

Consistent growth off an expanded geographical base

- Revenue up 42%
- Headline earnings per share up 50%
- Hard currency revenues reached 81%
- Net asset value up 38%
- Return on equity at 22%



Steinhoff

International Holdings Ltd

Audited results for the year ended 30 June 2002

Abridged consolidated income statement

for the year ended 30 June 2002

Note	Audited year ended 30/06/02 R'000	30/06/01* R'000	% increase
	8 207 936	5 773 532	42
	1 040 014	676 647	54
	(163 563)	(132 150)	
	876 451	544 497	61
1	(107 174)	134 898	
	769 277	679 395	13
	(36 549)	(37 531)	
	732 728	641 864	14
	(79 299)	(46 648)	
	653 429	595 216	10
	(52 609)	(27 130)	
	600 820	568 086	6
	55 964	38 111	
	1 809	1 819	
	658 593	608 016	8
	906 616	829 323	9
	864 754	822 129	5
	658 593	608 016	8
	802 316	510 649	57
	76	74	3
	98	67	
	(5)	(5)	
	93	62	50
	15	12	25
Note 1: Exceptional items (R'000)			
	-	179 282	
	(83 171)	(44 384)	
	(107 174)	-	
	658 593	608 016	
	107 174	(134 898)	
	36 549	37 531	
	802 316	510 649	
Note 2: Headline earnings calculation			
	44 900	36 167	
	847 216	546 816	55

* Note: The prior year figures have been restated to comply with Accounting Statements AC 135 and AC 116.

Abridged consolidated balance sheet

at 30 June 2002

	Audited 30/06/02 R'000	Audited 30/06/01* R'000
ASSETS		
Non-current assets		
Property, plant and equipment and intangible assets	2 729 956	1 580 749
Investments and loans	1 246 109	546 190
Deferred tax asset	5 727	9 541
	3 981 792	2 136 480
Current assets		
Accounts receivable	2 563 859	1 695 383
Inventories	1 109 204	768 409
Cash and cash equivalents	405 052	988 905
Net cash balances	317 967	786 764
Near cash financial instruments	87 085	202 141
	4 078 115	3 452 697
Total assets	8 059 907	5 589 177
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary shareholders' equity	4 382 901	2 895 806
Outside shareholders' interest	28 073	10 037
	4 410 974	2 905 843
Non-current liabilities		
Deferred taxation	7 223	4 529
Long term liabilities	746 811	426 723
Long term licence fee liability	237 873	287 250
	991 907	718 502
Current liabilities		
Net interest bearing	622 083	631 186
Accounts payable and provisions	2 034 943	1 333 646
	2 657 026	1 964 832
Total equity and liabilities	8 059 907	5 589 177
Net asset value per share (cents)	483	349
Gearing ratio (net)	24%	9%

* Note: The prior year figures have been restated to comply with Accounting Statements AC 135 and AC 116.

Abridged group cash flow statement

for the year ended 30 June 2002

	Audited year ended 30/06/02 R'000	30/06/01* R'000
Operating profit before working capital changes	932 557	824 830
Net changes in working capital	22 454	(90 907)
Cash generated from operations	955 011	733 923
Net finance costs	(79 299)	(46 648)
Dividends paid	(26 694)	(17 365)
Dividends received	7 506	5 610
Taxation	(59 457)	(43 192)
Net cash inflow from operating activities	797 067	632 328
Net cash outflow from investing activities	(1 380 076)	(347 395)
Net cash inflow from financing activities	308 145	277 012
Net (decrease)/increase in cash and cash equivalents	(274 864)	561 945
Effects of exchange rate changes on cash and cash equivalents	(308 989)	(27 681)
Cash and cash equivalents – beginning of period	988 905	454 641
Cash and cash equivalents – end of period	405 052	988 905

* Note: The prior year figures have been restated to comply with Accounting Statements AC 135 and AC 116.

Statement of changes in equity

for the year ended 30 June 2002

	Share capital and premium R'000	Non-distributable reserves R'000	Distributable reserves R'000	Total R'000
Balance at 30 June 2000 as previously stated	1 583 778	39 884	579 901	2 203 563
Change in accounting policy		(2 813)	(78 532)	(81 345)
Balance at 30 June 2000 restated	1 583 778	37 071	501 369	2 122 218
Earnings attributable to shareholders			608 016	608 016
As previously stated			644 183	644 183
Change in accounting policy			(36 167)	(36 167)
Share of associate companies' retained earnings transferred to non-distributable reserves		32 501	(32 501)	-
Foreign currency translation reserve		70 346		70 346
As previously stated		70 828		70 828
Change in accounting policy		(482)		(482)
Dividends paid			(2 883)	(2 883)
Issue of shares	98 109			98 109
Balance at 30 June 2001 restated	1 681 887	139 918	1 074 001	2 895 806
Current year associate income		55 964	(55 964)	-
Earnings attributable to shareholders			658 593	658 593
Increase in foreign currency translation reserve		381 658		381 658
Dividends paid			(26 694)	(26 694)
Issue of shares	473 538			473 538
Transfer to distributable reserves		(95)	95	-
Balance at end of period	2 155 425	577 445	1 650 031	4 382 901

Notes
 1. The accounting policies and methods of computation for the financial statements for the year ended 30 June 2002 are in all material respects consistent with those applied in prior years, except for the provision of depreciation on buildings and post-retirement medical aid benefits, which were done for the first time this year, and are in accordance with South African Statements of Generally Accepted Accounting Practice.
 2. The results have been audited by Deloitte & Touche. Their unqualified audit opinion is available for inspection at the company's registered office.

Comments

REVIEW OF RESULTS

The board is pleased to report growth in headline earnings for the year ended 30 June 2002 of 57% to R802 million (2001: R511 million) on increased revenues of 42%.

Notwithstanding the demanding trading conditions, both in South Africa and Europe, the Group achieved real growth in revenue whilst increasing its operating margin to 11.4% (2001: 10.1%). The results for the year confirm the Group's ability to maintain and grow market share in contracting and declining markets. This is a result of its cost advantages in eastern Europe and the increased export realisations from South Africa.

The Group, for the first time, provided for depreciation on all buildings in accordance with South African Accounting Standard AC135 as well as for post-retirement medical aid benefits in terms of AC116. This had the effect of reducing headline earnings for the year to 30 June 2002 by R44.9 million (2001: R36.2 million) with a prior year adjustment of R78.5 million, which is shown as an adjustment to the opening balance of retained income.

Net finance charges increased to R79.3 million (2001: R46.6 million) mainly as a result of the Group's offshore borrowings and the impact of the weakening Rand. Interest cover amounts to 11.1 times (2001: 11.7 times) and the net interest-bearing debt: equity ratio is at 24% (2001: 9%) well within the Group's self-imposed borrowing covenants. The increase in the level of financial gearing was mainly attributable to the acquisitions in Australia (Freedom Manufacturing), the UK (Relyon) and the Group's increased investment in Unitrans.

Taxation increased to R52.6 million (2001: R27 million) and the continuing relatively low effective tax charge is due mainly to the Group's favourable tax dispensations in Central Europe, which are expected to continue in the foreseeable future.

Shareholders' funds increased to R4 383 million (2001: R2 896 million) and return on average shareholders' funds was 22% during the year. The net asset value per share increased from 349 cps to 483 cps, an increase of 38.4%.

The Group generated 81% (2001: 73%) of its total revenues in hard currencies during the year. Headline earnings per share increased by 50% to 93 cents (2001: 62 cents) while basic earnings per share increased by 3% (due mainly to the non-recurring exceptional gain in 2001) to 76 cents (2001: 74 cents). The weighted average number of shares increased by 5% during the year.

The Group's cash flow continues to be strong and cash generated from operations amounted to R955 million (2001: R734 million). The cash generative capacity and low gearing ratios of the Group place it in an ideal position to exploit further growth opportunities, both organically and by acquisition.

SEGMENTAL ANALYSIS

The Group's main activity as an integrated global lifestyle supplier is focused on manufacturing and wholesale & distribution.

Year ended 30 June 2002

R'000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Manufacturing	6 154 814	75	653 961	70	3 287 171	75
Wholesale & distribution	2 053 122	25	280 263	30	1 095 730	25
Total	8 207 936	100	934 224**	100	4 382 901	100

** Earnings before exceptional items, goodwill, interest and taxation include share of income from associated companies and outside shareholders' income of R57,773 million.

Year ended 30 June 2001

R'000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Manufacturing	4 087 206	71	442 059	76	2 317 202	80
Wholesale & distribution	1 686 326	29	142 367	24	578 604	20
Total	5 773 532	100	584 426**	100	2 895 806	100

** Earnings before exceptional items, goodwill, interest and taxation include share of income from associated companies and outside shareholders' income of R39,930 million.

GEOGRAPHICAL ANALYSIS

The Group's operations are located in southern Africa, the European Community, eastern Europe and Australia.

Year ended 30 June 2002

R'000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Southern Africa***	2 502 161	30	226 230	24	1 225 837	28
European Community	3 589 038	44	430 686	46	2 417 465	55
Eastern Europe	1 820 556	22	267 273	29	657 435	15
Australia	296 181	4	10 035	1	82 164	2
Total	8 207 936	100	934 224	100	4 382 901	100

*** Southern Africa comprises the Republic of South Africa, Botswana, Swaziland, Namibia and Lesotho. The Group has no exposure to Zimbabwe.

Year ended 30 June 2001

R'000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Southern Africa***	2 254 691	39	176 242	30	1 276 584	44
European Community	2 029 069	35	265 663	45	1 345 894	46
Eastern Europe	1 439 036	25	139 388	24	262 286	9
Australia	50 736	1	3 133	1	11 042	1
Total	5 773 532	100	584 426	100	2 895 806	100

An average exchange rate of R9.00: 1 Euro (2001: R6.75: 1 Euro) was used to translate foreign currency income and expenditure into South African Rand. R936 million (2001: R706 million) of Africa's revenue represents exports to the USA and the European Community, representing approximately 37% (2001: 31%) of its activities. It is the intention of the Group to increase these exports into the future. The Group's exposure to the local South African furniture market amounts to 18% (2001: 24%) of total revenue.

CORPORATE GOVERNANCE

The Group is committed to the principles of sound corporate governance and is substantially compliant with the requirements of the King Report on Corporate Governance for South Africa 2002 ("King II"). A phasing-in approach towards full compliance with the recommendations of King II has been adopted and an appropriate balance between performance and corporate constraints is being pursued.

CORPORATE ACTIVITY

In order to rationalise and achieve economies of scale, a number of business divisions both locally and internationally, were closed during the financial year, resulting in exceptional closure costs of R83,171 million. The Group has entered into and concluded a number of investment transactions during the financial year:

- Relyon Group Plc, a bedding manufacturer in the UK and The Netherlands and a foam converting facility in the UK which supplies the furniture, automotive and aviation industries, was acquired effective 1 October 2001;
- the Group acquired Marshall Furniture, based in Adelaide, the largest case-goods manufacturer in Australia;
- Steinhoff Pacific was formed as a joint venture with the retail group, Freedom Group Limited, which is listed on the Australian Stock Exchange. Steinhoff owns 74.9% and Freedom 25.1% of this entity. Steinhoff Pacific now has manufacturing facilities in Sydney, Brisbane, Adelaide, Victor Harbour and Auckland;
- two new brands, Egoform and Dieter Knoll were acquired which are targeted at the top end of the European market. They were launched this January and confirm the Group's commitment to developing brands in its respective markets;
- the joint venture with La-Z-Boy Inc of the USA was finalised during the year under review and authorised exclusive dealers for this well known brand are currently being appointed in various parts of Europe;
- Steinhoff acquired a 34.99% interest in PG Bison Holdings (Proprietary) Limited which is the leading particle board manufacturer in South Africa;
- the Group increased its holding in Unitrans Limited to 26% (2001: 14.4%); and
- additional investments were made during the year in new saw milling capacity which will promote further exports from South Africa.

The Group is constantly examining new business opportunities. The corporate services team examines all opportunities and their likely fit and possible future contribution to the Group's activities to complement organic growth. This demonstrates the Group's commitment to ensuring that its operations are appropriately structured to achieve optimal growth in the years to come, in the various markets that it serves.

SOCIAL RESPONSIBILITY AND MANPOWER

The Group is committed to good labour relations and creating an environment where all of its more than 30 000 employees worldwide can develop to their fullest potential. Notwithstanding certain discontinued operations, the number of the Group's employees has increased worldwide. The Group is committed to a programme of skills transfer, ranging from leadership development at various educational levels, to successful training and deployment of individuals worldwide.

Black economic empowerment of small and medium sized enterprises, within our South African communities, forms part of the Group's strategy.

In addition to traditional medical schemes, the Steinhoff Health Care Plan was introduced with a special focus on HIV/Aids management and involves, inter alia, access to medical assistance dedicated to the Steinhoff employees.

Compliance with environmental regulations is one of the Group's priorities. This manifests itself, both in terms of the sourcing of raw materials, eg timber that complies with Forestry Stewardship Council Standards, and the infrastructure and processes within our manufacturing operations.

PROSPECTS

The continued growth and development of the business will be achieved through improved capacity utilisation, enhanced working capital management and expansion of the Group's core competencies and products. Because of its integrated nature, the Group is also well positioned to optimise intergroup sourcing of raw materials and components. These opportunities, together with co-ordinated sourcing and enhanced customer service levels, are all expected to have a positive impact on margins into the future.

Continued growth in exports from South Africa is expected to further enhance earnings. The consolidation in the local furniture retail sector is nearing completion and this, together with a fundamental change in retailing focus to core products and business mix between cash and credit, are expected to benefit the Group.

In Germany and eastern Europe the Group is committed to grow its market share by delivering quality products at competitive prices, supported by quality support and service excellence. The stated move towards higher price branded products is also anticipated to impact favourably on margins.

The Group's integration of the UK and Australian acquisitions has progressed well and these operations are well placed to deliver above average earnings growth.

The Company is delighted with the performance of its associates, Unitrans and PG Bison, and expects continued material contributions from these investments in years to come.

Management is confident that the Group will continue to generate real earnings growth in the year ahead.

DECLARATION OF CAPITALISATION SHARE AWARD WITH DIVIDEND ELECTION OPTION

The board has resolved to award capitalisation shares to shareholders recorded in the register at the close of business on Friday, 1 November 2002 ("the share award"). Shareholders will be entitled to accept or decline the share award or any part thereof and instead elect to receive a cash dividend of 15 cents (2001: 12 cents) per share.

The last day to trade the Company's shares on the JSE Securities Exchange South Africa to ensure that a purchaser appears as a shareholder on the record date (1 November 2002) will be Friday, 25 October 2002. Shares will commence trading ex dividend from the commencement of trading on Monday, 28 October 2002.

Share certificates may not be dematerialised or rematerialised from Monday, 28 October 2002 to Friday, 1 November 2002, both days inclusive.

The terms of the share award will be announced on Friday, 11 October 2002, and documentation relating thereto will be posted by Friday, 18 October 2002. Elections in respect of the cash dividend will close on Friday, 1 November 2002.

Dividend cheques and/or share certificates (where applicable) in respect of new ordinary shares arising from the capitalisation share award will be posted to certificated shareholders on Monday, 4 November 2002. Dematerialised shareholders will have their CSDP or broker accounts credited/updated on Monday, 4 November 2002.

COMMUNICATION

The Group strives to communicate openly, and with clarity, on how we are performing and our results are consistent, and adequately explained, without divulging information that would jeopardise our competitive advantage.

The Annual Report will be mailed to shareholders in due course. The annual general meeting is scheduled to take place on Friday, 29 November 2002, at 13:00 at the registered office of the Company.

By order of the board

S J Grobler Company secretary

9 September 2002

ADMINISTRATION

Registration number: 1998/00