 252	3 794
<b>8.6 Net asset value</b>		
Attributable to owners of the parent	37 805	24 365
Preference share capital and premium	(4 056)	(1 042)
Attributable to ordinary shareholders	33 749	23 323

	Cents	Cents
<b>9. DISTRIBUTION TO SHAREHOLDERS</b>		

<b>9.1 Capital distribution to ordinary shareholders</b>		
The board has resolved to award capitalisation shares from the share premium account to shareholders recorded in the register at the close of business on Friday, 2 December 2011 (2010: 3 December 2010) (the share award). Shareholders will, however, be entitled to decline the share award or any part thereof and instead elect to receive a cash distribution from the share premium account of 65 cents (2010: 63 cents) per share. Elections will close on Friday, 2 December 2011 at 12:00 and the payment and issue date will be Monday, 5 December 2011 (2010: 6 December 2010).	65	63

<b>9.2 Distribution to Steinhoff Investment preference shareholders</b>		
A preference dividend in respect of the period 1 January 2010 to 30 June 2010 (2010: 1 January 2009 to 30 June 2009) was paid to those Steinhoff Investment preference shareholders recorded in the books of the company at the close of business on 21 October 2010 (2010: 23 October 2009). A preference dividend in respect of the period 1 July 2010 to 31 December 2010 (2010: 1 July 2009 to 31 December 2009) was paid on 18 April 2011 (2010: 26 April 2010) to those Steinhoff Investment preference shareholders recorded in the books of the company at the close of business on 15 April 2011 (2010: 23 April 2010).	742	891

The directors of Steinhoff Investment have resolved to declare and pay preference dividends on 24 October 2011 (2010: 25 October 2010) for the period 1 January 2011 to 30 June 2011 (2010: 1 January 2010 to 30 June 2010) to those preference shareholders recorded in the books of Steinhoff Investment at the close of business on 21 October 2011 (2010: 22 October 2010).	335	380
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## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Rm	2010 Rm
<b>10. GOODWILL</b>		
Carrying amount at beginning of the year	6 698	7 195
Arising on business combinations (note 36)	6 258	110
Acquired on business combination (note 36)	8	-
Disposal of subsidiary and joint-venture companies (note 37)	(577)	-
Impairments	(34)	(1)
Transfer of customer lists to intangible assets	-	(9)
Exchange differences on consolidation of foreign subsidiaries	237	(597)
<b>Carrying amount at end of the year</b>	<b>12 590</b>	<b>6 698</b>
Cost	12 707	6 787
Accumulated impairment	(117)	(89)
<b>Carrying amount at end of the year</b>	<b>12 590</b>	<b>6 698</b>

When the group acquires a business that qualifies as a business combination in respect of IFRS 3, the group allocates the purchase price paid to the assets acquired, including identifiable intangible assets, and the liabilities assumed. Any excess of the aggregate of the consideration transferred, non-controlling interest in the acquiree and for a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; over the fair value of those net assets is considered to be goodwill. The goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit (CGU) that is expected to benefit from that business. Goodwill is assessed for impairment annually, irrespective of whether there is any indication of impairment.

### *Review of impairment*

The impairment test compares the carrying amount of the unit, including goodwill, to the value in use, or fair value of the unit. The recoverable amount of the CGU is determined from the value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and the expected changes to the selling prices and the direct costs during the period. The discount rates are based on the weighted average cost of capital, while growth rates are based on management's experience and expectations. Growth rates used do not exceed the long-term average growth rate for the area in which the CGU operates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market, and are derived from the most recent financial budgets and forecasts that have been prepared by management.

Where an intangible asset, such as a trademark, trade name and brand name and/or patent has been assessed as having an indefinite useful life (see note 33), the cash flow of the CGU, supporting the goodwill and driven by the trademark, brand or patent are also assumed to be indefinite.

An impairment charge is required for both goodwill and other indefinite lived intangible assets when the carrying amount exceeds the recoverable amount. An impairment charge of R34 million was recorded for the year ended 30 June 2011 (2010: R1 million).

The group prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolated cash flows for the following years based on an estimated growth rate as set out on the next page.

All impairment testing was consistent with methods applied as at 30 June 2010.

### Impairment tests for CGUs containing goodwill

The following units have significant carrying amounts of goodwill:

	Pre-tax discount rate	Forecasted cash flows	2011 Rm	2010 Rm
Europe				
Conforama Holdings S.A.	1		<b>6 351</b>	–
Steinhoff Retail GmbH (Austria)	7.27%	Budget year one, thereafter 1.5% growth rate.	<b>2 286</b>	<b>2 151</b>
Pacific Rim				
Steinhoff Asia Pacific	11.70%	Budget year one and thereafter 3.5%.	<b>1 020</b>	<b>903</b>
Southern Africa				
PG Bison Holdings (Proprietary) Limited	13.84%	Budget year one, thereafter 15% growth rate up to 30 June 2014. The estimated subsequent cash flows were based on declining growth rates.	<b>117</b>	<b>117</b>
Unitrans Holdings (Proprietary) Limited: Unitrans Motor Enterprises (Proprietary) Limited		Disposed.	–	<b>573</b>
United Kingdom				
Steinhoff UK Holdings	6.63%	Budget year one and two, thereafter 2.7% growth rate.	<b>2 605</b>	<b>2 747</b>
Various other units	5.50% – 15.00%	Budget year one, thereafter 1% to 2% growth rate.	<b>211</b>	<b>207</b>
Carrying amount at end of the year			<b>12 590</b>	<b>6 698</b>

<sup>1</sup> Conforama Holdings S.A. was acquired effective 1 March 2011. The goodwill arose as a result of the purchase price allocation of the business combination. Since it arose within four months of year-end and there was no market indications of a possible impairment, no additional impairment test was performed at year-end.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Trade and brand names Rm	Patents and trademarks Rm	Software Rm	Other Rm	Total Rm
<b>11. INTANGIBLE ASSETS</b>					
<b>Cost</b>					
Balance at 1 July 2009	10 362	1 214	325	40	11 941
Additions	-	13	37	5	55
Disposals	-	-	(7)	(1)	(8)
Disposal of subsidiaries and joint-venture companies	-	-	(5)	-	(5)
Reclassifications	-	-	2	(2)	-
Transfer of customer lists from goodwill	-	-	-	9	9
Exchange differences on consolidation of foreign subsidiaries	(719)	-	(20)	(4)	(743)
<b>Balance at 30 June 2010</b>	<b>9 643</b>	<b>1 227</b>	<b>332</b>	<b>47</b>	<b>11 249</b>
Additions	-	2	69	14	85
Disposals	-	(1)	(64)	(6)	(71)
Acquired on acquisition of subsidiaries	11 098	-	239	122	11 459
Disposal of subsidiaries	-	(146)	(3)	(16)	(165)
Exchange differences on consolidation of foreign subsidiaries	1 041	-	64	8	1 113
<b>Balance at 30 June 2011</b>	<b>21 782</b>	<b>1 082</b>	<b>637</b>	<b>169</b>	<b>23 670</b>
<b>Amortisation and impairment</b>					
Balance at 1 July 2009	-	(3)	(247)	(11)	(261)
Amortisation	-	-	(38)	(10)	(48)
Disposals	-	-	5	1	6
Disposal of subsidiaries and joint-venture companies	-	-	4	-	4
Reclassifications	-	-	(2)	2	-
Exchange differences on consolidation of foreign subsidiaries	-	-	18	9	27
<b>Balance at 30 June 2010</b>	<b>-</b>	<b>(3)</b>	<b>(260)</b>	<b>(9)</b>	<b>(272)</b>
Amortisation	-	-	(57)	(10)	(67)
Impairment	-	(16)	-	(2)	(18)
Disposals	-	1	56	6	63
Acquired on acquisition of subsidiaries	-	-	(3)	-	(3)
Disposal of subsidiaries	-	-	2	6	8
Exchange differences on consolidation of foreign subsidiaries	-	-	(37)	(4)	(41)
<b>Balance at 30 June 2011</b>	<b>-</b>	<b>(18)</b>	<b>(299)</b>	<b>(13)</b>	<b>(330)</b>
<b>Carrying amount</b>				<b>2011 Rm</b>	<b>2010 Rm</b>
Trade and brand names				21 782	9 643
Patents and trademarks				1 064	1 224
Software				338	72
Other				156	38
Customer relationships				-	11
Licence agreements				24	11
Contracts				115	3
Other				17	13
				<b>23 340</b>	<b>10 977</b>

#### *Review of impairment*

In determining the appropriate methodology to be adopted in the valuation of the value in use of the majority of the group's intangible assets, the relief from royalty approach was considered to be the most applicable as a primary valuation methodology because it is predominantly and widely used as a basis for the structuring of licensing agreements both locally in the countries where these intangible assets originate and internationally, and this approach is generally accepted internationally as a reliable means of valuing trademarks.

IAS 38 – *Intangible Assets* (IAS 38) gives guidance on how the fair value of intangible assets can be determined. The guidance has been applied throughout the valuation of the trade names, brand names and trademarks. Impairment tests typically take into account the most recent management forecast whereafter a reasonable rate of growth is applied based on market and industry conditions. Discount rates used in the discounted cash flow models are based on a weighted average cost of capital, while royalty rates used are determined with reference to industry benchmarks.

#### *Impairment*

All intangible assets were tested for impairment during the year under review and impairments of R18 million (2010: Rnil) were recognised.

All impairment testing was done consistently with methods used in the prior year.

#### *Useful lives*

Under IAS 38, the useful life of an asset is either finite or indefinite. An indefinite life does not mean an infinite useful life, but rather that there is no foreseeable limit to the period over which the asset can be expected to generate cash flows for the entity. Intangible assets with an indefinite useful life are not amortised; they are tested for impairment at least annually.

All of the European trade names, brand names and/or trademarks have been assessed as having an indefinite useful life. In southern Africa the intangible assets acquired in the Unitrans and PG Bison business combinations, have also been assessed as having indefinite useful lives. The majority of these trade names and brand names were assessed independently at the time of the acquisition, and the indefinite useful life assumptions were supported by the following evidence:

- The industry is a mature, well-established industry.
- The trade names, brand names and/or trademarks are long-established relative to the market and have been in existence for a long time.
- The intangible assets relate to trade names, brand names, trademarks and patents rather than products and are therefore not vulnerable to typical product lifecycles or to the technical, technological, commercial or other types of obsolescence that can be seen to limit the useful lives of other trade names and brand names.
- There is a relatively low turnover of comparable intangible assets implying stability within the industry.

#### *Royalty rates*

The royalty rate represents the assumed amount which would be paid to the owner of the intangible asset as a royalty fee, expressed as a percentage of revenue, for the use of the intangible asset. It is necessary to look to the industry in which the brand is operational to determine an appropriate notional royalty rate.

A database search of the RoyaltySource Intellectual Property Database for comparable worldwide licensing or franchising transactions of trademarks in the retail industry, focusing on furniture and/or household goods revealed royalty rates varying from 2.5% to 5.0%, with an average rate of 4.0%. The royalty rates used in assessing the value in use of the Steinhoff trade names and brand names all fall within or below this recommended range and vary from 1% to 4%.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Land and buildings Rm	Plant and machinery Rm	Long-haul motor vehicles, motor vehicles and equipment Rm
<b>12. PROPERTY, PLANT AND EQUIPMENT</b>			
<b>Cost</b>			
Balance at 1 July 2009	5 006	2 281	3 227
Additions	191	115	256
Assets held for sale	-	-	-
Disposals	(150)	(230)	(196)
Impairment	-	(14)	-
Acquisition of subsidiary companies (note 36)	4 976	-	1
Disposal of subsidiary companies	(156)	(152)	(10)
Reclassification	158	10	(109)
Transfer from investment property	4	-	-
Exchange differences on consolidation of foreign subsidiaries	(857)	(37)	(18)
<b>Balance at 30 June 2010</b>	<b>9 172</b>	<b>1 973</b>	<b>3 151</b>
Additions	4 832	89	600
Reclassification of assets held for sale	-	20	-
Disposals	(153)	(56)	(170)
Impairment	(8)	(2)	-
Acquisition of subsidiary companies (note 36)	6 842	9	6
Disposal of subsidiary companies	(11)	(190)	(46)
Reclassification	51	43	(22)
Transfer to investment property	(604)	-	-
Exchange differences on consolidation of foreign subsidiaries	694	17	(28)
<b>Balance at 30 June 2011</b>	<b>20 815</b>	<b>1 903</b>	<b>3 491</b>

	Land and buildings Rm	Plant and machinery Rm
<b>Accumulated depreciation and impairment</b>		
Balance at 1 July 2009	(472)	(883)
Assets held for sale	-	-
Depreciation	(107)	(121)
Disposals	90	143
Impairment	-	7
Acquisition of subsidiary companies (note 36)	(278)	-
Disposal of subsidiary companies	3	126
Reclassification	(68)	5
Exchange differences on consolidation of foreign subsidiaries	59	17
<b>Balance at 30 June 2010</b>	<b>(773)</b>	<b>(706)</b>
Depreciation	(128)	(114)
Disposals	69	31
Impairment	-	(20)
Acquisition of subsidiary companies (note 36)	(33)	(40)
Disposal of subsidiary companies	5	127
Reclassification	(21)	1
Exchange differences on consolidation of foreign subsidiaries	(75)	28
<b>Balance at 30 June 2011</b>	<b>(956)</b>	<b>(693)</b>

	Bus fleet Rm	Capital work-in- progress Rm	Leasehold improvements Rm	Office and computer equipment, furniture and other assets Rm	Total Rm
	759	129	2 175	1 014	14 591
	134	67	127	93	983
	-	-	-	(1)	(1)
	(22)	-	(85)	(152)	(835)
	-	-	(17)	-	(31)
	-	1	-	27	5 005
	-	(2)	-	(57)	(377)
	(37)	(113)	(82)	52	(121)
	-	-	-	-	4
	-	1	(155)	(34)	(1 100)
	<b>834</b>	<b>83</b>	<b>1 963</b>	<b>942</b>	<b>18 118</b>
	<b>136</b>	<b>131</b>	<b>106</b>	<b>413</b>	<b>6 307</b>
	-	-	-	-	20
	(47)	(9)	(152)	(127)	(714)
	-	6	-	-	(4)
	-	-	2 177	94	9 128
	-	-	(67)	(175)	(489)
	-	(110)	(43)	47	(34)
	-	-	-	-	(604)
	-	(36)	43	53	743
	<b>923</b>	<b>65</b>	<b>4 027</b>	<b>1 247</b>	<b>32 471</b>

Long-haul motor vehicles, motor vehicles and equipment Rm	Bus fleet Rm	Leasehold improvements Rm	Office and computer equipment, furniture and other assets Rm	Total Rm
(1 188)	(296)	(1 250)	(694)	(4 783)
-	-	-	1	1
(339)	(80)	(143)	(109)	(899)
132	15	63	143	586
-	-	-	-	7
-	-	-	(11)	(289)
7	-	-	42	178
115	13	70	(14)	121
6	-	78	21	181
<b>(1 267)</b>	<b>(348)</b>	<b>(1 182)</b>	<b>(621)</b>	<b>(4 897)</b>
<b>(395)</b>	<b>(89)</b>	<b>(254)</b>	<b>(135)</b>	<b>(1 115)</b>
114	34	135	96	479
-	-	-	-	(20)
(3)	-	-	(8)	(84)
29	-	40	114	315
25	-	8	21	34
12	-	66	(10)	21
<b>(1 485)</b>	<b>(403)</b>	<b>(1 187)</b>	<b>(543)</b>	<b>(5 267)</b>

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Rm	2010 Rm
<b>12. PROPERTY, PLANT AND EQUIPMENT (continued)</b>		
<b>Net book value</b>		
Land and buildings	19 859	8 399
Plant and machinery	1 210	1 267
Long-haul motor vehicles, motor vehicles and equipment	2 006	1 884
Bus fleet	520	486
Capital work-in-progress	65	83
Leasehold improvements	2 840	781
Office and computer equipment, furniture and other assets	704	321
	<b>27 204</b>	<b>13 221</b>

### Land and buildings

Details of land and buildings are available for inspection by members on request at the various registered offices of the company and its subsidiaries.

### Encumbered assets

Assets with a book value of R4 564 million (2010: R4 690 million) are encumbered as set out in note 28.

### Insurance

Property, plant and equipment, with the exception of motor vehicles, bus fleet, long-haul motor vehicles and land, are insured at approximate cost of replacement. Motor vehicles are insured at market value. Bus fleet and long-haul motor vehicles are self-insured.

### Capitalisation of interest

Interest capitalised to the cost of property, plant and equipment was included in additions during the prior year.

### Impairment losses

Refer to 'Capital items' (note 2).

### Useful lives

The estimated useful lives are reflected under 'Judgements and estimates' (note 33).

	2011 Rm	2010 Rm
<b>13. INVESTMENT PROPERTY</b>		
Balance at beginning of the year	292	304
Additions	148	16
Interest capitalised	-	6
Disposals	(2)	(30)
Transfer from/(to) property, plant and equipment	604	(4)
Balance at end of the year	<b>1 042</b>	<b>292</b>

No depreciation was recognised on investment property in the current or prior years as the residual values exceeded the carrying values of all properties classified as investment property.

At 30 June 2011, investment property was valued by management at R1 052 million (2010: R312 million).

Included in the transfer from property, plant and equipment balance above is R585 million relating to properties occupied by Unitrans Automotive and Steinbuild at 30 June 2011. These properties are no longer classified as owner occupied.

**Rental income and expense from continuing operations from investment property**

Rental income from investment property	51	16
Direct operating expenses arising from investment property that generated rental income during the year	3	4
Direct operating expenses arising from investment property that did not generate rental income during the year	-	1

No restrictions exist on the sale of investment property.

There are no material contractual obligations to purchase, construct or develop investment property. There are, however, service level agreements and building maintenance contracts in place with third-party contractors for security, repairs, maintenance and minor enhancements.

**14. VEHICLE RENTAL FLEET**

Balance at beginning of the year	159	183
Additions	484	270
Scrapping of vehicle rental fleet	(14)	(9)
Cost	(16)	(10)
Accumulated depreciation	2	1
Transfer to inventories	(213)	(264)
Depreciation	(75)	(21)
Disposal of subsidiary companies	(341)	-
	-	159
<i>Less: Vehicle rental fleet held for less than 12 months (current assets)</i>	-	(144)
<b>Vehicle rental fleet held for more than 12 months (non-current assets)</b>	<b>-</b>	<b>15</b>

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Rm	2010 Rm
<b>15. CONSUMABLE BIOLOGICAL ASSETS</b>		
<b>Timber plantations</b>		
Carrying amount at beginning of the year	1 321	1 121
Decrease due to harvesting	(146)	(82)
Fair value adjustment to plantations	271	282
Carrying amount at end of the year	1 446	1 321
<b>Livestock</b>	<b>4</b>	<b>4</b>
	<b>1 450</b>	<b>1 325</b>
<b>Expenses incurred in the management and operations of plantations (including harvesting)</b>	<b>231</b>	<b>194</b>

The group owns and manages timber plantations for use in manufacturing timber products. In terms of IAS 41 – *Agriculture*, the plantations are valued at fair value less estimated costs to sell. The Faustman formula and discounted cash flow models were applied in determining the fair value of the plantations. The principal assumptions used in the Faustman formula include surveying physical hectares planted, age analysis and the industry mean annual incremental growth.

The fair value of mature standing timber, being the age at which it becomes marketable, is based on the market price of the estimated recoverable timber volumes, net of harvesting costs. The fair value of younger standing timber is based on the present value of the net cash flows expected to be generated by the plantation at maturity.

Livestock was introduced to the plantations as part of the fire prevention strategy of the group.

The group is exposed to a number of risks regarding its timber plantations:

- **Regulatory and environmental risks**  
The group's timber plantation operations are subject to laws and regulations. The group has established environmental policies and procedures aimed at compliance with local environmental and other laws. The Thesens and north-eastern Cape forests are Forestry Stewardship Council (FSC) certified. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.
- **Supply and demand risks**  
For external sale of timber, the group is exposed to risks arising from the fluctuations of price and sales volumes of timber. Where possible, the group manages these risks by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.
- **Climate and other risks**  
The group's timber plantations are exposed to the risk of damage from climate changes, disease, forest fires and other natural forces. The group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry and pest disease surveys. The group also insures itself, where cost-effective, against natural disasters such as fire.

### Encumbered consumable biological assets

None of the group's consumable biological assets are encumbered.

### Commitments

There are no amounts committed for the development and acquisition of consumable biological assets.

Carrying value	Nature of business	2011 % holding	2010 % holding	2011 Rm	2010 Rm
<b>16. INVESTMENTS IN ASSOCIATE COMPANIES</b>					
<b>Listed</b>					
JD Group Limited	Diverse retail businesses	<b>30.2<sup>1</sup></b>	-	<b>3 243</b>	-
Shares				<b>3 243</b>	-
KAP International Holdings Limited	Diverse manufacturing, wholesale and retail businesses	<b>34.0</b>	<b>31.5</b>	<b>617</b>	<b>557</b>
Shares				<b>452</b>	<b>434</b>
Post-acquisition earnings				<b>165</b>	<b>123</b>
<b>Unlisted</b>					
Credirama S.p.A.	Lending to consumers	<b>49.0</b>	-	<b>38</b>	-
Emergent Office Solutions (Proprietary) Limited	Sale and distribution of office furniture	<b>24.5</b>	<b>24.5</b>	-	<b>3</b>
Induna Tippers (Proprietary) Limited	Supplies trucks to the Gautrain project	<b>49.5</b>	<b>49.5</b>	<b>1</b>	<b>2</b>
Loungefoam (Proprietary) Limited	Manufactures foam products	<b>47.5</b>	<b>47.5</b>	<b>24</b>	<b>22</b>
Nomakanjani Logistics Company (Proprietary) Limited	Logistics services	<b>30.0</b>	<b>30.0</b>	*	*
PG Bison Kenya (Proprietary) Limited	Retail outlet selling hardware materials	<b>50.0</b>	<b>50.0</b>	<b>5</b>	<b>4</b>
Xinergistix Limited	Industrial long-distance haulage	<b>27.6</b>	<b>27.6</b>	<b>41</b>	<b>36</b>
Wanchai Property International Limited	Property holding company	<b>49.0</b>	<b>49.0</b>	<b>97</b>	<b>87</b>
Zimbabwean associate company (impaired)	Manufactures panel products	<b>40.0</b>	<b>40.0</b>	-	-
				<b>4 066</b>	<b>711</b>
<b>Loans due by/(to) associate companies</b>					
Emergent Office Solutions (Proprietary) Limited				-	<b>3</b>
Loungefoam (Proprietary) Limited				<b>(21)</b>	<b>(22)</b>
Zimbabwean associate company				<b>6</b>	-
Nomakanjani Logistics Company (Proprietary) Limited				<b>5</b>	<b>5</b>
PG Bison Kenya (Proprietary) Limited				<b>1</b>	-
Wanchai Property International Limited				<b>217</b>	<b>223</b>
				<b>208</b>	<b>209</b>
				<b>4 274</b>	<b>920</b>
Market value of listed investments				<b>3 170</b>	<b>309</b>

The June 2011 30-day volume-weighted average share prices on the JSE Limited were used to determine the market value of listed investments. Where there were impairment indicators, discounted cash flows were used to determine the value in use of these investments. This is consistent with methods and models applied in the prior year. For listed investments, publicly available information was used to determine value in use. No impairment was recognised on listed investments during either year presented.

<sup>1</sup> The majority of the shares in JD Group Limited were received on 30 June 2011, which resulted in Steinhoff having significant influence from this date. Since the majority of this associate investment arose at year-end and there were no market indications of a possible impairment, no impairment test was performed at year-end. Refer to directors' report for more details.

\* Amount less than R500 000.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Rm	2010 Rm
<b>16. INVESTMENTS IN ASSOCIATE COMPANIES (continued)</b>		
<b>Investments at cost</b>		
<b>Listed investments</b>		
JD Group Limited	3 243	–
Share of net asset value	3 243	–
KAP International Holdings Limited	452	434
Share of net asset value	374	347
Fair value adjustments on acquisition of associate	9	9
Goodwill	98	98
Capital distribution received	(29)	(20)
	<b>3 695</b>	<b>434</b>
<b>Unlisted investments</b>		
Credirama S.p.A.	38	–
Emergent Office Solutions (Proprietary) Limited	–	3
Loungefoam (Proprietary) Limited	10	10
PG Bison Kenya (Proprietary) Limited	4	4
Wanchai Property International Limited	88	84
Xinergistix Limited	21	21
	<b>161</b>	<b>122</b>
<b>Total investments at cost</b>	<b>3 856</b>	<b>556</b>
<b>Attributable share of post-acquisition retained earnings</b>		
At beginning of the year	155	174
Associate company becomes subsidiary company	–	(30)
Current year share of income	55	36
Disposal	–	(25)
At end of the year	<b>210</b>	<b>155</b>

### Commitments

The group's obligation in respect of losses and contingent liabilities from associate companies is limited to the extent of the carrying values of the investments.

	<b>2011</b>	<b>2010</b>
	<b>Rm</b>	<b>Rm</b>
<b>Information in respect of investments in associate companies</b>		
<b>Statement of financial position</b>		
<b>Assets</b>		
Intangible assets and goodwill	<b>742</b>	<b>69</b>
Property, plant and equipment	<b>2 465</b>	<b>1 601</b>
Non-current assets	<b>125</b>	<b>318</b>
Deferred taxation assets	<b>128</b>	<b>68</b>
Current assets	<b>11 295</b>	<b>1 535</b>
	<b>14 755</b>	<b>3 591</b>
<b>Equity and liabilities</b>		
Share capital and reserves	<b>7 195</b>	<b>1 662</b>
Non-controlling interests	<b>77</b>	<b>38</b>
Non-current liabilities	<b>1 901</b>	<b>604</b>
Deferred taxation liabilities	<b>456</b>	<b>22</b>
Current liabilities	<b>5 126</b>	<b>1 265</b>
	<b>14 755</b>	<b>3 591</b>
<b>Income statement</b>		
Revenue	<b>4 868</b>	<b>4 715</b>
Profit before taxation	<b>244</b>	<b>165</b>
Taxation	<b>(74)</b>	<b>(53)</b>
<b>Profit for the year</b>	<b>170</b>	<b>112</b>
<b>Profit attributable to:</b>		
Owners of the parent	<b>163</b>	<b>106</b>
Non-controlling interests	<b>7</b>	<b>6</b>
<b>Profit for the year</b>	<b>170</b>	<b>112</b>

The statement of financial position above includes the assets and liabilities of JD Group Limited, but since it became an associate effective 30 June 2011, no amounts were included in the income statement.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Nature of business	Percentage holding	
		2011 %	2010 %
<b>17. INTEREST IN JOINT-VENTURE COMPANIES</b>			
Buffalo Pocket Spring Company (Proprietary) Limited	Manufactures pocket inner springs	50	50
La-Z-Boy Europe BV	Manufactures recliner chairs <sup>1</sup>	50	50
Samstar Services (Proprietary) Limited	Provider of security services <sup>1</sup>	33	33
Steitex (Proprietary) Limited	Fabric sourcing	- <sup>2</sup>	50
Van den Bosch Beheer BV	Wholesale and distribution of household goods	50	50

<sup>1</sup> Dormant

<sup>2</sup> Steitex was disposed of during the year.

	Rm	Rm
Loans due by joint-venture companies	1	7

### Impairment losses

No impairment loss was recognised in profit or loss for either period presented.

### Commitments

The joint-venture companies did not have any contingent liabilities at year-end.

The proportionate share of the aggregated financial information of the joint-venture companies consolidated is:

### Assets and liabilities

Intangible assets and goodwill	-	1
Property, plant and equipment	92	92
Deferred taxation assets	-	1
Current assets	276	250
Non-current liabilities	(1)	(4)
Deferred taxation liabilities	(4)	(7)
Current liabilities	(211)	(148)
	<b>152</b>	<b>185</b>
<b>Capital and reserves</b>	<b>152</b>	<b>185</b>

### Income statement

Revenue	641	677
Net expenditure	(631)	(631)
Profit before taxation	10	46
Taxation	(3)	(12)
<b>Profit for the year</b>	<b>7</b>	<b>34</b>

	2011 Rm	2010 Rm
<b>18. INVESTMENTS AND LOANS</b>		
<b>Long-term investments and loans</b>		
Listed investments – preference shares	5	5
Unlisted investments	473	284
Ordinary shares	53	46
Preference shares	69	238
Steinhoff S'khulasonke Investments (Proprietary) Limited – ordinary and preference shares	351	–
Loans receivable carried at amortised cost	3 950	3 302
	<b>4 428</b>	<b>3 591</b>
<b>Short-term loans receivable</b>		
Interest-bearing loans	1 495	1 401
Non-interest-bearing loans	–	150
	<b>1 495</b>	<b>1 551</b>

A fair value adjustment of R0.2 million (2010: R0.4 million) on the listed preference shares was processed directly in other comprehensive income during the year. These fair value adjustments increased the carrying value of the investment to equal the market value for both years.

The unsecured loans receivable consist of various loans with repayment terms ranging between 13 and 73 months unless called earlier, bearing interest at market-related interest rates and participating in profit share.

None of the loans receivable included as non-current financial assets are past due or impaired at reporting date and there are no indications that any of these counterparties will not meet their repayment obligations.

Details of investments are available at the registered office of the company for inspection by members.

The fair values of investments and loans are disclosed in note 20.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Rm	2010 Rm
<b>19. DEFERRED TAXATION ASSETS/(LIABILITIES)</b>		
<b>19.1 Deferred taxation movement</b>		
<i>(Liabilities)/assets</i>		
Balance at beginning of the year	(1 924)	(1 919)
Deferred taxation of subsidiaries acquired <sup>1</sup>	(3 497)	19
Deferred taxation of subsidiaries disposed	(69)	(1)
Amounts charged directly to other comprehensive income and equity		
Actuarial reserve	(8)	5
Cash flow hedge	11	-
Convertible bond	(190)	-
Share-based payments	19	11
Other	(17)	-
Current year charge		
From continuing operations	(144)	(233)
From discontinued operations	28	3
Exchange differences on consolidation of foreign subsidiaries	(209)	191
Balance at end of the year	<b>(6 000)</b>	<b>(1 924)</b>

<sup>1</sup> An amount of R3.8 billion included in this balance arose as a result of the Conforama purchase price allocation. Refer to note 36 for details.

### 19.2 Deferred taxation balances

#### Assets

Provision for taxation on temporary differences resulting from South African normal taxation rate (28%), South African capital gains taxation (SA CGT) rate (14%) and foreign taxation rates (ranging from 8% to 38%):

Equalisation of operating lease payments	(2)	38
Prepayments and provisions	54	60
Property, plant and equipment (including consumable biological assets)	(466)	(462)
Share-based payments	62	49
Other	46	70
Secondary taxation on companies (10%)	2	1
	<b>(304)</b>	<b>(244)</b>
<i>Taxation losses and credits</i>		
Taxation losses	724	712
Total deferred taxation assets	<b>420</b>	<b>468</b>

Realisation of the deferred taxation asset is expected out of future taxable income which was assessed and deemed to be reasonable.

	2011 Rm	2010 Rm
<b>Liabilities</b>		
Provision for taxation on temporary differences resulting from South African normal taxation rate (28%), SA CGT rate (14%) and foreign taxation rates (ranging from 8% to 38%):		
Equity component of convertible bonds	(231)	(98)
Intangible assets	(5 092)	(1 626)
Prepayments and provisions	1 234	51
Property, plant and equipment (including consumable biological assets)	(2 432)	(785)
Share-based payments	44	31
Other	(208)	(191)
Secondary taxation on companies (10%)	2	5
	<b>(6 683)</b>	<b>(2 613)</b>
<b>Taxation losses and credits</b>		
Taxation losses	263	221
Total deferred taxation liabilities	<b>(6 420)</b>	<b>(2 392)</b>

### 19.3 Unrecognised deferred taxation assets

Deferred taxation assets have not been recognised in respect of the following items:

Net deductible temporary differences	1	-
Taxation losses	705	1 032
	<b>706</b>	<b>1 032</b>

The taxation losses and deductible temporary differences do not expire under current taxation legislation. Deferred taxation assets have not been recognised in respect of these items because it is not yet certain that future taxable profits will be available against which the group can realise the benefits therefrom.

### 19.4 Taxation losses

Estimated taxation losses available for offset against future taxable income	<b>3 682</b>	<b>3 993</b>
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## 20. FINANCIAL INSTRUMENTS

The executive team is responsible for implementing the risk management strategy to ensure that an appropriate risk management framework is operating effectively across the group, embedding a risk management culture throughout the group. The board and the audit and risk committee are provided with a consolidated view of the risk profile of the group, and any major exposures and relevant mitigating actions are identified.

The system of risk management is designed so that the different business units are able to tailor and adapt their risk management processes to suit their specific circumstances.

Regular management reporting and internal audit reports provide a balanced assessment of key risks and controls. The financial director provides quarterly confirmation to the board that financial and accounting control frameworks have operated satisfactorily and consistently.

The group does not speculate in the trading of derivative or other financial instruments. It is group policy to hedge exposure to cash and future contracted transactions.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

### 20. FINANCIAL INSTRUMENTS (continued)

#### 20.1 Total financial assets and liabilities

2011	At fair value through profit or loss <sup>1</sup> Rm	Designated as at fair value through profit or loss Rm	Available for sale financial assets Rm	Loans and receivables and other financial liabilities at amortised cost Rm	Total carrying values Rm	Loans and receivables and other financial liabilities at fair value Rm	Total fair values Rm
Investments and loans	-	-	478	3 950	4 428	3 950	4 428
Derivative financial assets	75	-	-	-	75	-	75
Trade and other receivables (excluding prepayments, taxation receivable and value added taxation receivable)	-	-	-	7 602	7 602	7 602	7 602
Short-term loans receivable	-	-	-	1 495	1 495	1 495	1 495
Gross debt net of cash	-	(2 093)	-	(22 085)	(24 178)	(21 864)	(23 957)
Funds on call and deposit	-	-	-	21	21	21	21
Bank balances and cash	-	-	-	6 300	6 300	6 300	6 300
Long-term interest-bearing loans and borrowings	-	(2 093)	-	(24 019)	(26 112)	(23 798)	(25 891)
Short-term interest-bearing loans and borrowings	-	-	-	(1 978)	(1 978)	(1 978)	(1 978)
Bank overdrafts and short-term facilities	-	-	-	(2 409)	(2 409)	(2 409)	(2 409)
Trade and other payables (excluding taxation payable and value added taxation payable)	-	-	-	(17 244)	(17 244)	(17 244)	(17 244)
Derivative financial liabilities	(120)	-	-	-	(120)	-	(120)
	(45)	(2 093)	478	(26 282)	(27 942)	(26 061)	(27 721)
Net (gains) and losses recognised in profit or loss	336	(382)	-	(673)	(719)		
Total interest income			(29)	(943)	(972)		
Total interest expense			-	2 036	2 036		
			(29)	1 093	1 064		

<sup>1</sup> This category includes derivative financial instruments that are not designated as effective hedging instruments.

2010	At fair value through profit or loss <sup>1</sup> Rm	Designated as at fair value through profit or loss Rm	Available for sale financial assets Rm	Loans and receivables and other financial liabilities at amortised cost Rm	Total carrying values Rm	Loans and receivables and other financial liabilities at fair value Rm	Total fair values Rm
Investments and loans	-	-	289	3 302	3 591	3 302	3 591
Derivative financial assets	319	-	-	-	319	-	319
Trade and other receivables (excluding prepayments, taxation receivable and value added taxation receivable)	-	-	-	7 054	7 054	7 054	7 054
Short-term loans receivable	-	-	-	1 551	1 551	1 551	1 551
Gross debt net of cash	-	(2 363)	-	(10 864)	(13 227)	(11 232)	(13 595)
Funds on call and deposit	-	-	-	102	102	102	102
Bank balances and cash	-	-	-	5 019	5 019	5 019	5 019
Long-term interest-bearing loans and borrowings	-	(2 363)	-	(12 744)	(15 107)	(13 116)	(15 479)
Short-term interest-bearing loans and borrowings	-	-	-	(1 666)	(1 666)	(1 662)	(1 662)
Bank overdrafts and short-term facilities	-	-	-	(1 575)	(1 575)	(1 575)	(1 575)
Trade and other payables (excluding taxation payable and value added taxation payable)	-	-	-	(7 059)	(7 059)	(7 059)	(7 059)
Derivative financial liabilities	(34)	-	-	-	(34)	-	(34)
	285	(2 363)	289	(6 016)	(7 805)	(6 384)	(8 173)
Net (gains) and losses recognised in profit or loss	(390)	317	-	(436)	(509)		
Total interest income			(28)	(881)	(909)		
Total interest expense			-	1 735	1 735		
			(28)	854	826		

No items were classified as 'held to maturity' during either period presented.

<sup>1</sup> This category includes derivative financial instruments that are not designated as effective hedging instruments.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

### 20. FINANCIAL INSTRUMENTS (continued)

#### 20.2 Fair values

The fair values of financial assets and financial liabilities are determined as follows:

##### *Investments in equity and debt securities*

The fair value of an available for sale financial asset is determined by reference to its 30-day volume-weighted average quoted bid price at the reporting date. Where quoted bid prices are not available, discounted cash flows are used to determine the value in use of financial assets. Where the quoted bid price or value in use of the investment is less than the carrying value and the directors are of the opinion that the decline in value is permanent, an impairment loss is recognised.

##### *Trade and other receivables and short-term loans receivable*

The fair values of trade and other receivables and short-term loans receivable are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

##### *Derivatives*

The fair values of forward exchange contracts are based on their listed market price, if available. If a listed market price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair values of interest rate swaps is based on broker quotes. Those quotes are tested for reasonability by discounting estimated future cash flows based on the terms and maturity of each contract using market interest rates for a similar instrument at the measurement date.

##### *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have conversion options.

The fair values are not necessarily indicative of the amounts the group could realise in the normal course of business.

IFRS 7 – *Financial Instruments: Disclosure* (IFRS 7), has established a three-level hierarchy for making fair value measurements:

- Level 1 – Unadjusted quoted prices for financial assets and financial liabilities traded in an active market for identical financial assets or financial liabilities.
- Level 2 – Inputs other than quoted prices included in level 1 that are observable for the financial asset or financial liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the financial asset or financial liability that are not based on observable market data.

The fair values of the financial assets and liabilities as determined by the IFRS 7 hierarchy are as follows:

	2011			2010		
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Investments and loans	5	473	-	5	43	241
Derivative financial assets	-	75	-	-	319	-
Long-term interest-bearing loans and borrowings	-	(2 093)	-	-	(2 363)	-
Derivative financial liabilities	-	(120)	-	-	(34)	-
	5	(1 665)	-	5	(2 035)	241

	2011 Rm	2010 Rm
The movement in fair value of assets measured at level 3 is as follows:		
Balance at beginning of the year	241	274
Interest	29	26
Disposals	(173)	(60)
Loss on disposal	(94)	-
Exchange differences on consolidation of foreign subsidiaries	(3)	1
Balance at end of the year	-	241

### 20.3 Foreign currency risk

The group's manufacturing and sourcing operating costs and expenses are principally incurred in South African rand, Polish zloty, US dollars and Hungarian forint. Its revenue derived from outside southern Africa, however, is principally in euros, Swiss franc, UK pounds, US dollars and Australian dollars. The group's business model is based on the strategy of locating production in, and sourcing materials from, emerging low-cost economies and supplying finished products into developed economies.

It is group policy to hedge exposure to cash and future contracted transactions in foreign currencies for a range of forward periods, but not to hedge exposure for the translation of reported profits or reported assets and liabilities.

#### *Exposure to currency risk*

Currency risk (or foreign exchange risk) as defined by IFRS 7, arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of IFRS 7, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Differences resulting from the translation of subsidiary financial statements into the group's presentation currency are not taken into consideration.

The carrying amounts of the group's material foreign currency denominated monetary assets and liabilities (excluding intragroup loan balances) that will have an impact on profit or loss when exchange rates change, at reporting date are as follows:

	<b>Euros</b>	<b>UK pounds</b>	<b>US dollars</b>
	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>
<b>2011</b>			
Investments and loans	-	-	<b>46</b>
Trade and other receivables (excluding prepayments, taxation receivable and value added taxation receivable)	<b>232</b>	<b>6</b>	<b>37</b>
Bank balances and cash	<b>5</b>	<b>3</b>	<b>17</b>
Long-term interest-bearing loans and borrowings	-	<b>(476)</b>	<b>(2 093)</b>
Trade and other payables (excluding taxation payable and value added taxation payable)	<b>(213)</b>	-	<b>(2 537)</b>
Pre-derivative position	<b>24</b>	<b>(467)</b>	<b>(4 530)</b>
Derivative effect	<b>(60)</b>	-	<b>4 618</b>
Open position	<b>(36)</b>	<b>(467)</b>	<b>88</b>
<b>2010</b>			
Investments and loans	<b>1</b>	-	<b>39</b>
Trade and other receivables (excluding prepayments, taxation receivable and value added taxation receivable)	<b>325</b>	<b>2</b>	<b>57</b>
Bank balances and cash	<b>25</b>	<b>3</b>	<b>38</b>
Long-term interest-bearing loans and borrowings	-	<b>(725)</b>	<b>(2 362)</b>
Trade and other payables (excluding taxation payable and value added taxation payable)	<b>(124)</b>	<b>(6)</b>	<b>(174)</b>
Bank overdrafts and short-term facilities	-	-	<b>1</b>
Pre-derivative position	<b>227</b>	<b>(726)</b>	<b>(2 401)</b>
Derivative effect	<b>(70)</b>	-	<b>2 396</b>
Open position	<b>157</b>	<b>(726)</b>	<b>(5)</b>

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

### 20. FINANCIAL INSTRUMENTS (continued)

#### 20.3 Foreign currency risk (continued)

The following significant exchange rates applied during the year and were used in calculating sensitivities:

Rand	Forecast rate <sup>1</sup> 30 June 2012	Forecast rate <sup>1</sup> 30 June 2011	Reporting date spot rate 2011	Reporting date spot rate 2010
Euro	<b>9.8400</b>	<b>9.9426</b>	<b>9.8654</b>	<b>9.3781</b>
UK pound	<b>12.6400</b>	<b>12.1015</b>	<b>10.9822</b>	<b>11.4561</b>
US dollar	<b>7.5600</b>	<b>8.1555</b>	<b>6.8555</b>	<b>7.6650</b>
<b>Euro</b>				
UK pound	<b>0.7785</b>	<b>0.8216</b>	<b>0.8983</b>	<b>0.8186</b>
US dollar	<b>1.3016</b>	<b>1.2191</b>	<b>1.4391</b>	<b>1.2235</b>

<sup>1</sup> The forecast rates represent a weighting of foreign currency rates forecasted by the major banks that the group transacts with regularly. These rates are not necessarily management's expectations of currency movements.

#### *Sensitivity analysis*

The table below indicates the group's sensitivity at year-end to the movements in the major currencies that the group is exposed to on its financial instruments. The percentages given below represent a weighting of foreign currency rates forecasted by the major banks that the group transacts with regularly. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2010.

The impact on the reported numbers of using the forecast rates as opposed to the reporting date spot rates is set out below.

<i>Through (profit)/loss</i>	<b>2011 Rm</b>	<b>2010 Rm</b>
Euro weakening by 0.3% (2010: strengthening by 6.0%) to the rand	-	9
UK pound strengthening by 15.1% (2010: 5.6%) to the rand	<b>(71)</b>	<b>(41)</b>
US dollar strengthening by 10.3% (2010: 6.4%) to the rand	<b>9</b>	-

If the foreign currencies were to weaken/strengthen against the rand, by the same percentages as set out in the table above, it would have an equal, but opposite effect on profit or loss.

#### Foreign exchange contracts

The group uses forward exchange contracts to hedge its foreign currency risk against the functional currency of its various global operations. Most of the forward exchange contracts have maturities of less than one year after reporting date. As a matter of policy, the group does not enter into derivative contracts for speculative purposes. The fair values of such contracts at year-end, by currency, were:

	2011 Rm	2010 Rm
<b>Short-term derivatives</b>		
<b>Assets</b>		
Fair value of foreign exchange contracts		
Euro	1	-
US dollar	72	41
Swiss franc	2	-
	<b>75</b>	<b>41</b>
<b>Liabilities</b>		
Fair value of foreign exchange contracts		
Euro	(2)	(12)
Rands	(1)	-
Interest rate swaps and cross-currency derivatives	-	(21)
	<b>(3)</b>	<b>(33)</b>
Net derivative assets	<b>72</b>	<b>8</b>
<b>Long-term derivatives</b>		
Interest rate swaps and cross-currency derivatives assets	-	278
Interest rate swaps and cross-currency derivatives liabilities	(117)	(1)
	<b>(117)</b>	<b>277</b>

Currency options are only purchased as a cost-effective alternative to forward currency contracts.

#### Cash flow hedges

The group classifies certain of its forward exchange contracts that hedge forecast transactions as cash flow hedges. The fair value of such contracts recognised as derivative assets and liabilities and adjusted against the hedging reserve at year-end was:

Fair value movement for the year recognised in other comprehensive income	<b>(32)</b>	<b>41</b>
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The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur:

0 – 3 months	4	4
4 – 12 months	7	4
Total expected cash flows	<b>11</b>	<b>8</b>

The cash flow hedges have been applied against contractual firm orders to acquire plant and machinery and inventories and the effective portion of the hedges will be applied as a basis adjustment to the cost of such items.

Changes in the fair value of forward exchange contracts of economically hedged monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied, are recognised in profit or loss.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

### 20. FINANCIAL INSTRUMENTS (continued)

#### 20.4 Interest rate risk

Given the group's global footprint and its strategy of low-cost manufacturing and sourcing in emerging markets and sales in developed countries, the group follows a policy of maintaining a balance between fixed and variable rate loans to reflect, as accurately as possible, different interest rate environments, the stability of the relevant currencies, the effect which the relevant interest rates have on group operations and consumer spending within these environments. These variables are taken into account in structuring the group's borrowings to achieve a reasonable, competitive, market-related cost of funding.

As part of the process of managing the group's borrowings mix, the interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. Interest rate exposure is managed within limits agreed by the board.

The interest and related terms of the group's interest-bearing loans are disclosed in note 28.

At the reporting date the interest rate profile of the group's financial instruments were:

	Subject to interest rate movement						Total Rm
	Variable LIBOR Rm	Variable EURIBOR Rm	Variable JIBAR and SA prime Rm	Variable other Rm	Fixed rate Rm	Non- interest- bearing Rm	
<b>2011</b>							
Investments and loans	<b>739</b>	<b>2 867</b>	<b>12</b>	<b>12</b>	<b>200</b>	<b>598</b>	<b>4 428</b>
Trade and other receivables (excluding prepayments, taxation receivable and value added taxation receivable)	-	-	<b>31</b>	<b>24</b>	<b>76</b>	<b>7 471</b>	<b>7 602</b>
Short-term loans receivable	-	<b>1 495</b>	-	-	-	-	<b>1 495</b>
Funds on call and deposit	-	-	-	<b>21</b>	-	-	<b>21</b>
Bank balances and cash	<b>62</b>	-	<b>1 190</b>	<b>230</b>	<b>4 619</b>	<b>199</b>	<b>6 300</b>
Long-term interest- bearing loans and borrowings	<b>(476)</b>	<b>(8 848)</b>	<b>(3 343)</b>	<b>(30)</b>	<b>(13 397)</b>	<b>(18)</b>	<b>(26 112)</b>
Short-term interest- bearing loans and borrowings	<b>(105)</b>	<b>(1 698)</b>	<b>(84)</b>	<b>(33)</b>	<b>(58)</b>	-	<b>(1 978)</b>
Trade and other payables (excluding taxation payable and value added taxation payable)	-	-	-	-	-	<b>(17 244)</b>	<b>(17 244)</b>
Bank overdrafts and short-term facilities	<b>(15)</b>	<b>(935)</b>	<b>(1 250)</b>	<b>(150)</b>	-	<b>(59)</b>	<b>(2 409)</b>
Pre-derivative position	<b>205</b>	<b>(7 119)</b>	<b>(3 444)</b>	<b>74</b>	<b>(8 560)</b>	<b>(9 053)</b>	<b>(27 897)</b>
Derivative effect	-	<b>(2 210)</b>	-	-	<b>2 093</b>	<b>72</b>	<b>(45)</b>
Open position	<b>205</b>	<b>(9 329)</b>	<b>(3 444)</b>	<b>74</b>	<b>(6 467)</b>	<b>(8 981)</b>	<b>(27 942)</b>

2010	Subject to interest rate movement						Total Rm
	Variable LIBOR Rm	Variable EURIBOR Rm	Variable JIBAR and SA prime Rm	Variable other Rm	Fixed rate Rm	Non- interest- bearing Rm	
Investments and loans	684	2 451	31	-	238	187	3 591
Trade and other receivables (excluding prepayments, taxation receivable and value added taxation receivable)	10	-	62	-	1	6 981	7 054
Short-term loans receivable	-	1 401	-	-	-	150	1 551
Funds on call and deposit	-	-	91	9	-	2	102
Bank balances and cash	71	64	805	129	3 869	81	5 019
Long-term interest- bearing loans and borrowings	(1 239)	(2 940)	(3 654)	(39)	(7 221)	(14)	(15 107)
Short-term interest- bearing loans and borrowings	(63)	(134)	(670)	(30)	(760)	(9)	(1 666)
Trade and other payables (excluding taxation payable and value added taxation payable)	-	-	(644)	-	(46)	(6 369)	(7 059)
Bank overdrafts and short-term facilities	(371)	(799)	(405)	-	-	-	(1 575)
Pre-derivative position	(908)	43	(4 384)	69	(3 919)	1 009	(8 090)
Derivative effect	-	(2 086)	-	-	2 363	8	285
Open position	(908)	(2 043)	(4 384)	69	(1 556)	1 017	(7 805)

#### Sensitivity analysis

The group is sensitive to movements in the LIBOR, EURIBOR, JIBAR and SA prime rates, which are the primary interest rates to which the group is exposed.

The sensitivities calculated below are based on an increase of 100 basis points for each interest category. These rates are also used when reporting sensitivities internally to key management personnel.

	2011 Rm	2010 Rm
<b>Through (profit)/loss</b>		
LIBOR – 100 basis point increase	(2)	9
EURIBOR – 100 basis point increase	93	20
JIBAR and SA prime – 100 basis point increase	34	44

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

### 20. FINANCIAL INSTRUMENTS (continued)

#### 20.4 Interest rate risk (continued)

A 100 basis point decrease in the above rates would have had an equal, but opposite effect on profit or loss.

##### *Cross-currency interest rate swap contracts*

The group has entered into three cross-currency interest rate swap contracts to effectively convert fixed-interest US dollar borrowings into variable interest euro borrowings. The value of the group's cross-currency interest rate swaps can effectively be split into two components: a portion that is attributable to converting a US dollar-denominated borrowing liability into a euro-denominated borrowing liability (the currency portion) – the value of this portion changes as currency exchange rates change; and a portion that is attributable to converting fixed-rate US dollar interest payments into variable rate euro interest payments (the interest portion) – the value of this portion of the swap changes as US dollar fixed-interest rates, euro variable interest rates and foreign currency exchange rates change.

The swaps are dedicated to convert a total of US\$284.5 million of the fixed-rate US dollar-denominated senior notes (note 28) to a variable rate euro liability. The interest rate swap was 88% (2010: 83%) effective during the year. The maturity dates of the swaps are identical to those of the underlying series of senior notes that they effectively offset. Under the terms of the swaps, the group receives fixed interest at rates varying from 5.02% to 5.32% and pays floating rate interest at fixed spreads above the six-month EURIBOR rate. The interest payments are due bi-annually, with reset dates being the first day of each calculation period. The embedded derivative contained within the transaction was calculated with the assistance of a major investment bank.

The fair value of the swaps was estimated as a liability of R117 million (2010: asset of R278 million) and is offset with the liability arising from the fair value of the underlying debt liability (the US dollar-denominated senior notes, see note 28) which effectively increased with a fairly similar amount.

The fixed-interest rate note purchase agreement liabilities are fair valued through profit or loss in order to eliminate the potential accounting mismatch arising from measuring the derivative cross-currency interest rate swaps at fair value through profit or loss.

#### 20.5 Other price risks

##### *Equity price sensitivity analysis*

Due to the listed investments of the group being immaterial (refer note 18), the exposure to equity risk is limited.

#### 20.6 Credit risk

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, and loans receivable. The group deposits short-term cash surpluses with major banks of quality credit standing. Trade receivables comprise a large and widespread customer base and group companies perform ongoing credit evaluations on the financial condition of their customers, and appropriate use is made of credit guarantee insurance. At 30 June 2011, 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 statement of financial position are net of provisions for bad debts, estimated by the group companies' management based on prior experience and the current economic environment.

The carrying amounts of financial assets represent the maximum credit exposure.

The maximum exposure to credit risk at the reporting date without taking account of the value of any collateral obtained was:

	<b>2011</b>	<b>2010</b>
	<b>Rm</b>	<b>Rm</b>
Investments and loans	<b>4 428</b>	<b>3 591</b>
Derivative financial assets	<b>75</b>	<b>319</b>
Trade and other receivables (excluding prepayments, taxation receivable and value added taxation receivable)	<b>7 602</b>	<b>7 054</b>
Short-term loans receivable	<b>1 495</b>	<b>1 551</b>
Funds on call and deposit	<b>21</b>	<b>102</b>
Bank balances and cash	<b>6 300</b>	<b>5 019</b>
	<b>19 921</b>	<b>17 636</b>

The maximum exposure to credit risk at the reporting date by segment was (carrying amounts):

Retail customers	<b>2 891</b>	<b>3 404</b>
– Household goods	<b>2 891</b>	<b>2 737</b>
– Automotive	<b>–</b>	<b>667</b>
Manufacturing and sourcing customers	<b>4 554</b>	<b>3 829</b>
Logistics customers	<b>1 940</b>	<b>1 494</b>
Corporate customers	<b>10 536</b>	<b>8 909</b>
– Investment participation	<b>5 370</b>	<b>4 575</b>
– Central treasury and other activities	<b>5 166</b>	<b>4 334</b>
	<b>19 921</b>	<b>17 636</b>

The maximum exposure to credit risk at the reporting date by geographical region was (carrying amounts):

Continental Europe	<b>13 485</b>	<b>13 722</b>
Pacific Rim	<b>217</b>	<b>255</b>
Southern Africa	<b>3 342</b>	<b>3 463</b>
United Kingdom	<b>2 052</b>	<b>192</b>
Other regions	<b>825</b>	<b>4</b>
	<b>19 921</b>	<b>17 636</b>

	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>Rm</b>	<b>%</b>	<b>Rm</b>	<b>%</b>
<b>Ageing of financial assets</b>				
Not past due or impaired	<b>18 963</b>	<b>95.2</b>	<b>17 005</b>	<b>96.4</b>
Past due 1 to 30 days but not impaired	<b>553</b>	<b>2.8</b>	<b>308</b>	<b>1.8</b>
Past due 31 to 60 days but not impaired	<b>168</b>	<b>0.8</b>	<b>100</b>	<b>0.6</b>
Past due 61 to 90 days but not impaired	<b>95</b>	<b>0.5</b>	<b>96</b>	<b>0.5</b>
Past due more than 90 days but not impaired	<b>124</b>	<b>0.6</b>	<b>104</b>	<b>0.6</b>
Past due but not impaired in full	<b>18</b>	<b>0.1</b>	<b>23</b>	<b>0.1</b>
Impaired balance	<b>469</b>		<b>242</b>	
Impairment provision	<b>(451)</b>		<b>(219)</b>	
	<b>19 921</b>	<b>100.0</b>	<b>17 636</b>	<b>100.0</b>

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Rm	2010 Rm
<b>20. FINANCIAL INSTRUMENTS (continued)</b>		
<b>20.6 Credit risk (continued)</b>		
<b>Movement in provision for bad debts and impairments</b>		
Balance at beginning of the year	(219)	(266)
Additional provision raised	(71)	(123)
Amounts unused reversed	55	74
Amounts used during the year	49	38
Arising on acquisition of subsidiaries	(281)	-
Eliminated on disposal of subsidiaries and businesses	39	51
Exchange differences on consolidation of foreign subsidiaries	(23)	7
Balance at end of the year	<b>(451)</b>	<b>(219)</b>

The group has liens over items sold until full payment has been received from customers. The fair value of collateral held against these loans and receivables is linked to the value of the liens. Furthermore the group has credit insurance to cover its exposure to risk on receivables. On top of the liens over inventories, the group has collateral over other assets of counterparties valued at R278 million (2010: R240 million).

### 20.7 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities earlier than expected.

The group manages liquidity risk by monitoring forecast cash flows and by ensuring that adequate borrowing facilities are available. Cash surpluses and short-term financing needs of manufacturing and sales companies are mainly centralised in African and European central offices. These central treasury offices invest net cash reserves on the financial markets, mainly in short-term instruments linked to variable interest rates.

The following table details the group's remaining contractual maturity for its financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows:

2011	0 to 3 months Rm	4 to 12 months Rm	Year 2 Rm	Years 3 to 5 Rm	After 5 years Rm
Long-term interest-bearing loans and borrowings	(360)	(966)	(5 991)	(15 805)	(7 562)
Short-term interest-bearing loans and borrowings	(209)	(1 825)	-	-	-
Trade and other payables (excluding taxation payable and value added taxation payable)	(11 326)	(5 918)	-	-	-
Derivative financial liabilities	(3)	(58)	-	(58)	-
Bank overdrafts and short-term facilities	(2 409)	-	-	-	-
	<b>(14 307)</b>	<b>(8 767)</b>	<b>(5 991)</b>	<b>(15 863)</b>	<b>(7 562)</b>

2010	0 to 3 months Rm	4 to 12 months Rm	Year 2 Rm	Years 3 to 5 Rm	After 5 years Rm
Long-term interest-bearing loans and borrowings	-	(129)	(2 644)	(11 447)	(2 975)
Short-term interest-bearing loans and borrowings	(836)	(986)	-	-	-
Trade and other payables (excluding taxation payable and value added taxation payable)	(6 861)	(198)	-	-	-
Derivative financial liabilities	(33)	-	(1)	-	-
Bank overdrafts and short-term facilities	(776)	(799)	-	-	-
	<b>(8 506)</b>	<b>(2 112)</b>	<b>(2 645)</b>	<b>(11 447)</b>	<b>(2 975)</b>

## 20.8 Treasury risk

A finance forum, consisting of senior executives of the group, meets on a regular basis to analyse currency and interest rate exposure and to review and, if required, adjust the group's treasury management strategies in the context of prevailing and forecast economic conditions.

## 20.9 Capital risk

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 28, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 24, 25 and 26.

The group's risk management committee reviews the capital structure of the group on a semi-annual basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

	2011 Rm	2010 Rm
<b>21. INVENTORIES</b>		
<b>21.1 Inventories at cost less provisions</b>		
Consumables and spares	171	248
Development properties	4	4
Finished goods and merchandise	8 223	2 681
Packing materials	1	1
Raw materials	343	315
Vehicles	-	1 192
Work-in-progress	71	79
	<b>8 813</b>	<b>4 520</b>
<b>21.2 Inventories carried at net realisable value</b>	<b>29</b>	<b>599</b>
<b>21.3 Amount of write-down of inventories to net realisable value included as an (income)/expense during the year</b>	<b>(7)</b>	<b>39</b>

Included in the prior year balances above are vehicles relating to the operations of Unitrans Automotive, which were subject to amounts payable of R804 million in respect of the manufacturers' floorplan financing, comprising interest-bearing and interest-free amounts and which are included in trade and other payables.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Rm	2010 Rm
<b>22. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	7 611	6 997
Less: Provision for bad debts – trade receivables	(442)	(210)
Less: Provision for credit notes and discounts	(81)	(74)
	<b>7 088</b>	<b>6 713</b>
Other amounts due	523	350
Less: Provision for bad debts – other receivables	(9)	(9)
Trade and other receivables (excluding prepayments, taxation receivable and value added taxation receivable)	<b>7 602</b>	<b>7 054</b>
Prepayments	782	415
Taxation receivable	237	137
Value added taxation receivable	808	385
	<b>9 429</b>	<b>7 991</b>

The credit period on sales of goods is between 30 and 90 days. Where relevant, interest is charged at market-related rates on outstanding balances.

Before accepting any new customers, credit risk management uses various credit bureaux and performs credit assessments to assess the potential customer's credit potential and credit limit. The credit limits are reviewed on a regular basis as and when increased limits are required. Customers with material balances are subject to additional security requirements or are insured as appropriate.

In determining the recoverability of a customer, the group considers any change in the credit quality of the customer from the date credit was initially granted up to the reporting date.

Given the diverse nature of the group's operations (both geographically and segmentally), it does not have significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for bad debts.

No customer represents more than 5% of the total trade receivables at year-end.

In total, R30 million (2010: R30 million) of the BCM group's trade receivables, as well as the applicable insurance policies was ceded in favour of facilities with banks.

The group's exposure to currency and credit risk related to trade and other receivables is disclosed in notes 20.3 and 20.6.

### 23. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE

Prior to the acquisition of Conforama, Conforama developed a plan to dispose of its after sales services business. As such this business was classified as a disposal group acquired exclusively with a view to its subsequent disposal.

These assets are available for immediate sale in their present condition. Management is committed to the sale, which is expected to occur within 12 months of being classified as held for sale.

The carrying amount of total assets held for sale still carried on the statement of financial position is:

	2011 Rm	2010 Rm
<b>Assets</b>		
Property, plant and equipment	12	21
Inventories	9	–
Accounts receivable	16	–
	<b>37</b>	<b>21</b>
<b>Liabilities</b>		
Accounts payable	(37)	–
Provisions	(377)	–
	<b>(414)</b>	<b>–</b>
	<b>(377)</b>	<b>21</b>

	2011 Number of shares	2010 Number of shares	2011 Rm	2010 Rm
<b>24. ORDINARY SHARE CAPITAL AND PREMIUM</b>				
<b>24.1 Authorised</b>				
Ordinary shares of 0.5 cents each	<b>3 000 000 000</b>	<b>3 000 000 000</b>	<b>15</b>	<b>15</b>
<b>24.2 Issued</b>				
Shares in issue at beginning of the year	<b>1 479 061 000</b>	<b>1 369 418 127</b>	<b>8</b>	<b>8</b>
Shares issued during the year	<b>177 016 985</b>	<b>109 642 873</b>	<b>*</b>	<b>*</b>
Shares in issue at end of the year	<b>1 656 077 985</b>	<b>1 479 061 000</b>	<b>8</b>	<b>8</b>
<b>24.3 Share premium</b>				
Balance at beginning of the year			<b>6 287</b>	<b>5 364</b>
Profit on treasury share transactions net of capital gains taxation			<b>153</b>	<b>52</b>
Treasury share transactions relating to deconsolidation of B-BBEE entities			<b>(522)</b>	<b>-</b>
Share issue expenses			<b>(1)</b>	<b>*</b>
Share premium arising on issue of shares			<b>3 939</b>	<b>1 891</b>
Capital distribution			<b>(1 180)</b>	<b>(1 020)</b>
Balance at end of the year			<b>8 676</b>	<b>6 287</b>
<b>24.4 Treasury shares</b>				
Balance at beginning of the year	<b>(71 171 565)</b>	<b>(89 072 056)</b>	<b>(1 372)</b>	<b>(1 653)</b>
Delivery of shares for purchase of Hemisphere International Properties BV	<b>-</b>	<b>15 000 000</b>	<b>-</b>	<b>242</b>
Purchases of shares	<b>(1 747 081)</b>	<b>(2 945 843)</b>	<b>(35)</b>	<b>(61)</b>
Sale of shares	<b>19 826 519</b>	<b>8 789 527</b>	<b>202</b>	<b>100</b>
Treasury share transactions relating to deconsolidation of B-BBEE entities	<b>-</b>	<b>-</b>	<b>522</b>	<b>-</b>
Deconsolidation of B-BBEE entities	<b>40 229 677</b>	<b>-</b>	<b>471</b>	<b>-</b>
Capital distribution	<b>(2 016 737)</b>	<b>(2 943 193)</b>	<b>2</b>	<b>-</b>
Balance at end of the year	<b>(14 879 187)</b>	<b>(71 171 565)</b>	<b>(210)</b>	<b>(1 372)</b>
<b>Total issued ordinary share capital and premium</b>	<b>1 641 198 798</b>	<b>1 407 889 435</b>	<b>8 474</b>	<b>4 923</b>

\* Amount is less than R500 000.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Rm	2010 Rm
<b>24. ORDINARY SHARE CAPITAL AND PREMIUM (continued)</b>		
<b>24.5 Movement of net share capital and premium</b>		
Balance at beginning of the year	4 923	3 718
Movement for the year	4 729	2 225
Deconsolidation of subsidiary companies	471	–
Profit on treasury share transactions net of capital gains taxation	153	52
Net shares issued	3 939	2 134
Share issue expenses	(1)	*
Purchases of shares	(35)	(61)
Sale of shares	202	100
Capital distribution	(1 178)	(1 020)
Balance at end of the year	8 474	4 923

\* Amount is less than R500 000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the company.

	2011 Number of shares	2010 Number of shares
<b>24.6 Unissued shares</b>		
Reserved for bond holders	402 804 507	120 778 368
Shares reserved for future participation in share schemes	139 229 432	7 251 443
Shares reserved for current participation in share schemes	42 152 376	49 034 172
Shares under the control of the directors until the forthcoming annual general meeting	13 114 695	137 054 157
Unissued shares	746 621 005	1 206 820 860
Total unissued shares	1 343 922 015	1 520 939 000

At year-end the directors were still authorised, by resolutions of the shareholders and until the forthcoming annual general meeting, to issue 162 million unissued shares, subject to the listings requirements of the JSE.

## 24.7 Share-based payments

### Terms of scheme

#### Share rights scheme

At the annual general meeting on 1 December 2003, a new share incentive scheme was approved and implemented. The share rights granted in December 2007, December 2008 and various dates from 1 July 2009 to 1 December 2009 relate to the 2003 scheme, and are subject to the dates for achievement of the following:

- A compound growth in HEPS of the company, over the three completed financial years commencing on 1 July 2007, 1 July 2008 and 1 July 2009 respectively, equal to or exceeding the weighted average growth of the companies included in and comprising the INDI 25 over a three-year period from the effective date.
- The volume-weighted average traded share price of the company over the 30 trading days immediately preceding the measurement date to exceed the result of the following formula:

$$\left[\frac{(a-b)}{b} + 1\right] \times c, \text{ where}$$

a = the INDI 25 at the measurement date

b = the INDI 25 at the effective date

c = the volume-weighted average traded share price of the company for the 30-trading days immediately preceding the effective date.

Under the 2007, 2008 and 2009 share incentive grants, participants were granted rights on 1 December 2007, 1 December 2008 and various dates from 1 July 2009 to 1 December 2009. These rights are to be acquired subject to meeting future performance vesting conditions. Vesting of rights may occur on 1 December 2010, 1 December 2011 and 1 December 2012.

It is noted that the market-related performance hurdle in respect of the 2007 share incentive grant was not met and the share rights in terms of this grant did not vest.

#### Executive Share Right Scheme

At the annual general meeting on 6 December 2010, a new share incentive scheme was approved and implemented. The share rights granted in December 2010 relate to the executive share right scheme, and are subject to the following conditions:

- Rights are granted to qualifying senior executives on an annual basis.
- Vesting of rights occur on the third anniversary of grant date, provided performance criteria as set by Steinhoff's remuneration committee at or about the time of the grant date have been achieved.
- In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, all rights attaching to the particular grant will lapse.

	<b>2011</b>	<b>2010</b>
	<b>Number</b>	<b>Number</b>
	<b>of rights</b>	<b>of rights</b>
The number of share rights, for the above schemes, accounted for under IFRS 2 – <i>Share-based payments</i> (IFRS 2) is:		
Outstanding at beginning of the year	<b>49 034 172</b>	<b>35 937 628</b>
Exercised during the year	<b>(91 500)</b>	<b>(222 200)</b>
Forfeited during the year <sup>1</sup>	<b>(17 560 864)</b>	<b>(9 429 813)</b>
Granted during the year	<b>10 770 568</b>	<b>22 748 557</b>
Outstanding at end of the year	<b>42 152 376</b>	<b>49 034 172</b>
Exercisable at end of the year	<b>1 175 400</b>	<b>1 266 900</b>

<sup>1</sup> In the current year, the majority of rights forfeited relate to the 2007 share rights scheme, which were granted on 1 December 2007.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Rm	2010 Rm
<b>24. ORDINARY SHARE CAPITAL AND PREMIUM (continued)</b>		
<b>24.7 Share-based payments (continued)</b>		
Share-based payment reserve accounted for under IFRS 2, is as follows:		
Balance at beginning of the year	534	424
Deferred tax charged on share-based payments	19	11
Eliminated on disposal of subsidiary	(14)	–
Employee expenses	47	99
Acceleration of expenses due to disposal of subsidiary	6	–
<b>Balance at end of the year</b>	<b>592</b>	<b>534</b>

Refer to note 40 for directors' interests in the share incentive scheme.

### Assumptions

#### *Steinhoff International Holdings Limited*

The fair value of services received in return for share rights granted is measured by reference to the fair value of the share rights granted. The estimated fair value of the services received is measured based on the assumption that all vesting conditions are met and all employees remain in service. The pricing model used was the Black-Schöles model. The volatility was estimated using the Steinhoff daily closing share price over a rolling three-year period.

Fair value of share rights and assumptions:

	2010 grant	2009 grants	2008 grant	2007 grants
Fair value at measurement date	R19.74	R6.98 to R11.07	R2.87	R9.47
Share price at grant date	R21.50	R13.96 to R18.84	R9.74	R19.08
Exercise price	R0.005	R0.005	R0.005	R0.005
Expected volatility	23.80%	40.93% to 49.80%	64.09%	30.52%
Dividend yield	2.91%	4.84% to 5.86%	3.67%	2.20%
Risk-free interest rate	6.41%	7.82% to 8.29%	8.53%	9.08%
Option life	3 years	3 to 3.4 years	3 years	3 years

### 24.8 Steinhoff International Share Trust

#### Terms of scheme

The share incentive schemes were approved at the annual general meetings on 6 December 1999 and 1 December 2003. Rights were allocated in terms of a deferred delivery scheme.

	2011 Number of rights	2010 Number of rights
Outstanding at beginning of the year	163 000	457 167
Exercised during the year	–	(294 167)
Forfeited during the year	(163 000)	–
<b>Outstanding at end of the year</b>	<b>–</b>	<b>163 000</b>

Refer to note 40 for directors' interests in the Steinhoff International Share Trust Scheme.

	2011 Rm	2010 Rm
<b>25. RESERVES</b>		
Distributable reserves	<b>24 271</b>	<b>19 224</b>
Convertible and redeemable bonds reserve	<b>923</b>	<b>353</b>
Foreign currency translation reserve	<b>(441)</b>	<b>(1 693)</b>
Share-based payment reserve	<b>592</b>	<b>534</b>
Other	<b>(70)</b>	<b>(18)</b>
Actuarial reserve	<b>45</b>	<b>5</b>
Cash flow hedge and other fair value reserves	<b>(29)</b>	<b>(9)</b>
Statutory reserves	<b>(86)</b>	<b>(14)</b>
	<b>25 275</b>	<b>18 400</b>

#### **Distributable reserves**

The accumulated distributable reserves, if declared as a cash dividend, would be subject to secondary taxation on companies.

#### **Convertible and redeemable bonds reserve**

This represents the equity component of the convertible and redeemable bonds (note 28).

#### **Foreign currency translation reserve**

Comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

#### **Share-based payment reserve**

Comprises the net fair value of equity instruments granted to employees expensed under share incentive schemes.

#### **Other reserves**

##### *Actuarial gains reserve*

Comprises actuarial gains or losses on defined benefit plans and post-retirement medical benefits recognised in other comprehensive income.

##### *Cash flow hedge reserve and fair value reserves*

Comprise the cumulative net change in the fair value of available-for-sale assets until the investment is derecognised as well as cash flow hedges recognised in other comprehensive income.

##### *Statutory reserves*

Comprise reserves in terms of statutory requirements.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Number of shares	2010 Number of shares	2011 Rm	2010 Rm
<b>26. PREFERENCE SHARE CAPITAL AND PREMIUM</b>				
<b>26.1 Authorised</b>				
<b>Steinhoff</b>				
Variable rate, non-cumulative, non-redeemable, non-participating preference shares of 0.1 cents each	1 000 000 000	1 000 000 000	1	1
<b>Steinhoff Investment</b>				
Variable rate, cumulative, non-redeemable, non-participating preference shares of 0.1 cents each	495 000 000	495 000 000	*	*
<b>Steinhoff Africa</b>				
Variable rate, cumulative, redeemable preference shares of 0.1 cents each	2 000	-	*	-
<b>26.2 Issued</b>				
<b>Steinhoff Investment</b>				
In issue at beginning and end of the year	15 000 000	15 000 000	*	*
<b>Steinhoff Africa</b>				
Shares issued during the year	2 000	-	*	-
In issue at the end of the year	2 000	-	*	-
<b>26.3 Share premium</b>				
Balance at beginning of the year			1 549	1 549
Share premium arising on issue of shares			3 000	-
Share issue expenses			(36)	-
Loss on treasury share transactions net of capital gains taxation			(12)	-
Balance at end of the year			4 501	1 549
<b>26.4 Treasury shares</b>				
Balance at beginning of the year	(4 615 755)	(4 615 755)	(507)	(507)
Sale of shares	566 290	-	62	-
	(4 049 465)	(4 615 755)	(445)	(507)
<b>Total issued preference share capital and premium</b>	<b>10 952 535</b>	<b>10 384 245</b>	<b>4 056</b>	<b>1 042</b>

\* Amount less than R500 000.

#### **Terms of issued Steinhoff Investment preference shares**

The preference shares earn dividends on the issue price at the rate of 75% of the SA prime lending rate quoted by Absa Bank Limited or its successor in title in South Africa. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the board of directors of Steinhoff Investment.

#### **Terms of issued Steinhoff Africa preference shares**

The preference shares earn dividends on the issue price at the rate of 80% of the SA prime lending rate quoted by Standard Bank Group Limited or its successor in title in South Africa. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the board of directors of Steinhoff Africa.

The directors are authorised, by resolution of the shareholders and until the forthcoming annual general meeting, to issue the unissued preference shares, subject to the listings requirements of the JSE relating to a general authority of directors to issue shares for cash.

## **27. BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) OWNERSHIP TRANSACTIONS**

### **27.1 Steinhoff S'khulasonke Investments (Proprietary) Limited (S'khulasonke)**

On 2 December 2008 Steinhoff introduced its B-BBEE ownership transaction to the participating South African staff members. This transaction was approved at the annual general meeting held on 1 December 2008. The transaction was well received by staff and a detailed roll-out and implementation programme commenced in January 2009 and has been completed. This transaction introduced Steinhoff's permanent South African staff and black management as shareholders.

S'khulasonke acquired 40 million Steinhoff shares. This was funded by the issue of variable rate cumulative redeemable preference shares to Steinhoff Investment to the same value as the purchase price of the 40 million shares. In addition, Steinhoff Investment retains 17% of the ordinary share capital in S'khulasonke for awarding to future participants of this scheme. At the time it was concluded that Steinhoff Investment retained, due to the redeemable preference shares, the majority of the residual ownership risks related to S'khulasonke and therefore consolidated S'khulasonke in terms of SIC 12 – *Consolidation of Special Purpose Entities* (SIC 12).

On 30 June 2011, Steinhoff Investment sold 61 of the 100 preference shares held to a financial institution. These 61 preference shares were converted to 'A' and 'B' preference shares accruing dividends at rates more beneficial to S'khulasonke. As a result of this transaction Steinhoff Investment no longer carries the majority of the residual ownership risk in this structure and S'khulasonke was deconsolidated effective 30 June 2011. The group recognises its 17% ordinary shareholding as an available-for-sale investment and recognises the preference share funding provided to S'khulasonke as loans at amortised cost.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

### 27. BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) OWNERSHIP TRANSACTIONS (continued)

#### 27.2 Fundiswa Investments (Proprietary) Limited (Fundiswa)

During the 2005 financial year, Unitrans entered into a B-BBEE transaction with Fundiswa in terms of which Steinhoff assisted Fundiswa to obtain its Unitrans investment (converted to Steinhoff shares on the share exchange in 2007). Steinhoff retained the majority of the risks and rewards pertaining to the 23.2 million shares held by Fundiswa, resulting in the effective consolidation of Fundiswa in terms of SIC 12. These shares were treated as treasury shares on consolidation.

During the year this structure reached its original maturity date and the Steinhoff shares held by Fundiswa were sold in the market. The funds generated from the sale of shares were used to redeem the preference shares that funded this structure and to pay all relevant taxes. As there were no assets or liabilities remaining in this company, the board of directors applied to the Registrar of Companies to deregister this company.

#### 27.3 Micawber 455 (Proprietary) Limited (Micawber)

During the 2006 financial year, Steinhoff entered into an agreement with a B-BBEE party to obtain ordinary shares in an associate company, KAP International Holdings Limited (KAP). The B-BBEE party obtained equity instruments of the associate company through an entity called Micawber. Micawber purchased the ordinary shares at a purchase price of R84.6 million. The transaction was funded through 'A' preference shares on which Micawber pays and accrues dividends at 67% of the SA prime interest rate. Micawber also has an obligation to Steinhoff Investment, as a 'B' preference shareholder, at 6% of the 'A' preference share capital and dividends outstanding. In addition, Micawber and Steinhoff Africa entered into an equity-sharing arrangement whereby the parties agree to share the surplus equity interest resulting from the potential disposal of the shares based on a formula dependent on the timing of the potential disposal.

On 15 April 2010, Steinhoff Africa entered into an agreement with Micawber to exchange the KAP shares held by Micawber for Steinhoff shares. Both of the preference share funding agreements have been extended until December 2013.

Steinhoff does not control or have any interests in Micawber, but retains the majority of the risks and rewards pertaining to the Steinhoff shares held by Micawber until the funding obligation has been repaid (effective consolidation of Micawber). The effective interest of Micawber's shareholding in Steinhoff was therefore accounted for as an increase in Steinhoff treasury shares.

	2011 Rm	2010 Rm
<b>28. INTEREST-BEARING LOANS AND BORROWINGS</b>		
<b>28.1 Analysis of closing balance</b>		
Secured financing		
Capitalised finance lease and instalment sale agreements	7	63
Mortgage and term loans	1 856	1 729
Phaello domestic medium-term note programme	-	512
	<b>1 863</b>	<b>2 304</b>
Unsecured financing		
Convertible bonds (debt portions)	10 733	2 921
Unitrans domestic medium-term note programme	1 924	1 572
Prommisory note programme	125	162
US note purchase agreement	2 325	2 583
Preference shares: Fundiswa	-	282
Preference shares: Micawber	122	116
Syndicated loan facilities	8 184	3 393
Term loans	2 803	2 860
Other loans	10	47
	<b>26 226</b>	<b>13 936</b>
Total interest-bearing loans and borrowings	<b>28 089</b>	<b>16 240</b>
Portion payable before 30 June 2012 included in current liabilities	<b>(1 977)</b>	<b>(1 133)</b>
Total non-current interest-bearing loans and borrowings	<b>26 112</b>	<b>15 107</b>
Current interest-bearing loans and borrowings		
Portion of non-current interest-bearing loans and borrowings payable before 30 June 2012	1 977	1 133
Other current loans payable	1	533
Total current interest-bearing loans and borrowings	<b>1 978</b>	<b>1 666</b>
<b>28.2 Analysis of repayment</b>		
Repayable within the next year and thereafter		
Next year	1 978	1 666
Within two to five years	20 150	12 714
Thereafter	5 969	2 393
	<b>28 097</b>	<b>16 773</b>

Except for the note purchase agreement carried at fair value, all other loans and borrowings are carried at amortised cost. The fair values of interest-bearing loans and borrowings are disclosed in note 20.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

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### 28. INTEREST-BEARING LOANS AND BORROWINGS (continued)

#### 28.3 Loan details

##### **Secured**

Capitalised finance lease and instalment sale agreements

Secured hire purchase and lease agreements repayable in monthly or annual instalments over periods of five to eight years. These leases are with various counterparties.

Mortgage loan

Loans with various banks, repayable over various repayment terms and secured under mortgage bonds over various properties in Germany in favour of the relevant banks.

Syndicated property loan. This loan is secured by a charge over the assets financed by this loan.

Term loans

Amortising term loan repayable in semi-annual instalments. This loan is secured by a charge over assets of the Relyon group.

Amortising term loan repayable in monthly instalments. This loan is secured by a charge over assets financed by this loan.

Amortising term loan repayable in quarterly instalments. This loan is secured by a charge over assets with a book value of R46 million (BIM = Banco International Mozambique prime rate).

This loan was repaid during the year.

Amortising term loan repayable in quarterly instalments of MGA782 million. The loan is secured by the assets purchased that it financed and in addition, €2.0 million guarantee from a bank. (MGA = Malagasy ariary)

Phaello domestic medium-term note programme

These loans were repaid and repurchased by the group during the year.

The book value of assets encumbered in favour of the above mortgage and term loans and finance lease and instalment sale agreements amounts to R4 564 million (2010: R4 690 million) (note 12).

##### **Unsecured**

Convertible bond due 2013

The bond is convertible to 54.74 million ordinary shares of Steinhoff at R27.40 per ordinary share. The coupon rate is 5.7% per annum.

Convertible bond due 2015

The bond is convertible to 67.09 million ordinary shares of Steinhoff at R23.85 per ordinary share. The coupon rate is 9.625% per annum and the redemption price is 120%.

Convertible bond due 2016

The bond is convertible to 140.86 million ordinary shares of Steinhoff at R25.47 per ordinary share. The coupon rate is 5% per annum and the redemption price is 107.51%.

Convertible bond due 2018

The bond is convertible to 140.1 million ordinary shares of Steinhoff at R31.78 per ordinary share. The coupon rate is 4.5% per annum and the redemption price is 110.68%.

The fair values of the liability components and the equity conversion components were determined at issuance of the bonds and were calculated using market interest rates for equivalent non-convertible bonds. The residual amounts, representing the values of the equity conversion components, are included in shareholders' equity in other reserves (note 25), net of deferred taxation.

Facility million	Maturity date	Interest rate	2011 Rm	2010 Rm
-	-	8% to 10%	<b>7</b>	<b>63</b>
€85	Various	3.05% to 6.13%	<b>798</b>	<b>486</b>
€100	31 July 2012	EURIBOR plus 3.50%	<b>983</b>	<b>1 115</b>
£2	30 June 2012	LIBOR plus 0.75%	<b>13</b>	<b>31</b>
Pula 58	30 June 2012	Botswana prime minus 2.65%	<b>20</b>	<b>41</b>
MET84	9 April 2014	BIM plus 1%	<b>19</b>	<b>23</b>
R5	1 April 2011	SA prime minus 1%	<b>-</b>	<b>4</b>
MGA6 742	30 April 2014	11%	<b>23</b>	<b>29</b>
R5 000	Various	JIBAR plus 3% to JIBAR plus 3.5%	<b>-</b>	<b>512</b>
R1 500	31 July 2013	5.70%	<b>1 375</b>	<b>1 360</b>
R1 600	20 July 2015	9.63%	<b>1 624</b>	<b>1 561</b>
€390	22 May 2016	5%	<b>3 617</b>	<b>-</b>
€468	31 March 2018	4.50%	<b>4 117</b>	<b>-</b>

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

### 28. INTEREST-BEARING LOANS AND BORROWINGS (continued)

#### 28.3 Loan details (continued)

##### *Unsecured (continued)*

Unitrans domestic medium-term note programme

UTR01 – senior unsecured fixed-rate note

This loan was repaid during the year.

UTR01U – unlisted senior unsecured floating-rate note

Note with a nominal value of R150 million and a coupon rate of JIBAR plus 2.75%. Interest is payable quarterly.

UTR02 – senior unsecured fixed-rate note

Note with a nominal value of R1 billion and a coupon rate of 10.49%. Interest is payable semi-annually in arrears. Issued on 21 November 2007.

UTR40 – senior unsecured fixed-rate note

Note with a nominal value of R250 million and a coupon rate of 10.16%. Interest is payable semi-annually in arrears. Issued on 10 September 2010.

UTR41 – senior unsecured floating-rate note

Note with a nominal value of R150 million and a coupon rate of JIBAR plus 1.75%. Interest is payable quarterly in arrears. Issued on 19 April 2011.

UTR42 – senior unsecured floating-rate note

Note with a nominal value of R150 million and a coupon rate of JIBAR plus 2.25%. Interest is payable quarterly in arrears. Issued on 19 April 2011.

UTR43 – senior unsecured floating-rate note

Note with a nominal value of R200 million and a coupon rate of JIBAR plus 3%. Interest is payable quarterly in arrears. Issued on 19 April 2011.

Steinhoff, Steinhoff Africa and certain Unitrans subsidiaries have committed themselves as guarantors in respect of the Unitrans note programme.

Promissory note programme

US note purchase agreement

Senior notes series A

Senior notes series B

Senior notes series C

The group has entered into a combined cross-currency interest rate swap on the series A and B loans (note 20). The series A and B loans are fair valued through profit or loss in order to eliminate the accounting mismatch arising from measuring the derivative hedging instrument through profit or loss.

Preference shares: Fundiswa

These redeemable preference shares were redeemed on 13 August 2010.

Preference shares: Micawber

'A' redeemable preference shares issued by Micawber with a par value of R1 per share.

Facility million	Maturity date	Interest rate	2011 Rm	2010 Rm
R3 500	31 August 2010	9.50%	-	413
	19 May 2013	JIBAR plus 2.75%	152	152
	21 November 2012	10.49%	1 007	1 007
	10 September 2017	10.16%	258	-
	19 April 2014	JIBAR plus 1.75%	152	-
	19 April 2016	JIBAR plus 2.25%	152	-
	6 April 2015	JIBAR plus 3%	203	-
	5 December 2013 to 29 May 2014	11.20% to 11.53%	125	162
\$143	15 March 2012	EURIBOR plus 0.82%	1 048	1 184
\$142	15 March 2015	EURIBOR plus 0.88%	1 045	1 179
€24	15 March 2012	4.10%	232	220
-	31 January 2012	73% of SA prime	-	282
-	20 December 2013	77% of SA prime	122	116

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

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### 28. INTEREST-BEARING LOANS AND BORROWINGS (continued)

#### 28.3 Loan details (continued)

##### *Unsecured (continued)*

Syndicated loan facilities

Revolving credit facilities

This loan was repaid during the year

New syndicated €1 261 million facility

Revolving credit facility<sup>1, 2</sup>

The facility of €721 million reduces to €361 million during June 2014. The loan bears interest at EURIBOR plus 1.75% until 29 December 2011, at which time the rate will be reassessed based on the gearing ratio to a minimum rate of EURIBOR plus 1.25% and a maximum rate of EURIBOR plus 2%.

Amortising term loan repayable semi-annually in €60 million instalments commencing mid-2012. The loan bears interest at EURIBOR plus 2% until 29 December 2011, at which time the rate will be reassessed based on the gearing ratio to a minimum rate of EURIBOR plus 1.5% and a maximum rate of EURIBOR plus 2.25%.

Amortising term loan repayable semi-annually in £3.5 million instalments.<sup>1</sup>

Structured-term loan with a first reset date on 31 March 2013.

Term loans

Revolving term loan.

Revolving term loan.

Term loan.

Term loan.

Amortising term loan repayable quarterly in R10 million instalments.

Amortising term loan repayable semi-annually in R67 million instalments commencing 15 June 2012.

Amortising term loan repayable semi-annually in R30 million instalments.

Amortising term loan repayable semi-annually in £1.3 million instalments.<sup>1</sup>

<sup>1</sup> The margin could vary depending the achievement of financial covenants.

<sup>2</sup> This facility is also subject to a utilisation fee ranging between 0.25% and 0.50% depending on levels of utilisation between or above 33.33% and 66.67%, respectively.

Other loans

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#### *Current interest-bearing loans and borrowings*

Commercial paper

Other

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The facilities (AUD50 million), due to ANZ Bank (Australia) included in current (AUD30 million) and term (AUD20 million) bank loans are secured by the first charge on the assets of Steinhoff Asia Pacific Holdings Proprietary Limited and its subsidiaries. In addition, a trade finance facility (USD30 million) for Steinhoff Europe Group is also due to ANZ Bank (Australia). The security and borrowing changed subsequent to year-end with Steinhoff Europe AG acting as the borrowing entity in respect of certain facilities in which event the securities were released.

Facility million	Maturity date	Interest rate	2011 Rm	2010 Rm
€340	13 March 2013	EURIBOR plus 3.25%	-	2 719
€721	29 June 2014	EURIBOR plus 1.75%	2 272	-
€540	29 June 2016	EURIBOR plus 2%	5 331	-
£35	30 July 2012	LIBOR plus 3.25%	384	486
€20	31 March 2031	EURIBOR plus 1.75%	197	188
R350	15 July 2013	JIBAR plus 2.30%	150	150
R300	29 June 2013	JIBAR plus 2.45%	303	300
R600	15 July 2013	JIBAR plus 2.60%	610	600
R500	15 August 2013	JIBAR plus 2.25%	488	500
R270	15 July 2015	JIBAR plus 2.75%	275	300
R470	15 June 2015	JIBAR plus 2.50%	505	470
R270	15 July 2015	JIBAR plus 2.85%	275	300
£18	31 March 2013	LIBOR plus 3.25%	197	240
-	various	various	10	47
			<b>28 089</b>	<b>16 240</b>
	15 July 2010 to 18 November 2010	7.92% to 9.71%	-	532
	various	various	1	1
			<b>1</b>	<b>533</b>

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Rm	2010 Rm
<b>28. INTEREST-BEARING LOANS AND BORROWINGS (continued)</b>		
<b>28.4 Convertible bonds</b>		
Balance at beginning of the year	2 921	2 820
Proceeds from issue of convertible bonds	8 460	–
Amount classified as equity	(760)	–
Deferred taxation	190	–
Transaction costs	(118)	–
Coupon interest	(363)	(239)
Market implied interest	652	340
Exchange differences on consolidation of foreign subsidiaries	(249)	–
Balance at end of the year	<b>10 733</b>	<b>2 921</b>
<b>29. EMPLOYEE BENEFITS</b>		
Conforama France Pension Fund	240	–
Homestyle Pension Fund	48	106
PG Bison Pension Fund	2	5
Post-employment benefits	85	–
Post-retirement medical benefits	9	7
Preference share scheme	78	78
Performance-based bonus accrual	267	186
Christmas bonus accrual	98	66
Leave pay accrual	201	201
Other	8	6
Total liability	<b>1 036</b>	<b>655</b>
Transferred to short-term employee benefits	(517)	(470)
Long-term employee benefits	<b>519</b>	<b>185</b>
<b>29.1 Defined contribution plans</b>		

The majority of the group's South African salaried employees are members of the Steinhoff Group Umbrella Provident Fund, a defined contribution fund registered in terms of the Pension Funds Act. A board of trustees representing members and employers manages the fund in conjunction with an umbrella fund administrator and investment advisors. This fund incorporates all but one of the divisional retirement schemes, a defined benefit fund which is currently being evaluated for inclusion in the umbrella fund. Certain other (usually waged) employees contribute to commercial umbrella funds, union-negotiated funds or industry funds established and administered by national bargaining councils.

The majority of the employees of the group's subsidiaries in the United Kingdom, Europe and Australia 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 schemes to fund the benefits. The only obligation of the group in terms of these retirement benefit schemes is to make the specified contributions.

## 29.2 Defined benefit plans

### *Afcol Pension Fund*

Most employees on the Afcol Pension Fund transferred to the Steinhoff Group Umbrella Provident Fund on 1 March 2004. The section 14 transfer was approved by the Financial Services Board on 6 September 2004. The process of surplus apportionment is complete. No future benefits will accrue after 29 February 2004, being the effective date of transfer to the Steinhoff Group Umbrella Provident Fund. The Financial Services Board approved the distribution of surplus in terms of the surplus scheme on 9 May 2007. The employer is not entitled to any surplus or unutilised reserves and the asset has thus been limited to Rnil.

### *Conforama France Pension Fund*

Under the scheme, the employees are entitled to retirement benefits based on final salary on attainment of retirement age (or earlier withdrawal or death) and the number of years worked for Conforama. No other post-retirement benefits are provided.

The fund was valued on 30 June 2011. There are 8 714 employees currently covered by the fund.

### *Fonds de Prevoyance de Conforama Suisse*

Under the scheme, the employees are entitled to a lump sum and/or annuity. Should employees withdraw early from the fund they are entitled to transfer their benefits to another fund. No other post-retirement benefits are provided.

The fund was valued on 30 June 2011 and has surplus assets of €995 000 which are attributable to the employees of the fund. The employer is not entitled to any surplus or unutilised reserves and the asset has thus been limited to Rnil.

### *Homestyle Pension Fund*

The Homestyle group operates two defined benefit pension schemes. Under the schemes, the employees are entitled to retirement benefits based on final salary on attainment of retirement age (or earlier withdrawal or death). No other post-retirement benefits are provided.

Members have been assumed to take 70% of the maximum allowable amount of taxation-free cash at retirement. The remaining demographic assumptions at 30 June 2011 are the same as those used for the preliminary 31 December 2007 actuarial valuation of the scheme.

### *PG Bison Pension Fund*

The PG Bison Pension Fund is a defined contribution fund with a small residual defined benefit section. The defined benefit fund has been closed for new entrants since 1 April 1998. The fund was last actuarially valued on 31 March 2007 and the valuation revealed the fund to be in a sound financial position.

The fund's surplus apportionment scheme conducted as at 31 March 2004 was approved by the Registrar on 15 September 2008. As at 31 March 2004 the fund had an actuarial surplus of R77 million. As at 31 March 2007 the actuarial surplus had accumulated to R95 million. The surplus distribution according to the scheme has commenced and payment to the stakeholders is an ongoing process. The payment to former members whose whereabouts are unknown has been referred for tracing. There is no net surplus allocated to the employer.

### *Unitrans Retirement Fund*

There is a minimum guarantee in place for the pre-1995 members of the Unitrans Retirement Fund. A Rnil apportionment scheme as at 1 January 2003 was accepted by the Financial Services Board on 9 January 2006. Every three years the fund's valuator carries out an actuarial valuation which is submitted to the Financial Services Board. The valuation as at 1 January 2009 confirmed that the fund is financially sound.

Currently the fund is being restructured which has resulted in the fund being closed to new members from 1 April 2009. Further, the active members have been made paid-up and joined the Steinhoff Group Umbrella Provident Fund. Pensions in payment together with inflation-linked future increases have been guaranteed with the purchase of an annuity policy.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

### 29. EMPLOYEE BENEFITS (continued)

29.3 The financial details of the different funds and the effect on the group's annual financial statements are:

	Conforama Pension Fund		Homestyle Pension Fund	
	2011 Rm	2010 Rm	2011 Rm	2010 Rm
<b>Amounts included in the statement of financial position arising from the group's obligation to defined benefit retirement plans are:</b>				
Present value of defined benefit obligations	(289)	–	(755)	(801)
Fair value of plan assets	21	–	707	695
Net pension liability	(268)	–	(48)	(106)
Unrecognised past service cost	2	–	–	–
Transferred to liabilities held for sale	26	–	–	–
Liability recognised on the statement of financial position	(240)	–	(48)	(106)
<b>Components of income statement expenses/(income):</b>				
Current service cost	5	–	–	–
Expected return on plan assets	–	–	(39)	(40)
Interest cost	4	–	41	44
	9	–	2	4
<b>Changes in the present value of the defined benefit obligation are as follows:</b>				
Balance at beginning of the year	–	–	(801)	(749)
Acquisition of subsidiary company	(278)	–	–	–
Actuarial gains/(losses)	4	–	25	(129)
Benefits paid	1	–	30	39
Current service cost	(5)	–	–	–
Interest cost	(4)	–	(41)	(44)
Exchange differences on consolidation of foreign subsidiaries	(7)	–	32	82
Balance at end of the year	(289)	–	(755)	(801)
<b>Changes in fair value of plan assets are as follows:</b>				
Balance at beginning of the year	–	–	695	635
Acquisition of subsidiary company	20	–	–	–
Actuarial gains/(losses)	–	–	5	106
Benefits paid	–	–	(30)	(39)
Employer contributions	–	–	26	23
Expected return on plan assets	–	–	39	40
Exchange differences on consolidation of foreign subsidiaries	1	–	(28)	(70)
Balance at end of the year	21	–	707	695

	Conforama Pension Fund		Homestyle Pension Fund		
	2011 Rm	2010 Rm	2011 Rm	2010 Rm	
Expected contributions to defined benefit plans in next financial year	16	-	25	22	
Experience adjustments on plan liabilities	-	-	3	-	
Experience adjustments on plan assets	-	-	5	106	
	%	%	%	%	
The major categories of plan assets as a percentage of total plan assets are as follows:					
Cash and monetary funds	100	-	-	1	
Debt instruments	-	-	36	35	
Diversified growth fund	-	-	29	59	
Equity	-	-	35	5	
	100	-	100	100	
Key assumptions used:					
Discount rate	4.9	-	5.5	5.4	
Expected return on plan assets	-	-	7.0	6.9	
Inflation	2.0	-	3.5	3.1	
Pension increase allowance	2.8	-	3.4	3.1	
Deferred pension increase allowance	-	-	2.7	3.1	
	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
The history of the Conforama Pension Fund for the current and prior years is as follows:					
Fair value of plan assets	21	-	-	-	-
Present value of benefit obligations	(289)	-	-	-	-
Deficit	(268)	-	-	-	-
The history of the Homestyle Pension Fund for the current and prior years is as follows:					
Fair value of plan assets	707	695	635	853	837
Present value of benefit obligations	(755)	(801)	(749)	(967)	(930)
Deficit	(48)	(106)	(114)	(114)	(93)

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Rm	2010 Rm
<b>29. EMPLOYEE BENEFITS (continued)</b>		
<b>29.4 Post-employment benefits</b>		
The group has an unfunded obligation to the Italian state fund for certain employees of the group. The benefit is based on one month's salary per year worked for the group based on the employee's final salary. There are 1 681 employees for which this benefit is available.		
Acquisition of subsidiary company	<b>89</b>	-
Interest cost	<b>1</b>	-
Benefits paid	<b>(4)</b>	-
Actuarial gains	<b>(1)</b>	-
Unfunded obligation at end of the year	<b>85</b>	-
<b>Key assumptions used:</b>		
Discount rate	<b>4.9%</b>	-
Inflation	<b>2.0%</b>	-
Pension increase allowance	<b>2.7%</b>	-
<b>29.5 Post-retirement medical benefits</b>		
The group provided certain post-retirement medical benefits by funding a portion of the medical aid contributions of certain retired members. These were charged against income as incurred. Through agreement with in-service and retired employees, the group came to a settlement in terms of which the present value of future benefits will be settled in cash.		
<b>29.6 Preference share scheme</b>		
The long-term employee benefit has been recognised as the present value of the obligation accrued over the service period using the projected unit credit method as follows:		
Present value of estimated redemption at end of the year	<b>78</b>	<b>78</b>
Less: Employee contributions	<b>(78)</b>	<b>(78)</b>
Net amount for settlement	<b>-</b>	<b>-</b>
Employee contribution	<b>78</b>	<b>78</b>
Less portion included in short-term employee benefits	<b>(78)</b>	<b>-</b>
Long-term employee benefits	<b>-</b>	<b>78</b>

The preference share scheme was introduced with effect from 1 July 2006.

The scheme is restricted to key employees of PG Bison. Participants subscribed for shares from proceeds received from the sale of shares agreement with Steinhoff in order to participate in the scheme, effective from 1 July 2006 to 30 October 2011.

	<b>Performance- based bonus Rm</b>	<b>Leave pay Rm</b>	<b>Total Rm</b>
<b>29.7 Performance-based bonus and leave pay accruals</b>			
Balance at 1 July 2009	95	184	279
Additional accrual raised	168	227	395
Amounts unused reversed	(24)	(11)	(35)
Amounts utilised	(53)	(200)	(253)
Net acquisition and disposal of subsidiaries and businesses	-	(5)	(5)
Exchange differences on consolidation of foreign subsidiaries	-	6	6
<b>Balance at 30 June 2010</b>	<b>186</b>	<b>201</b>	<b>387</b>
Additional accrual raised	283	196	479
Amounts unused reversed	(68)	(11)	(79)
Amounts utilised	(277)	(155)	(432)
Net acquisition and disposal of subsidiaries and businesses	137	(40)	97
Exchange differences on consolidation of foreign subsidiaries	6	10	16
<b>Balance at 30 June 2011</b>	<b>267</b>	<b>201</b>	<b>468</b>

#### **Performance-based bonus accrual**

The bonus payable is fixed by applying a specific formula based on the employee's achievement of performance targets.

#### **Leave pay accrual**

The leave pay accrual relates to vesting leave pay to which employees may become entitled on leaving the employment of the group. The accrual arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on an employee's total cost of employment. The accrual is utilised when employees become entitled to and are paid for the accumulated leave or utilise compensated leave due to them.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Accident and insurance fund provisions Rm	Dilapidation, onerous lease and onerous contract provisions Rm	Warranty provisions Rm	Other Rm	Total Rm
<b>30. PROVISIONS</b>					
Balance at 1 July 2009	32	589	143	43	807
Additional provision raised	106	43	73	33	255
Amounts unused reversed	(5)	(1)	(16)	(8)	(30)
Amounts utilised	(84)	(296)	(69)	(19)	(468)
Net acquisition and disposal of subsidiaries and businesses	-	-	(2)	-	(2)
Reclassify between provisions and accruals	-	-	-	(1)	(1)
Exchange differences on consolidation of foreign subsidiaries	-	(31)	(15)	1	(45)
<b>Balance at 30 June 2010</b>	<b>49</b>	<b>304</b>	<b>114</b>	<b>49</b>	<b>516</b>
Additional provision raised	172	26	20	185	403
Amounts unused reversed	(22)	(2)	(4)	(35)	(63)
Amounts utilised	(153)	(218)	(26)	(28)	(425)
Net acquisition and disposal of subsidiaries and businesses	-	1 879	-	498	2 377
Exchange differences on consolidation of foreign subsidiaries	-	30	6	28	64
<b>Balance at 30 June 2011</b>	<b>46</b>	<b>2 019</b>	<b>110</b>	<b>697</b>	<b>2 872</b>
				<b>2011</b>	<b>2010</b>
				<b>Rm</b>	<b>Rm</b>
Long-term provisions				<b>2 263</b>	<b>277</b>
Short-term provisions				<b>609</b>	<b>239</b>
				<b>2 872</b>	<b>516</b>

### Accident and insurance fund provisions

The Unitrans group covers its own expenses relating to damages to third-party property or goods transported. The fund relates to accidents that occurred but were not settled at the reporting date.

Provisions relating to insurance contracts have been disclosed in 'Insurance and insurance risk management' (note 41).

### Dilapidation, onerous lease and onerous contract provisions

Provision for dilapidation of buildings occupied by the group and provision for long-term leases containing onerous provisions or terms in comparison with average terms and conditions of leases.

Provision for unfavourable legally binding contracts where the terms of the contract are unfavourable based on market-related rates.

### Warranty provisions

The warranty provision represents management's best estimate, based on past experience, of the group's liability under warranties granted on products sold.

	2011 Rm	2010 Rm
<b>31. TRADE AND OTHER PAYABLES</b>		
Trade payables	11 204	4 525
Accruals	2 192	444
Floorplan creditors	-	804
Cash received in advance	2 120	536
Other payables and amounts due	1 728	750
Taxation payable	574	513
Value added taxation payable	893	455
	<b>18 711</b>	<b>8 027</b>

The fair value of trade and other payables is disclosed in note 20.

### 32. COMMITMENTS AND CONTINGENCIES

#### 32.1 Capital expenditure

Contracts for capital expenditure authorised	394	290
Capital expenditure authorised but not contracted for	586	242

Capital expenditure will be financed from cash and existing loan facilities.

#### 32.2 Borrowing facilities

In term of the articles of association, the borrowing powers of the company are unlimited.

<b>32.3 Unutilised borrowing facilities at 30 June</b>	<b>13 449</b>	<b>7 165</b>
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	Property Rm	Plant, equipment, vehicles and other Rm	2011 Total Rm	2010 Total Rm
<b>32.4 Operating leases</b>				
Amounts outstanding under non-cancellable operating lease agreements payable within the next year and thereafter:				
Next year	2 102	232	2 334	1 641
Within two to five years	5 972	425	6 397	4 777
Thereafter	3 999	56	4 055	4 143

Balances denominated in currencies other than South African rands were converted at the closing rates of exchange ruling at 30 June 2011.

# Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

## 32. COMMITMENTS AND CONTINGENCIES (continued)

### 32.5 Contingent liabilities

Certain companies in the group are involved in disputes where the outcomes are uncertain. However, the directors are confident that they will be able to defend these actions and that the potential of outflow or settlement is remote and, if not, that the potential impact on the group will not be material.

There is no other litigation, current or pending, which is considered likely to have a material adverse effect on the group.

The group has a number of guarantees and sureties outstanding at year-end. However, the directors are confident that no material liability will arise as a result of these guarantees and sureties.

Steinhoff Investment has subordinated R4 250 million of the shareholder's loan due from Steinhoff Africa in favour of all other creditors.

Steinhoff Finance has subordinated €150 million of the shareholder's loan due from Steinhoff Europe AG in favour of participants to the syndicated and other loan facilities.

Steinhoff has subordinated R219 million of the shareholder's loan due from Steinhoff Investment in favour of all other creditors.

## 33. JUDGEMENTS AND ESTIMATES

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next financial year are discussed below.

### Useful lives and residual values

The estimated useful lives for intangible assets with a finite life, property, plant and equipment and vehicle rental fleet are:

#### Intangible assets

Customer relationship and trade and brand names	10 – 20 years
Contracts and licences	Over the term of the contract or project
Software	1 – 3 years

Patents, trademarks, trade names and brand names, which are considered to be well-established growing brands and product lines for which there is no foreseeable limit to the period in which these assets are expected to generate cash flows, are classified as indefinite useful life assets. The classification of such assets is reviewed annually.

Indefinite useful life intangible assets, excluding goodwill, recognised at fair value in business combinations, are expected to generate cash flows indefinitely and the carrying value would only be recovered in the event of disposal of such assets. Accordingly, deferred taxation is raised at the capital gains taxation rate on the fair value of such assets exceeding its taxation base.

#### Property, plant and equipment

Buildings	5 – 80 years
Bus fleet	5 – 10 years
Computer equipment	2 – 4 years
Long-haul motor vehicles	5 – 10 years
Motor vehicles	4 – 10 years
Office equipment and furniture	3 – 10 years
Plant and machinery	3 – 60 years
Vehicle rental fleet	Over the period of the buy-back agreement or estimated holding period

The estimated useful lives and residual values are reviewed annually, taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the specific industries where these assets are used.

**Consumable biological assets**

The fair value of standing timber which has become marketable, is based on the market price of the estimated recoverable timber volumes, net of harvesting costs. The fair value of younger standing timber is based on the present value of the net cash flows expected to be generated by the plantation at maturity.

**Impairment of assets**

Investments, goodwill, property, plant and equipment, investment property and intangible assets that have an indefinite useful life, and intangible assets that are not yet ready for use are assessed annually for impairment.

**Deferred taxation assets**

Deferred taxation assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

**Contingent liabilities**

Management applies its judgement to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

**Valuation of equity compensation benefits**

Management classifies its share-based payment scheme as an equity-settled scheme based on the assessment of its role and that of the employees in the transaction. In applying its judgement, management consulted with external expert advisors in the accounting and share-based payment advisory industry. The critical assumptions as used in the valuation model are detailed in note 24.7.

**Post-employment benefit obligations**

In applying its judgement to defined benefit plans, management consulted with external expert advisors in the accounting and post-employment benefit obligation industry. The critical estimates as used in each benefit plan are detailed in note 29.

**Consolidation of special-purpose entities**

Certain special-purpose entities established as part of the B-BBEE transactions have been consolidated as part of the group results. The group does not have any significant direct or indirect shareholding in these entities, but the substance of the relationship between the group and these entities was assessed and judgement was made that these are controlled entities.

**Buy-back lease commitments**

When a buy-back agreement is entered into, a provision is raised in respect of future reconditioning costs that may be incurred before the vehicle is made available for sale. Management based this provision on historical data and past experience.

**Provision for bad debts**

The provision for bad debts was based on a combination of specifically identified doubtful debtors and providing for older debtors.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 Rm	2010 Rm
<b>34. CASH GENERATED FROM OPERATIONS</b>		
Operating profit	<b>5 360</b>	4 809
Adjusted for:		
Operating profit from discontinued operations	<b>1 611</b>	335
Depreciation and amortisation	<b>1 256</b>	968
Fair value adjustments of consumable biological assets and decrease due to harvesting	<b>(125)</b>	(200)
Impairments	<b>114</b>	27
Net profit on disposal and scrapping of property, plant and equipment, vehicle rental fleet and investment property	<b>78</b>	–
(Profit)/loss on disposal of investment	<b>(73)</b>	36
Profit on disposal of discontinued operations	<b>(1 285)</b>	–
Share-based payment expense	<b>46</b>	99
Other non-cash adjustments	<b>(39)</b>	–
Cash generated before working capital changes	<b>6 943</b>	6 074
Working capital changes		
Increase in inventories and vehicle rental fleet	<b>(827)</b>	(241)
Increase in trade and other receivables	<b>(151)</b>	(539)
Decrease in assets held for sale	<b>–</b>	7
Decrease/increase in net derivative financial liabilities/assets	<b>(154)</b>	(87)
Decrease in non-current and current provisions	<b>(112)</b>	(239)
Increase in non-current and current employee benefits	<b>26</b>	63
Decrease in deferred government grants	<b>(3)</b>	(6)
Increase in trade and other payables	<b>1 480</b>	666
Net changes in working capital	<b>259</b>	(376)
Cash generated from operations	<b>7 202</b>	5 698
<b>35. TAXATION PAID</b>		
Taxation payable at beginning of the year	<b>(376)</b>	(392)
Current taxation expense per income statement	<b>(291)</b>	(136)
Current taxation expense of discontinued operations	<b>(114)</b>	(115)
Taxation (payable)/receivable of subsidiaries (disposed)/acquired	<b>(58)</b>	2
Capital gains taxation on profit on sale of treasury shares recognised in equity	<b>(24)</b>	(8)
Exchange differences on consolidation of foreign subsidiaries	<b>(47)</b>	(17)
Taxation payable at end of the year	<b>337</b>	376
Net taxation paid	<b>(573)</b>	(290)

	Conforama Rm	Other Rm	2011 Total Rm	2010 Total Rm
<b>36. NET CASH FLOW ON BUSINESS COMBINATIONS</b>				
The fair value of assets and liabilities assumed at date of acquisition was:				
Assets				
Goodwill	-	8	8	-
Intangible assets	11 278	178	11 456	-
Property, plant and equipment	8 750	294	9 044	4 716
Investments in associate companies	38	-	38	-
Investments and loans	197	-	197	-
Deferred taxation assets	1 267	7	1 274	19
Inventories	5 074	9	5 083	-
Trade and other receivables	1 190	42	1 232	73
Value added taxation receivable	283	-	283	2
Cash on hand	609	3	612	2
Other assets	135	14	149	8
Liabilities				
Non-current liabilities	(62)	(7)	(69)	(832)
Deferred taxation liability	(4 750)	(21)	(4 771)	-
Trade and other payables and provisions	(11 937)	(220)	(12 157)	(285)
Employee benefits	(502)	-	(502)	-
Short-term loans	(4 932)	(202)	(5 134)	-
Taxation payable	(180)	-	(180)	(3)
Bank overdraft	(86)	(7)	(93)	-
Intercompany payables	-	-	-	(1 685)
Liabilities held for sale	(379)	-	(379)	-
Other current liabilities	(399)	-	(399)	(5)
Non-controlling interests	-	(41)	(41)	-
Total assets and liabilities acquired	5 594	57	5 651	2 010
Net goodwill at acquisition	6 213	45	6 258	110
Total consideration	11 807	102	11 909	2 120
Cash and cash equivalents on hand at acquisition	(609)	(3)	(612)	(2)
Purchase price settled with issue of shares	(2 942)	-	(2 942)	(1 165)
Investment in associate company that became a subsidiary	-	-	-	(948)
Net cash outflow on acquisition of subsidiaries	8 256	99	8 355	5

**2011  
Rm**

Included in the at acquisition balances are the valuations of the Conforama brand and goodwill allocated on acquisition of this group. Deferred taxation liabilities were raised on these balances as follows:

Goodwill	<b>6 213</b>
Intangible assets	<b>11 098</b>
Deferred tax liabilities	<b>(3 822)</b>
Net intangible adjustment	<b>13 489</b>

The goodwill arising on the acquisition of these companies is attributable to the strategic business advantages acquired, principal retail locations and leases, as well as knowledgeable employees and management strategies that did not meet the criteria for recognition as other intangible assets on the date of acquisition.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Conforama Rm	Other Rm	2011 Total Rm	2010 Total Rm
<b>36. NET CASH FLOW ON BUSINESS COMBINATIONS (continued)</b>				
The carrying value of identifiable assets and liabilities immediately prior to the acquisition was:				
Assets				
Goodwill	5 692	8	5 700	241
Intangible assets	179	178	357	-
Property, plant and equipment	4 837	294	5 131	4 260
Investments in associate companies	38	-	38	-
Investments and loans	197	-	197	-
Deferred taxation assets	779	7	786	19
Inventories	5 302	9	5 311	-
Trade and other receivables	1 283	42	1 325	73
Value added taxation receivable	283	-	283	2
Cash on hand	609	3	612	2
Other assets	560	14	574	8
Liabilities				
Non-current liabilities	(62)	(7)	(69)	(832)
Deferred taxation liability	(602)	(21)	(623)	-
Trade and other payables and provisions	(8 436)	(220)	(8 656)	(285)
Employee benefits	(502)	-	(502)	-
Short-term loans	(4 947)	(202)	(5 149)	-
Taxation payable	(55)	-	(55)	(3)
Bank overdraft	(86)	(7)	(93)	-
Intercompany payables	-	-	-	(1 685)
Liabilities held for sale	(379)	-	(379)	-
Other current liabilities	(59)	-	(59)	(3)
Non-controlling interests	-	(41)	(41)	(181)
<b>Total assets and liabilities acquired</b>	<b>4 631</b>	<b>57</b>	<b>4 688</b>	<b>1 616</b>

	South African retail assets Rm	B-BBEE Deconsolidation Rm	Other Rm	2011 Total Rm	2010 Total Rm
<b>37. NET CASH FLOW ON DISPOSAL OF SUBSIDIARIES AND BUSINESSES</b>					
The carrying values of assets and liabilities disposed of at the date of disposal were:					
Assets					
Goodwill	565	-	12	577	-
Intangible assets	151	-	6	157	1
Property, plant and equipment	161	-	13	174	199
Vehicle rental fleet	341	-	-	341	-
Investment in associate companies	-	-	-	-	(4)
Investments and loans	54	-	-	54	-
Deferred taxation assets	68	-	1	69	1
Inventories	1 555	-	32	1 587	98
Trade and other receivables and intercompany receivables	1 517	-	14	1 531	230
Taxation receivable	2	-	-	2	5
Value added taxation receivable	25	-	1	26	14
Cash on hand	173	332	1	506	8
Liabilities					
Treasury shares	-	470	-	470	-
Other reserves	(14)	-	-	(14)	-
Non-controlling interests	(28)	-	(5)	(33)	(1)
Long-term loans and intercompany loans	(28)	(920)	(2)	(950)	-
Derivative financial liabilities	-	-	-	-	(2)
Short-term loans payable	(260)	-	(1)	(261)	(62)
Taxation payable	(2)	(21)	-	(23)	(2)
Value added taxation payable	(7)	-	-	(7)	(8)
Trade and other payables, intercompany payables and provisions	(2 150)	-	(19)	(2 169)	(380)
Employee benefits	(95)	-	-	(95)	-
Equalisation of operating leases	(139)	-	-	(139)	-
Bank overdraft	(5)	-	(22)	(27)	-
Carrying value of assets and liabilities disposed	1 884	(139)	31	1 776	97
Profit/(loss) on disposal	1 285	139	12	1 436	(2)
Proceeds on disposal	3 169	-	43	3 212	95
Cash on hand at date of disposal	(173)	(332)	(1)	(506)	(8)
Shares in associate company	(2 466)	-	-	(2 466)	-
Intercompany loan accounts	-	-	(10)	(10)	-
Net cash inflow/(outflow) on disposal of subsidiaries	530	(332)	32	230	87

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	<b>2011</b>	<b>2010</b>
	<b>Rm</b>	<b>Rm</b>
<b>38. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents include cash on hand and balances with banks. Bank overdrafts are only included where the group has a legal right of offset due to cash management arrangements. Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:		
Funds on call and deposit	<b>21</b>	<b>102</b>
Bank balances and cash	<b>6 300</b>	<b>5 019</b>
	<b>6 321</b>	<b>5 121</b>

For both periods presented there is no cash or cash equivalents committed as security for future acquisitions and/or expenses of the group.

An amount of Rnil (2010: R178.6 million) is ringfenced for insurance purposes.

### 39. RELATED-PARTY TRANSACTIONS

Related-party relationships exist between shareholders, subsidiaries, joint-venture companies and associate companies within the group and its company directors and group key management personnel.

These transactions are concluded at arm's length in the normal course of business and include transactions as a result of the groupwide treasury management of foreign currency movements. All material intergroup transactions are eliminated on consolidation.

	<b>Country of incorporation</b>	<b>2011 Ownership %</b>	<b>2010 Ownership %</b>
<b>39.1 Significant subsidiaries</b>			
Steinhoff Investment Holdings Limited	<b>South Africa</b>	<b>100</b>	<b>100</b>
Steinhoff Africa Holdings (Proprietary) Limited	<b>South Africa</b>	<b>100</b>	<b>100</b>
SHF Raw Materials (Proprietary) Limited	<b>South Africa</b>	<b>100</b>	<b>100</b>
PG Bison Holdings (Proprietary) Limited	<b>South Africa</b>	<b>100</b>	<b>100</b>
PG Bison Limited	<b>South Africa</b>	<b>100</b>	<b>100</b>
Unitrans Holdings (Proprietary) Limited	<b>South Africa</b>	<b>100</b>	<b>100</b>
Unitrans Passenger (Proprietary) Limited	<b>South Africa</b>	<b>100</b>	<b>100</b>
Unitrans Services (Proprietary) Limited	<b>South Africa</b>	<b>100</b>	<b>100</b>
Unitrans Supply Chain Solutions (Proprietary) Limited	<b>South Africa</b>	<b>100</b>	<b>100</b>
Steinhoff Finance Holding GmbH	<b>Austria</b>	<b>100</b>	<b>100</b>
Steinhoff Möbel Holdings Alpha GmbH	<b>Austria</b>	<b>100</b>	<b>100</b>
Steinhoff Europe AG	<b>Austria</b>	<b>100</b>	<b>100</b>
Pat Cornick International BV	<b>The Netherlands</b>	<b>100</b>	<b>100</b>
Steinhoff Asia Pacific Holdings Proprietary Limited	<b>Australia</b>	<b>100</b>	<b>100</b>
Steinhoff Asia Pacific Limited	<b>Australia</b>	<b>100</b>	<b>100</b>
Steinhoff Germany GmbH	<b>Germany</b>	<b>100</b>	<b>100</b>
Steinhoff Europe AG	<b>Switzerland</b>	<b>100</b>	<b>100</b>
Steinhoff Retail GmbH	<b>Austria</b>	<b>100</b>	<b>100</b>
Conforama Holdings S.A.	<b>France</b>	<b>99</b>	<b>-</b>
Steinhoff UK Holdings Limited	<b>United Kingdom</b>	<b>100</b>	<b>100</b>
Steinhoff UK Retail Limited	<b>United Kingdom</b>	<b>100</b>	<b>100</b>
Steinhoff UK Beds Limited	<b>United Kingdom</b>	<b>100</b>	<b>100</b>
Hemisphere International Properties BV <sup>1</sup>	<b>The Netherlands</b>	<b>100</b>	<b>100</b>
Phaello Finance Company (Proprietary) Limited <sup>2</sup>	<b>South Africa</b>	<b>100</b>	<b>100</b>

<sup>1</sup> Held 55% directly and 45% indirectly

<sup>2</sup> Held 50% directly and 50% indirectly

A full list of subsidiaries of the company is available for inspection by members on request at the registered office of the company.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

### 39. RELATED-PARTY TRANSACTIONS (continued)

#### 39.2 Trading transactions

The following is a summary of material transactions with associate companies, joint-venture companies and key management personnel during the year and receivables and payables balances at year-end:

	Key management personnel		Associate and joint-venture companies	
	2011 Rm	2010 Rm	2011 Rm	2010 Rm
Purchases of goods or services from companies where key personnel are directors or hold a direct financial interest	5	2	-	-
Leases/loans to key personnel or companies where key personnel are directors or hold a direct financial interest	4	-	-	-
Goods and services purchased from:			129	92
KAP International Holdings Limited			-	1
Loungefoam (Proprietary) Limited			-	2
Xinergistix Limited			129	89
Goods and services sold to:			23	2
JD Group Limited and subsidiaries			3	-
PG Bison Kenya (Proprietary) Limited			20	-
Xinergistix Limited			-	2
Receivables from:			11	16
Induna Tippers (Proprietary) Limited			-	11
PG Bison Kenya (Proprietary) Limited			9	4
Steitex (Proprietary) Limited			-	1
Xinergistix Limited			2	-
Payables to:			26	17
Induna Tippers (Proprietary) Limited			3	-
Loungefoam (Proprietary) Limited			-	1
Nomakanjani Logistics Company (Proprietary) Limited			9	-
Xinergistix Limited			14	16
			<b>2011 Rm</b>	<b>2010 Rm</b>

#### 39.3 Compensation of key management personnel

Key management personnel are defined as directors of the company and its significant subsidiary companies reflected in note 40.1, as well as top executive management members.

Key management personnel compensation

- Short-term employee benefits	149	107
- Share-based payments – related expense	53	47
	<b>202</b>	<b>154</b>
Number of members	<b>27</b>	<b>24</b>

The three top earners received R11.7 million (2010: R11.6 million) in compensation during the year.

#### 39.4 Directors

Details relating to directors' emoluments, shareholding in the company and interest of directors and officers are disclosed in note 40.

#### 39.5 Shareholders

The principal shareholders of the company are detailed in the analysis of shareholders in the integrated report.

Directors' shareholdings are detailed in note 40.

#### 39.6 Interest of directors and officers in contracts

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

During the year under review, contracts were concluded with:

- Hoffman Attorneys (of which SJ Grobler is a partner) provided legal services to group companies and was reimbursed for expenses to the amount of approximately R6.6 million (2010: R5.4 million).
- PSG Capital Limited and associate companies (of which JF Mouton is a director) (a subsidiary of PSG Group Limited of which JF Mouton and MJ Jooste are directors) acted as sponsor and advisor to the group, in respect of which fees were paid totalling approximately R0.1 million (2010: R0.1 million).
- MJD Aviation Partnership (of which MJ Jooste, KJ Grové and DM van der Merwe are partners) provided aviation services to the group to the amount of R1.2 million.
- Steinhoff Africa holds pre-emptive rights in respect of 41.4% (2010: 41.2%) of Daun & Cie AG's interest in KAP International Holdings Limited of which CE Daun is the chairman. Mr Daun is also the chairman and controlling shareholder of Daun & Cie AG (Daun & Cie).

All the contracts were concluded at arm's length in the normal course of business and are no less favourable than those arranged with third parties.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Basic foreign remuneration '000	Basic remuneration R'000	Foreign company contribution and expense allowances '000	Rand company contribution and expense allowances R'000	Bonus '000	Company directors' fees <sup>1</sup> R'000	Total remuneration and fees (including foreign amounts converted to rand for reporting purposes) R'000
<b>40. REMUNERATION REPORT</b>							
<b>40.1 Remuneration</b>							
<b>Executive directors</b>							
<b>2011</b>							
HJK Ferreira	€150	2 549	-	778	R1 745	624	7 130
SJ Grobler <sup>2</sup>	€165	2 507	-	675	R1 745	624	7 129
TLJ Guibert <sup>3</sup>	€124	-	-	-	-	104	1 286
MJ Jooste	€1 225	-	-	1 302	R5 114	624	18 753
FJ Nel	€66	1 455	-	233	R661	624	3 604
IM Topping <sup>4</sup>	£165	-	£30	-	-	260	2 425
DM van der Merwe	€100	3 165	-	895	R1 885	624	7 525
						3 484	47 852
<b>2010</b>							
HJK Ferreira	€150	1 809	-	297	R1 125	594	5 414
SJ Grobler <sup>2</sup>	€150	1 884	-	222	R2 250	594	6 539
MJ Jooste	€1 151	-	-	980	-	594	13 767
FJ Nel	€75	923	-	231	R688	594	3 231
IM Topping	£401	-	£69	-	£225	594	8 963
DM van der Merwe	€100	2 471	-	445	-	594	4 570
						3 564	42 484
<b>Alternate directors and officers</b>							
<b>2011</b>							
JNS du Plessis	€42	-	-	-	R1 470	624	4 766
KJ Grové	-	2 383	-	893	R8 600	624	12 500
A Krüger-Steinhoff <sup>5</sup>	-	-	-	-	-	260	260
AB la Grange	€87	2 262	-	674	R1 070	624	5 462
M Nel <sup>6</sup>	€5	154	-	26	-	104	333
						2 236	23 321
<b>2010</b>							
JNS du Plessis	€42	1 902	-	-	R750	594	3 691
KJ Grové	-	2 187	-	459	-	594	3 240
A Krüger-Steinhoff <sup>5</sup>	-	-	-	-	-	240	240
AB la Grange <sup>7</sup>	€25	989	-	123	-	347	1 716
						1 775	8 887

<sup>1</sup> Directors' fees were paid with basic remuneration.

<sup>2</sup> Includes fees and remuneration in respect of professional services rendered.

<sup>3</sup> TLJ Guibert was appointed as a director on 1 May 2011.

<sup>4</sup> IM Topping resigned from the board on 10 December 2010.

<sup>5</sup> Non-executive director.

<sup>6</sup> M Nel was appointed as an alternate director on 1 May 2011.

<sup>7</sup> AB la Grange was appointed as an alternate director on 7 December 2009.

	<b>Fees as director Basic R'000</b>	<b>Fees as director Committees R'000</b>	<b>Fees for services R'000</b>	<b>Total R'000</b>
<b>Non-executive directors</b>				
<b>2011</b>				
SF Booysen	325	288	-	613
DC Brink	325	288	-	613
YZ Cuba	325	28	-	353
CE Daun	325	-	-	325
D Konar	1 300	-	-	1 300
JF Mouton <sup>1</sup>	325	28	-	353
FA Sonn	325	106	-	431
BE Steinhoff	325	-	3 979	4 304
PDJ van den Bosch <sup>2</sup>	364	-	646	1 010
	<b>3 939</b>	<b>738</b>	<b>4 625</b>	<b>9 302</b>
<b>2010</b>				
DE Ackerman <sup>3</sup>	150	133	-	283
SF Booysen <sup>4</sup>	300	85	-	385
DC Brink	300	265	-	565
YZ Cuba	300	25	-	325
CE Daun	300	-	-	300
D Konar	1 200	-	-	1 200
JF Mouton <sup>1</sup>	300	25	-	325
FA Sonn	300	98	-	398
BE Steinhoff	300	-	4 468	4 768
	<b>3 450</b>	<b>631</b>	<b>4 468</b>	<b>8 549</b>
			<b>2011 R'000</b>	<b>2010 R'000</b>
<b>Directors' fees and remuneration</b>				
Remuneration paid by:				
- Company			<b>4 248</b>	<b>4 020</b>
- Subsidiary companies			<b>76 227</b>	<b>55 900</b>
			<b>80 475</b>	<b>59 920</b>

<sup>1</sup> Paid to various entities as management fees.

<sup>2</sup> PDJ van den Bosch was appointed as a non-executive director on 10 December 2010.

<sup>3</sup> DE Ackerman retired from the board on 7 December 2009.

<sup>4</sup> SF Booysen was appointed as an independent, non-executive director on 8 September 2009.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Offer date	Number of rights as at 30 June 2010	Number of rights (exercised, forfeited)/ awarded during the year
<b>40. REMUNERATION REPORT</b>			
<b>(continued)</b>			
<b>40.2 Share rights</b>			
<b>Executive directors</b>			
HJK Ferreira	December 2007	249 345	(249 345)
	December 2008	408 356	-
	July 2009	601 348	-
	December 2010	-	464 684
		<b>1 259 049</b>	<b>215 339</b>
SJ Grobler	December 2007	249 038	(249 038)
	December 2008	408 356	-
	July 2009	601 348	-
	December 2010	-	464 684
		<b>1 258 742</b>	<b>215 646</b>
MJ Jooste	December 2007	794 010	(794 010)
	December 2008	1 306 739	-
	July 2009	1 957 602	-
	December 2010	-	1 266 034
		<b>4 058 351</b>	<b>472 024</b>
FJ Nel	December 2007	167 637	(167 637)
	December 2008	249 551	-
	July 2009	366 720	-
	December 2010	-	265 534
		<b>783 908</b>	<b>97 897</b>
DM van der Merwe	December 2007	275 818	(275 818)
	December 2008	430 316	-
	July 2009	626 776	-
	December 2010	-	486 812
		<b>1 332 910</b>	<b>210 994</b>
<b>Total executive directors</b>		<b>8 692 960</b>	<b>1 211 900</b>
<b>Alternate directors</b>			
JNS du Plessis	December 2007	189 827	(189 827)
	December 2008	272 237	-
	July 2009	398 218	-
	December 2010	-	292 087
		<b>860 282</b>	<b>102 260</b>
KJ Grové	July 1999 – June 2000	40 000	(40 000)
	July 2000 – June 2001	70 000	(70 000)
	July 2001 – June 2002	165 000	-
	July 2002 – June 2003	110 000	-
	July 2004 – June 2005	105 000	-
	July 2005 – June 2006	112 500	-
	December 2007	216 360	(216 360)
	December 2008	294 016	-
	July 2009	427 978	-
	December 2010	-	309 789
		<b>1 540 854</b>	<b>(16 571)</b>
AB la Grange	December 2007 <sup>1</sup>	77 427	(77 427)
	December 2008 <sup>1</sup>	226 864	-
	July 2009 <sup>1</sup>	398 202	-
	December 2010	-	354 045
		<b>702 493</b>	<b>276 618</b>
M Nel	December 2007 <sup>1</sup>	57 955	(57 955)
	December 2008 <sup>1</sup>	92 542	-
	July 2009 <sup>1</sup>	180 267	-
	December 2010 <sup>1</sup>	-	141 618
		<b>330 764</b>	<b>83 663</b>
<b>Total alternate directors and officers</b>		<b>3 434 393</b>	<b>445 970</b>

None of the exercised share rights were sold by directors during the year.

<sup>1</sup> Granted prior to being a director.

<sup>2</sup> The weighted average market price of share rights exercised was R21.10.

Number of rights as at 30 June 2011	Purchase price (cents)	
-	0.5	Forfeited
408 356	0.5	
601 348	0.5	
464 684	0.5	1 December 2010
<b>1 474 388</b>		
-	0.5	Forfeited
408 356	0.5	
601 348	0.5	
464 684	0.5	1 December 2010
<b>1 474 388</b>		
-	0.5	Forfeited
1 306 739	0.5	
1 957 602	0.5	
1 266 034	0.5	1 December 2010
<b>4 530 375</b>		
-	0.5	Forfeited
249 551	0.5	
366 720	0.5	
265 534	0.5	1 December 2010
<b>881 805</b>		
-	0.5	Forfeited
430 316	0.5	
626 776	0.5	
486 812	0.5	1 December 2010
<b>1 543 904</b>		
<b>9 904 860</b>		
-	0.5	Forfeited
272 237	0.5	
398 218	0.5	
292 087	0.5	1 December 2010
<b>962 542</b>		
-	1 000	14 October 2010 <sup>2</sup>
-	1 009	14 October 2010 <sup>2</sup>
165 000	910	
110 000	1 030.50	
105 000	1 322.50	
112 500	1 550.50	
-	0.5	Forfeited
294 016	0.5	
427 978	0.5	
309 789	0.5	1 December 2010
<b>1 524 283</b>		
-	0.5	Forfeited
226 864	0.5	
398 202	0.5	
354 045	0.5	1 December 2010
<b>979 111</b>		
-	0.5	Forfeited
92 542	0.5	
180 267	0.5	
141 618	0.5	1 December 2010
<b>414 427</b>		
<b>3 880 363</b>		

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Direct interest Beneficial	Indirect interest Beneficial	Total
40. REMUNERATION REPORT (continued)			
40.3 Interest in share capital			
Executive directors			
2011			
HJK Ferreira	-	4 444 921	4 444 921
SJ Grobler	-	5 315 572	5 315 572
MJ Jooste	-	34 818 207	34 818 207
FJ Nel	5 528	3 793 661	3 799 189
DM van der Merwe	-	7 524 592	7 524 592
	<b>5 528</b>	<b>55 896 953</b>	<b>55 902 481</b>
2010			
HJK Ferreira	52 000	4 288 608	4 340 608
SJ Grobler	-	5 185 665	5 185 665
MJ Jooste	-	33 543 551	33 543 551
FJ Nel	7 326	3 719 470	3 726 796
IM Topping	1 040 000	-	1 040 000
DM van der Merwe	-	7 335 207	7 335 207
	<b>1 099 326</b>	<b>54 072 501</b>	<b>55 171 827</b>
Non-executive directors			
2011			
SF Booysen	-	200 000	200 000
DC Brink	-	117 624	117 624
CE Daun	-	357 477	357 477
D Konar	328 188	-	328 188
JF Mouton	-	6 000 000	6 000 000
FA Sonn	-	63 181	63 181
BE Steinhoff	363 200	167 332 210	167 695 410
PDJ van den Bosch	624 424	-	624 424
	<b>1 315 812</b>	<b>174 070 492</b>	<b>175 386 304</b>
2010			
DC Brink	-	113 318	113 318
CE Daun	-	357 477	357 477
D Konar	316 174	-	316 174
JF Mouton	-	5 000 000	5 000 000
FA Sonn	-	41 600	41 600
BE Steinhoff	349 904	165 017 984	165 367 888
	<b>666 078</b>	<b>170 530 379</b>	<b>171 196 457</b>

	<b>Direct interest Beneficial</b>	<b>Indirect interest Beneficial</b>	<b>Total</b>
<b>Alternate directors</b>			
<b>2011</b>			
JNS du Plessis	–	<b>107 952</b>	<b>107 952</b>
KJ Grové	–	<b>199 714</b>	<b>199 714</b>
A Krüger-Steinhoff <sup>1</sup>	<b>645 661</b>	<b>59 374</b>	<b>705 035</b>
AB la Grange	<b>869 800</b>	–	<b>869 800</b>
M Nel	<b>242 322</b>	–	<b>242 322</b>
	<b>1 757 783</b>	<b>367 040</b>	<b>2 124 823</b>
<b>2010</b>			
JNS du Plessis	–	<b>104 000</b>	<b>104 000</b>
KJ Grové	–	<b>2 707 230</b>	<b>2 707 230</b>
A Krüger-Steinhoff <sup>1</sup>	<b>622 024</b>	<b>57 200</b>	<b>679 224</b>
AB la Grange	<b>850 992</b>	–	<b>850 992</b>
	<b>1 473 016</b>	<b>2 868 430</b>	<b>4 341 446</b>

<sup>1</sup> Non-executive director.

#### 41. INSURANCE AND INSURANCE RISK MANAGEMENT

The group, through one of its African subsidiaries, issues insurance contracts and is thus required to include the disclosures as required by IFRS 4 – *Insurance Contracts*.

The primary insurance activity carried out by the group assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks relate to motor, accident and health, assets, liability, business interruption, stated benefits, contractors' construction all risk, forestry policies and commercial crime. As such the group is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The group also has exposure to market risk through its investment activities, which are limited to fixed deposits and collective investment scheme portfolios (unit trusts). The collective investment scheme portfolios has been designated as an investment at fair value through profit and loss.

The group manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models and sensitivity analyses. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principle risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The underwriting strategy is reviewed quarterly, a claims assessment process is undertaken and market trends are evaluated. In addition management reviews certain information monthly which includes premium income and loss ratios by class.

The group reinsures a portion of the risk it underwrites in order to control its exposure to losses and protect capital resources. The reinsurer is rated by external rating agencies and the group reviews its reinsurance arrangements periodically. The group obtains board approval in setting the minimum security criteria for acceptable reinsurance and the monitoring of the purchase of reinsurance against those criteria.

# Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

## 41. INSURANCE AND INSURANCE RISK MANAGEMENT (continued)

The following gives an assessment of the group's main products and the ways in which it manages the associated risks.

### **Credit protection plan**

#### *Product features*

Short-term insurance product sold to settle the amount owing which is equal to the aggregate 'statutory early settlement figures' in terms of the credit agreement being those that apply when the liability under a credit agreement is settled in a single sum, determined as at the date of death or permanent disability. When temporary disability is encountered by the insured, amounts equal to the monthly instalments due in terms of the credit agreement are paid to the finance house lasting for the duration of the illness, if it is a permanent disability or death, the credit agreement is settled in full. If the insured is retrenched, the monthly instalment is paid directly to the credit provider, excluding the first instalment due immediately after the date of commencement of retrenchment. This benefit is for a maximum of six-monthly instalments, limited to two claims of no more than three-monthly instalments per claim. Benefits will cease after re-employment or after the six months or the two-claim limit of the indemnity has expired, subject to the exclusions relating to the insured's retrenchment benefit.

#### *Management of risks*

The main risks associated with this product are HIV/Aids, competitor products, i.e. finance house/manufacturer and affordability.

The key risks are managed by excluding pre-existing conditions, with a detailed medical report required before settlement. The risk period is limited to the finance period. There is a sophisticated claims vetting process and catastrophe reinsurance in place. The catastrophe cover is spread over classes of business and the cover is readily available in the market. There is a continuing monitoring of the market to ensure competitive pricing and benefits.

### **Extra cover**

#### *Product features*

Short-term insurance products sold to cover the shortfall encountered between what the insured owes the finance house and the amount the comprehensive insurer pays out when the vehicle is written off or stolen. There is also a deposit cover component in the event that the vehicle is stolen or written off; a *pro-rata* portion of the lost deposit for the remaining period of the credit agreement will be reimbursed back to the insured. In addition, cover is provided for the protection of the excess due to a comprehensive insurer in the event of a total loss.

#### *Management of risks*

The main risks associated with this product are high crime rates which in turn mean vehicle theft with high volumes of shortfall and deposit claims and competitor products i.e. finance houses.

The key risks are managed by monitoring of trends in the market, measurement against frequency and severity benchmarks and catastrophe reinsurance.

### **Warranty**

#### *Product features*

Short-term insurance products sold to extend the warranty offered on the purchase of a new vehicle up to an additional two years. Also on offer is a mechanical breakdown insurance on pre-owned vehicles which covers breakdown of the major mechanical components such as engine, gearbox, steering and the fuel system.

#### *Management of risks*

The main risks associated with this product are high claims ratios, manufacturer products and competitor products/incentives.

The key risks are managed by an experienced claims vetting process, continuous measurement against benchmarks per dealership and franchise and an ongoing communication with the dealer channel in terms of sales risk profiling and dealer repair costs. There is also an ongoing measurement of dealership sales of own and other products.

### **Excess protector**

#### *Product features*

Short-term insurance products sold to refund the customer the actual excess paid to the comprehensive motor insurer in the event of a total loss.

#### *Management of risks*

The main risks associated with this product are high crime rates which in turn mean vehicle theft with high volumes of claims and competitor products i.e. finance houses.

The key risks are managed by monitoring trends in the market, measurement against frequency and severity benchmarks and catastrophe reinsurance.

## **Bodyline maintenance**

### *Product features*

Short-term insurance product sold, cover is provided for chips, minor dents and light scratches to the motor vehicle as well as tar removal, hail damage and wheel rim, mag wheel and windscreen chips.

### *Management of risks*

The main risks associated with this product are high claims ratios, manufacturer products and competitor products/incentives.

The key risks are managed by an experienced claims vetting process, continuous measurement against benchmarks per dealership and franchise and an ongoing communication with the dealer channel in terms of sales-risk profiling and dealer repair costs. There is also an ongoing measurement of dealership sales of own and other products.

## **Corporate/commercial**

### *Product features*

Cover is provided for Steinhoff Africa under assets, liability, motors, business interruption, commercial crime, personal accident, stated benefits, contractors' construction all risk and forestry policies. These are fully reinsured, except for the motor traders portfolio which is reinsured on an excess of loss basis, with a spread of both local and international reinsurers.

### *Management of risks*

Covers are placed using independent brokers who are vetted at board level. All risks are reinsured out at 100% with A-rated reinsurers, except for the motor traders portfolio which is reinsured on an excess of loss basis.

## **Credit risk**

The major credit risks arise from outstanding premiums, reinsurers' balances and investment balances. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis and there is no significant concentration of credit risk. Reputable financial institutions are used for investing cash. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position.

## **Liquidity risk**

The group has to meet daily calls on its cash resources, notably from claims arising on its general insurance contracts. There is a risk that cash will not be available to settle liabilities when due at a reasonable cost. The group manages this risk by setting minimum cash balances on the current account so as to settle these liabilities.

## **Reinsurance risk**

The group cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks or defined blocks of business on various bases. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the group's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. The reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the group remains liable to its policyholder with respect to ceded insurance if any reinsurer fails to meet its obligations.

## **Claims development**

The unpaid claims estimates are current and there are no long outstanding amounts. The estimate is increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims. The group believes that the estimate of total claims outstanding as at 30 June 2011 is adequate.

Each notified claim is assessed on a separate, case-by-case basis with due regard to the claims circumstance, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

For all other risks, the cost of outstanding claims and the incurred but not reported (IBNR) provisions are estimated using generally accepted insurance practices. Such methods extrapolate the development of paid and incurred claims, average cost per claim and the ultimate claim numbers for each accident year, based on observed developments of earlier years and expected loss ratios.

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The method used by the group takes into account historical data, gross IBNR estimates and the details of the reinsurance programme, to assess the expected size of the reinsurance recoveries.

## Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Motor Rm	Accident and health Rm	Assets Rm	Liability Rm	Commercial crime Rm	Total Rm
<b>41. INSURANCE AND INSURANCE RISK MANAGEMENT (continued)</b>						
Discontinued operations						
2011						
Premiums						
Gross premiums	93	9	45	7	5	159
Unearned premium provision movement	(11)	-	-	-	-	(11)
Gross earned premiums	82	9	45	7	5	148
Premiums ceded to reinsurers	(46)	(8)	(45)	(7)	(5)	(111)
	36	1	-	-	-	37
Claims incurred net of reinsurance						
Net outstanding claims and IBNR opening balance	3	-	(6)	-	-	(3)
Net claims insured	8	1	-	-	-	9
Claims paid	(6)	(1)	6	-	-	(1)
Net outstanding claims and IBNR closing balance	5	-	-	-	-	5
2010						
Premiums						
Gross premiums	83	7	39	3	3	135
Unearned premium provision movement	(14)	1	-	-	-	(13)
Gross earned premiums	69	8	39	3	3	122
Premiums ceded to reinsurers	(40)	(6)	(39)	(3)	(3)	(91)
	29	2	-	-	-	31
Claims incurred net of reinsurance						
Net outstanding claims and IBNR opening balance	2	1	-	-	-	3
Net claims insured	7	3	-	-	-	10
Claims paid	(6)	(3)	(7)	-	-	(16)
Net outstanding claims and IBNR closing balance	3	1	(7)	-	-	(3)

	<b>2011</b>	<b>2010</b>
	<b>Rm</b>	<b>Rm</b>
<b>Contingency reserve</b>		
In terms of the Short Term Insurance Act (No. 53 of 1998), the group is required to raise a contingency reserve of 10% of the premiums written less approved reinsurances (as defined in the Short Term Insurance Act). The reserve can be utilised only with prior permission of the Registrar of Insurance.		
<b>International solvency margin</b>		
The international solvency margin represents net assets as a percentage of net premiums written.		
Earned premiums, net of reinsurance	<b>37</b>	<b>31</b>
Claims incurred, net of reinsurance and net operating expenses	<b>19</b>	<b>18</b>
Cash (outflow)/inflow from operating activities	<b>(169)</b>	<b>53</b>
<b>Liabilities</b>		
Opening balance	<b>178</b>	<b>102</b>
Amounts raised	<b>140</b>	<b>122</b>
Amounts used	<b>(106)</b>	<b>(46)</b>
Closing balance	<b>212</b>	<b>178</b>
Maturity profile:		
Within one year	<b>160</b>	<b>106</b>
Two to five years	<b>52</b>	<b>72</b>
	<b>212</b>	<b>178</b>
<b>Assets</b>		
Opening balance	<b>463</b>	<b>355</b>
Amounts raised	<b>208</b>	<b>146</b>
Amounts used	<b>(276)</b>	<b>(38)</b>
Closing balance	<b>395</b>	<b>463</b>

The above assets are neither past due nor impaired.

# Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

Effective date –  
annual periods  
commencing  
on or after

## 42. NEW ACCOUNTING PRONOUNCEMENTS

At the date of authorisation of these annual financial statements, there are standards and interpretations in issue but not yet effective. These include the following standards and interpretations that have not been early adopted and may have an impact on future financial statements:

IFRS 7	Financial Instruments: Disclosures: Transfers of financial assets	1 January 2011
IFRS 9	Financial Instruments	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Financial Statements: Presentation of items of other comprehensive income	1 July 2012
IAS 19	Employee Benefits	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013

### 42.1 IFRS 7 (revised)

In October 2010, the IASB issued an amendment to IFRS 7 – *Financial Instruments: Disclosures: Transfers of financial assets*. This amendment will help users of financial statements evaluate the risk exposures relating to transfers of financial assets, the effect of those risks on an entity's financial position and will promote transparency in the reporting of transfer transactions, particularly those that involve securitisation of financial assets. This amendment will be adopted by the group in the next financial year.

### 42.2 IFRS 9

In October 2010, the IASB issued an expanded and amended version of IFRS 9 – *Financial Instruments* (IFRS 9). The statement addresses the classification and measurement of financial assets and financial liabilities. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and financial liabilities and aims to reduce complexity. As the entire statement has not been finalised (e.g. hedge accounting), the group will first assess the standard in its entirety before adopting it.

### 42.3 IFRS 10

In May 2011, the IASB issued IFRS 10 – *Consolidated Financial Statements* (IFRS 10). This statement supersedes IAS 27 – *Consolidated and Separate Financial Statements* (IAS 27) and SIC 12 – *Consolidation – Special Purpose Entities*. The IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The standard sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 has replaced the consolidation requirements in IAS 27 and IAS 27 has been renamed to *Separate Financial Statements*. The group is in the process of analysing the impact of the standard and determining when the group will adopt the standard.

### 42.4 IFRS 11

In May 2011, the IASB issued IFRS 11 – *Joint Arrangements*. This statement supersedes IAS 31 – *Interests in Joint Ventures* and SIC 13 – *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. The standard requires a party to a joint arrangement to determine the type of joint arrangement (joint operation or joint venture) in which it is involved by assessing its rights and obligations arising from the arrangement. IAS 28 – *Investments in Associates and Joint Ventures* has been amended and now prescribes how to account for investments in associates and joint ventures using the equity method. The group is in the process of analysing the impact of the standard and determining when the group will adopt the standard.

#### 42.5 IFRS 12

In May 2011, the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities*. This standard sets out the disclosure requirements for interests in other entities in order to make it easier for stakeholders to understand and apply the disclosure requirements for subsidiaries, joint ventures, associates and unconsolidated structures. The IFRS requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effect of those interests on its financial position, financial performance and cash flows. The group is in the process of analysing the impact of the standard and determining when the group will adopt the standard.

#### 42.6 IFRS 13

In May 2011, the IASB issued IFRS 13 – *Fair Value Measurement*. This IFRS defines fair value, provides a single framework for measuring fair value and requires disclosures about fair value measurement. The standard applies to other IFRSs that require or permit fair value measurements or disclosures about fair value measurements. The group is in the process of analysing the impact of the standard and determining when the group will adopt the standard.

#### 42.7 IAS 1 (revised)

In June 2011, the IASB issued IAS 1 – *Presentation of Financial Statements – Presentation of items of other comprehensive income*. The amendment focuses on improving how items of other comprehensive income are presented in order to facilitate the assessment of their impact on the overall performance of an entity. The main change required from the amendment is that entities group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The group is in the process of analysing the impact of the standard and determining when the group will adopt the standard.

#### 42.8 IAS 19 (revised)

In June 2011, the IASB revised IAS 19 – *Employee Benefits*. The revision eliminates the corridor method (deferral of gains and losses on measurement of the defined benefit liability) in order to improve comparability and faithfulness of presentation. The revision streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring the remeasurements to be presented in other comprehensive income thereby separating these changes from those of the entity's day-to-day operations. The group is in the process of analysing the impact of the standard and determining when the group will adopt the standard.

## Special resolutions passed

during the year ended 30 June 2011

### 1. Induna Tippers (Proprietary) Limited

2003/030862/07

- Shareholder authorisation for the sale of the major portion of the assets of the company.

The Special Resolution was approved, and registered on 22 September 2010.

### 2. Itheke Consulting (Proprietary) Limited

2010/015937/07

- The change of name from Hestipro (Proprietary) Limited to Itheke Consulting (Proprietary) Limited.
- The amendment of the memorandum of association by the substitution of the description of the main business and main object with the following:

‘Transport consulting and related services’

The Special Resolutions were approved, and registered on 27 October 2010.

### 3. Unitrans Household Goods Logistics (Proprietary) Limited

2000/013330/07

- The change of name from Bravo Group Logistics (Proprietary) Limited to Unitrans Household Goods (Proprietary) Limited.

The Special Resolution was approved, and registered on 27 October 2010.

### 4. Nomakanjani Logistics Company (Proprietary) Limited

2002/003416/07

- The amendment of the existing articles of association to allow for the purchase by the company of shares issued by the company or its holding company.
- Authorisation for the acquisition by the company of shares in the issued share capital of the company.

The Special Resolutions were approved, and registered on 4 November 2010.

### 5. Talama Fleet Logistics Investments (Proprietary) Limited

2002/023326/07

- The change of name from Talama Fleet Logistics (Proprietary) Limited to Talama Fleet Logistics Investments (Proprietary) Limited
- The amendment of the memorandum of association by the substitution of the description of the main business and main object with the following:

‘The holding of shares in Mega Express (Proprietary) Limited’

The Special Resolutions were approved, and registered on 3 January 2011.

### 6. Steinhoff International Holdings Limited

1998/003951/06

- Authorisation for the acquisition by the company, and any of its subsidiaries, of shares issued by it.
- The amendment of the existing articles of association to facilitate the transition from the Companies Act, 61 of 1973 to the Companies Act, No 71 of 2008 and to deal with various administrative issues relating to unclaimed dividends, distributions and the publication of the company's annual financial statements by electronic medium.

The Special Resolutions were approved, and registered on 7 January 2011.

### 7. Steinhoff Africa Holdings (Proprietary) Limited

1969/015042/07

- The increase in the authorised share capital of the company by the creation of 2000 par value perpetual preference shares of 1 cent each.
- The amendment of the existing articles of association to reflect the rights and privileges attaching to the perpetual preference shares.

The Special Resolutions were approved, and registered on 7 February 2011.

## **8. Pennypinchers East Rand (Proprietary) Limited**

2001/008196/07

- The change of name from Lambertillon Vanwhyte Timber (Proprietary) Limited to Pennypinchers East Rand (Proprietary) Limited.

The Special Resolution was approved, and registered on 7 March 2011.

## **9. Steinhoff Internal Audit Services (Proprietary) Limited**

1988/000809/07

- The change of name from G.A. Office Furniture Management (Proprietary) Limited to Steinhoff Africa Internal Audit Services (Proprietary) Limited.
- The amendment of the memorandum of association by the substitution of the description of the main business and main object with the following:

‘The management and provision of internal audit and related services’

The Special Resolutions were approved, and registered on 7 March 2011.

## **10. Unitrans Fuel and Chemical (Proprietary) Limited**

1999/006604/07

- The amendment of the existing articles of association to provide for the making of certain permissible payments to shareholders and for the utilisation by the company of unclaimed amounts due by the company.

The Special Resolution was approved, and registered on 14 April 2011.

- Shareholder approval for the sale of the company's business as a going concern to Unitrans Supply Chain Solutions (Proprietary) Limited.

The Special Resolution was approved, and registered on 13 June 2011.

## **11. Unitrans Freight Forwarding and Clearing (Proprietary) Limited**

1999/005343/07

- The change of name from Buffalo Freight Systems (Proprietary) Limited to Unitrans Freight Forwarding and Clearing (Proprietary) Limited.

The Special Resolution was approved, and registered on 18 April 2011.

## Shareholders' diary

Last date shares trade cum capital distribution	Friday, 25 November 2011
Record date	Friday, 2 December 2011
Payment and issue date	Monday, 5 December 2011
Annual general meeting	Monday, 5 December 2011 at 10:00
Delivery/payment date	Monday, 5 December 2011
Announcement of interim results and anticipated declaration of preference share dividend	Tuesday, 6 March 2012
Anticipated payment date for preference share dividend	Monday, 23 April 2012
Announcement of annual results and anticipated declaration of dividend/distribution and preference share dividend	Tuesday, 4 September 2012
Anticipated payment date for preference share dividend	Monday, 22 October 2012
Annual general meeting	Monday, 3 December 2012

## Corporate information

### REGISTRATION NUMBER

1998/003951/06

### REGISTERED OFFICE

28 Sixth Street  
Wynberg  
Sandton, 2090  
(PO Box 1955, Bramley, 2018)

### WEBSITE

<http://www.steinhoffinternational.com>

### AUDITORS

Deloitte & Touche, Chartered Accountants (SA)  
221 Waterkloof Road  
Waterkloof, 0181  
(PO Box 11007, Hatfield, 0028)

### SECRETARY

Steinhoff Africa Secretarial Services  
(Proprietary) Limited  
28 Sixth Street  
Wynberg  
Sandton, 2090  
(PO Box 1955, Bramley, 2018)

### SPONSOR

PSG Capital (Proprietary) Limited  
(Registration number 2002/017362/06)  
Building 8  
Ground Floor, DM Kisch House  
Inanda Green Business Park  
54 Wierda Road West  
Wierda Valley  
Sandton, 2196  
(PO Box 987, Parklands, 2191)

### TRANSFER SECRETARIES

Computershare Investor Services (Proprietary) Limited  
(Registration number 2004/003647/07)  
Ground Floor, 70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

### COMMERCIAL BANK

Standard Corporate and Merchant Bank  
(A division of The Standard Bank of South Africa Limited)  
(Registration number 1962/000738/06)  
Ground Floor, 3 Simmonds Street  
Johannesburg, 2001  
(PO Box 61150, Marshalltown, 2107)

In addition, the group has commercial facilities with various other banking and financial institutions worldwide.



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