

STEINHOFF INTERNATIONAL



ANNUAL REVIEW 2010

Steinhoff
International Holdings Ltd



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OPERATIONAL REPORT

<p>RETAIL – HOUSEHOLD GOODS AND BUILDING SUPPLIES</p>	 <p>PAGE 48</p>
<p>In Europe, retail operations span a wide range of furniture and household goods across most price segments. Through the combination of selling leading designs through our innovative retail concepts and accommodating the more traditional consumer within our large-scale value retail formats – our furniture is found in almost every room in millions of homes. In southern Africa value is added through the retail of building supplies.</p>	
<p>RETAIL – AUTOMOTIVE</p>	 <p>PAGE 54</p>
<p>The Unitrans Automotive division offers a complete range of vehicles, including new and used vehicles, parts and accessories, servicing, insurance and is complemented by the car rental division, Hertz.</p>	
<p>MANUFACTURING AND SOURCING</p>	 <p>PAGE 56</p>
<p>This segment includes the furniture and household goods manufacturing and sourcing operations in Europe and the Pacific Rim, and the African timber and raw material operations.</p>	
<p>LOGISTICS</p>	 <p>PAGE 62</p>
<p>The group's integrated supply chain is founded on an efficient logistics solution and embodies a world-class distribution and warehousing infrastructure. This is a key competitive advantage for our business in all regions. A well-established logistics platform enhances our ability to control costs and deliver on our promise of customer satisfaction.</p>	
<p>CORPORATE AND GROUP SERVICES</p>	 <p>PAGE 66</p>
<p>Under the leadership of the international group services team, the group service teams in different regions support operational management in all corporate services. This enables local management to devote their full attention to operational issues.</p> <p>These teams ensure that the corporate assets and financial risks are professionally managed, and that activities comprising brand management, participation interests, treasury and other functions are aligned and conducted in the best interests of the group.</p>	

This annual review provides stakeholders with information on our group and should be read with the annual financial statements for a balanced and comprehensive view of our business. A full corporate responsibility report is available on our website at www.steinhoffinternational.com.

Together, these reports provide a complete overview of the group's strategy, businesses, performance and prospects.

Steinhoff International

is an integrated diversified group

that manufactures, sources, warehouses, distributes and retails furniture and household goods in Europe and the Pacific Rim and comprises a diversified industrial business in southern Africa with the manufacturing and sourcing of timber products and other raw materials, logistics services and building supplies and automotive retail.

FINANCIAL HIGHLIGHTS FOR THE YEAR 2010

Operating margin increased to 10.8% from 10.1%

Headline earnings increased 9% to R3.5 billion

Cash generated from operations increased 45% to R5.7 billion

Net gearing at 34% (2009: 35%)

Distribution of 63 cents per share (2009: 60 cents per share)

GROUP AT A GLANCE / GEOGRAPHICAL AND OPERATIONAL DIVERSITY

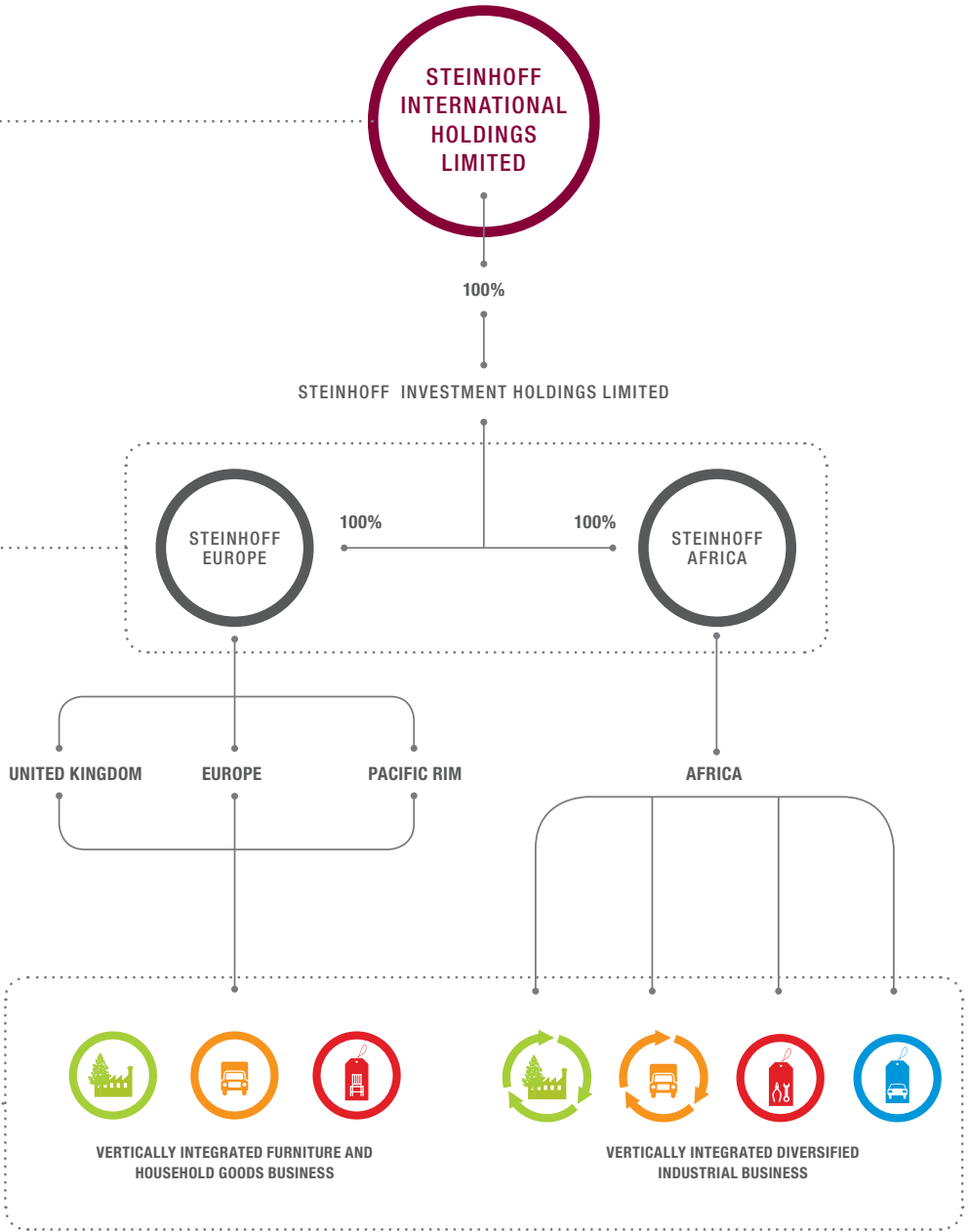
Founded in 1964, and listed on the JSE Limited in 1998, Steinhoff International is a holding company invested predominantly in household goods and diversified related industries.

Steinhoff Europe and Steinhoff Africa are managed as two separate divisions.

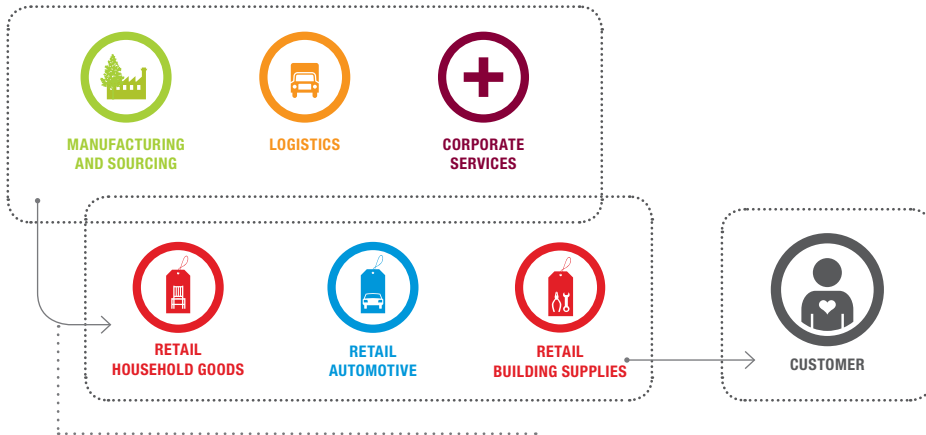
Steinhoff Europe is one of the largest integrated furniture and household goods suppliers in Europe, and is well positioned to further increase market share.

Steinhoff Africa constitutes a diversified industrial group, with scale efficiencies in the logistics, timber and other raw material businesses.

Steinhoff International operates a vertically integrated and geographically diverse business model. This diversity and balanced exposure limits our risk to any one market or industry and has protected us well since our listing in 1998. Our business is structured to competitively supply and service intragroup (internal) and external customers. We are able to provide relevant quality at competitive prices through our participation, influence, experience and knowledge of the relevant industries within our supply chain ranging from raw materials to retail outlets across extensive product offerings.



INVESTMENT CASE / A TRULY INTEGRATED GLOBAL LIFESTYLE SUPPLIER



Significant influence over the supply chain, consolidating all points of contact from raw material to retail outlets across an extensive product offering, has resulted in consistent margins, raised barriers to entry, and provided competitive advantages. The strategic product offering focuses on furniture, beds and related homewares, and in Africa includes integrated raw material and logistics operations, and the retail of automotive and building supplies.

Flexibility and balance in supply chain participation remains key

Significant influence over the entire supply chain results in competitive advantage

Owning strategic parts of the supply chain protects margins

Managing strategic parts of the supply chain enables exceptional customer service and sustained growth



Our operations are underpinned by sound financial principles, entrenched corporate governance policies and procedures, and a focus on the overall sustainability of our business.

THE STEINHOFF INVESTMENT CASE

Diverse geographical footprint

Geographically, Steinhoff International's manufacturing and sourcing operations are mainly located in emerging markets while consumer facing businesses mainly focus on the volume segment of developed markets. The geographical and industrial diversity and the group's shared knowledge base have provided us with a competitive edge that has withstood varying economic conditions.

Integrated supply chain

Each region employs the most appropriate supply chain given the strengths and opportunities inherent in the individual market. Significant influence over the supply chain, consolidating all points of contact from raw material to retail outlets across an extensive product offering, has resulted in consistent margins and key competitive advantages.

Logistics services

Provision of logistics services through supply chain solutions and effective management of warehouses and distribution networks remain essential to each of our businesses. Services range from hauling saw logs from a forest to the ultimate delivery of household goods to the end consumer. Control over the supply chain, gives rise to better service levels and guarantees product delivery within a competitive cost structure.

Flexibility and balance

The vertically integrated model is one of flexibility and balance in production, sourcing and supply to the internal and external customer base. Further balance is provided by the diversity of exposure to different industries. This versatility facilitates the management of concentration risk and protects and enhances margins.

Mass-market appeal

Our operations are positioned towards mass-market consumer segments. However, ownership of aspirational brands and designs exposes us directly and indirectly to additional market segments.

Sustainability

The group recognises the importance of sustainability which is a non-negotiable business imperative for the group. We continuously consider the needs of our stakeholders, regularly review and adapt our policies and processes to reinforce our ability to be economically viable, socially responsible and ecologically sound. By balancing the three pillars that make up sustainability (people, planet and profit) we remain a responsible citizen, while still being competitive in our chosen business markets.

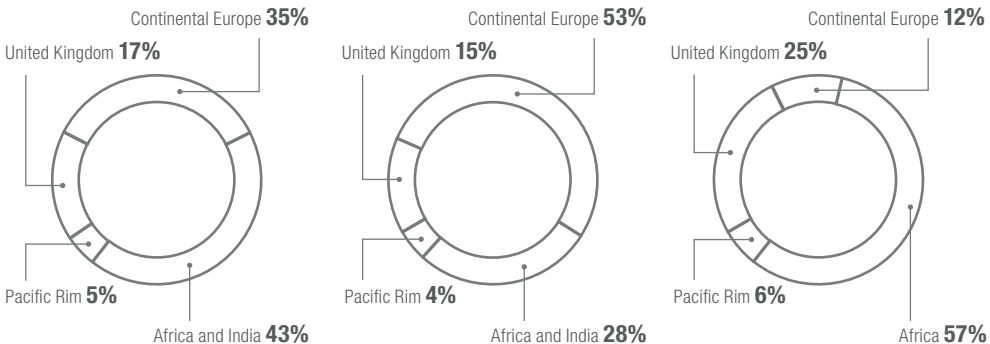
GEOGRAPHICAL FOOTPRINT / GEOGRAPHICAL AND OPERATIONAL DIVERSITY















REVENUE PER GEOGRAPHICAL REGION

NON-CURRENT ASSETS PER GEOGRAPHICAL REGION

EMPLOYEES PER GEOGRAPHICAL REGION



UNITED KINGDOM	£m	Geographical net revenue	Geographical non-current assets
 Relyon, Pritex, SUKU, Norma ⁽¹⁾ , Hukla Beds ⁽¹⁾ , Sprung Slumber	750		
 Unitrans UK	500		
 Harveys, Bensons for Beds, Sleepmasters, The Bed Shed, Reid, Cargo	250		
CONTINENTAL EUROPE	€m	Geographical net revenue	Geographical non-current assets
 Andante, Bruno Steinhoff, Designwerk, Dieter Knoll, Dining@home, H2L, Habufa, Hukla Upholstery, Kanizsa trend, Longlife, Novalife, Poco, Sit & More, Polsteria, Puris Bad, S-Prix, Punch	2000		
 Global Warehouse Logistics	1500		
 European Retail Management (ERM), Esprit, Habufa, Henders & Hazel, Hukla, Quattro Mobili, RTL II Studios, Shop Select, Dieter Knoll	500		
AFRICA AND INDIA	Rm	Geographical net revenue	Geographical non-current assets
 PG Bison, BCM, DesleeMattex, Vitafoam, Alam Tannery	20000		
 Unitrans Supply Chain Solutions, Unitrans Passenger	15000		
 Pennypinchers, Timbercity, The Tile House.  Unitrans Automotive, Hertz	5000		
PACIFIC RIM	A\$m	Geographical net revenue	Geographical non-current assets
 Steinhoff Manufacturing, Steinhoff International Sourcing	500		
 Kings Park	375		
 BayLeatherRepublic, Freedom, Snooze	125		

⁽¹⁾ European mattress brands managed as part of the UK business division.

10-YEAR REVIEW

	IFRS COMPLIANT									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
INCOME STATEMENT										
Revenue	48 040	50 869	45 046	34 229	30 159	18 958	10 572	9 949	8 208	5 774
Operating profit before capital items	5 207	5 153	4 662	3 059	2 715	1 944	1 190	1 050	740	479
Capital items	(63)	49	(193)	(57)	(88)	(10)	(53)	(47)	(5)	163
Operating profit	5 144	5 202	4 469	3 002	2 627	1 934	1 137	1 003	735	642
Net finance cost	(946)	(1 000)	(704)	(454)	(292)	(193)	(80)	(126)	(81)	(47)
Share of profit of associate companies	36	6	37	67	61	58	115	91	56	38
Profit before taxation	4 234	4 208	3 802	2 615	2 396	1 799	1 172	968	710	633
Taxation	(481)	(581)	(366)	(325)	(383)	(213)	(145)	(98)	(53)	(27)
Profit from discontinued operations	–	–	–	684	–	–	–	–	–	–
Profit for the year	3 753	3 627	3 436	2 974	2 013	1 586	1 027	870	657	606
Attributable to:										
Owners of the parent	3 541	3 379	3 310	2 970	1 949	1 545	1 023	873	659	608
Non-controlling interests	212	248	126	4	64	41	4	(3)	(2)	(2)
Profit for the year	3 753	3 627	3 436	2 974	2 013	1 586	1 027	870	657	606
STATEMENT OF CASH FLOWS										
Operating profit before working capital changes	6 074	5 871	5 387	3 929	3 352	2 401	1 442	1 253	895	825
Net changes in working capital	(376)	(1 937)	98	(475)	134	(977)	97	(355)	60	(91)
Cash generated from operations	5 698	3 934	5 485	3 454	3 486	1 424	1 539	898	955	734
PERFORMANCE INDICATORS										
Profitability										
Return on total assets ⁽¹⁾ (%)	9.3%	9.2%	9.9%	8.8%	9.6%	10.2%	10.3%	11.6%	10.3%	8.9%
Gross margin (%)	34.7%	34.8%	32.9%	31.2%	31.5%	31.6%	41.4%	38.8%	37.3%	36.3%
Operating margin (%)	10.8%	10.1%	10.3%	8.9%	9.0%	10.3%	11.3%	10.6%	9.0%	8.3%
Employee statistics										
Number of employees	41 400	41 400	43 300	43 400	50 000	41 500	26 600	20 400	22 600	21 200
Paid to employees (Rm)	7 691	8 533	7 224	6 148	5 558	2 708	859	799	829	640

⁽¹⁾ Operating profit before capital items ÷ average total assets

HEADLINE EARNINGS PER SHARE

cents per share: 2001 to 2010

01	62
02	91
03	103
04	110
05	138
06	173
07	200
08	264
09	252
10	255

NET ASSET VALUE PER SHARE

cents per share: 2001 to 2010

01	349
02	483
03	523
04	575
05	724
06	966
07	1 292
08	1 637
09	1 642
10	1 657

	IFRS COMPLIANT									
	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm	2002 Rm	2001 Rm
STATEMENT OF FINANCIAL POSITION										
Goodwill and intangible assets	17 675	18 875	21 227	10 247	7 893	4 000	504	327	415	26
Property, plant and equipment, investment properties and biological assets	14 853	11 277	11 288	7 999	5 652	4 909	2 787	2 202	2 316	1 555
Other non-current assets	5 264	5 942	5 127	3 923	3 872	1 883	1 491	1 206	1 252	555
Current assets	19 389	18 661	19 274	15 365	14 535	13 780	8 778	5 749	4 654	3 650
Total assets	57 181	54 755	56 916	37 534	31 952	24 572	13 560	9 484	8 637	5 786
Total equity	27 061	24 924	24 784	17 358	12 767	9 714	6 490	4 944	4 412	2 906
Interest-bearing debt	18 348	17 882	16 686	11 053	10 716	6 353	3 697	2 063	1 639	1 058
Interest-free liabilities	11 772	11 949	15 446	9 123	8 469	8 505	3 373	2 477	2 586	1 822
Total equity and liabilities	57 181	54 755	56 916	37 534	31 952	24 572	13 560	9 484	8 637	5 786
PERFORMANCE INDICATORS										
Debt leverage										
Gearing ratio ⁽²⁾ (%)	34%	35%	38%	24%	30%	21%	0%	15%	24%	20%
Debt coverage ⁽³⁾ (times)	0.3	0.2	0.3	0.3	0.3	0.2	0.4	0.3	0.4	0.5
Borrowing cost cover ⁽⁴⁾ (times)	5.5	5.2	6.6	6.7	9.3	10.1	14.9	8.3	9.1	10.2
Shareholders' returns										
Earnings per share (cents)	251.5	254.7	249.8	241.9	165.6	137.0	95.8	90.8	76.2	74.0
Headline earnings per share (cents)	254.6	251.5	263.5	200.1	172.5	138.0	110.3	102.5	90.8	62.1
Distribution per share (cents)	63.0	60.0	60.0	50.0	37.5	30.0	22.0	18.0	15.0	12.0
Distribution cover (times)	4.0	4.2	4.2	4.8	4.4	4.6	4.4	5.0	5.1	6.2
Net asset value per share (cents)	1 656.6	1 642.2	1 637.0	1 292.4	965.5	723.9	574.8	523.2	483.4	349.3
Annual (decrease)/increase in revenue (%)	(6%)	13%	32%	13%	59%	79%	6%	21%	42%	26%
EBITDA to revenue (%)	13%	12%	12%	11%	11%	12%	14%	13%	11%	11%
Employee cost to revenue (%)	16%	17%	16%	18%	18%	14%	8%	8%	10%	11%
Depreciation and amortisation to revenue (%)	2%	2%	2%	2%	2%	2%	2%	2%	2%	3%
Effective tax rate (%)	11%	14%	10%	12%	16%	12%	12%	10%	7%	4%
Share statistics										
Shares in issue (net of treasury shares) (million)	1 408	1 280	1 269	1 256	1 141	1 131	1 123	942	907	829
Weighted average shares in issue (million)	1 376	1 283	1 281	1 188	1 133	1 128	1 067	961	865	822

⁽²⁾ Net interest-bearing debt ÷ closing equity

⁽³⁾ Cash generated from operations ÷ total borrowings

⁽⁴⁾ Operating profit before capital items ÷ net finance cost

REVENUE

Rm: 2001 to 2010

01	5 774
02	8 208
03	9 949
04	10 572
05	18 958
06	30 159
07	34 229
08	45 046
09	50 869
10	48 040

DISTRIBUTION TO SHAREHOLDERS

Cents per share: 2001 to 2010

01	12
02	15
03	18
04	22
05	30
06	38
07	50
08	60
09	60
10	63

JSE TRADING HISTORY AND EXCHANGE RATES

JSE TRADING HISTORY FOR THE YEAR ENDED 30 JUNE

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Closing price (cents)	1 781	1 340	1 592	2 421	2 135	1 540	835	660	825	650
Highest price (cents)	2 170	1 890	2 455	2 745	2 474	1 570	925	830	975	700
Lowest price (cents)	1 315	885	1 490	2 011	1 500	755	651	455	590	460
Number of shares traded (million)	1 412	1 450	1 342	1 168	914	800	727	402	348	192
Value of share traded (R million)	26 269	18 215	25 921	27 757	18 223	9 486	5 612	2 643	2 717	1 206
Average weighted traded price (cents)	1 861	1 256	1 931	2 377	1 994	1 186	772	657	780	648
Closing spot: Industrial 25 index (Indi 25)	21 110	17 230	19 127	19 521	13 644	10 383	6 544	5 205	7 178	7 240
Dividend yield (%)	3.54⁽¹⁾	4.22 ⁽¹⁾	3.77 ⁽¹⁾	2.07 ⁽¹⁾	1.76 ⁽¹⁾	1.95 ⁽¹⁾	2.64	2.72	1.80	1.90
Earnings yield (%)	13.79	18.88	16.55	8.88	7.92	7.53	13.05	14.99	11.03	9.85
Price earnings ratio	7.25	5.30	6.37	11.26	12.63	13.28	7.66	6.67	9.07	10.16
Market capitalisation (R million)	26 342	18 350	21 488	31 708	24 351	17 474	9 462	6 284	7 480	5 391

EXCHANGE RATES

The following table sets forth, for the years indicated, the average and year-end exchange rates in rand expressed in R per €1.00, used to convert the results and the statement of financial position of the European subsidiaries into South African rand.

YEAR ENDED 30 JUNE	AVERAGE ⁽²⁾	CLOSING ⁽³⁾
2001	6.7500	6.8500
2002	9.0000	10.2500
2003	9.4150	8.6100
2004	8.2150	7.5600
2005	7.9091	8.0965
2006	7.8196	9.1600
2007	9.4103	9.5735
2008	10.7631	12.3341
2009	12.3503	10.8265
2010	10.5954	9.3781

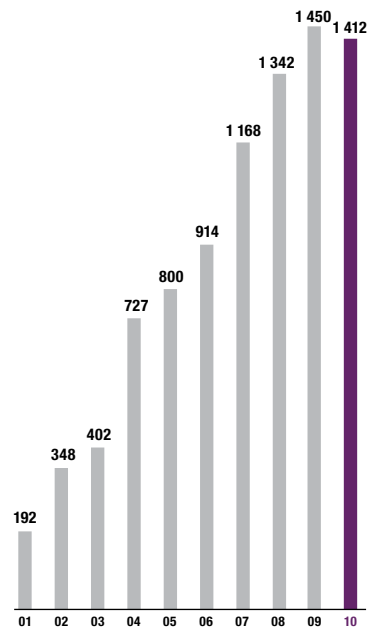
⁽¹⁾ Calculation includes the declared cash distribution.

⁽²⁾ The average exchange rate was used to translate income and expenditure.

⁽³⁾ The closing rate was used to translate assets and liabilities. Prior to 2002, the euro rate is based on the deutschmark exchange rate which is DM1.95583 per €1.00.

SHARES TRADED

Annual number of shares traded (in millions)

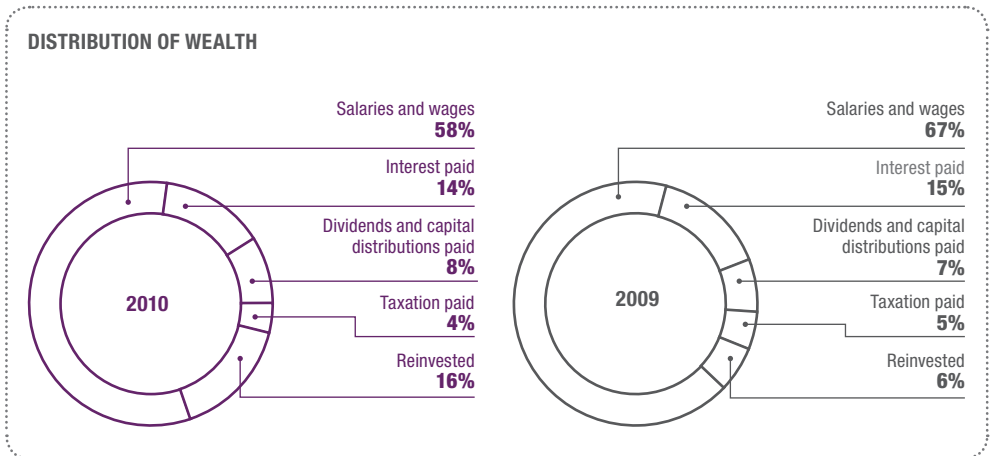


VALUE ADDED STATEMENT

	2010 Rm	2009 Rm
Revenue	48 040	50 869
Cost of products and services	(33 850)	(37 081)
Value added	14 190	13 788
Income from investments	(924)	(959)
Total wealth created	13 266	12 829

Distribution of wealth

Salaries and wages	7 691	8 599
Interest paid	1 876	1 968
Taxation paid	481	581
Dividends and capital distributions paid	1 139	940
Reinvested	2 079	741
	13 266	12 829



BOARD OF DIRECTORS / EXECUTIVE



Markus Johannes Jooste (49)
BAcc, CA(SA)

Markus is chief executive of the Steinhoff group.

In 1988, Markus joined Gommagomma Holdings (Proprietary) Limited (now Steinhoff Africa Holdings (Proprietary) Limited) as financial director. In 1998, Markus was appointed as executive director and took responsibility for the European operations of the group and also for directing the group's international marketing and financial disciplines. In 2000, Markus was appointed group managing director of Steinhoff International and chairman of Steinhoff Africa and currently also acts as chief executive officer for the group's northern hemisphere operations. Markus also serves on the boards of various unlisted group companies and the following listed companies: PSG Group Limited (member of the remuneration committee), KAP International Holdings Limited (member of the remuneration committee) and Phumelela Gaming and Leisure Limited (member of the remuneration committee).



Fredrik Johannes Nel (51)
BCompt (Hons), CA(SA)

Frikkie is the financial director of Steinhoff.

He was appointed as financial director of Steinhoff International in 1998 and also acted as company secretary for the group. After serving as an accountant with a private company, he joined Gommagomma Holdings (Proprietary) Limited (now Steinhoff Africa Holdings (Proprietary) Limited) as financial manager in 1989, becoming financial director in 1990. He qualified as a chartered accountant in 1993.



Daniël Maree van der Merwe (52)
BComm, LLB

Danie was elected to the Steinhoff International board in 1999 and is CEO for Steinhoff Africa and Asia Pacific.

He was admitted as an attorney of the High Court of South Africa in 1986 and practised as an attorney specialising in the commercial and labour law fields. In 1990, Danie joined the Roadway Transport Group and was instrumental in developing the strategic direction and growth of this group. In early 1998, following the merger of Roadway Transport Group with Steinhoff Africa, Danie joined the group. He currently serves on the boards of Unitrans Holdings (Proprietary) Limited, PG Bison Group, Steinhoff Asia Pacific Limited, KAP International Holdings Limited and holds several other appointments within the group, with specific responsibility as chief executive officer for the southern hemisphere operations, which include the group's Chinese and Indian operations.



Ian Michael Topping (50)
MA, MBA

Ian heads the group's manufacturing, retail and logistics operations in the United Kingdom.

He joined the group in 2001 following the acquisition of Relyon Group plc in the United Kingdom, a beds manufacturing group of which he was chief executive officer from 1993 to 2001. Ian has an MA in Engineering Science and Economics from Oxford University and an MBA from Manchester Business School combined with a period of study at New York University Graduate School of Business. His early career was in the oil industry and management consultancy. Ian was appointed as executive director in December 2005.



Hendrik Johan Karel Ferreira (Piet) (55)
BCompt (Hons), CA(SA)

Piet acts as executive director of corporate advisory services, focusing on mergers, acquisitions and general advisory and secretarial services.

He commenced his career in corporate finance in 1986 and worked at several merchant banks before joining Steinhoff International on 1 January 2002 and was appointed as an alternate director with effect from December 2005. During his career with South African merchant banks, he was involved with various corporate finance transactions, including the group's initial public offering on the JSE in 1998. Piet has extensive corporate finance experience and expertise in the field of mergers and acquisitions, rights offers, company restructures and general corporate finance advice. Piet is also a serving member of the issuer services advisory committee of the JSE. Piet became an executive director of Steinhoff International and Steinhoff Investment Holdings Limited with effect from 1 May 2009.



Stephanus Johannes Grobler (51)
BComm Hons (Economics), LLB

Stéhan is an executive director: group treasury and financing activities and also acts as company secretary.

In December 1999, Stéhan was appointed company secretary of Steinhoff International and joined the group more formally on 1 July 2000. Stéhan was admitted as an attorney of the High Court of South Africa in 1989. He was also admitted as a notary public, conveyancer and to appear in the High Court of South Africa. Stéhan gained extensive experience practising in the business and corporate law fields advising various companies, listed and unlisted, on commercial and company law issues. Stéhan also acts as the compliance officer and also heads the legal department of the group. He acts as director for various groups and companies. Stéhan was appointed as alternate executive director in December 2005 and became an executive director of Steinhoff International with effect from 1 May 2009.



Karel Johan Grové (61)⁽¹⁾
AMP (Oxford)

Jo is the chief executive officer of Unitrans and joined Steinhoff International as a non-executive director in September 2000.

He has more than 38 years' experience in the accounting and banking industries. His career began in 1969 when he was appointed cost and works accountant with Shaft Sinkers (Proprietary) Limited. In 1976 he founded Medical Leasing Services, a company providing specialised financial services, mainly to medical doctors. In 1987, the business was sold to the Absa group, the name was changed to MLS Bank, and Jo was appointed chief executive officer, a position he held until 1995. Later that year, he established Imperial Bank and served on the main board of Imperial Holdings until he joined Unitrans Limited as chief executive in September 1998. Jo was appointed an executive director of Steinhoff International, following the approval and implementation of the acquisition of the majority shareholding in Unitrans Limited. He also serves on the board of SA PGA Tour. Jo became an alternate executive director with effect from 10 December 2007.



Johannes Nicolaas Stephanus Du Plessis (61)⁽¹⁾
BComm, LLB

Johann has been a non-executive director of Steinhoff International since 2002 and was appointed an executive member of the group services team and alternate executive director with effect from 1 March 2006.

He is a trial lawyer by profession and was a member of the Johannesburg and later the Cape Bar. He was admitted as counsel during 1974 and took silk in 1989. He has been exposed during the course of his career to a wide range of commercial matters. He has occasionally acted as judge in the High Court. He advises on and is engaged in matters related to governance, tax, property, competition and the environment.



Andries Benjamin la Grange (36)⁽¹⁾
BComm (Law), BComm Hons (Financial Accounting), CTA, CA(SA)

Ben was appointed to the board as an alternate director on 7 December 2009.

He completed his articles with PricewaterhouseCoopers and spent two and a half years in their international and corporate tax division. Ben was appointed by Steinhoff International and worked for two years as manager in the corporate tax division, whereafter, he worked in the Steinhoff corporate finance division for two and a half years. Ben currently acts as chief financial officer of the Steinhoff southern hemisphere operations and also as an independent member of the audit committee for KAP International Holdings Limited.

* *Alternate director*

BOARD OF DIRECTORS / NON-EXECUTIVE



Deenadayalen Konar (56)
BComm, MAS, DComm, CA(SA)

Len was appointed as the independent non-executive chairman of the board with effect from 30 September 2008.

Len joined the group in 1998 and is an independent consultant and professional director. Prior positions include executive director of internal audit portfolio and head of investments at the Independent Development Trust, and professor and head of the department of accountancy at the University of Durban-Westville. He is a past Patron of the Institute of Internal Auditors South Africa, and a member of the King Committee on Corporate Governance in South Africa, the Securities Regulation Panel and the Institute of Directors. He was appointed chairperson of the ministerial panel for the review of the regulation of accountants and auditors in South Africa in 2003 and served as chairman of the audit committee of the International Monetary Fund. Len is also a non-executive director of Lonmin plc, Alexander Forbes, the South African Reserve Bank, Sappi Limited and Exxaro Resources Limited. Len was previously chairman of the audit and risk committee, the risk advisory committee, and a member of the nomination committee and the human resources and remuneration committee.



Stefanés Francois Booyesen (48)
*BCompt Hons (Accounting), MCompt
DComm (Accounting), CA(SA)*

Steve was appointed to the board as an independent non-executive director on 8 September 2009.

He completed his articles with Ernst & Young and acted as lecturer at the University of South Africa. In 2006 he was appointed as Council Member of the University of Pretoria. Steve is the former group chief executive officer of Absa Group Limited. Steve also serves on the boards of Clover Limited and Senwes Limited.



David Charles Brink (71)
*MSc Eng (Mining), DComm (hc), Graduate
Diploma in Company Direction*

Dave was appointed to the board as an independent non-executive director in December 2007.

Dave is chairman of Absa Bank Limited and Absa Group Limited. He is currently a board member of the National Business Initiative, co-chairman of the Business Trust and a vice-president of the Institute of Directors in South Africa. He is also a member of the Millennium Labour Council. Subsequent to year-end, Dave retired as the chairman of Absa Bank Limited. Dave has been appointed by the board of Steinhoff International as the senior independent non-executive director.



Yolanda Zoleka Cuba (33)
*BComm (Statistics), BComm Hons
(Accounting), CA(SA)*

Yolanda was appointed to the board as an independent non-executive director in December 2007.

Yolanda is the chief executive of Mvelaphanda Group Limited and joined Mvelaphanda Holdings' corporate finance division in January 2003. She has worked for a wide range of companies, including Robertsons' Foods (now part of Unilever) and Fisher Hoffman PKF. She has also been involved in a number of development companies, rendering assistance and advice on financial matters and strategic investment. Yolanda was appointed chief executive of Mvelaphanda Group in July 2007. She also serves on the boards of Life Healthcare, Absa Group Limited, Absa Bank Limited and Avusa.



Claas Edmund Daun (67)
BAcc, CA

Claas joined Steinhoff Germany as non-executive director in 1992 and has acted as a non-executive director of Steinhoff International since its listing in 1998.

Claas has extensive experience in management and investments worldwide and is a corporate investor in several industries. He is currently a member of the boards of KAP International Holdings Ltd, KAP AG, Courthiel Holdings (Proprietary) Limited, Daun & Cie AG, Stöhr AG, Mech Baumwoll-Spinnerei & Weberei AG and Oldenburgische Landesbank AG, and holds several other directorships. Claas is honorary consul of South Africa in Lower Saxony, Germany. He holds a masters' degree in business commerce from the University of Cologne and qualified as a chartered accountant in 1975.



Johannes Fredericus Mouton (64)
BComm (Hons), CA(SA), AEP

Jannie was appointed as an independent non-executive director in October 2002.

Jannie started his career with Federale Volksbeleggings Limited as financial manager and after a period as financial director with Kanhym Limited, established Senekal Mouton & Kitshoff Inc, a stockbroking company and member of the JSE. He served as member of several JSE committees and was instrumental in various corporate transactions. He has 35 years' experience in financial management and investment banking. He is chairman of the PSG Group Limited, Zeder Investments Limited and Paladin Capital Limited and other board positions include KWV Holdings Limited and Pioneer Food Group Limited. He also serves as a trustee of various trusts administered on behalf of the University of Stellenbosch.



Franklin Abraham Sonn (71)
BA, HdipEd (Hons), FIAC

Franklin joined Steinhoff International as an independent non-executive director in 2002.

He was appointed democratic South Africa's first ambassador to the United States of America from 1995 to 1998. He returned to South Africa in 1999 and is the recipient of 13 honorary doctorates in law, education, humanities and philosophy from various institutions in South Africa, Europe and North America. He served as rector of Peninsula Technikon now Cape Peninsula University of Technology, for 17 years. He is the former President of the Afrikaanse Handelsinstituut and served as chancellor of the University of the Free State from 2002 to 2009. Current board positions, among others, include JIA Piazza (Proprietary) Limited (holding company for the 5-star Airport Sun Inter-Continental Hotel at OR Tambo Airport), Imalivest (Proprietary) Limited, African Star Ventures (Proprietary) Limited, Kwezi V3 Engineers, Ekapa Mining (Proprietary) Limited as well as non-executive director of Macsteel Service Centres SA, RGA Reinsurance Company of South Africa, Esorfranki Limited and Xinergistix Management Services (Proprietary) Limited. He is a trustee of the WWF SA and the Desmond Tutu Peace Trust.



Bruno Ewald Steinhoff (72)

Bruno is the founder of the Steinhoff group and served as chairman until the end of September 2008.

He relinquished executive duties with effect from 1 April 2008 and continues to serve as non-executive director. After studying industrial business, Bruno started his furniture trade and distribution business in June 1964 in Westerstede, Germany. In 1971, he expanded the business into manufacturing with the first upholstery factory in Remels. During the 1980s, Bruno acquired interests in central and eastern Europe and also ventured into South Africa in a joint venture with Claas Daun involving Gommagomma Holdings. He has 45 years' experience in the furniture business and more than 35 years' manufacturing experience. Bruno also serves on the regional board of Commerzbank for northern Germany.



Angela Krüger-Steinhoff (39)⁽¹⁾
BComm (Economic Science)

Angela obtained valuable business experience while working for various European and US Corporations prior to obtaining her degree in Economic Science in 1997 at the European Business School, Oestrich-Winkel, Germany.

She joined the Steinhoff group in 1997 as a financial manager. In 1999 she was seconded to act as managing director of the Australian operations. She resigned from the group at the end of 2005 and now attends to the Steinhoff Family Investments. She has 10 years' experience in the industry, specific knowledge of and extensive experience in management and investments globally. She was appointed as an alternate non-executive director to Bruno Steinhoff on 7 March 2007. Angela also holds a position on the advisory committee of OLB (Oldenburgische Landesbank AG) in Germany, to which she was appointed in 2009.

⁽¹⁾ Alternate non-executive director

MANAGEMENT TEAM

Northern hemisphere



CEO
Markus Jooste (49)
CA(SA)



CFO
Siegmar Schmidt (51)
CA

United Kingdom



CEO
Ian Topping (50)
MA, MBA



CFO
Philip Dieperink (54)
CA(SA)

Mark Ashcroft (53) Group company secretary
Bill Carrahar (47) MD: Bensons for Beds
Gordon Forsyth (52) Group property director
Ulrich Gaupp (43) MD: Hukla Matratzen
Clive Gilbert (38) MD: Cargo
Johan Martin (43) MD: Unitrans UK Limited
Andy Murdoch (58) MD: Manufacturing
Iain Stewart (60) MD: Reid Furniture
Ad van der Horst (57) MD: Norma
Alan Williams (49) MD: Sleepmasters

Southern hemisphere



CEO
Danie van der Merwe (52)
BComm, LLB



CFO
Ben la Grange (36)
CA(SA)

Pacific Rim

STEINHOFF ASIA PACIFIC



CEO
Bob Tucker (43)
BEc (Sydney), CA(Aus)



CFO and MD: Group services
Michael Gordon (44)
BComm, BAcc (Wits), CA(Aus)

Tim Schaafsma (37) Director of operations: Freedom and BayLeatherRepublic
Simon Beaty (54) MD: Snooze
Jenny Gulliver (46) Head of marketing
Debbie Ridling (41) MD: Freedom New Zealand
Italo Tius (60) Retail Director: Freedom Australia
Tony Dorevski (39) Director: Supply chain management



MD: Steinhoff International Sourcing
Tom Huang (36)
CA(SA)



MD: Alam Tannery
Mahmud Alam (46)
BComm (Hons)

Continental Europe

EUROPE UPHOLSTERY



CEO
Andreas Bogdanski (48)
Econ



CFO
Gerrit Venter (37)
CA(SA)



COO
Jürgen Mussmann (48)



LEGAL
Hans-Ulrich Bossas (55)
BComm, BProc

Jens Frühling (46) Sales
Christian Maarer (34) Sales

HABUFA



MD
Paul van den Bosch (48)
VEcon, MBA

OTHER EUROPEAN OPERATIONS

George Billert (45) MD: Sales and finance Puris Bad
Johannes Bühner (48) MD: Bruno Steinhoff GmbH
James Moore (51) European retail management
Johan Geurts (44) MD: Global warehouse
Gavin van der Merwe (50) European retail development
Gabor Wilhelm (56) European leather sales
Rainer Willeke (49) MD: Production Puris Bad

Africa

PG BISON



Chairman
Chris van Niekerk (63)
BA (HED)



CEO
Jan van der Merwe (51)
CA(SA)

Gary Chaplin (39) Director: Forestry/Timber beneficiation
Gerhard Victor (44) Director: Manufacturing
Philip Roux (40) Director: Logistics
Themba Siyolo (46) Director: Human resources
Justin Berry (38) Group product development and marketing manager
Garrett Miller (35) National sales manager panel products
Frans Olivier (31) Group financial manager

RAW MATERIALS



MD: Vitafoam
Frans Human (55)
BA

UNITRANS



CEO
Jo Grové (61)
AMP (Oxford)



MD: Automotive and financial services
Steve Keys (49)
CA(SA)



MD: Unitrans Passenger
Nico Boshoff (53)
CA(SA)



MD: Unitrans Supply Chain Solutions
Frank Wagner (49)
CA(SA)



MD: BCM and DesleeMattex
Nico Siebrits (50)
CA(SA)

AUTOMOTIVE:

Neil Rubelli (54) Group financial manager
Steve Cloete (36) Group service manager
Kassie Govender (41) Group parts manager
Nigel Biffen (54) CE: Hertz
Andre Rhoadie (44) MD: Unisure
Brynn Stephenson (54) CE: Toyota
Niel Kotze (46) Financial manager: Toyota
Kevin Gillmer (56) CE: VW/Audi
Juandre Els (33) Financial manager: VW/Audi
Gary Alge (46) CE: BMW
Gary Jarman (46) Financial manager: BMW/Daimler Chrysler/Nissan
Bernie du Plessis (59) CE: Nissan/Renault
Steven Siebers (58) General manager: Daimler Chrysler
Roy Pepper (48) CE: General Motors
Frederik Maré (45) Financial manager: General Motors

UNITRANS SUPPLY CHAIN SOLUTIONS:

Steve Ford (41) MD: Freight and Logistics
Charles Howes (59) MD: Fuel and Chemical
Benjamin Jamie (51) Financial director: Fuel and Chemical
Theunis Nel (44) MD: Sugar and Agriculture
Oscar Gardini (56) Financial director: Sugar and Agriculture
PASSENGER:
Vincent Kisten (48) Financial director
Leon Nelson (41) Technical director
Grant Fleetwood (39) Human Resource manager
Mark Venter (45) IT manager
Leon Engelbrecht (56) Divisional director: Intercity
Gunther Pohl (47) Regional manager: Megabus
Pieter Gouws (52) Regional manager: Megabus

STEINBUILD



MD
Theodore de Klerk (41)
BComm (Hons), CTA, HDip Tax

CHAIRMAN'S STATEMENT



Len Konar
CHAIRMAN

Dear Shareholder,

As we pass the 12th anniversary of our listing on the Stock Exchange in Johannesburg, I am pleased to report that Steinhoff International's performance during the past year has demonstrated our capacity to weather a challenging and sometimes unpredictable economic environment. The business has grown across a broad geographical base and the global market for our goods and services is continuing to show signs of improvement.

The year under review has been one of consolidation for Steinhoff International globally.

The group made good progress in ensuring that it continues to be positioned for sustainable long-term value creation whilst our financial performance is clearly evident in our results.

Our strategy of building quality businesses of scale and profitability with significant integration capability continues. Our European and African businesses delivered good results in line with their targets and strategic objectives.

OPERATIONAL REVIEW

It is management's focus and priority to deliver sustained profitable growth. These targets are measured in the respective local currencies in which the businesses trade.

Our mainland European businesses reported improved sales performances. This was supported by a resilient economy and strong consumer behaviour in countries such as Switzerland, Austria and Germany.

In new markets we have positioned ourselves to take advantage of opportunities. However, we invest prudently only where we believe the potential exists to develop strong businesses in the medium to long term. In established markets, we have invested in optimising our locations and have a comprehensive expansion programme in place across all our operations.

Group operating profit before capital items increased by 1% to R5 207 million. The group's profits benefited from a number of factors – most notably, improved performance from our South African motors and logistics division and operations across Europe in local currency. Our operating margins also improved for the group as a whole.

GROUP FINANCIAL PERFORMANCE

2010 was an outstanding year for Steinhoff International. It rounded off more than a decade of value creation for

shareholders. The impact of currencies on our results was significant and is reflected in our finance report.

Headline earnings increased by 9% to R3 504 million, whilst headline earnings per share rose by 1% to 254.6 cents. We increased the number of shares in issue by 10% to accommodate the investment in Hemisphere International Properties BV, the capital distribution and the additional investment made in KAP International Holdings Limited.

Managing cash flow and liquidity remained a top priority as the turmoil in financial markets continued through the year. Our net debt at the end of the year were at R9.2 billion (2009: R8.8 billion).

Capital distribution

Given the results of the group's businesses this year, the board has decided to recommend an increase of 5% in the level of the capital distribution, to 63 cents per share. Shareholders will receive capitalisation shares unless they elect to receive a cash distribution of 63 cents per share in respect of all or part of their shareholding. Our policy has been to pay an annual dividend/capital distribution covered at least four times by attributable earnings.

CORPORATE ACTIVITY

The group concluded the following transactions during the year:

- In South Africa, we raised new bilateral-term facilities amounting to R2.8 billion in aggregate, with maturity dates in 2013 and 2015. A portion of these loans was used to redeem certain facilities and the UTR01 note which reached maturity after year-end.
- As noted in our prior year annual report the group acquired the remaining interest in Hemisphere International Properties BV for €106 million, settled by issue and delivery of 72 143 777 Steinhoff International shares at R16.15 per share.

- Steinhoff Finance Holding GmbH (a subsidiary registered in Austria), was constituted as the intermediate holding company of the group's entire foreign operations. This enabled the group to increase the equity of Steinhoff Europe AG by €577 million.

CONTINUOUS IMPROVEMENT

Each of the divisions in the group showed continuous improvement across all the specific performance metrics that are applicable to their operations. This supported the excellent financial performance of the group as a whole. The concept of continuous improvement as a discipline is now well established and forms part of the key performance areas for each management team. As an example, initiatives ranged from procurement to operational efficiencies and risk management.

The group made further progress in refining and implementing best practice risk management processes and procedures. This included further developments in project and business risk and the initiation of the portfolio and risk audit processes. The board determined appropriate project risk tolerance levels and policies, which were integrated into the day-to-day activities. Compliance with these is regularly monitored.

CUSTOMER FOCUS

Our customers are critical to our success. Retaining and broadening these relationships and adding new customers are a key part of our strategy. Success has been measured through high levels of customer satisfaction, customer advocacy and a strong sales performance.

TRANSFORMATION

The Steinhoff group's vision of transformation is to actively promote skills development, employment equity and enterprise development. We believe that this will reduce opportunity barriers in South Africa and contribute to an

environment where there are more equitable opportunities for all South Africans. We recognise that the industry is faced with the challenge of transforming against the backdrop of a limited pool of black skills. Therefore, transformation efforts have been complemented by an increased focus on training and development.

We are pleased with the acceptance and bedding down of our 2008 BEE transaction with our stakeholders receiving their first distribution in March 2010.

The Steinhoff group and all its operations continue to make substantial corporate social investments as explained in more detail in our corporate sustainability report.

REMUNERATION

We are committed to the principle of sensible market-related remuneration structured to align our business objectives with long-term shareholder interests. Steinhoff International's strategic objective focuses on delivering sustainable value over time.

The board of directors and executive management measure Steinhoff International's progress against these strategic objectives. Progress is then benchmarked using financial and non-financial measures. Performance is then appropriately rewarded as described in more detail within the remuneration report included in the annual financial statements.

OVERSIGHT AND GOVERNANCE

The board takes its governance responsibilities seriously. We carried out a detailed review of our governance framework during the year. This included the way we view and define the roles of the board, its committees, its chairman and chief executive. Our audit committee oversaw a thorough review of financial controls and related risks across the group.

We also performed a comprehensive board and committee evaluation exercise and have identified the issues we need to address in our practices.

During the year under review, we completed a review of the board charter and board committees, including an examination of the respective committee charters and a performance review of each director, including the chairman, to ensure that our board criteria are maintained.

I am pleased to note our progress with the implementation of the recommendations of the King Code on Corporate Governance (King III), which is described in our corporate governance report appearing on page 70.

RISK

The board is pleased with the further progress made during the year in embedding our groupwide risk management practices and systems. At each board meeting we monitor the adequacy and effectiveness of our risk management policies and procedures.

OUTLOOK

Uncertainty remains about a sustained improvement in market conditions. However, regardless of this, we are committed to the long-term growth of our business. It is management's focus and priority to deliver sustained profitable growth measured in the respective local currencies in which our businesses trade.

We continue to support our businesses and to invest in our people and infrastructures. We know that this will enable us to deliver quality products and services to our customers and to provide acceptable long-term returns to our shareholders.

Corporate opportunities and strategic partnerships are continuously evaluated, in Europe and in southern Africa in line with our business model of increasing the group's retail footprint.

We firmly believe that we have the appropriate strategy in place for the group and remain confident about the future.

BOARD OF DIRECTORS

I am happy to welcome Ben la Grange to the Steinhoff International board as an alternate director to Frikkie Nel. He brings a wealth of experience in his capacity as the southern hemisphere's chief finance officer.

Dirk Ackermann reached the mandatory retirement age for non-executive directors and retired from the board on 7 December 2009. Dirk joined the board in September 1998 and has been chairman of the company's human resources and remuneration committee since that time. The board is grateful for his commitment and valuable counsel during his tenure.

APPRECIATION

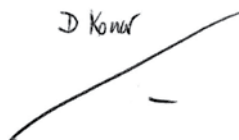
On behalf of the board, I would like to thank all the staff of Steinhoff International for their efforts and contributions during the past year. The group has clear strategies for future growth and the year ahead has many opportunities and challenges for all in the group.

I want to express our thanks to the management and employees for their continued support and dedication which have sustained the group through the challenges of the year.

To my colleagues on the board, I also extend my gratitude for your valued support and counsel. Together, we can look forward with confidence to the year ahead.

The progress made in 2010 is a true reflection of our combined efforts during the year.

Sincerely



Len Konar

7 September 2010

CHIEF EXECUTIVE'S REVIEW

A portrait of Markus Jooste, the Chief Executive, smiling and wearing a dark suit, white shirt, and blue patterned tie. He is standing with his hands in his pockets against a light grey background with faint circular patterns.

This last year was characterised by:

- global operational focus on securing sustainable revenue streams to improve our resilience in the face of possible continued market volatility; and
- investment activities focused on extending our European retail footprint.

Markus Jooste
CHIEF EXECUTIVE

The strategic investments and initiatives embarked on in earlier years supported the group in successfully weathering the economic downturn and continue to support growth in the current, less uncertain, economic environment.

Strong management teams in Europe and Africa delivered growth in gross revenue and margins throughout these businesses.

STEINHOFF EUROPE

The mass-market volume segments of the furniture and household goods market encompasses the majority of our retail investments and European exposure. The economies of scale and integrated capability of our group operations, coupled with our mass-market product bias, continue to enhance our competitiveness in this market. These factors supported good revenue growth in a challenging market.

United Kingdom

In the UK the household goods industry showed signs of stabilisation following a period of great uncertainty. Our retail operations reported encouraging growth and continue to reap benefits from the industry rationalisation during the downturn that led to improved terms from suppliers and landlords. However, we anticipate that continued pressure on trading conditions and the general economy will dampen the rate of consumer confidence recovery. Therefore, we have adopted a conservative expansion strategy focusing on growing market share through consistent advertising and marketing activities.

At the same time, we have committed to improving margins by optimising trading densities and by the stringent management of costs and overheads – particularly in our retail operations. We made significant inroads to improve operating margins – including a decision to close a number of Reid stores, mainly in Ireland.

The revenue growth of the UK beds manufacturing operations was driven by strong demand from large key independent retail customers and group-owned bedding retail chains. This balanced sales exposure provides the operations with a solid base from which to grow, and an intrinsic knowledge of evolving consumer needs.

Continental Europe

In Continental Europe, economies remained resilient – specifically those of Germany, Austria and Switzerland – and exceeded our expectations by supporting a strong set of results for our operations in these regions.

Retail activities which serve the value market segment, delivered excellent sales performances and consistent operating margins. New concept stores reached profitability earlier than expected, which bodes well for our ongoing store roll-out plan throughout Europe in the next year. A larger retail footprint will further enhance supply efficiencies, and subsequently translate into higher margins for our combined retail business.

Our accelerated roll-out of branded studios that ultimately exposes us to the premium market segments, proved very successful during the year under review. The positioning and sales performance of these exclusive studios such as Henders & Hazel, Esprit, Hukla, Designwerk and Dieter Knoll proved successful, with the demand for these studios reaching an all time high. These brands will be leveraged to further penetrate this segment of the retail market throughout Europe.

Our continental European manufacturing divisions again delivered excellent results, through exceptional product innovation, quality standards and customer service levels. In addition, our trading division provides the European retailers with exclusive imported ranges and are complemented by a full service backup. These trading divisions are becoming increasingly integral to our groupwide customer base while providing further scale benefits and opportunities for our China-based sourcing office.

Eastern Europe

The recent investments made to streamline and consolidate the manufacturing, warehousing, distribution and customer service functions into one cohesive organisation in

Poland, supported good results from the eastern Europe manufacturing operations. This meant we were able to capitalise on the opportunities brought about by the weak eastern European currencies and the accelerated demand from central Europe, particularly Germany. Also, the introduction and high demand for studio concepts from our traditional trade brand portfolio further increased sales and bodes well for future growth of these product lines.

The retail environment in eastern Europe remains under pressure. During the past three years the group has been actively investing in the roll-out of an eastern European retail footprint through joint-venture agreements with other European retailers wanting to enter this territory. Entering these territories during the past three years has proved very beneficial for the group. The subdued retail environment provided the group with good terms to either invest in new retail sites or acquire existing retail footprints through joint-venture partnerships. The group has continued to take advantage of these favourable investment terms and these investments account for the majority of the capital investments during the year under review. These investments will ultimately facilitate the group's future growth and distribution of products throughout these territories, and will form the foundation of the growth targets set for the foreseeable future.

Australia and New Zealand

In Australia and New Zealand, sales growth did not quite meet expectations. This confirmed our view that difficult retail trading conditions persisted as higher interest rates suppressed demand and consumers remained cautious. Our retail operations in Australia and New Zealand appeal to affluent consumers and are more exposed to discretionary spend. Margins increased substantially compared to the previous year despite lower sales revenue in the Australian retail chains.

However, based on encouraging indicators of recovering revenue at improved margins, the new management team is

confident of reaching traditional Freedom customers with the product, price points and service levels that have historically been successful in driving growth in this territory.

Asia

Risks which we had identified in our sourcing business prior to the economic downturn, including labour and cost inflation, returned to the agenda especially in the second half of the year. Even though labour costs form a relatively small part of the imported Chinese product range, our priority remains to expand our sourcing capacity in other regions, to mitigate these risks.

Notwithstanding these challenges, the division remains our fastest growing business with reported annual growth of more than 30% in the current financial year. With increased scale benefits and the experience of our team in Asia, we have the capacity to provide our own retail chains and strategic partners with superior service levels and competitively priced products sourced in the East.

STEINHOFF AFRICA

The diverse industrial nature of the African businesses once again translated into good revenue and margin growth even though the business environment remained subdued throughout the financial year.

In particular, the timber business is competing in an industry that was severely impacted by the downturn and has not yet shown clear signs of any upturn. To address these trends we are introducing innovative product enhancements and are entering new markets to reduce the dependence on South African revenues where the group already has a strong market position.

In contrast, the integrated supply chain and logistics businesses of Unitrans reported a good performance. The focus on cash management and operating cost control, coupled with sustainable long-term contractual revenue streams, has contributed to the division's success during the

The group's vertically integrated business model remains a key competitive advantage and, with its flexibility of supplementing our own produced goods with third-party sourced products, continues to result in market share gains.

year. The strategic business model of focusing on contractual revenues, with a high degree of specialisation and therefore higher barriers to entry, continues to drive good growth and deliver on the group's return on investment targets.

New long-term contracts in the warehouse and distribution market segment contributed to the division's margin growth during the year. We will continue to concentrate on this market segment, leveraging on the groupwide system and supply chain knowledge without a material incremental investment requirement.

The Passenger division benefited from the increased revenue streams resulting from the 2010 FIFA World Cup™ without additional fleet investment. More importantly, new long-term commuter transport contracts concluded during the year will continue to fuel sustainable growth.

Trading conditions started improving in the latter part of the year in our direct consumer facing businesses, including automotive sales and services and our building material retail outlets. Growth was driven by improved sentiment and increased credit approval rates which continued after year-end, which affected, in particular, in the Automotive division.

CONTINUED INVESTMENT FOCUS

Steinhoff Europe

During 2010 management continued to fully integrate the retail acquisitions of previous years, strengthening the revenue and margin generation capability of newly acquired businesses.

Our priorities remain the ongoing evaluation of opportunities to advance our strategic goals and, ultimately, improve the group's returns.

Steinhoff Africa

Our investment priorities remain focused on growing our integrated logistics businesses and developing and growing our integrated timber and raw material businesses in neighbouring African countries.

OUTLOOK

The group's vertically integrated business model provides us with a tangible competitive advantage. Its flexibility of supplementing our own produced goods with third-party sourced products continues to support market share gains. The positive sentiment, arising from resilience and growth within the German market, spilled over into improved consumer confidence and spending patterns. Germany remains the largest single market to which the group is exposed.

Our investments in the retail segment present exciting prospects, particularly in view of our expanded footprint in eastern Europe.

We continuously evaluate corporate opportunities and strategic partnerships in Europe and in southern Africa, in line with our business model of increasing the group's retail footprint.

APPRECIATION

My management team and I extend our heartfelt gratitude to our chairman and non-executive directors whose guidance and experience continues to add significant value to Steinhoff International.

To all our employees, thank you for the part you have already played, and will continue to play, in building a sustainable and successful business which will be a source of great pride to us all for many years to come.



Markus Jooste

7 September 2010

FINANCE REPORT

REVENUE PER SEGMENT



- 36%** Manufacturing and sourcing of household goods and related raw materials
- 10%** Logistics services
- 2%** Corporate services
- 33%** Retail activities – household goods and building supplies
- 19%** Retail activities – automotive



Frikkie Nel, FINANCIAL DIRECTOR
Stéhan Grobler, DIRECTOR TREASURY
AND FINANCING ACTIVITIES

	2010	2009	2008	2007	2006
Revenue (Rm)	48 040	50 869	45 046	34 229	30 159
Operating profit before capital items (Rm)	5 207	5 153	4 662	3 059	2 715
Operating profit margin (%)	10.8%	10.1%	10.3%	8.9%	9.0%
Profit attributable to shareholders (Rm)	3 541	3 379	3 310	2 970	1 949
Earnings per share (cents)	251.5	254.7	249.8	241.9	165.6
Headline earnings per share (cents)	254.6	251.5	263.5	200.1	172.5
Cash generated from operations (Rm)	5 698	3 934	5 485	3 454	3 486

INTRODUCTION

We are delighted to report another pleasing set of results despite the consumer environment remaining challenging and economic conditions (and currencies) volatile. Our vertically integrated businesses generated significant margin improvement on sustainable revenue, which is in line with our various strategic initiatives.

OPERATING PERFORMANCE

Revenue

The group's reported revenue amounted to R48 billion which necessitates a review of the underlying achievements of the operating divisions.

Gross euro-denominated revenue increased to €3.7 billion from €3.4 billion in the previous year, while rand-denominated revenue increased to R20.7 billion from R19.3 billion.

The group's reporting currency (rand) strengthened by 14% against the euro during the year. This, coupled with the weaknesses in eastern European currencies (in which the majority of the group's manufacturing revenues are generated), meant that the real growth within the group's underlying businesses is not apparent when translated and evaluated in rand.

However, on a *pro forma* constant currency basis, group revenues would have been up by 3% instead of, as reported, down by 6%.

Key performance indicators

Primary key performance indicators which are used to measure operational management and to manage the financial performance of the business proved successful and remain in place. During the year under review, cash management was further enhanced by introducing additional operational cash targets as key performance indicators.

Key performance indicators include:

- The analysis of volumes and sale prices against budget and how the business is regenerating itself in the short term and positioning itself for the long term
- A comparison of internal measures to market measures
- Cash flow generated
- Rising costs through which we manage and analyse the cost base in relation to sales
- Operating profit margin progression over time, which demonstrates the overall quality of the business and earnings

The analysis set out below is provided in terms of the local currency of each of the respective divisions.

- **Retail of household goods and building supplies**
The European retail business, particularly within continental Europe, reported increased sales driven by a buoyant consumer market.

The resilient performance of the UK retail businesses in the traditionally weaker first half of the financial year, shielded the group from the weak consumer spending cycle that followed in the second half of the financial year. The UK beds division increased revenue and growth, with increased sales through internet trading benefiting all the UK furniture divisions.

In the Pacific Rim, retail sales were slightly weaker than the prior year in a market that was characterised by tough competition and persistent discounting.

In southern Africa, the building supply retail business experienced weak demand as a result of a subdued construction market evidenced by a decrease in the number of building plans approved.

- **Retail automotive**
The division improved its share of dealer sales in all the franchises it represents. This division increased its market share and should continue to do so in the future.

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

The UK beds manufacturing division increased intragroup volumes by 30%. Demand for the new roll-up mattress concept exceeded expectations and the automotive industry's recovery resulted in Pritex increasing its revenue by 30% over the prior year.

The group's production facilities in eastern Europe reported encouraging volume growth. The roll-out of exclusive product studios into our retail alliance partners' networks continues to add turnover growth.

The international sourcing division increased the number of orders processed and containers shipped.

The decline in the South African construction and furniture markets continued to impact the group's timber operations adversely. The South African foam operations increased volumes during the year.

- **Logistics services**

Unitrans delivered an excellent set of results. The Freight and Logistics division benefited from the growth in supply chain and warehousing service contracts, while the Fuel and Chemical division capitalised on their commitment to safety and growing volumes from the existing customer base. The Sugar and Agricultural division reported substantial growth. The Passenger division achieved record results.

- **Corporate services**

- Brand management: comprises group income whereby the group charges market-related royalties to its group operations for centrally owned and managed brands. Central royalty income is only applicable to certain of the group's operations and increased slightly, in euro terms, for the year under review.
- Investment participation: comprises income earned in respect of investments and loans with

strategic retail alliance partners in continental Europe and increased by 60% in euro terms in line with increased investments (as disclosed in the segmental report).

- Central treasury, properties and other activities: comprise all group and treasury-related income as it relates to central operational hedging activities, volume rebates, trade commissions, discounts and similar income and rental received on properties owned by the group. The 39% decrease in central treasury income reflects the challenging market conditions and volatility of operational currencies.

Operating margin

The group's focus on optimising the supply chain and maximising intragroup business improved the average operating margin from 10.1% in 2009, to 10.8% for the year under review.

The 14% growth in intragroup trading (although eliminated on consolidation) protected margins by cutting costs from the supply chain.

OPERATING MARGIN BEFORE CAPITAL ITEMS	2010	2009
	%	%
Retail activities	5.1	5.2
– Household goods and building supplies	6.3	6.4
– Automotive	2.9	2.8
Manufacturing and sourcing of household goods and related raw materials	10.8	10.8
Logistics services	11.5	11.7
Total after intersegment eliminations	10.8	10.1

Net finance charges

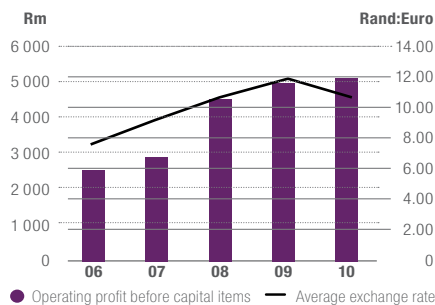
Net finance charges decreased by 5% to R953 million (2009: R1 000 million) reflecting the benefits to the group of the relatively low interest rate environment prevalent in the majority of the regions in which the group operates. Sound cash and working capital management, coupled with the enhancement of operational cash flow targets, also contributed to lower finance charges.

The group's focus on optimising the supply chain and maximising intragroup business improved the average operating margin from 10.1% in 2009, to 10.8% for the year under review.

EXCHANGE RATES (RAND:EURO)	2010	2009	2008	2007	2006
Average rate	10.5954	12.3503	10.7631	9.4103	7.8196
Closing rate	9.3781	10.8265	12.3341	9.5735	9.1600

	AVERAGE TRANSLATION RATE			CLOSING TRANSLATION RATE		
	2010	2009	% change	2010	2009	% change
EUR:ZAR	10.60	12.35	(14.2)	9.38	10.83	(13.4)
EUR:PLN	4.31	3.91	10.2	4.15	4.47	(7.2)
EUR:GBP	0.83	0.82	1.2	0.81	0.85	(4.7)
EUR:AUD	1.59	1.7	(6.5)	1.43	1.75	(18.3)
EUR:USD	1.31	1.49	(12.1)	1.22	1.43	(13.5)
EUR:HUF	279.45	254.73	9.7	286.46	272.47	5.1
EUR:NZD	1.96	2.12	(7.5)	1.75	2.17	(19.4)
EUR:CHF	1.42	1.57	(9.6)	1.32	1.52	(13.2)

AVERAGE RAND:EURO EXCHANGE RATE COMPARED TO OPERATING PROFIT BEFORE CAPITAL ITEMS



Currency impact

The group is exposed to currency fluctuations which have an impact on our rand reported results due to its geographical diversity. The group's revenue achieved outside South Africa

(foreign revenue) is primarily denominated in euro, UK pound (pound), Polish zloty (zloty), Australian dollar and US dollar.

The average translation rate used for converting euro income and expenditure to rand was R10.5954:€1 compared to R12.3503:€1 for the previous financial year, a 14% strengthening of the rand. The majority of the group's assets and liabilities are situated in Europe, and were translated into rand using a closing rate of R9.3781:€1 compared to R10.8265:€1 in the previous financial year, a 13% strengthening of the rand. The group does not hedge the currency translation risk pertaining to its reporting in rand.

On a *pro forma* constant currency basis (which restates the current year's results using the same average euro translation rate as the prior year):

- Revenue would have increased by 3% compared to a reported decrease of 6%.
- EPS and HEPS would have increased by 12% and 15% respectively, compared to a reported decrease of 1% and increase 1% respectively.

Taxation

The effective tax rate is lower than the South African statutory tax rate primarily as a result of the following:

- The group operates in a number of countries in which the statutory tax rate is lower than in South Africa.
- The group owns and manages most of its brands in Switzerland, where the taxation applicable to intellectual property holding companies ranges between 8% and 12%.
- The group benefits from various taxation dispensations in selected eastern European countries where it operates.

We expect that, for the foreseeable future, the effective taxation rate will remain below 15%.

As disclosed under contingent liabilities since 2007, a group company has been involved in a R129.7 million tax dispute with the South African Revenue Service (SARS). Subsequent to year-end, the group settled the dispute for R18 million (including finance charges). The group is not aware of any outstanding material tax queries in any of the countries where it operates.

Earnings per share (EPS) and headline earnings per share (HEPS)

Earnings attributable to owners of the parent increased by 5%, while headline earnings increased from R3 226 million to R3 504 million, an increase of 9%. In calculating headline earnings, a R44 million capital loss net of taxation (2009: R41 million capital profit) was added back to earnings. This loss mainly comprised a loss on disposal of an associate investment, Amalgamated Appliances Holdings Limited, and impairment charges on property, plant and equipment.

The EPS and HEPS were also affected by the acquisition of the controlling interest in Hemisphere International Properties BV, with effect from 1 July 2009 (see the directors report in the financial statements on page 31) and the capitalisation share issue in 2009.

All earnings per share numbers for the comparative year were restated to reflect the effect of the 'bonus element' (calculated in terms of IAS 33 – *Earnings per Share* paragraph 26) of the 7 December 2009 capitalisation share award.

EPS decreased by 1% to 251.5 cents per share, while HEPS increased by 1% to 254.6 cents per share.

CAPITAL MANAGEMENT

The objective of our capital management strategy is to maintain an optimal level of capital in the most cost-effective manner. Gearing is monitored on a groupwide basis, in line with external covenants as well as internal limits and covenants set by the board.

The focus continues to be on ensuring capital strength after taking into account all planned projects and providing for unexpected events. The approved capital plan is reviewed and stress tested on an ongoing basis. Based on our evaluation of the normal to more severe scenarios, we believe that the group is appropriately capitalised.

Given the prevailing uncertainty in the international and domestic financial markets, availability of funding and liquidity remained a primary focus during the year under review. The group focused on refinancing activities and successfully addressed all its short-term refinancing needs. We also extended the tenure of existing long-term funding and enhanced the mix between longer- and short-term debt.

The group finances its operations through cash generated from operations and a mixture of short-, medium- and long-term bank credit facilities, bank loans, corporate and convertible bonds and commercial paper. This provides us with a balanced range of funding sources.

Long-term capital expansion projects are financed by a combination of floating- and fixed-rate long-term debt. Debt is normally financed in the same currency as the underlying operation or project and repayment terms

Earnings attributable to owners of the parent increased by 5%, while headline earnings increased from R3 226 million to R3 504 million, an increase of 9%.

are designed to match the cash flows expected to be generated from the project.

The statements of financial position of Steinhoff Europe AG (Steinhoff Europe) and Steinhoff Africa Holdings (Proprietary) Limited (Steinhoff Africa) are separately managed. The group's foreign debt is mainly denominated in euro and was converted at a closing rate of R9.3781:€1, a 13% decrease from the conversion rate on 30 June 2009.

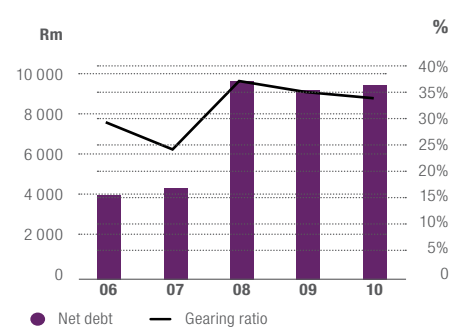
On 17 December 2009, FitchRatings downgraded Steinhoff International's national long-term rating to A-(zaf) and the short-term rating to F2(zaf), but revised the outlook on Steinhoff from negative to stable. The downgrade reflects Fitch's concerns regarding the downturn in the retail sectors in the regions in which the group operates. This re-rating was prior to the refinancing of the debt during the second part of the financial year under review.

In March 2010, Moody's initiated coverage on Steinhoff International, and awarded the group a Ba1 international long-term rating with a positive outlook.

As at 30 June 2010, the group had net interest-bearing debt of R9.2 billion (2009: R8.8 billion) resulting in a net debt:equity ratio of 34% (2009: 35%). Included in net debt is R5.1 billion (2009: R4.7 billion) of cash and cash equivalents. The group also has unutilised borrowing facilities of R7.2 billion (2009: R3.9 billion).

NET DEBT	2010	2009
	Rm	Rm
Long-term interest-bearing loans and borrowings	(15 107)	(12 704)
Short-term interest-bearing loans and borrowings	(3 143)	(5 111)
Bank overdrafts	(98)	(67)
Funds on call and deposit	102	1
Bank balances and cash	5 019	4 735
Gross debt net of cash	(13 227)	(13 146)
Liquid interest-bearing investments and loans	4 026	4 312
Net debt	(9 201)	(8 834)

GEARING RATIO AND NET DEBT



The group maintains an appropriate long-term debt maturity profile. All material debt facilities with maturities falling within the 2010 calendar year were successfully refinanced prior to the year-end.

Due to debt-raising initiatives, it was decided on 6 July 2009 to restructure the statement of financial position of Steinhoff Europe, the holding company of the foreign group. This restructure resulted in Steinhoff International and Steinhoff Investment reclassifying their shareholders' loan accounts to the foreign group as net investments in foreign operations.

During the year, Steinhoff Finance Holding GmbH (registered in Austria) (Steinhoff Finance) was constituted as the intermediate holding company of the group's entire foreign operations, which enabled the group to increase the equity of Steinhoff Europe by €576.9 million.

Steinhoff Europe successfully negotiated a €340 million syndicated loan facility maturing in March 2013 to replace the €235 million syndicated loan facility which matured on 31 July 2010.

The maturity dates for the European amortising-term loans were extended to 31 July 2012 and 31 March 2013, and the group entered into a €20 million long-term structured loan.

The following new funds were raised by Steinhoff Africa:

- R650 million revolving-term loans maturing between June and July 2013, with interest rates ranging between JIBAR plus 2.30% and JIBAR plus 2.45%
- R1 100 million in term loans maturing during July and August 2013, with interest rates ranging between JIBAR plus 2.25% and JIBAR plus 2.60%
- R1 070 million amortising-term loans maturing during July 2015, bearing interest at rates ranging between JIBAR plus 2.50% and JIBAR plus 2.85%

The above funds were used to replace the R750 million loans maturing in September and November 2010, a R300 million short-term call facility and to redeem the UTR 01 note (R400 million) subsequent to year-end.

The group utilised its commercial paper programmes by maintaining regular issuances during the year.

Funding for the Micawber BEE structure was rolled to December 2013, with the interest rate increasing from 67% of SA prime rate to 77% of SA prime rate from 1 December 2010. On 15 April 2010, it was agreed to swap Micawber's investment in 26 000 000 KAP International Holdings Limited ordinary shares for 2 945 843 Steinhoff International shares. The value of the swap on the transaction date was R60 949 200.

Although funding for the Fundiswa BEE structure was extended to January 2012, Fundiswa monetised its Steinhoff International share investment during June and July 2010, which resulted in the external debt being redeemed on 13 August 2010.

CASH FLOW ANALYSIS

Cash flow remains a key performance indicator for the group and forms part of all divisional managements' performance

criteria. All short-term incentive bonuses have been enhanced, with primary focus being on cash management and optimisation of working capital. This is in line with the group's strategy to be in a position to take advantage of opportunities brought about by the volatile market conditions.

The focus on cost efficiencies and working capital management underscores the group's cash generative ability and positions it well for ongoing strategic expansion.

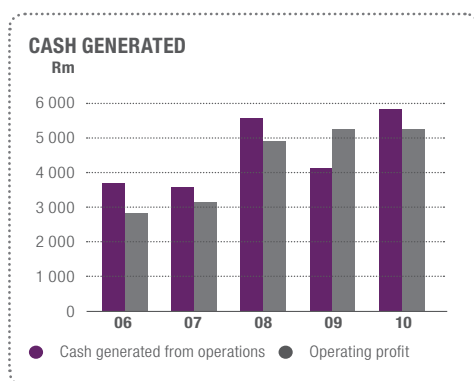
CASH FLOW	2010	2009	
	Rm	Rm	%
Operating profit before capital items	5 207	5 153	1
Depreciation	920	975	(6)
Revaluation of biological assets and other non-cash adjustments	(53)	(257)	(79)
Working capital changes	(376)	(1 937)	(81)
Inventory	(241)	541	
Debtors and other current assets	(619)	(933)	
Creditors and other current liabilities	484	(1 545)	
Dividends, taxation and interest	(1 226)	(1 350)	(9)
Cash flows from operating activities	4 472	2 584	73
Investing activities	(3 271)	(3 987)	
Capital expenditure	(747)	(1 273)	
Investment in subsidiaries	73	(30)	
Increase in investments and loans	(2 609)	(1 791)	
Increase in investment in associates	(148)	(860)	
Decrease/(increase) in treasury shares	160	(33)	
Financing activities	(218)	1 701	
Movement in cash and cash equivalents	983	298	

The group's net cash flow generated from operations amounted to R5.7 billion, which is an increase of 45% compared with the prior year (2009: R3.9 billion). This was determined after taking into account an increase in net working capital of R376 million (2009: R1 937 million), a decrease of 81%. This decrease is primarily as a result of our prior year initiative to enter into new markets by granting extended credit terms to insured debtors, having stabilised

The group's net cash flow generated from operations amounted to R5.7 billion, which is an increase of 45% compared with the prior year (2009: R3.9 billion).

during the year under review. The supplier consolidation process embarked upon in the sourcing operation has also been completed during the year under review.

The group's cash flow from operating activities increased by 73% to R4.5 billion (2009: R2.6 billion) which reflects management's priority of delivering sustainable earnings growth, supported by solid cash generation.



In accordance with the revised IAS 16 – *Property, Plant and Equipment*, all fleet vehicles sold by our car rental business, are no longer classified as investing activities. Instead, these are classified as inventory from the date that such vehicles are no longer held for rental purposes.

Capital expenditure is largely restricted to maintaining the group's current operational capacity. The increase in investments and loans includes an amount of R1.5 billion that was spent in terms of the group's big format retail store expansion in eastern Europe with its preferred retail joint-venture partners.

DISTRIBUTIONS

All shareholders will be awarded a capitalisation share award (the share award) from the share premium account, with the right to decline the share award and elect to receive a cash distribution of 63 cents per share. Details of payment dates and related matters are disclosed in the directors' report,

with full particulars to be distributed to shareholders in due course. This is a cash distribution cover of approximately four times headline earnings per share and basic earnings per share.

INTANGIBLE ASSETS AND GOODWILL

All intangible assets and goodwill were assessed for impairment. For more information on the underlying assumptions and testing methods, refer to notes 9 and 10 of the group annual financial statements. These impairment tests did not result in material impairment charges during the current year. Impairment testing was done on a basis consistent with the prior year.

KEY AREAS WHERE MANAGEMENT'S JUDGEMENT HAS BEEN APPLIED

Depreciation rates

An entity is required to measure the residual value of an item of property, plant and equipment as the amount the entity estimates it would currently receive for the asset if the asset was already of the age and in the condition expected at the end of its useful life. Although the group made use of all available market information in assessing the residual values and useful lives of these assets, these could vary depending on a number of factors, such as technological advancements and changes in property markets.

Impairments and fair valuations

Impairment assessments of property, plant and equipment, goodwill and intangible assets are performed annually. Intangible assets and goodwill are primarily tested using the relief-from-royalty method or discounting the future cash flows expected to be generated by these assets. The relevant cash flows are then discounted using the weighted average cost of capital (WACC) and the net present value of these cash flows is compared to the current net asset value and, if lower, the assets are impaired to the net present value. Management uses its best estimates when forecasting market conditions and expected useful lives that drive these calculations, but these estimates can also be influenced by a number of different factors in various countries.

WACC drives many of the group's fair valuation estimates. The WACC rate differs from country to country and for different industries. The resulting net present value for similar cash flows year on year will be influenced by changes in the WACC rate. External uncontrollable variables, such as interest rates, influence the WACC rate, and could result in impairments or reversal of previous impairments. The principal assumptions used in calculating the carrying values of intangible assets are highlighted in note 10 to the group annual financial statements.

The group also owns and manages timber plantations for use in manufacturing timber products. The Faustman formula and discounted cash flows were applied in determining the fair values of the plantations. In the current year, the carrying value of the group's consumable biological assets was increased, as explained in more detail in note 14.

The Faustman formula comprises many variables including timber prices and timber yields that are influenced by a number of external factors and could result in material fluctuations in the fair valuations of the group's timber interests.

Valuation of financial instruments

Derivative financial instruments are marked to market at statement of financial position date. The value of these derivative instruments fluctuates daily and the actual amounts realised may differ materially from the value at which they are reflected on the statement of financial position date.

Refer to note 19 to the annual financial statements for further details.

RISK MANAGEMENT

The group's success in its overall strategy is largely attributable to its business philosophy which supports decentralised, autonomous business units with an entrepreneurial culture.

The board recognises that some elements of risk management can only be achieved on an integrated basis. Financial risks such as exchange rate risk, interest rate risk, liquidity risk and commodity price risk are largely controlled centrally and explained in the risk management section of the corporate governance report.

We draw your attention to some pertinent risks within the business.

Financial risk management

The group's financial instruments are listed in note 19 of the group annual financial statements. Derivative instruments are used by the group for hedging purposes.

Such instruments include forward exchange and currency option contracts and interest rate swap agreements. The group does not speculate in trading derivative or other financial instruments.

A finance forum consisting of senior financial group executives meets regularly to analyse currency and interest rate exposure and to re-evaluate treasury management strategies in the context of prevailing economic conditions and forecasts. The finance forum also reviews the hedging policy of the group on an annual basis.

Liquidity risk management

The group's policy is to spread debt maturities over a wide range of periods in order to manage the risk of excessive refinancing risk in any one-year period. The group further manages liquidity risk by monitoring the forecast cash flows and maintaining adequate unused borrowing facilities. The group uses a variety of debt suppliers and instruments to limit its exposure to any one supplier or instrument. The group successfully extended its debt maturity profile during the year.

Currency risk management

The principal objective of our currency risk management and hedging strategy is to seek to mitigate exposure

Our objective is to ensure a robust statement of financial position that can protect and support the operating divisions and ensure that the group is well positioned when business conditions improve.

to movements in foreign exchange rates for the major currencies the group is exposed to taking into account the potential effect on our net debt and related credit statistics. It is group policy to hedge exposure to operational cash transactions in foreign currencies other than the reporting currency of the underlying operation for a range of forward periods, but not to hedge exposure for the translation of reported profits in the different jurisdictions and ultimately for reporting purposes to rand. In addition, currency assets are hedged by way of currency borrowing where practicable.

The responsibility for monitoring and managing these risks is that of management in conjunction with the central treasury and foreign exchange support functions.

Interest rate risk management

Interest rate exposure is managed within limits agreed by the board. The group continues to manage its interest rate exposure by maintaining a mix of fixed and floating rates of interest. This is done either directly by means of fixed- or floating-rate debt issues or by use of interest and cross-currency swaps. The use of derivative financial instruments relates directly to underlying existing indebtedness and exposure.

All treasury transactions are undertaken to manage the risks arising from underlying activities and no speculative trading is undertaken.

As part of the process of managing the group's borrowing mix, the interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates with an appropriate maturity profile.

Credit risk management

Trade accounts receivable and short-term cash investments pose a potential credit risk to the group. The role of the group's credit function is to set consistent standards for assessing, quantifying (scoring), monitoring, mitigating and controlling the credit risk introduced by contractual

obligations of trading partners and commercial clients.

The group's trade accounts receivable consist mainly of a large and widespread customer base. Group companies monitor the financial position of their customers continually, and appropriate use is made of credit guarantee insurance. The granting of credit is controlled by application procedures and setting account limits. Provision is made for both specific and general bad debt. At year-end, management did not consider there to be any material credit risk exposure that was not covered by credit guarantee insurance or the bad debt provision. In the current economic climate, a high level of attention was paid to analyse the creditworthiness of existing and potential customers.

Cash surpluses and short-term financing needs of manufacturing and sales companies are mostly centralised at the African, European and Asian Pacific central offices which invest net cash reserves on the financial markets, mainly in short-term instruments indexed to variable rates.

Downturn in the global economy

Steinhoff International maintains geographically and operationally diverse businesses to help protect the group against an economic downturn in specific regions. The geographical spread of the manufacturing, sourcing, retailing and warehousing functions allows units to adjust operations quickly to counter market difficulties.

Regulatory environment

The board utilises various committees, led by functional experts, throughout the group to communicate to key management within our business units the direction and effect of possible legislative and regulatory changes of countries in which we operate.

Acquisition risk

A formal due diligence process and procedure is in place that sets out the approach and framework to be used when acquisitions are made. This includes continuous strategic analysis of intended targets, development of acquisition criteria, both in terms of the group's strategic direction and

potential value creation for the respective business units of the group.

A dedicated merger and acquisition department reviews and manages the entire process relating to mergers and the application and implementation of business combinations.

All possible merger and acquisition opportunities are reviewed by the executive committee.

Insurance risk management

Where cost-effective, the group maintains a wide-ranging insurance programme, providing financial protection against unforeseen events that could cause financial loss.

All risks are considered to be adequately covered, except for political risks. Self-insurance programmes are in operation, covering primary levels of risk at a cost more advantageous than open-market premiums. Regular risk management audits are conducted by the group's risk management and insurance consultants, whereby improvement areas are identified and resultant action plans implemented accordingly.

Pension and provident fund risk

A suitably qualified board of trustees exists for each fund, where statutorily required, which, together with professional investment advisors and internal investment subcommittees, is responsible for evaluating the effectiveness of investment decisions. The group and, where applicable, relevant subsidiaries remain committed to its retirement obligations to current and former employees, and to retirement benefits in general as a key part of its remuneration package.

FINANCIAL STRATEGY AND TARGETS

There is uncertainty regarding sustained improvement in market conditions; however, we are committed to the long-term growth of our operations.

We continue to evaluate and assess the strength of the group's statement of financial position as well as that of Steinhoff Africa and Steinhoff Europe respectively. Where required, we will support our main holding and operating

subsidiaries with such capital and/or subordinated loans as may be required to efficiently fund the group's growth.

This process includes the evaluation of pricing models and source of funds in order to ensure that the operating subsidiaries are provided with sufficient liquidity.

We will reassess our debt maturity profile continuously.

The target remains to maintain our net debt to equity at group level below 50% and we will work towards a profile where the adjusted debt/EBITDAR comes to below 3.2 times (currently 3.36).

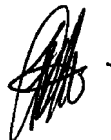
We therefore evaluate the different sources of funding and pricing of financing regularly, to enable management to fund the growth and expansion.

In line with our business model of increasing the groups retail footprint, corporate opportunities and strategic partnerships are continuously evaluated in Europe and southern Africa.

CONCLUSION

Effective working capital management and financial prudence remain a priority in the current macro-economic environment. Our objective is to ensure a robust statement of financial position that can protect and support the operating divisions and ensure that the group is well positioned when business conditions improve.

We firmly believe that we have the appropriate strategy in place and remain optimistic about the future.



Frikkie Nel
7 September 2010



Stéhan Grobler

Income statement,
statement of
comprehensive
income, statement
of financial position,
statement of changes
in equity, statement
of cash flows and
segmental reporting

INCOME STATEMENT

for the year ended 30 June 2010

	2010	2009
	Rm	Rm
Revenue	48 040	50 869
Cost of sales	(31 349)	(33 170)
Gross profit	16 691	17 699
Other operating income	1 051	1 203
Distribution expenses	(2 824)	(3 332)
Other operating expenses	(9 711)	(10 417)
Capital items	(63)	49
Operating profit	5 144	5 202
Finance costs	(1 870)	(1 959)
Income from investments	924	959
Share of profit of associate companies	36	6
Profit before taxation	4 234	4 208
Taxation	(481)	(581)
Profit for the year	3 753	3 627
Profit attributable to:		
Owners of the parent	3 541	3 379
Non-controlling interests	212	248
Profit for the year	3 753	3 627
Basic earnings per share (cents) ⁽¹⁾	251.5	254.7
Diluted earnings per share (cents) ⁽¹⁾	241.4	244.7

⁽¹⁾ The capitalisation share award on 7 December 2009, led to the restatement of comparative per share numbers, none of which resulted in a deviation of more than 1.4 cents.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

	2010	2009
	Rm	Rm
Profit for the year	3 753	3 627
Other comprehensive income/(loss)		
Actuarial losses on defined-benefit plans	(24)	(31)
Exchange differences on translating foreign operations	(2 856)	(2 587)
Net fair value gain/(loss) on cash flow hedges	41	(49)
Total other comprehensive loss for the year	(2 839)	(2 667)
Deferred taxation	5	8
Total other comprehensive loss for the year, net of taxation	(2 834)	(2 659)
Total comprehensive income for the year, net of taxation	919	968
Total comprehensive income attributable to:		
Owners of the parent	1 095	1 102
Non-controlling interests	(176)	(134)
Total comprehensive income for the year	919	968

STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

	2010	2009
	Rm	Rm
ASSETS		
Non-current assets		
Goodwill	6 698	7 195
Intangible assets	10 977	11 680
Property, plant and equipment	13 221	9 808
Investment property	292	304
Vehicle rental fleet	15	40
Consumable biological assets	1 325	1 125
Investments in associate companies	920	3 005
Interest in joint-venture companies	7	10
Investments and loans	3 591	2 358
Deferred taxation assets ⁽¹⁾	468	569
Derivative financial assets	278	–
	37 792	36 094
Current assets		
Derivative financial assets	41	1
Vehicle rental fleet	144	143
Inventories	4 520	4 757
Trade and other receivables	7 469	7 740
Short-term loans receivable	1 551	793
Taxation receivable	137	203
Value added taxation receivable	385	259
Funds on call and deposit	102	1
Bank balances and cash	5 019	4 735
	19 368	18 632
Assets classified as held for sale	21	29
	19 389	18 661
Total assets	57 181	54 755
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary share capital and premium	4 923	3 718
Reserves	18 400	17 303
Preference share capital and premium	1 042	1 042
Total equity attributable to equity holders of the parent	24 365	22 063
Non-controlling interests	2 696	2 861
Total equity	27 061	24 924
Non-current liabilities		
Interest-bearing loans and borrowings	15 107	12 704
Equalisation of operating lease payments	137	114
Employee benefits	185	210
Deferred taxation liabilities ⁽¹⁾	2 392	2 488
Deferred government grants	4	10
Provisions	277	536
Derivative financial liabilities	1	93
	18 103	16 155
Current liabilities		
Trade and other payables	7 059	7 199
Equalisation of operating lease payments	7	8
Employee benefits	470	365
Provisions	239	271
Derivative financial liabilities	33	89
Interest-bearing loans and borrowings	3 143	4 808
Taxation payable	513	595
Value added taxation payable	455	274
Bank overdrafts	98	67
	12 017	13 676
Total equity and liabilities	57 181	54 755
Net asset value per ordinary share (cents)	1 657	1 642

⁽¹⁾ Reallocations of R532 million were done between deferred taxation assets and liabilities for 30 June 2009 to bring prior year disclosure in line with current year disclosure.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

	Ordinary share capital & premium	Distributable reserves	Convertible & redeemable bonds reserve	Foreign currency translation reserve
	Rm	Rm	Rm	Rm
Balance at 1 July 2008	4 501	12 522	353	2 980
Issue of shares in terms of the deferred delivery share schemes	11	–	–	–
Purchases of shares	(33)	–	–	–
Capital distribution	(761)	–	–	–
Total comprehensive income for the year	–	3 379	–	(2 205)
Profit for the year	–	3 379	–	–
Other comprehensive loss for the year	–	–	–	(2 205)
Preference dividends	–	(118)	–	–
Arising on acquisition of subsidiaries	–	–	–	–
Dividends paid	–	–	–	–
Shares sold to non-controlling interests	–	–	–	–
Share-based payments	–	–	–	–
Other reserve movements	–	–	–	–
Balance at 30 June 2009	3 718	15 783	353	775
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 loss 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)	–	–
Balance at 30 June 2010	4 923	19 224	353	(1 693)

Share-based payment reserve	Other reserves	Total ordinary owners of the parent	Preference share capital & premium	Total equity attributable to owners of the parent	Non-controlling interests	Total
Rm	Rm	Rm	Rm	Rm	Rm	Rm
376	41	20 773	1 042	21 815	2 969	24 784
-	-	11	-	11	-	11
-	-	(33)	-	(33)	-	(33)
-	-	(761)	-	(761)	-	(761)
-	(72)	1 102	-	1 102	(134)	968
-	-	3 379	-	3 379	248	3 627
-	(72)	(2 277)	-	(2 277)	(382)	(2 659)
-	-	(118)	-	(118)	-	(118)
-	-	-	-	-	40	40
-	-	-	-	-	(39)	(39)
-	-	-	-	-	1	1
48	-	48	-	48	-	48
-	(1)	(1)	-	(1)	24	23
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

STATEMENT OF CASH FLOWS

for the year ended 30 June 2010

	2010	2009
	Rm	Rm
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	5 698	3 934
Dividends received	7	1
Interest received	888	936
Interest paid	(1 712)	(1 820)
Dividends paid	(119)	(158)
Taxation paid	(290)	(309)
Net cash inflow from operating activities	4 472	2 584
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment and investment property	(993)	(1 804)
Proceeds on disposal and scrapping of property, plant and equipment, vehicle rental fleet and investment property	289	655
Additions to intangible assets and goodwill	(45)	(134)
Proceeds on disposal of intangible assets	1	10
Acquisition of subsidiary companies, net of cash acquired	(5)	(21)
Disposal of subsidiaries and businesses, net of cash disposed	87	(5)
Increase in investments and loans	(1 655)	(1 342)
Decrease/(increase) in treasury shares	160	(33)
Increase in short-term loans receivable	(957)	(449)
Net decrease/(increase) in interest in joint-venture companies	3	(4)
Net increase in investments in associate companies	(148)	(861)
Transactions with non-controlling shareholders	(8)	1
Net cash outflow from investing activities	(3 271)	(3 987)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of share capital	-	11
Capital distribution paid	(113)	(761)
Increase/(decrease) in bank overdrafts	32	(592)
Increase in long-term interest-bearing loans and borrowings	1 862	1 356
(Decrease)/increase in short-term interest-bearing loans and borrowings	(1 999)	1 688
Net cash (outflow)/inflow from financing activities	(218)	1 702
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of the year	4 736	4 995
Effects of exchange rate translations on cash and cash equivalents	(598)	(558)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5 121	4 736

SEGMENTAL REPORTING

for the year ended 30 June 2010

	2010	2009
	Rm	Rm
REVENUE		
Retail activities	32 022	31 862
– Household goods and building supplies	20 532	21 660
– Automotive	11 490	10 202
Manufacturing and sourcing of household goods and related raw materials	22 096	23 791
Logistics services	6 125	5 776
Corporate services	879	919
– Brand management	376	414
– Investment participation	350	254
– Central treasury, properties and other activities	153	251
	61 122	62 348
Intersegment eliminations	(13 082)	(11 479)
	48 040	50 869
OPERATING PROFIT BEFORE CAPITAL ITEMS		
Retail activities	1 625	1 662
– Household goods and building supplies	1 294	1 379
– Automotive	331	283
Manufacturing and sourcing of household goods and related raw materials	2 395	2 560
Logistics services	702	677
Corporate services	1 121	992
– Brand management	376	414
– Investment participation	350	254
– Central treasury, properties and other activities	395	324
	5 843	5 891
Intersegment eliminations	(636)	(738)
	5 207	5 153
RECONCILIATION BETWEEN OPERATING PROFIT PER INCOME STATEMENT AND OPERATING PROFIT BEFORE CAPITAL ITEMS PER SEGMENTAL ANALYSIS		
Operating profit per income statement	5 144	5 202
Capital items (note 2)	63	(49)
Operating profit before capital items per segmental analysis	5 207	5 153
TOTAL ASSETS		
Retail activities	21 256	22 409
– Household goods and building supplies ⁽¹⁾	18 479	20 095
– Automotive	2 777	2 314
Manufacturing and sourcing of household goods and related raw materials ⁽¹⁾	13 654	11 962
Logistics services	7 277	5 261
Corporate services	7 055	6 143
– Brand management ⁽¹⁾	3 826	3 648
– Investment participation	2 370	1 922
– Central treasury, properties and other activities	859	573
	49 242	45 775

⁽¹⁾ Reallocations of R532 million were done between deferred taxation assets and liabilities for 30 June 2009 to bring prior year disclosure in line with current year disclosure.

SEGMENTAL REPORTING

for the year ended 30 June 2010 (continued)

	2010	2009
	Rm	Rm
RECONCILIATION BETWEEN TOTAL ASSETS PER STATEMENT OF FINANCIAL POSITION AND TOTAL ASSETS PER SEGMENTAL ANALYSIS		
Total assets per statement of financial position	57 181	54 755
Less: Cash and cash equivalents	(5 121)	(4 736)
Less: Investments in associate companies	(920)	(3 005)
Less: Investments in preference shares	(242)	(216)
Less: Interest-bearing loans receivable	(1 656)	(1 023)
Total assets per segmental analysis	49 242	45 775
GEOGRAPHICAL ANALYSIS		
Revenue		
Continental Europe	16 785	19 049
Pacific Rim	2 631	3 070
Southern Africa	20 651	19 349
United Kingdom	7 973	9 401
	48 040	50 869
Non-current assets		
Continental Europe ⁽¹⁾	19 939	16 883
Pacific Rim	1 357	1 262
Southern Africa	10 750	10 864
United Kingdom ⁽¹⁾	5 746	7 085
	37 792	36 094

⁽¹⁾ Reallocations of R532 million were done between deferred taxation assets and liabilities for 30 June 2009 to bring prior year disclosure in line with current year disclosure.

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 operating 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 either are directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

OPERATIONAL SEGMENTS

Retail activities: Household goods and building supplies

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

Retail activities: Automotive

The principal activity within this segment is the automotive retail organisation of Unitrans Automotive, with representation across dealerships throughout South Africa. Its activities span new and pre-owned vehicle sales, parts and accessories sales, financial services, insurance, after-sale services and the car rental services of Hertz.

Manufacturing and sourcing of household goods and related raw materials

This segment hosts all of Steinhoff International'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 New Zealand 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 Sugar and Agriculture (transport and related logistics services to the sugar and agricultural

industry including forestry), Unitrans Supply Chain Solutions (provision of supply chain re-engineering and warehousing management services) 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 International'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 United Kingdom, the Pacific Rim and southern Africa.

MAJOR CUSTOMERS

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

Divisional and geographical report

page 48



Retail – furniture and household goods

Retail – building supplies

page 54



Retail – automotive

page 56



Manufacturing and sourcing

page 62



Logistics services

page 66



Corporate and group services

Steinhoff International operates a vertically integrated and geographically diverse business model. This diversity and balanced exposure limits our risk to any one particular regional market or industry and has stood us in good stead since our listing in 1998.

Geographical diversity, mass-market positioning of retail activities, scale of manufacturing, sourcing and logistic operations are underpinned by our long-term strategy to produce and source furniture and related household goods in low-cost, developing environments, and to sell these in developed markets.

Our business is structured to competitively supply and service intragroup (internal) and external customers. We are able to provide relevant quality products and services at competitive prices through our participation, influence, experience and knowledge of all elements of our supply chain ranging from raw materials to retail outlets across extensive product offerings.

Management is aware of the risks associated with a vertically integrated strategy. Therefore, the businesses have been organised in decentralised independent complementary operational silos.

This independence allows for:

- Skills and expertise aggregation by individual business segments
- Margin and market positioning comparison against peers in specialised areas
- Arms-length and market-related interaction and accountability in respect of intragroup cooperation
- Decentralised performance-related incentive-based compensation

OPERATIONALLY

Operational management and divisions are measured individually against specific industry benchmarks within the regions in which they operate. To this end, the group aggregates and reports the results of its global operations within the following segments:

- Retail activities in
 - Furniture and household goods
 - Building supplies
 - Automotive
- Manufacturing and sourcing
- Logistics services
- Corporate services

GEOGRAPHICALLY

As outlined in the management section of this report, management teams are organised into northern and southern hemisphere teams, with Asia and India included in the latter.

Group operations are located in four main geographical areas: continental Europe, United Kingdom, Africa and the Pacific Rim. To capitalise on the inherent strengths of any one country and to protect the company from regional specific market risks in these regions, separate strategies and degrees of integration are applied to each region.

Central group service teams support the operational management in all corporate service activities. This allows local management to devote their full attention to operational issues. These teams ensure that corporate assets and financial risks are appropriately managed – particularly as they relate to brand management, participation interests, property services, treasury and other activities.

RETAIL – FURNITURE, HOUSEHOLD GOODS AND BUILDING SUPPLIES



This segment includes the retailing of furniture and household goods within Europe and the Pacific Rim and the retailing of building supplies in Africa.

The group has transformed from a manufacturing and sourcing business to a diversified vertically integrated business since listing in 1998. In particular we invested in a group-owned retail footprint to supplement the external European retail customer base. The strategic importance of this transformation, coupled with the group's strategy to focus on the mass-market volume segment of the European market, proved critical in growing market share within the softer market conditions of the year under review. In South Africa, the group owns a focussed building supply retail business, specifically targeting the professional tradesman and builders.

RETAIL LOCATIONS

Australia and New Zealand
France
Germany
Hungary
Namibia
Netherlands
South Africa
Switzerland
United Kingdom

NUMBER OF RETAIL OUTLETS

Australia and New Zealand	151
Continental Europe	365
UK	586
Total	1 102
Southern Africa	67



Include studio/store-in-store concepts



33% Revenue contribution



22% Operating profit before capital items



37% Total assets








UNITED KINGDOM BRANDS













CONTINENTAL EUROPE BRANDS

Africa,
Pacific Rim,
United Kingdom,
continental Europe



AFRICA BRANDS

PACIFIC RIM BRANDS







UNITED KINGDOM

Our UK retail operations consist of a balanced mix of retail chains and include:

- Harveys, the middle-market specialist furniture retail chain
- Reid which is focused on furniture retailing in Scotland
- Sleepmasters which retails own-label beds to the middle and upper market segments
- Bensons for Beds retailing mostly branded beds to the middle and upper market
- The Bed Shed which caters for the lower-end unbranded bed market in Scotland and north-east England
- Cargo which sells a mix of furniture and homewares in relatively affluent locations in south-east England

After some management restructuring, more stringent implementation of operational controls and some streamlining by business sector, Harveys is focused on its two core areas of trade: upholstery and dining room furniture. These items are sold through a portfolio of over 160 stores throughout the UK. Imports via the Steinhoff International Sourcing division made Harveys the largest intragroup buyer despite volatile exchange rates and the global hike in shipping rates. Harveys is also closely associated with the UK television series *Coronation Street* – this sponsorship deal commenced in 2007 and has resulted in considerably increased brand awareness within the core potential customer base. This campaign is ongoing and should reach a crescendo during the upcoming 50th anniversary of the show.

Reid Furniture had a disappointing year due to certain operational challenges and a declining Irish market. We made the decision to reduce the number of stores and to have a more focused approach by range and location. We believe a stronger business will emerge from this process, focusing on a traditional position in the middle and upper Scottish market.

The beds retail division had mixed results during the year. Sleepmasters was the strongest performer with increased sales, while Bensons worked to regain momentum after the loss of various concession partners in recent years.

The Bed Shed has been brought under the management of Sleepmasters, to introduce greater expertise in product, store management and logistics. As a whole, the beds division's revenue was slightly down on last years results.

A fresh momentum has been created for the new financial year by the consolidation of Harveys' bedroom furniture business under the beds division. This gives both divisions the ability to focus on their areas of expertise. Many stores are being refurbished to accommodate this change and the initial results are encouraging.

Homeware sales remain a challenge in a market where larger general retailers are pushing to gain market share. Factors that set Cargo apart from its competitors are variety, quality and better range availability. Stores with a mix of furniture and homewares in a more affluent market and stores located in towns rather than retail parks are the main strategic differentiators for this business.

A fresh momentum has been created for the new financial year by the consolidation of Harveys' bedroom furniture business under the beds division. This gives both divisions the ability to focus on their areas of expertise. Many stores are being refurbished to accommodate this change and the initial results are encouraging.

EUROPE

Our European retail operations consist of:

- European Retail management (ERM), that incorporates an extensive retail footprint throughout Europe particularly large scale discount formats which offer a full range of furniture and household goods
- Various studio concepts based on the well known store-in-store concepts
- Participating investments or joint venture partnerships with retailers wanting to expand their retail footprint into surrounding territories particularly eastern Europe

Overall, ERM performed well during the year under review, with double digit revenue growth achieved. The net operating profit margin for this business has again increased year on year, mainly due to expertly managed cost controls within this business. The pilot stores opened during the last 18 months proved very successful. Sales targets were based on historical store performance, but these new concept stores easily surpassed that, resulting in these stores reaching profitability sooner than expected. This business now operates from a strong base and the roll-out of additional branches during the next 12 months will further enhance efficiencies and support growth within ERM.

Steinhoff's strategy to support selected retailers through participating investments continues to benefit the group as a whole. The central European retail market is fragmented, with the largest and most successful retailers in this market being a few independent private retailers. These long established retailers have been loyally supporting our group's growth for over four decades and simultaneously we strive to share the benefits of our integrated supply chain with these retailers.

The year under review was particularly successful in rolling out new studio concepts, such as Hukla and Dieter Knoll within these retailers. The increased revenue earned in these studios benefits both the retailers and us, as supplier. Many of these investments are already within their third year of existence and continue to show like-for-like growth. This successful track record bodes well for the renewal of existing studio concept agreements as well as the expansion into new retailers with branded studio concepts. The continuing development and roll-out of the studio concepts in the years to come will form the basis of the group's expansion and growth by servicing these retail outlets with our vertically integrated manufacturing wholesaling and distribution capability.

In addition to the studio concept the group continues to enter into joint venture agreements with retailers wanting to expand their retail footprint into surrounding territories particularly eastern Europe. Entering the eastern European territories during the past three years has proved very beneficial for the group. The subdued retail environment provided the group with good terms to either invest in new retail sites or acquire existing retail footprints through joint venture partnerships. The group has continued to take advantage of these favourable investment terms and these investments account for the majority of capital investments during the year under review. These investments continue to facilitate the group's future growth and distribution of products throughout the European Union, and will form the foundation of the organic growth targets of the group in the foreseeable future.



PACIFIC RIM

Within the Pacific Rim, the group's retail operations include:

- BayLeatherRepublic – Australia's flagship leather destination
- Freedom – the best known furniture brand in Australia. Positioned in the modern, upper-mid market segment, Freedom trades from stores in Australia, New Zealand and the Middle-East
- Snooze – a bed retailer positioned as a 'sleep solutions specialist'
- G&G and Big Brand Outlet (BBO) serve as support to the main portfolio of brands

During the year under review, consumer spending in Australia continued to be affected adversely by negative personal credit growth, the rise in the cost of essential services and other macro drivers.

As a result, our retail sales were slightly weaker than the prior year in a market characterised by tough competition and persistent discounting. The decline in sales was mainly driven by the Freedom retail chain, as all other brands performed well, particularly Snooze. However, margins improved as a result of decisive management action to reduce reactive marketing spend and to focus on a more profitable product range.

The Freedom management team's focus has shifted to a more disciplined and high-performance culture concentrating on internal efficiencies and market share growth. This is being achieved through enhanced products, superior supply planning, effective marketing and an improving retail experience for our customers.

In addition, the new-look stores, an ongoing injection of new and more exciting product, a restructured planning department and a significantly strengthened marketing team are all factors that bode well for an improved market presence as we move into the new financial year.

In contrast with our European retail market positioning, our retail chains in the Pacific Rim are positioned to serve the middle and upper consumer markets. In line with the group strategy, this division continues to evaluate opportunities in the mass market volume segment of the market.

The Australian economy has proven to be among the most resilient of the G20 nations and retail activity is showing clear signs of having stabilised. The Asia Pacific team is optimistic and confident that the group is well positioned to take advantage of new opportunities with the rising prominence of China and other south-east Asian economies, and the resultant activity across the entire region.

The Freedom management team's focus has shifted to a more disciplined and high-performance culture concentrating on internal efficiencies and market share growth. This is being achieved through enhanced products, superior supply planning, effective marketing and an improving retail experience for our customers.

AFRICA

Building supplies: Steinbuild

The Steinbuild division consists of the group's retail interests within the building material supplies market segment in southern Africa, specifically targeting the professional builder and tradesmen. The retail stores are complemented by services such as specialised roof truss manufacturing, timber processing and contract supply of flooring solutions. Retail brands managed within this division are Pennypinchers, Timbercity and The Tile House.

Slow market conditions continued during the year, with a decline in the approval of building plans from that of last year – directly influencing a business reliant on new building contracts. These market conditions, as well as pressure on margins and increased costs affected performance.

A growth plan has been put in place to refocus the division's efforts on expanding the builder and professional customer markets. The strategy to pursue low-cost housing projects in conjunction with financial institutions have already paid off, with the first such housing project underway. This new business stream will also broaden the customer base and facilitate entry into larger long-term supply contracts under the leadership of a specific task team.

RETAIL – AUTOMOTIVE



The Unitrans Automotive division offers a complete range of vehicles, products and services including new and pre-owned vehicles, parts and accessories, servicing, insurance and car rental. Operations and dealerships are located in, and service the South African market, while the Hertz car rental operations are represented in both Namibia and South Africa.

Good results were reported in a market that is still some way off its 2007 peak. Sentiment in the industry has improved, with most participants posting improved results off a low base. While the market showed contraction for the 2009 calendar year, industry sales for the first half of 2010 have achieved double-digit growth.

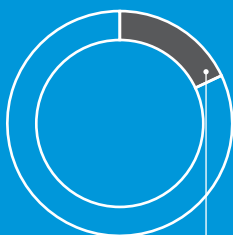
Unitrans Automotive has improved its share of dealer sales in all the franchises it represents, with trading conditions showing signs of improvement. This has been spurred on by liquidity in car financing to the end consumer and increased buying behaviour. Financial institutions have relaxed their scorecards slightly and credit/lease approval rates are beginning to improve.

Availability of pre-owned vehicle stock has constrained growth in the pre-owned vehicle market as the car rental industry delayed de-fleeting in preparation for the 2010 FIFA World Cup™. Pre-owned vehicle margins have recovered well and the prospects for the pre-owned car market for the year remain good.

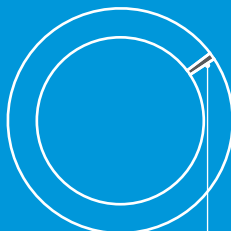
Increased throughput on new vehicle sales and some original equipment manufacturer (OEM) incentives have resulted in a slightly improved gross margin. A sustained market recovery in new vehicle sales has revived our focus to grow market share while keeping a close watch on market and consumer sentiment.

As expected, growth from parts and services has been slowing in response to the falling vehicle sales experienced over the last two years. Therefore growth in this segment lagged that of the division as a whole. Notwithstanding this, growth in gross margins and prudent expense management has resulted in contribution objectives being achieved.

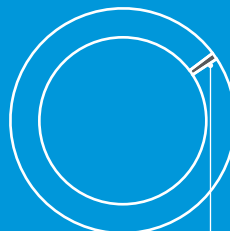
The Hertz car rental operations remain a very relevant business within our integrated automotive division and continue to play a strategic role for this division. A new management team has been introduced to actively manage the car rental operations and optimise results.



18% Revenue contribution



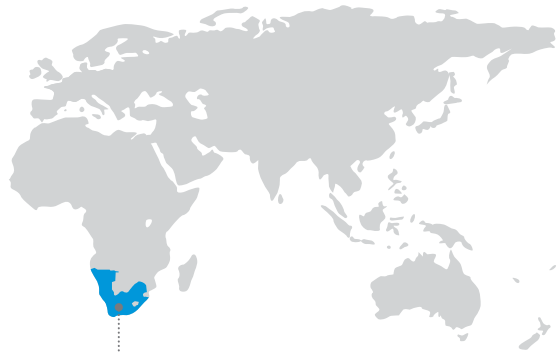
1% Operating profit before capital items



1% Total assets

Despite the declining market, the division managed to return a satisfactory 2.9% margin on sales

Africa



UNITRANS AUTOMOTIVE DEALERSHIPS AND BRANDS



MANUFACTURING AND SOURCING



This segment includes the integrated furniture and household goods manufacturing and sourcing operations in Europe and the Pacific Rim, as well as the integrated timber operations of PG Bison and raw material operations within Africa.

Since listing in 1998, the group transformed from a manufacturing and sourcing business to a diversified vertically integrated business. The current economic climate highlighted the strategic importance of this transformation. The segment grew organically by virtue of the inherent geographical and operational flexibility within the manufacturing and sourcing operations.

The group's strategy to support selective external retailers within Europe and add group-owned retail footprints to the existing manufacturing and sourcing supply chain in Europe and the Pacific Rim has proved particularly valuable to the manufacturing and sourcing operations.

LOCATIONS
Australia
Germany
Hungary
India
Kenya
Namibia
Netherlands
Poland
South Africa
UK

SOURCING LOCATIONS
Africa
China
Eastern Europe
India
Malaysia
Thailand
Vietnam

NUMBER OF FACTORIES	
Australia and New Zealand	3
Germany	2
Hungary	1
Netherlands	7
Poland	6
UK	7
Zimbabwe	1
Total furniture	27
Africa	
BCM	2
PG Bison	10
DesleeMattex	1
Vitafoam	7
India	3
UK	2
Total raw materials	25



36% Revenue contribution



40% Operating profit before capital items

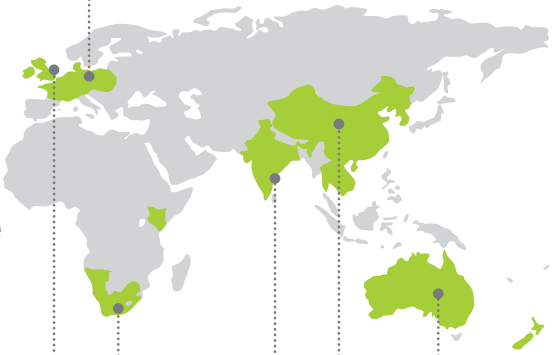


27% Total assets



CONTINENTAL EUROPE

Africa and India, Pacific Rim, United Kingdom, continental Europe



UNITED KINGDOM



ASIA PACIFIC



AFRICA

⁽¹⁾ European mattress brands managed as part of the UK business.



This segment includes the furniture and household goods manufacturing and sourcing operations in Europe and the Pacific Rim, and the African timber and raw material operations.

The group listed in 1998 and, since then, has transformed from a pure manufacturing and sourcing business, to a diversified, vertically integrated business that includes raw material operations, logistics solutions and retail chains.

This transformation enhanced the competitiveness of the manufacturing and sourcing division and also protects the businesses from risks on their inputs (such as raw material supply) and outputs (such as wholesale or retail demand). The strategic importance of this transformation was highlighted in the prevailing uncertain economic climate and was vindicated by the group's financial results.

The combined market participation strategy of the group is to:

- support selective external retailers within Europe; and
- grow its group-owned retail footprint

This strategy continues to benefit the manufacturing and sourcing divisions through scale and rationalisation benefits that boost margins.

EASTERN EUROPE AND GERMANY

The European manufacturing and sourcing division consists of three specialist divisions. The majority of the group's manufacturing capacity is located in eastern Europe and focuses on upholstered products.

Operations comprise factories in Poland, Hungary and Germany. The eastern European manufacturing capacity is supplemented by bedroom, bathroom and upholstery specialist manufacturing operations within Germany.

These product ranges are also supplemented by the European trading division with various trading offices in the region.

Its proximity to the large European household goods markets, its ability to manufacture and assemble furniture sourced from Asia and Europe, and its ability to replace or repair products subject to the stringent legal European warranty requirements, remain key competitive advantages to customers.

The Polish operations have traditionally been one of the leading suppliers to the volume-driven mass market and mail order retailers. These operations are benefiting from the current growth experienced from retailers – most notably in Germany.

The prevailing economic uncertainty continues to rationalise and consolidate the household goods industry within Europe and many smaller manufacturers withdrew from the market. In contrast, Steinhoff International's Polish operations increased revenue and margin in the year under review.

The restructuring and rationalisation of the Polish manufacturing units resulted in efficiencies. The improved process and supply chain management is now fully entrenched throughout the division. The depreciation of the Polish zloty (relative to the dollar) and increased shipping costs from Asia versus that of the previous year enhanced the competitiveness of these operations.

The wholesale/trading arm of the European manufacturing and sourcing business (BST) primarily focuses on sourcing tables, chairs and occasional furniture for the traditional European furniture retailers and large discounters. Germany remains the largest supply market for the trading division. Significant progress has been made in supplying to external retailers in France, Austria and Switzerland. The division works closely with Steinhoff International Sourcing across the world. Once again, this business showed encouraging growth that was bolstered by a strong consumer recovery in the markets it serves. We expect continued growth from this division as scale benefits translate into further margin

Its proximity to the large European household goods markets, its ability to manufacture and assemble furniture sourced from Asia and Europe, and its ability to replace or repair products subject to the stringent legal European warranty requirements, remain a key competitive advantage to customers.

enhancements for the internal and external customer base due to their product and customer knowledge and expertise in sourcing – from the East and eastern Europe.

UNITED KINGDOM

The beds and upholstery manufacturing and sourcing division in the UK includes:

- Bed manufacturing operations of Relyon in Wellington, Taunton and Okehampton
- Upholstery production and sourcing through Steinhoff UK Upholstery in Bridgend, Wales
- Foam conversion operations of Pritex in Wellington

The UK management team serves as the group's European centre of excellence for mattress manufacturing. Therefore the group's European mattress operations Norma (in Holland) and Hukla (in Germany) are managed from the UK.

The recent integration of Relyon and Pritex under one management team has been successfully implemented, and a new factory is producing a significant number of foam mattresses per week. The combined business is well positioned for growth due to this increased production output, the extra impetus in product innovation and the upswing in automotive sales benefits the foam conversion business.

Steinhoff UK Upholstery is now fully integrated into the Harveys furniture retail chain. After three successful years of growth, the division now produces upholstery at full capacity. This affords the UK division superior quality upholstered products at a competitive cost with short lead times on production. The worldwide upholstery supply chain for Harveys is also managed through this centre of upholstery expertise.

Both European mattress manufacturing operations, Norma and Hukla, showed good performance gains in the year under review by focusing on reducing raw material costs and operational improvements. We expect this to continue into the new year with Hukla expanding its product range and Norma growing its footprint into northern Germany.

PACIFIC RIM

This division's operations include three production plants whose output is solely for the group's own use. They operate in close association with the Steinhoff International Sourcing division which supplements group manufactured products with imported products from the East.

The manufacturing facilities continue to provide the competitive advantages of quality assurance, shorter lead times and product customisation to our group-owned retail operations and their customers. Significant efficiency gains were realised over the year through the ongoing drive to enhance operational procedures and methodologies. The benefits of closer co-operation between product development, manufacturing and retail buyers are also becoming evident, leading to increased efficiencies and higher margins.

STEINHOFF INTERNATIONAL SOURCING

Steinhoff International Sourcing is a service division of the group. Their services create a distinct competitive advantage by providing speed-to-market of quality approved products.

This division is also responsible for the following functions:

- Identifying and assessing potential suppliers
- Comprehensive material procurement
- Product and fabric development
- Technical assistance
- Coordination of sample approvals
- Assessment of lab tests and raw material availability
- The supervision of logistics and shipping information and
- Quality assurance inspections at all vendor production sites



The product focus of the sourcing activities is on upholstery, case goods, beds and bedroom furniture. These products are mainly sourced from China, Thailand, Vietnam and Malaysia. The division does not invest in production capacity or assets but retains a permanent skilled employee base focused on quality service delivery to our global operations. The team of employees is structured around category management and product specialisation and serves customers in the UK, continental Europe, Australia and Africa.

Growth in the group's retail businesses and trading arms are continuing to stimulate trade through our International Sourcing division based in Shenzhen, China. The division increased both orders processed and containers shipped by 30% compared to the previous year. The overhead and cost structures remain competitive with additional cost savings made during this period. The sourcing team is actively investigating alternative sourcing destinations to ensure that our group remains competitive and flexible to counter the inflationary pressures from China.

AFRICA

Timber products: PG Bison

PG Bison supplies a variety of products to a number of industries across Africa, including the kitchen, shopfitting, office and domestic furniture sectors. It is closely linked to the infrastructural development within the African continent and has established itself as a recognised brand name in the building supply industry in Southern Africa.

Operations include:

- Forestry with 44 000 hectare plantations, growing on 95 000 hectares of land in KwaZulu-Natal, southern and North Eastern Cape
- Sawmills, pole plants and timber beneficiation
- Manufacturing plants for medium density boards (MDF), particle board, laminates and component cutting

- The first FSC certified and E1 rated board plant in Africa
- National distribution channels

PG Bison's integrated value chain is built on forestry, timber beneficiation, board and laminate production, component cutting, distribution and retail. To ensure PG Bison's fibre supply remains a sustainable source, our two larger plantations are certified according to the requirements of the FSC, which promotes responsible forestry. Strong brands such as BisonBord, Formica, MelaWood, SupaWood, Surinno, Woodline and Thesen make up some of PG Bison's well-known household product names.

The demand for wood-based panel products continues to be negatively affected by the global economic conditions and the subdued construction and furniture sectors in South Africa. The slowdown in the construction market affects a large part of PG Bison's varied customer base. The strong rand not only led to more imports entering the South African market, but also affected the price competitiveness of our products within the export market. As a result, sales for the group declined after almost a decade of rapid growth.

However, profits were less affected as the softer market conditions allowed PG Bison to focus on business optimisation and rationalisation. The business is now leaner, with an organisational structure that will substantially benefit from improvement in the macro-economic environment, particularly the construction sector. PG Bison has also embarked on an African expansion investigation which was previously not possible as all production output was needed in South Africa to retain existing market share. Initial indications are that African expansion could benefit the group materially and the team is in the process of evaluating risks and finding solutions to the infrastructural challenges that such a strategy might bring.

The recent investments in new technology at some African manufacturing plants have resulted in improved use of raw materials, increased efficiencies, cost reduction and ultimately improved margins. The enhanced product range will also support our growth plans in South Africa and selected African countries.

Raw materials: Vitafoam, BCM, DesleeMattex

This division manufactures and provides product to customers in the southern African region. Most of the products are used in the assembly and production of furniture, but foam is also supplied to the packaging industry.

Operations include:

- Foam production at Vitafoam in South Africa and Namibia
- Furniture components that include bedding and lounge furniture springs, wire, and plastic components at BCM (incorporating IWC)
- Textile production focused on mattress ticking and circular knits at DesleeMattex

The foam division is the largest contributor of revenue and profits within this division and continues to show encouraging results. This is due to increased foam mattress sales and increased sales of cut-to-size foam components. In addition, the new technology now employed throughout the foam operations improved the use of raw materials, increased efficiencies and resulted in cost reductions that also contributed to the improved results.

Improved logistics (focusing on improved customer deliveries) and operational efficiencies in the Durban and Johannesburg factories benefited margins. Our value-added strategy and increased demand for the branded foam bedding range is proving successful in differentiating our product to that of lower quality, commodity-like products. We are investigating the possible expansion of the business into Africa and India.

The Mattex-DesleeClama partnership came to fruition in the current year. The business was rebranded to DesleeMattex and production facilities were reorganised and upgraded.

Circular knitting machines were installed and are fully operational. This addition of these technologically advanced machines will enable us to successfully supply circular knit mattress covers that have become the preferred bedding cover in the South African market. In addition to the new knitting machines, the technological know-how and experience of DesleeClama has resulted in production efficiency and woven product quality improvements. This will give DesleeMattex a distinct competitive advantage in our traditional woven fabric market.

The rand has had an adverse effect on the price competitiveness of the bedding component and spring product in the export market. This continues to affect the results of the business and overall margins were down for the year under review. However, production facilities were streamlined to reduce costs in light of the decline in sale volumes and this should restore margins on the new revenue base.

Leather: Alam Tannery

Alam Tannery delivered a strong performance, specifically during the last quarter. During the year under review, significant research and development work was completed to introduce higher quality/margin leather and we expect to reap these benefits in the next financial year. This is already apparent in the increased demand and orders for the higher specification quality leather. However, service delivery continues to be hampered by the recent service trends in international shipping and logistical challenges in the Calcutta harbour.

LOGISTICS SERVICES



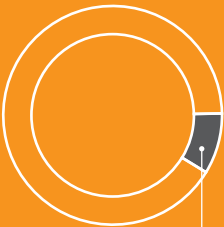
Our logistics capability is closely aligned to our business strategy in each region. These functions are well positioned to connect manufacturing and sourcing activities to retail customers in Europe and the Pacific Rim and bridge infrastructural challenges in Africa.

The division's strategy remains to provide logistics solutions to group operations and customers globally.

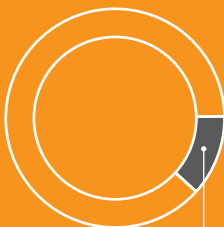
The provision of logistics services – through comprehensive supply chain solutions and effective management of warehouses and distribution networks, remains essential to each of our businesses. These services range from hauling saw logs from a forest to the delivery of household goods to the end consumer. We believe that control over the supply chain gives rise to better service levels and the ability to guarantee product delivery within a competitive cost structure.

LOCATIONS: EUROPE	
Germany	
Netherlands	
Poland	
UK	
LOCATIONS: PACIFIC RIM	
Australia	
New Zealand	
LOCATIONS: AFRICA	
Botswana	
Lesotho	
Madagascar	
Malawi	
Mozambique	
Namibia	
South Africa	
Swaziland	
Tanzania	
NUMBER OF DEPOTS	
Asia Pacific	6
Germany	10
Netherlands	2
Poland	1
UK	22
Rest of Europe	2
Total	43
Africa	
BCM	1
Unitrans	149
Vitafoam	2
Total	152

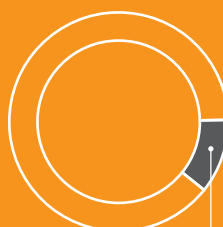
The specialist nature and service quality of the supply chain management contracts in southern Africa continue to insulate this division from any irrational competition and protect margins throughout the integrated value chains.



10% Revenue contribution



12% Operating profit before capital items

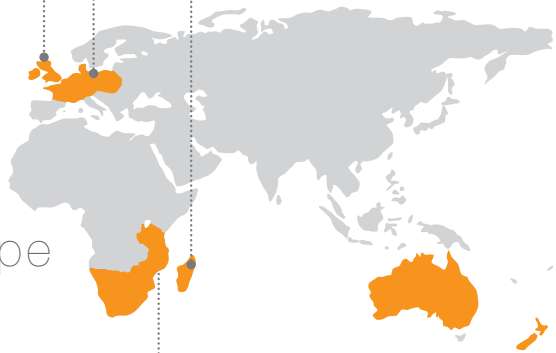


15% Total assets



LOGISTICS

Africa,
Pacific Rim,
United Kingdom,
continental Europe



PASSENGER BRANDS





AFRICA

Unitrans Supply Chain Solutions

Unitrans Supply Chain Solutions (USCS) designs, implements and manages supply chain and logistics solutions for customers. Services include transportation, warehousing, distribution, clearing and forwarding, and related supply chain solutions. USCS operates across a diverse customer base and adds value through operational excellence, customer knowledge and sustainable solutions.

This division is made up of three main subdivisions:

- Freight and Logistics – specialises in transport, distribution, warehousing logistics and supply chain re-engineering services to the mining, manufacturing, industrial and allied industries – and more recently, the fast moving consumer goods (FMCG) and household goods sectors of the economy
- Fuel and Chemical – a leading provider of road transport services to major customers in the fuel, chemical and gas industries
- Sugar and Agriculture – provides specialised logistics and related agricultural services to selected customers in the sugar and forestry industries in KwaZulu-Natal and Mpumalanga and across borders into Swaziland, Mozambique, Malawi and Tanzania

USCS delivered an excellent performance with all businesses improving on their 2009 results. These results were especially pleasing as they were achieved during our consolidation phase in the business, where little additional expansion capital was invested. The strong cash generation, better control of operating expenses and extending and/or the renewal of long-term client contracts, all contributed to the positive results.

The division's sustainable business model has proved able to withstand pressure during times of economic downturn.

This was due to:

- Our selection of contracts that add value through high degrees of specialisation
- Our diverse industry portfolio of customers which balances market and industry exposure
- A proven business model which is focused on long-term contractual customers to which the division provides comprehensive and specialised supply chain solutions
- A strong financial position and established size which provide a position of stability amongst peers
- Stable industrial relations assisted by longer-term industry wage agreements

Expansion into the FMCG and household goods market segments further contributed to growth. This is a new market for the division and will receive dedicated attention and further growth exploration. The service extends to managing distribution centres and delivery fleets for leading retailers in these market segments without requiring large amounts of capital expenditure.

There are still many unexplored markets for which this division can provide supply chain solutions. The mining and construction segments have stabilised and we expect these segments to show increased activity in the next year.

Unitrans Passenger

Many of the typical emerging market attributes such as the need for public passenger transport, are complemented by South Africa's major cities and their tourism and commerce demands, in line with more developed countries. The Unitrans Passenger division provides services to all three (public, tourist, personnel) market segments providing an essential service to an estimated 10 million passenger market.

In Africa, more than 90% of revenue earned by USCS is governed by long-term contractual service agreements, protecting the business from any over-supply in the market at any one time

Brands across personnel and commuter, intercity and tourism transport services include Mega Bus, Mega Coach, Mega Tourer, Magic Bus, Mega Express, Greyhound, Citiliner and Bojanala Bus.

Within the personnel and commuter business stream – as with the group's broader logistics services – the focus is on long-term customer contracts. These contracts provide the group with long-term sustainable revenue and margins as the risk of any market-related increases (such as fuel and labour) is essentially shared with the customer. During the year under review, the division reported encouraging growth due to the conclusion of new long-term contracts with industrial and mining clients through its Mega Bus operations.

The tourism and intercity divisions experienced good results – mainly attributable to the 2010 FIFA World Cup™ in most of the main tournament destinations. More importantly, this was achieved without investing in any additional fleet or any accompanying capital outlay.

The rapid rail system (Gautrain) between Sandton and OR Tambo International airport – opened in June in time for the 2010 FIFA World Cup™. This division earns a fixed servicing fee for operating the supporting bus routes to and from the Gautrain Sandton station and the surrounding suburbs. This currently involves the managing of 44 buses and is expected to increase to approximately 125 buses once the Gautrain is fully operational on its other routes between Pretoria and Johannesburg.

PACIFIC RIM

Our Pacific Rim logistics team is responsible for all inbound, warehousing and outbound logistics functions from source to delivery of products to our stores and our customers' homes. The logistics group operates six distribution centres located in each of Australia's state capitals as well as in

Auckland, New Zealand. Upgrades to the Kings Park (located in Sydney, Australia) state-of-the-art 50 000 m² distribution centre has seen the introduction of automated homeware storage and conveyor systems. This enables us to deliver world-class service through a competitive cost structure. A continuous improvement culture in our logistics team has ensured that we deliver a competitive, best practice service, while pursuing efficiency advances such as direct shipping from source to regional warehouses and cross-docking procedures in key centres.

GLOBAL WAREHOUSE AND LOGISTICS

Global Warehouse and Logistics provides services to the European furniture and household goods market. The company controls the movement of goods for many customers from source (mostly in China) to retail store. The main operations are in Leinefelde (83 100 m² in the centre of Germany) and Westerstede (87 000 m² close to the port of Willemshaven in the north of Germany). The company employs a combination of sophisticated technology and state-of-the-art warehousing facilities to deliver a world-class service.

CORPORATE AND GROUP SERVICES



Under the leadership of the international group services team, the group service teams in different regions support operational management in all corporate services. This enables local management to devote their full attention to operational issues. These teams ensure that the corporate assets and financial risks are professionally managed, and that activities comprising brand management, participation interests, treasury and other functions are aligned and conducted in the best interests of the group.

A key priority of the group services team is to ensure that risks are properly identified and managed appropriately through the various activities provided to group companies.

Operational management is supported by group services teams with relevant knowledge and specialist skills which provide a variety of services that include:

BRAND MANAGEMENT

A central brand management team oversees all brand management activities. Brand management revenue is earned from customers and group entities that are levied market-related royalties for the use and development of the group's brands, trade names and trademarks.

INVESTMENT PARTICIPATION

The group invests in strategic retail and supply partners either through equity investments and/or through loans where the group has some indirect involvement. These loans are often structured in such a way whereby the group will participate in profits earned by the relevant partners.

TREASURY AND OTHER ACTIVITIES

Financial management

Our financial management department implements and oversees the controls and procedures which prescribes the preparation of financial reports and taxation assessments. It also ensures that adequate risk control measures are in place. This includes appropriate insurance cover for directors' product, general, and motor liability, business interruption, credit default debts, and the group's assets.

Human resources (HR)

HR is generally managed through regional divisions that report to the group HR director.

We have succession-planning procedures in place for management and senior employees. These contingency plans include outside recruitment, selection and assessment procedures and proper training for successor employees. In accordance with South African legislation, HR also implements and oversees training programmes to ensure that historically disadvantaged employees in South Africa receive specific training and development.

Please refer to the corporate responsibility report for more information regarding HR practices and employee issues.

Information technology (IT)

IT decisions and day-to-day IT management within the group are managed at regional level and overseen centrally by group services IT management. Ultimate responsibility regarding IT governance resides with the northern and southern hemisphere chief financial officers.

Although implementation, roll-out, subsequent maintenance and support are conducted at regional level, group services IT management conducts regular on-site visits to evaluate system performance and development plans.

Given the disparate operational requirements and variety of infrastructure between the different regions and industries where we operate, we have decided not to implement a single platform or application solution. However, a worldwide standard is in place with which all our divisions must comply when implementing any form of new technology.

IT risk management forms part of the group's general risk management procedure. More information on risk management is included in the corporate governance report.

Internal control and audit

The internal control and audit department is responsible for independent financial, internal control and operational system reviews and audits.

This department also evaluates and assesses risk management processes and internal control frameworks. This includes financial and non-financial controls over all processes in the group that contribute to the achievement of organisational objectives. We have 34 full-time internal auditors in our employ.



Legal

We have 14 qualified legal professional employees who are all actively involved in internal issues such as drafting agreements and oversight of the group's statutory and legal reporting requirements. Country-specific matters are outsourced to accredited practitioners in their relevant areas.

Property services

The property team advises and assists group companies with new property developments; redevelopments, property acquisitions and sales; property and maintenance management and assisting with lease negotiations.

Strategic development

Our strategic development is driven by management at regional divisional level. They develop proposals for possible joint-ventures, mergers and acquisitions, special projects, potential growth areas and expansion of current divisions. These initiatives are supported by different members of the strategic development team with the relevant specific skills expertise.

Taxation

We have an in-house taxation department to ensure worldwide competence and compliance.

Technical support

Group services provide technical support in connection with factory layouts, plant and equipment procurement as well as advice on production processes to enhance efficiencies.

Treasury services

Our treasury services department organises adequate funding to enable us to explore or realise strategic opportunities and developments while maintaining an acceptable capital structure and debt maturity profile. We decide whether and what type of funding to procure, manage and maintain funding resources based on feasibility reports regarding particular opportunities.

CORPORATE RESPONSIBILITY

Corporate responsibility is managed centrally by a steering group which provides strategic direction with input from the northern and southern hemisphere management teams. Accountability and responsibility for the implementation of all sustainability initiatives remain with the divisional management teams. Policies address social, environmental and economic impacts in line with generally accepted practices such as the JSE Sustainable Reporting Index requirements, of which index, Steinhoff International forms a part.

CORPORATE AND GROUP SERVICES MANAGEMENT TEAM



**DIRECTOR: TREASURY
AND FINANCE ACTIVITIES**
Stéhan Grobler

Age: 51, BComm (Hons), LLB

**DIRECTOR: CORPORATE
AFFAIRS AND MERGERS
AND ACQUISITIONS**
Piet Ferreira

Age: 55, BCompt (Hons), CA(SA)



Helmut Apel

Age: 46,
SAIFM



Nadine Bird

Age: 30,
CA(SA)



Yvette Boshoff

Age: 36,
CA(SA)



Ray Cox

Age: 68,
Dip Mgmt



**Johann
du Plessis**

Age: 61,
BComm, LLB



Michael Egan

Age: 32,
CA(SA),
CFA, MSc (Finance),
MComm



Michael Eggers

Age: 38,
Diplom-Kaufman



Johan Goldenhuys

Age: 54,
MBA (HR)



Johan Goldenhuys

Age: 52, BComm
Hons



**Marie-Aurelie
Girard**

Age: 42,
BA, LLB



Chris Grove

Age: 53,
BComm, SEP



Dieter Helmrich

Age: 50,
BSc Eng (Civil)



Mariana Hofmeyer

Age: 37,
CA(SA) HDip
Tax Law, HDip
International Tax



Mariza Nel

Age: 37,
ACMA (UK)



Hein Odendaal

Age: 53,
CA(SA)



Jan Opperman

Age: 52,
CA(SA)



Jan Radnay

Age: 66, HDip
Company Law
FCIS



Philip Robinson

Age: 35,
CA(SA), HDip
International
Tax



Iwan Schelbert

Age: 48,
BAcc



Dirk Schreiber

Age: 39,
Diplom-Kaufman



Joel Stransky

Age: 43



Sean Summers

Age: 57



Lynette Tredoux

Age: 45,
BCompt (Hons),
CTA

Creating value for
our stakeholders
in an ethical and
sustainable
manner

We believe that a corporate culture of compliance with applicable laws, regulations, internal policies and procedures is a non-negotiable, fundamental component of good corporate governance.

INTRODUCTION

'Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and, equally, to require accountability for the stewardship of those resources. The aim is to align, as nearly as possible, the interests of individuals, corporations and society.'

(Sir Adrian Cadbury)

CORPORATE GOVERNANCE

The Steinhoff group (the group), its directors and its management remain fully committed to ensuring that good corporate governance is a way of life across the spectrum of its diverse activities and the different geographical areas in which it operates. The adoption of and adherence to sound corporate governance policies remains a business imperative for the entire group.

Our commitment is to create value for stakeholders in a balanced, ethical and sustainable manner.

A corporate culture of compliance with applicable laws, regulations, internal policies and procedures has been established within the group and is a non-negotiable, basic component of our corporate governance approach. A culture of responsible corporate citizenship and accountability for stewardship of assets has been fostered in each of our operations. This culture has played a key role in securing sustainable returns and serves to provide stakeholders with the assurance that the group's businesses and assets are being managed appropriately.

The group's corporate governance structures, systems and policies are reviewed regularly. Where required, these are adapted or augmented to recognise internal and external developments, to remain at the forefront of best practice.

COMPLIANCE WITH KING II

The group endorses the principles of openness, integrity, sustainability, transparency, fairness, responsibility and accountability advocated by the Code of Governance

Principles for South Africa 2002 (King II). Throughout the year ended 30 June 2010 and up to the date of approval of this annual report, the principles articulated in King II have been fully adhered to.

COMPLIANCE WITH KING III

The Code of Governance Principles for South Africa 2009 (King III) was published in September 2009 and will be applicable to Steinhoff International in respect of and with effect from its accounting year which commenced on 1 July 2010. The group is already compliant with most of the recommendations of King III, which strengthens previous requirements, clarifies certain issues, expands on existing recommendations and introduces new concepts and recommendations. The board has resolved to ensure full compliance with King III in the current financial year or to disclose any areas of non-compliance and furnish reasons for such non-compliance.

THE BOARD

Board of directors

The board currently consists of 14 (fourteen) directors, 6 (six) of whom serve as executive directors, 7 (seven) of whom serve as independent non-executive directors together with 1 (one) non-executive director. The composition of the board complies with King III which requires a balance of executive and non-executive directors, with a majority of non-executive directors. The majority of these non-executive directors are independent.

King III requires the chairman to be an independent non-executive director. The chairman of the board is Dr Deenadayelen (Len) Konar, an independent non-executive director.

No individual has unfettered powers of decision-making and there is a clear division of responsibilities at board level to ensure an appropriate balance of power and authority.

Terms of office of non-executive directors are subject to three-year rotations and age restriction provisions. Executive directors are appointed for terms of office not exceeding five years, subject to the company's general conditions of service.

Chairman and the chief executive

Responsibility for running the board and executive responsibility for conducting the business are clearly defined. Accordingly, the roles of the chairman of the board and the chief executive are separate.

The chairman is responsible for leadership of the board and for ensuring that the board plays an effective role. He also ensures appropriate communication with shareholders and facilitates constructive relations between the executive and non-executive directors. The chief executive's principal role is to provide leadership to the executive team in running the group's businesses.

Senior independent non-executive director

Mr David (Dave) Charles Brink has been appointed by the board as the senior independent non-executive director.

The senior independent non-executive director serves as an additional contact point for shareholders and is also available to fellow non-executive directors, either collectively or individually, to allow for discussion of any matters that may be of concern, in a forum that does not include executive directors or management of the company.

Financial director

The financial director of the company is Mr Frederik (Frikkie) Johannes Nel. The appropriateness of his expertise and experience for this position has been confirmed by the audit committee.

Board composition/classification of directors

Full details of the current board are given on pages 12 to 15 of this annual report. Dr Stefanos (Steve) Francois Booyesen, Mr Dave Brink, Ms Yolanda Zoleka Cuba, Mr Claas Edmond Daun, Dr Len Konar, Mr Johannes (Jannie) Fredericus Mouton and Dr Franklin Sonn are classified as independent non-executive directors in accordance with the classification guidelines detailed in King III. Mr Bruno Ewald Steinhoff is classified as a non-executive director.

Retirement of directors

The articles of association of the company provide that, at every annual general meeting, at least one-third of the non-

executive directors shall retire from the board by rotation. If eligible, such directors may offer themselves for re-election.

At the annual general meeting to be held on 6 December 2010, shareholders will be asked to confirm the re-appointment of the following non-executive directors: Messrs Dave Brink, Bruno Steinhoff, Ms Yolanda Cuba and Dr Franklin Sonn who will retire by rotation in accordance with the articles of association and who, being eligible, have offered themselves for re-election.

The articles of association further require that directors reaching the age of 71 seeking re-election shall offer themselves for re-election at every subsequent annual general meeting. As stated above, Messrs Dave Brink and Bruno Steinhoff and Dr Franklin Sonn, who have reached the age of 71, will be retiring at the annual general meeting to be held on 6 December 2010 but, being eligible, have offered themselves for re-election. In accordance with the provisions of the articles of association, Mr Dirk Emil Ackerman, who had reached the age of 76, retired from the board and from the committees on which he served on 7 December 2009.

Appointment of director/alternate director

Directors are appointed through a formal process. Appointments to the board are recommended by the nomination committee and are considered by the board as a whole. Appointments are subject to shareholder approval.

Dr Steve Booyesen was appointed to the board as an independent non-executive director on 8 September 2009 and this appointment was ratified by shareholders at the annual general meeting held on 7 December 2009.

On the recommendation of the nomination committee, Mr Andries Benjamin (Ben) la Grange was appointed as an alternate executive director to Mr Frikkie Nel with effect from 7 December 2009.

Appointment requirements

The non-executive directors, drawing on their respective skills, business acumen, expertise and experience, bring impartial and objective viewpoints to the board's decision-making processes and to the group's standards of conduct.

Directors are appointed on the basis of skill, acumen, experience and on their actual or potential level of contribution to and impact on the activities of the group.

These non-executive directors are able to bring significant influence to bear to board and committee deliberations.

Steinhoff International's directors have a wide range of business-related expertise, as well as significant experience in financial, commercial, retail, logistics and furniture industry activities. Directors are appointed on the basis of skill, acumen, experience and on their actual or potential level of contribution to and impact on the activities of the group.

Non-executive directors are required to dedicate sufficient time to be able to monitor, evaluate and comment effectively to the board and management on the financial and operational information supplied to the board and may serve on other boards provided that they continue to demonstrate their commitment to discharge their duties to the company effectively. The board is satisfied that the chairman and each of the non-executive directors in their respective roles, comply with this requirement.

Director induction development

Directors are provided with guidelines on their duties and responsibilities and a formal induction programme, with particular emphasis on internal controls, has been established to familiarise newly appointed directors with the group's businesses, competitive stance, strategic plans and objectives and its corporate governance requirements.

The induction programme includes meetings with other directors and senior executives to enable new directors to receive information on and familiarise themselves with all aspects of the group's businesses. Opportunities to update and develop skills and knowledge, through externally run seminars, regular circulation of relevant industry, regulatory and economic news and analysis, as well as briefings by senior executives, are afforded to all directors.

All directors have access to management, including the company secretary, the legal department and the group's compliance manager. They also have access to information required to enable them to carry out their duties and responsibilities fully and effectively. Independent

professional advice is available to the directors in appropriate circumstances and at the company's expense. During the year under review, none of the directors sought independent external advice through the company.

Directors are apprised, wherever relevant, of any changing commercial risks that may affect the group's affairs and operations and of new legislation, corporate governance requirements and technical developments. Through independent site visits and meetings with senior management and/or other directors, they are encouraged to stay abreast of developments that could affect the group's businesses.

Board evaluations

An annual self-evaluation process to review the effectiveness of the board, the individual directors and the board committees has been established and forms an invaluable tool in ensuring the ongoing efficacy of the board as a whole and in assessing the individual performance and contribution of the directors. The chairman is required to assess the performance of the individual board members and the board is required to assess the performance of the chairman.

Assessments take into account several factors, including relevant expertise, enquiring attitude, objectivity and independence, judgement and an understanding of Steinhoff International's businesses and commitment. All related board and committee minutes and approvals are made available to the group's external auditors.

The results of the performance and effectiveness assessment process were reviewed in full and assessed by the board. The board is satisfied with the progress made in addressing the matters identified in the previous year's evaluation as requiring further consideration and will address the minor areas identified in the most recent evaluation process during the current period.

Selection and succession planning

The nomination committee is responsible for leading the process for board appointments and for identifying and nominating candidates for appointment to the board, for

approval by the board and ultimately by the shareholders. In fulfilling this function, the committee evaluates the pool of skills, knowledge and experience on the board and identifies the role and capabilities required for a particular appointment. Care is taken that candidates would have sufficient time to devote to the interests of Steinhoff International.

The committee makes recommendations to the board as appropriate, concerning:

- Plans for succession for both executive and non-executive directors
- The appointment of any director
- The appointment of any director to become an executive or other officer
- The renewal of the terms of office of non-executive directors
- In consultation with the chairman of the board and the relevant committee chairmen, candidates for membership of the board committees
- Any matters relating to the continuation in office of any director at any time

Progressive renewal of the board

Steinhoff International listed on the JSE Limited over 12 years ago and has been fortunate in having retained the services on the board of Drs Len Konar and Franklin Sonn and Messrs Bruno Steinhoff, Claas Daun and Jannie Mouton, for all or most of that period. These directors have provided considerable stability to the board, which has benefited greatly from the presence of individuals who have valuable insight into the group's businesses and into the markets and industries which they serve.

King III requires the board to consider the independence of independent non-executive directors who have served on the board for more than nine years. Dr Len Konar and Mr Claas Daun joined the board in 1998 and Dr Franklin Sonn and Mr Jannie Mouton joined the board in 2002. These directors serve as independent non-executive directors and, accordingly, the board has individually considered whether the length of service of each of these directors has

compromised, or could be held to have compromised, their independence. The board has determined that each of these directors remains independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, their judgement or independence of character. Mr Bruno Steinhoff was appointed to the board in 1998 and served as chairman until September 2008. He relinquished executive duties in April 2008 and now serves as a non-executive director. The board considers that each of these long-serving directors brings integrity, wisdom and experience to the board and that they continue to make positive contributions to board and committee deliberations.

While recognising the necessity to ensure progressive renewal of the board, due consideration is given to the benefits of experience and stability provided by the long-serving directors. The board does not consider that it would be in the best interest of the company or its shareholders to require all non-executive directors, who have served for nine years or longer, to retire at the same time and is supportive of ensuring continuity and stability through orderly succession.

The board charter: Responsibilities of the board

The board strives to provide the appropriate leadership, strategic oversight and control environment to produce and sustain the delivery of value to the company's stakeholders.

The general powers of the directors are set out in the company's articles of association.

The board charter details the powers of the board, provides a clear division of responsibilities and sets out the accountability of board members, collectively and individually, to ensure an appropriate balance of power and authority.

The responsibilities of the board, as detailed in the charter, include:

- Determining the strategy for the group and approving the operating plans presented by management for the achievement of the strategic objectives.
- Ensuring the efficient disposition of Steinhoff International's resources for the achievement of these objectives.

- Setting levels of authority and determining procedures, both at corporate and regional level, for approving capital and investment expenditure.
- Considering and, where appropriate, approving major capital expenditure programmes and significant acquisitions and disposals.
- Reviewing, on a regular basis, the strategic direction of investment decisions and performance against approved plans, budgets and best-practice standards.
- Determining policy and processes to ensure the integrity of the group's risk management processes, internal controls, communication and reporting.
- Monitoring and evaluating the company's performance against approved budgets and against prevailing and forecast economic conditions.
- Assuming ultimate responsibility for regulatory compliance including, but not limited to, compliance with environmental legislation.
- Selecting and appointing directors, on the recommendation of the nomination committee. The board also reviews and considers structured management succession planning for purposes of identifying, developing and advancing future leaders in the group.
- Notwithstanding the delegation by the board of certain powers and authorities to executive management, the board is ultimately responsible for the retention of full and effective control over the group. Decisions on material matters are reserved by the board including, but not limited to, decisions on capital expenditure, procurement, property transactions and borrowings and investments other than at pre-approved materiality levels.

Board meetings

The board meets at least four times a year or more frequently, should circumstances require. Directors declare their interests in contracts and other appointments at all board meetings. Meetings are conducted according to a formal agenda, ensuring that all substantive matters are

properly addressed and followed up. Details of attendance at board meetings during the review period are given on page 77 of this report.

Meetings without the executive directors

Non-executive directors hold formal sessions on an annual basis without the executive directors present. These sessions are chaired by the independent non-executive chairman and provide a forum for the unfettered exchange of information of any concerns.

Board committees

Subject to specific fundamental, strategic and formal matters reserved for its decision, the board delegates certain responsibilities to a number of standing committees, which operate within defined terms of reference laid down by the board.

The board has appointed executive, audit, human resources and remuneration, nomination and group risk advisory committees to assist with its duties. Details of the subcommittees of the board are contained on pages 76 to 77 of this annual report.

The committees of the board operate within defined terms of reference and authority granted to them by the board and, with the exception of the executive committee, are comprised of only non-executive directors. The composition of these committees may change from time to time in accordance with new board appointments and to ensure compliance with statutory and regulatory requirements. All committee chairmen report orally on the proceedings of their committees at the ensuing board meetings.

Members of board committees are encouraged to attend internal and external briefings and courses on aspects of their respective committee functions. Updates on relevant legal, regulatory, corporate governance and technical developments are presented to committee members, as appropriate.

There was full attendance at all committee meetings during the year under review.

BOARD COMMITTEES

COMMITTEE	PURPOSE	COMPOSITION	MEETINGS
<ul style="list-style-type: none"> Executive committee (Dealco) Markus Jooste (chairman) Johann du Plessis Piet Ferreira Stéhan Grobler Jo Grové Ben la Grange Frikkie Nel Danie van der Merwe Jan van der Merwe 	<p>Responsible for assisting and advising the chief executive (CE) in implementing the strategies and policies determined by the board, managing the business and affairs of the company, prioritising the allocation of capital, technical and human resources and establishing best management practices.</p> <p>Monitors the performance of the company and assists the CE and financial officers in preparing the annual budget for review and approval by the board.</p> <p>Responsible for reviewing and monitoring the company's system of internal control.</p>	<p>Comprises nine executives, under the chairmanship of the CE, Markus Jooste.</p> <p>The chairman of the board, Len Konar, and Bruno Steinhoff as well as various members of the executive team, designated staff members and divisional directors regularly attend these meetings as invitees.</p>	<p>Meets regularly, approximately every three weeks and formally each month with senior executive management, designated staff members and divisional directors.</p> <p>Attendance The members of the executive committee attended all 11 meetings of the committee held between July 2009 and June 2010.</p>
<ul style="list-style-type: none"> Audit committee Steve Booysen⁽¹⁾ (chairman) Dave Brink⁽²⁾ Dirk Ackerman⁽³⁾ Len Konar 	<p>Responsible for the integrity of financial reporting and the audit process. In fulfilling this role, the committee reviews accounting principles, policies and practices adopted in the preparation of financial information in South Africa, the United Kingdom, Europe and Australia.</p> <p>Responsible for ensuring that risk management and internal control systems are maintained.</p> <p>Considers significant risk and control issues arising from the financial officers' reports on financial and accounting frameworks, including tax-related matters.</p> <p>Reviews and monitors capital expenditure throughout the group for adequate control, monitoring and reporting.</p> <p>Oversees relations with external auditors and reviews the effectiveness of the internal audit function and co-operation between the parties.</p> <p>Approves the external auditor's appointment, terms of engagement, fees, scope of work, process of annual audit, applicable levels of materiality.</p> <p>Reviews the independence of external auditors and the services they provide, and ensures that their independence is not impaired by the extent of non-audit services provided.</p> <p>Responsible for overall compliance with corporate governance principles regarding external audit functions.</p> <p>Monitors the internal control and audit function. These functions report to and have unrestricted access to the audit committee.</p> <p>Facilitates and promotes communication between the board, management, the external auditors and the chief internal auditor.</p> <p>Receives and deals with any complaints relating either to the accounting practices and internal audit of the group or to the contents or auditing of its financial statements, or any other related matters.</p>	<p>Comprises three members, all of whom are independent non-executive directors, under the chairmanship of the independent, non-executive director, Steve Booysen.</p>	<p>Meets formally at least four times per annum, with external auditors and the chief internal auditor attending the meetings.</p> <p>Attendance There was full attendance by serving committee members during the year.</p> <p>Four committee meetings were held during the year.</p> <p>Steve Booysen attended the committee meeting on 4 September 2009 as an invitee.</p>
<ul style="list-style-type: none"> Group risk advisory committee Steve Booysen⁽¹⁾ Dirk Ackerman⁽²⁾ Dave Brink Yolanda Cuba Claas Daum Len Konar⁽³⁾ Jannie Mouton Franklin Sonn Angela Krüger-Steinhoff Bruno Steinhoff 	<p>Assists the board in reviewing risk management processes and significant risks facing the group.</p> <p>Sets the group's risk strategy in consultation with executive directors and senior management, making use of generally recognised risk management and internal control frameworks.</p> <p>Monitors and reports on key performance indicators and risks.</p>	<p>Comprises seven independent non-executive directors, one non-executive director and one non-executive alternate director, under the chairmanship of Steve Booysen.</p>	<p>Meets at least once a year.</p> <p>Attendance There was full attendance by serving committee members during the year.</p>

⁽¹⁾ Appointed as chairman in March 2010

⁽²⁾ Stepped down as chairman in March 2010

⁽³⁾ Retired in December 2009

⁽¹⁾ Appointed as chairman in March 2010

⁽²⁾ Retired in December 2009

⁽³⁾ Served as chairman for the period December 2009 to March 2010

COMMITTEE

• Human resources and remuneration committee

Dave Brink⁽¹⁾ (chairman)
Dirk Ackerman⁽²⁾
Len Konar⁽³⁾
Franklin Sonn

⁽¹⁾ Appointed as a member in September 2009 and as chairman in March 2010

⁽²⁾ Retired and stepped down as chairman in December 2009

⁽³⁾ Served as chairman for the period December 2009 to March 2010

PURPOSE

Responsible for reviewing and approving the remuneration and employment terms and conditions of executive directors and senior group executives in all divisions of the group.

Considers senior appointments to the group.

Responsible for the group's remuneration philosophy, policies, annual incentive bonus schemes and allocation of share rights.

Determines the rewards of the chairman, CE, executive and non-executive directors and senior executives for individual contributions to the company's overall performance. Reviews executive succession and development plans.

Reviews remuneration strategies, packages and schemes and monitors these so that they remain related to performance objectives, suitably competitive and give due regard to shareholders' interests.

Ensures maintenance of appropriate human resource strategies, policies and practices.

COMPOSITION

Following the retirement of Dirk Ackerman in December 2009, the committee comprises three independent non-executive directors, under the chairmanship of the senior independent non-executive director, Dave Brink.

Divisional remuneration committees have been established to deal with management remuneration at all divisions. These committees are comprised of the regional CE, the divisional managing director and the group's human resource executive. These divisional committees report directly to the human resources and remuneration committee.

MEETINGS

Meets at least twice a year with *ad hoc* meetings convened as and when required.

Attendance

There was full attendance by serving committee members during the year.

• Nomination committee

Len Konar (chairman)
Franklin Sonn

Makes recommendations to the board on the appointment of executive and non-executive directors and the composition of the board and its committees.

Comprises two independent non-executive directors, under the chairmanship of Len Konar.

Meets at least once a year.

Attendance

Both committee members attended the two meetings held during the year.

STEINHOFF INTERNATIONAL HOLDINGS LIMITED BOARD: ATTENDANCE AT BOARD MEETINGS

	8 September 2009	7 Dec 2009	2 Mar 2010	31 May 2010
DE Ackerman ⁽¹⁾	•	•	–	–
SF Booyesen ⁽²⁾	•	•	•	•
DC Brink	•	•	•	•
YZ Cuba	•	•	•	•
CE Daun	•	•	•	•
HJK Ferreira	•	•	•	•
SJ Grobler	•	•	•	•
MJ Jooste	•	•	•	•
D Konar	•	•	•	•
JF Mouton	Apology	•	•	•
FJ Nel	•	•	•	•
FA Sonn	•	•	•	•
BE Steinhoff	•	•	•	•
IM Topping	•	•	•	•
DM van der Merwe	•	•	•	•
JNS du Plessis (Alternate)	•	•	•	•
KJ Grové (Alternate)	•	•	•	•
AB la Grange ⁽³⁾ (Alternate)	•	•	•	•
A Krüger-Steinhoff (Alternate)	•	•	•	•

⁽¹⁾ Retired from the board effective December 2009

⁽²⁾ Appointed to the Board September 2009

⁽³⁾ Appointed alternate director December 2009

⁽⁴⁾ Attended meeting as an invitee

ACCOUNTABILITY

The chief executive (CE) is responsible and accountable to the board for all group operations. As the group operates on a decentralised basis, the CE has appointed regional/divisional managing directors (MDs) and/or CEs of the main operating divisions to assist in discharging this responsibility. The duties and responsibilities of the MDs are detailed in formal role descriptions, together with prescribed limits of authority. These duties and responsibilities are approved and reviewed annually by the CE.

The company's policy of decentralisation and its flat organisational structure mean that each region/division is managed autonomously. Principally, the group is managed within an organisational structure that distinguishes between the northern hemisphere and the southern hemisphere. Within these regions, each underlying division has its own operational, marketing, environmental, health and safety and social responsibility budgets. Each division is responsible for its own results and responds individually to customer needs, pricing policies and environmental and social responsibility requirements.

As the group operates in diverse industries and in differing global regions, environmental policies are set at divisional level, together with policies on health and safety and employee matters, subject to overall guidelines set by the group.

Notwithstanding the delegation by the board of certain powers and authorities to executive management, the ultimate responsibility for retaining full and effective control over the group rests with the board. Decisions on material matters are reserved by the board, including but not limited to, decisions on the allocation of capital resources to optimise the return on shareholders' funds and the authorisation of procurement, capital expenditure, property transactions, borrowings and investments, other than where pre-approved materiality levels apply.

COMPANY SECRETARY

All directors have access to the advice and services of the company secretary, supported by the legal department and

the group secretariat. The company secretary is responsible for the duties set out in section 268G of the Companies Act of 1973 (the Act) and for ensuring compliance with the listings requirements of the JSE Limited.

The certificate required to be signed in terms of subsection (d) of section 268G of the Act appears on page 33 of the annual financial statements.

REMUNERATION

The human resources and remuneration committee

The group human resources and remuneration committee (the remuneration committee) is responsible for setting the remuneration strategy of the group, approving incentive schemes within the group and for determining the remuneration of executive and senior management positions, relative to local and international industry benchmarks. It also makes recommendations to the board and shareholders on the remuneration of non-executive directors.

A summary of the group's remuneration strategy is included in the corporate responsibility report on pages 88 to 95 and full details are available on the company's website at www.steinhoffinternational.com.

Remuneration philosophy

The remuneration philosophy of Steinhoff International is to attract, retain and motivate employees while considering applicable market levels of remuneration. The company's primary executive remuneration objective is to appropriately reward executive directors to ensure that, as far as possible, their interests are aligned with the interests of shareholders and to attract and retain high-calibre individuals.

Annual incentive bonus arrangements have been structured so that targets are based on corporate, business unit and individual performances.

In setting remuneration levels, the remuneration committee commissions independent evaluations of the roles and responsibilities of the executive teams and of the next levels of management in the group. The remuneration committee takes independent advice from consultants on market-level remuneration, based on like-for-like comparisons with

The group is managed within an organisational structure that distinguishes between the northern Hemisphere and the southern Hemisphere. Within these regions, each underlying region or division has its own operational, marketing, environmental, health and safety and social responsibility budgets.

other companies operating in fields within which the group competes for executive talent.

The remuneration committee recognises the importance of linking rewards to business and personal performance and believes that the arrangements implemented provide an appropriate focus on performance and a balance between short-term and long-term incentives. The annual bonus plan and long-term incentive arrangements comprise a significant portion of the total reward for achieving business and personal performance objectives.

The remuneration committee constantly monitors market practices to remain competitive and to ensure that reward policies embrace all aspects of remuneration, support the company's strategy and reflect good corporate governance practices. The committee considers improvements to Steinhoff International's incentive strategy on a regular basis to help deliver enhanced shareholder returns. Should any substantial changes be considered, the company would report these to shareholders through established channels of consultation and reporting.

Remuneration of employees in general

The following principles are used to determine appropriate remuneration levels:

- Employees linked to compulsory and binding bargaining and other regulatory structures and forums are paid accordingly.
- Supervisory and middle-management remuneration is linked to competency levels, market realities and to performance against measured key performance outputs.
- Should any employees underperform, active steps are taken to ensure compliance with or improvement on standard performance levels.
- A team performance-related incentive system, measuring financial and non-financial areas of responsibility, is compulsory for all business unit management teams.

- Strong long-term incentives, linked to group and divisional-related performance criteria, are in place to ensure alignment with shareholder interests.
- The collective incentives promote and reward entrepreneurial skills according to achievement against growth and performance targets.

Directors' remuneration

The board applies the principles of good corporate governance relating to directors' remuneration. Governance of directors' remuneration at Steinhoff International is undertaken by the remuneration committee.

The remuneration committee has resolved that the directors' fees, including fees payable to non-executive directors, are to be submitted in advance for approval at each annual general meeting. In this regard, see the notice to shareholders, detailing the matters to be considered at the forthcoming annual general meeting to be held on 6 December 2010.

The remuneration and fees paid to directors for the financial year ended 30 June 2010 are detailed in the annual financial statements.

Executive directors' remuneration

Remuneration for executive directors consists of a basic salary, a performance-related incentive bonus, retirement contributions, medical scheme membership and participation in long-term share incentive schemes. It also includes fees earned for services on the board of Steinhoff International. All benefits are calculated in terms of the remuneration principles outlined in this report.

In line with the group's remuneration philosophy, remuneration is reviewed annually by the remuneration committee after evaluating each executive director's performance, including that of the CE. In addition, the remuneration packages are individually benchmarked, taking into account local, regional and global responsibilities. Details of the remuneration of the executive directors and information on share rights are set out in the annual financial statements.

Non-executive directors' remuneration

Fees for non-executive directors are recommended to the board by the remuneration committee, for approval by shareholders. The fees are reviewed annually with the assistance of external service providers. The remuneration committee takes cognisance of market norms and practices as well as of the increasing responsibilities placed on board members by new legislation, regulations and corporate governance guidelines. The independent non-executive directors do not have service contracts and are not members of the group's retirement funding schemes.

Awards of shares or options to non-executive directors under the group's share incentive schemes were discontinued from 2002. All outstanding rights granted to non-executives were exercised during the 2008 financial year.

Non-executive directors receive an annual fee for their participation. The fee consists of a base fee and retainer and, where applicable, committee membership fees. Steinhoff International pays for all reasonable travelling and accommodation expenses to attend board and committee meetings. The fees payable to the non-executive directors for the 2010/2011 year, including the fee payable to the chairman, will be submitted to shareholders for approval at the annual general meeting to be held on 6 December 2010.

Details of the emoluments paid to non-executive directors during the review period are shown in the annual financial statements.

Basic executive salaries and benefits

Salaries for executives are reviewed annually in September, following the publication of the group's audited financial results. Salaries are adjusted based on market-related comparative information and on the performance of both the individual and the group.

Annual bonus

The remuneration committee uses an annual performance bonus as an incentive to executives to achieve predetermined financial targets, based on earnings growth and cash flow. The committee sets the financial targets annually and monitors performance against these targets. The committee

recently approved recommendations to defer a portion of the annual bonuses as a measure to retain executives.

Share incentive schemes

Steinhoff Share Incentive Schemes

The company operates share incentive schemes for senior executives and management staff. These schemes were approved by shareholders at the annual general meetings held on 6 December 1999 and 1 December 2003 respectively.

The remuneration committee grants rights which reflect a multiple of the executive directors' remuneration. Broad-based rights are granted, subject to time limits and clearly measurable performance criteria. These criteria were set in 2003, in respect of grants issued from 2003 to 2009, as Steinhoff International achieving a compound growth in headline earnings per share over the relevant three-year period equal to or exceeding the weighted average growth of the companies included on the JSE Indi 25 index and as the volume-weighted average traded share price of Steinhoff International shares equalling or exceeding a formula-driven share price based on the JSE Indi 25 index and the Steinhoff International share price.

The remuneration committee resolved to reduce the number of rights granted from 2006 onwards and to simplify the scheme by making annual allocations, subject to appropriate performance targets set by the remuneration committee to align the interests of senior executives with shareholders.

The 2006 allocation was authorised and made for the three completed financial years commencing on 1 July 2006. The committee authorised the granting of 7 873 392 rights (of which 4 978 666 were granted). The 2006 allocation did not meet the prescribed criteria and the rights granted under this allocation accordingly lapsed.

In 2007, a total of 9 506 874 rights were authorised to be granted to participants for the three completed financial years commencing on 1 July 2007. It is anticipated that these 2007 allocations will not meet the prescribed criteria and that they will also lapse. In 2008, a total of 15 525 000 rights were authorised to be granted to participants for the three completed financial years commencing 1 July 2008

The company's primary executive remuneration objective is to appropriately reward executive directors to ensure that, as far as possible, their interests are aligned with the interests of shareholders and to attract and retain high-calibre individuals.

and, in 2009, a total of 22 775 000 rights were authorised to be granted to participants for the three completed financial years commencing 1 July 2009.

The company intends to reduce the number of participants in this scheme from in excess of 400 participants to approximately 40 participants at senior executive level. It is expected that the remainder of the qualifying share scheme participants will participate in a longer-term bonus or phantom scheme, focusing on the operational and strategic responsibilities of the individual business units or of the relevant divisions.

The Steinhoff International share incentive scheme will be presented in terms of the listing requirements for approval by shareholders at the annual general meeting on 6 December 2010.

Unitrans Share Incentive Schemes

Following the acquisition by the group on 8 May 2007 of the businesses of Unitrans Limited (Unitrans), the rights of participants to receive shares in Unitrans in terms of the Unitrans Limited Share Scheme and rights over shares in terms of the Unitrans Executive Share Rights Scheme, were amended. Participants in these schemes received shares or rights, as appropriate, over shares in Steinhoff International.

The terms and conditions of these schemes, including vesting periods and performance hurdles, remained unchanged save that the beneficiaries became entitled to shares or rights over shares in Steinhoff International, as opposed to shares or rights over shares in Unitrans. No further allocations have been made under the Unitrans Limited Share Scheme. The Unitrans Limited Executive Share Rights Scheme, which was introduced from December 2005 and under which rights vested after three years subject to the meeting of the specified performance hurdles applicable to the Steinhoff Executive Share Rights Scheme, was integrated in 2007 into the Steinhoff Executive Share Rights Scheme. The 2005 and 2006 allocations did not meet the prescribed criteria and the rights granted to participants under these allocations accordingly lapsed.

The following options/rights over shares in Steinhoff International were outstanding in respect of the Unitrans share schemes as at 30 June:

	2010	2009
Unitrans Limited Share Scheme	2 157 150	2 876 950
Unitrans Executive Share Rights Scheme	Nil ⁽¹⁾	1 313 812

⁽¹⁾ Lapsed

MANAGEMENT REPORTING

Management reporting disciplines include the preparation of annual budgets by the operating entities. These budgets are reviewed by the board and are subject to final board approval. Monthly results and the financial status of operating entities are reported against the approved budgets.

Profit projections and cash flow forecasts are reviewed regularly, while working capital and borrowing levels are monitored continually. Divisional management is additionally charged with the duty of reporting on social, ethical and environmental concerns. These aspects are reported on in the corporate responsibility report included in this annual review and further details are available on the company's website at www.steinhoffinternational.com.

FINANCIAL CONTROL AND REPORTING

The directors are responsible for ensuring that the group companies maintain adequate records, and for reasonable, accurate and reliable reporting on the financial position of the group and on the results of its activities. To meet this responsibility, financial reporting procedures are applied in the group at all levels.

Group services' executives meet regularly and formally with operating management and are effectively involved in the major decision-making processes of all group companies. Financial and other information is constantly reviewed and any action necessary is taken immediately. The financial statements are prepared in accordance with International Financial Reporting Standards.

INTERNAL CONTROL AND RISK MANAGEMENT

The group operates an enterprisewide risk management framework, providing a robust internal control structure. This framework places weight on accountability, responsibility, independence, reporting, communications and transparency.

The executive team is responsible for implementing the risk management strategy to ensure that an appropriate risk management framework operates effectively across the group, embedding a risk culture throughout the group.

The board and the audit committee are provided with a consolidated view of the risk profile of the group and any major exposures and relevant mitigating actions are identified. This strategy supports the board in discharging its responsibility for ensuring that the wide range of risks associated with the group's diverse operations is effectively managed, to create and preserve shareholder wealth.

The board's policy on risk management encompasses all significant business risks of the group, including strategic, financial, operational, environmental, information technology, market, compliance and general risks, which could undermine the achievement of the group's business objectives. This system of risk management has been designed to allow the different business units to tailor and adapt their risk management processes to suit their specific circumstances. Risk assessment and reporting criteria have been structured to provide the board with a consistent, companywide perspective of the key risks. The systems of internal control, which are embedded in all key operations, provide reasonable rather than absolute assurance that the company's business objectives will be achieved within the risk tolerance levels defined by the board.

Regular management reporting, which provides a balanced assessment of key risks and controls, is an important component of board assurance. The chief financial officer(s) provide(s) quarterly confirmation to the board that the financial and accounting control frameworks established have operated satisfactorily and consistently. The board also receives assurance from the audit committee, which derives its information in part from regular internal control reports throughout the group and from the divisional audit committees.

Internal control systems

The internal control system that operated throughout the year covered the following areas:

- **Control environment**

The board has established a documented organisational structure with clearly defined and communicated lines of responsibility and delegation of authority to operating units. Policies and procedures, including the code of ethics and divisional policies on environmental and social issues, have been established to foster a strong ethical environment.

- **Main control procedures**

The board has adopted a schedule of matters which it requires to be brought to it for consideration, ensuring that it maintains full and effective control over appropriate strategic, financial, organisational and compliance issues. The board has identified a number of key areas that require regular reporting to the board, including treasury, legal, environmental, information technology and other matters. Financial controls and procedures are in place, including procedures for seeking and obtaining approval for capital expenditure, major transactions and organisational changes, as well as organisational controls involving the segregation of incompatible duties and controls relating to the safeguarding of assets.

- **Identification and evaluation of business risks and control objectives**

The company's strategy on risk is to assume prudent risk, which is appropriately managed and mitigated, in exchange for measurable rewards. The board has the primary responsibility for identifying the major business risks facing the group and for developing appropriate policies to manage those risks. The risk management approach is used to focus the attention of directors and management on the group's most significant areas of risk and to determine key control objectives. This process is supported by group risk advisory services.

- **Monitoring**

The board has delegated implementation of the system of risk management and internal financial control to executive management. The operation of the system is

monitored and a programme of reviews, focusing on key aspects of the business, is undertaken.

The board conducts an annual review of the operation and effectiveness of this system of internal financial control. Following this review and after making reasonable enquiries, the board believes there have been no weaknesses in the system that have failed to bring to the board's attention any material losses or contingencies during the review period, or during the period from the statement of financial position sheet date to the date of this annual report, except if noted elsewhere in this annual report.

The directors accept responsibility for maintaining appropriate internal control systems to ensure that the group's assets are safeguarded and managed, and that losses arising from fraud or other illegal acts are minimised. Control systems are continually monitored and improved in accordance with generally accepted best practice.

- **Information systems**

The group operates a comprehensive annual planning and budgeting system and annual budgets are reviewed and approved by the board. There is a financial reporting system which compares results with monthly budgets to identify any significant deviation from approved plans. Reports include a monthly cash flow analysis, projected for 12 months, which is used in determining whether the group has or will have adequate funding for its future needs.

INTERNAL AUDIT

The internal audit department is an independent assurance function forming part of the enterprisewide risk management framework, established at corporate level, reporting directly to the audit committee and to the divisional audit committees. It assists executive management and the respective audit and risk committees in the effective discharge of their responsibilities by means of independent financial and information technology internal control and operational system reviews.

The internal audit function operates in terms of an internal audit charter approved by the audit committee. The chief internal auditor has a direct reporting line to the chairman of the audit committee and meets regularly with executive management and the CE.

The internal audit function has a formal information exchange process in place with the external auditors to ensure efficient coverage of internal controls and to eliminate any duplication of effort.

Internal audit evaluates and assesses the adequacy of risk management processes and internal control frameworks and reports any significant issues, making recommendations to improve these processes. The internal audit function reviews the effectiveness of financial and non-financial controls over all processes that contribute to the achievement of organisational objectives. It also provides information on the status and results of the annual audit plan.

The group is expanding its risk-based approach to internal audit in line with the recommendations of King III. This risk-based approach assists in determining whether the controls in place are effective in managing risks arising from the strategic direction that the company has elected to follow. It will not replace the existing compliance-based approach of internal audit but will serve to augment and enhance the existing systems.

Any weaknesses or breakdown in controls identified by internal audit are discussed with the relevant management team and are reported to the divisional audit committees and, if material, to the audit committee. A programme of follow-up audits on any unsatisfactory ratings is rigorously applied to ensure appropriate and timely remedial action. It is a requirement throughout the group that all significant findings recorded by internal audit are to be followed up on and implemented within a period of three months. The results of follow-up audits are tabled at the relevant divisional audit committee meetings and to the audit committee.

The internal audit function has mainly been internalised and dedicated group personnel have been charged with the

responsibility of undertaking internal audits, independent of operational management. However, in certain parts of the group, the internal audit function has been outsourced to independent professional service providers.

During the review period, the internal audit process did not highlight any material breakdowns in internal control.

EXTERNAL AUDIT

The external auditors report on their audit findings to the various divisional audit and risk committees and to the audit committee of Steinhoff International. Should they wish to discuss any findings, the external auditors have unrestricted access to the chairman of the audit committee.

The audit committee has considered the position of Deloitte & Touche and has resolved that Deloitte & Touche is independent of the group and has recommended the reappointment of Deloitte & Touche as auditors. This view and recommendation was endorsed by the board of directors on 7 September 2010. The reappointment of the auditors will be a matter for consideration by the shareholders at the annual general meeting to be held on 6 December 2010.

The external auditors have confirmed to the audit committee that they are not aware of any relationships between the group and themselves that were in place or occurred during the year under review that, in their professional opinion, could reasonably be held or be perceived to impact their independence.

The group has adopted a policy to regulate the use of the external auditors for non-audit services, including consulting services. The policy details the non-audit services which may not be performed by the external auditors and prescribes pre-approval requirements for non-audit services that, subject to the requisite pre-approvals being obtained, may be undertaken by the external auditors. The principles for this policy have been determined by the audit committee.

RISK MANAGEMENT

The board recognises the critical importance of risk management and takes ultimate responsibility for this function. An enterprisewide integrated risk management

approach has been adopted in line with international best practice. The board is supported by executive and non-executive committees in the identification and management of risks, in accordance with the process highlighted above.

The internal audit department regularly reviews the implementation and management of the risk profile through the internal audit process and, as reported above under the section on internal audit, is expanding its risk-based approach, in line with the recommendations of King III.

Information technology (IT) forms an integral part of the group's risk management approach and reports from the divisional IT executives are tabled at the quarterly board meetings. The risk and audit committees assist the board in fulfilling its IT responsibilities. Responsibility for IT for the southern hemisphere rests with its chief financial officer, Mr Ben la Grange, and for the northern hemisphere with its chief financial officer, Mr Siegmund Schmidt.

The group manages its risks with a varying degree of central guidance. The major classifications of the risks facing the group have been identified as follows.

- Financial risks: refer to the finance report on pages 26 to 35 for details of the financial risks.
- Operational risks and market-related and general risks (including environmental risks): refer to the summary corporate responsibility report accompanying this annual report and the full corporate responsibility report available on the company's website at www.steinhoffinternational.com for details of the risk management approach adopted to mitigate and/or manage these risks.

The group risk structure depicted on page 87 reflects the risk reporting and management structures in place throughout the group.

STAKEHOLDER COMMUNICATION AND INVESTOR RELATIONS

The board believes that balanced and understandable communication of the group's activities to stakeholders is essential and it strives to present clearly any matters material

to a proper appreciation of the group's position. The interests and concerns of stakeholders are addressed wherever possible by communicating material information, as it becomes known, regardless of any potentially positive or negative impact.

The company encourages the active participation of shareholders at general meetings and arranges for corporate and divisional executives to attend regular meetings with shareholders and potential investors. The annual general meeting is normally attended by all directors, and shareholders are encouraged to be present and to ask questions. Shareholders are afforded the opportunity to meet with the directors after the formal proceedings have ended.

The group values its relationships with both institutional and private investors and adopts a proactive approach to ensure that communications are handled appropriately. There is regular two-way communication with investors and analysts, including presentations after the interim and year-end results and site visits. The results for the year under review were presented nationally on 7 September 2010 and at the same time to invited global institutional shareholders via electronic medium.

The board ensures that all directors, including non-executive directors, develop an understanding of the views of major shareholders through attendance at analyst presentations and other meetings with institutional investors and their representative bodies.

The group adopts a proactive stance in disseminating appropriate operational information to stakeholders through print and electronic news releases in addition to the statutory publication of the group's financial performance and announcements required in terms of the listings requirements of the JSE Limited.

The website – www.steinhoffinternational.com – enables all shareholders to access results presentations and detailed information on the group and its portfolios. Ms Mariza Nel is responsible for stakeholder and investor communication and relations for Steinhoff International (e-mail: Investors@Steinhoff.co.za). Ms Nel is available to answer investor questions on the group's businesses, including questions on corporate governance and corporate responsibility. Further information on stakeholder

communication is contained in the corporate responsibility report which accompanies this annual report.

ETHICS

We require our employees, in performing their duties, to act in good faith and in a manner promoting our aspiration to be a good corporate citizen. We have adopted a code of ethics committing the group, its directors and its employees to the highest standards of conduct.

This code has been endorsed by the directors and a formal ethics programme has been rolled out throughout the group, under the guidance of the company secretary and group compliance manager who ensure that the code is reviewed annually. The group requires that employees receive training on ethical behaviour.

The code addresses *inter alia*:

- Conflicts of interest – the code incorporates specific policy and guidelines on the disclosure of any conflicts of interest and on making payments of a sensitive nature.
- The acceptance of gifts – with the exception of small token gifts, which must be recorded in a register, no employee may accept any gift, payment incentive/ facilitation payment, favour or any other business courtesy that may influence his/her actions, or Steinhoff International's actions, with regard to a third party. The code includes a list of prohibited transactions.
- Bribes and political contributions – adherence to anti-corruption laws and regulations is non-negotiable.
- Record keeping – the books and records of the group must reflect all business transactions accurately and timeously.
- Promotion of competition – Steinhoff International believes in the principles of free competitive enterprise and the code incorporates the group's anti-competition/ anti-trust policy and contains guidelines detailing specific prohibitions.
- Non-discrimination – Steinhoff International expects all of its employees to treat their fellow employees with respect and consideration.

- The group's commitment to the interests of all stakeholders, including shareholders.
- Policies and guidelines on the personal conduct of management officials and other employees.

Compliance with the code is monitored by divisional management and any infringements are dealt with appropriately at that level. Serious contraventions of the code are reported at board level. No serious breaches of the code were reported during the year under review.

FRAUD AND ILLEGAL ACTS

The group does not engage in or accept or condone the engaging in of any illegal acts in the conduct of its business. The directors' policy is to actively pursue and encourage prosecution of perpetrators of fraudulent or other illegal activities should they become aware of any such acts, and a zero tolerance approach has been adopted. The group has implemented a confidential fraud reporting line to facilitate the reporting of any fraudulent or illegal acts. Further information on this facility is contained in the corporate responsibility report available on the company's website at www.steinhoffinternational.com.

All reports are followed up on and are the subject of separate investigations. There were no frauds or misdemeanours of any significance which were reported via the confidential fraud line during the year ended 30 June 2010.

INSIDER TRADING

The group has an insider trading policy, which prohibits directors and named officers of the company and its material subsidiaries from dealing in the company's shares, either directly or indirectly, on the basis of unpublished price-sensitive information concerning the business or affairs of the group and its subsidiaries. Employees are advised not to deal, directly or indirectly, in the company's shares or warrants or shares of listed subsidiaries of the group on the basis of unpublished price-sensitive information.

No director or officer who is privy to such information may trade in the company's shares or warrants during embargo periods determined by the board or during closed periods,

and all dealings by directors and officers in the company's shares, or shares of any listed subsidiaries of the group, must receive the prior approval of the CE. Dealings in such shares by the CE must receive the prior approval of the compliance officer and dealings in such shares by the chairman must in turn receive the prior approval of the CE and the compliance officer.

Closed periods are the periods between the end of the interim and annual reporting periods and the announcement of financial and operating results for these reporting periods, together with any periods during which the company may be trading under a cautionary announcement.

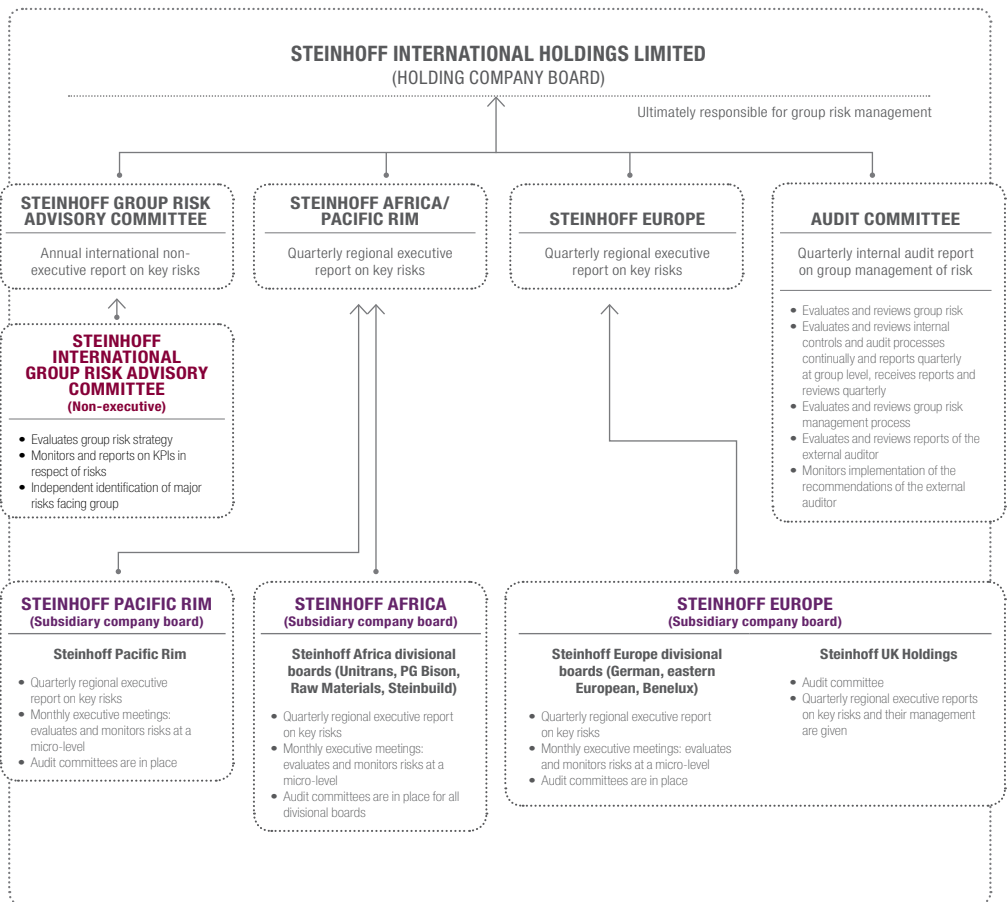
A report of all dealings by directors and officers in the shares of the company is tabled at each board meeting of the company. All share dealings by directors of the company and its major subsidiaries, including share dealings by the company secretary, are notified to the JSE Limited for publication via the Stock Exchange News Services (SENS).

INTEREST IN CONTRACTS

The group has a policy regulating disclosure of interest in contracts. The policy dictates that all employees must disclose any interest in contracts to allow for the assessment of any conflict of interest. The policy also covers directors and senior officers of the group. Disinterested directors are required to review and, if appropriate, approve related-party transactions involving officers and directors. During the year under review, save as may be disclosed in the financial statements, none of the directors had a significant interest in any material contract or arrangement entered into by the company or its subsidiaries.

GOING CONCERN STATEMENT

The directors report that, after making enquiries, they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going-concern basis in preparing the financial statements.



SUMMARISED CORPORATE RESPONSIBILITY REPORT



People,
planet and profit

Our operations are underpinned by sound financial principles, and are entrenched by corporate governance policies and procedures and an overall focus on the sustainability of our businesses.

Steinhoff International's business strategy has, since its listing in 1998, remained relevant and capable of delivering on stakeholder expectations. The balance achieved between geographical and operational markets has proved to be the cornerstone of 12 years of achievement.

The group operates in a dynamic global environment that is subject to constant change. We have the ability to react to ever-changing conditions through our proven strategies and sound corporate structure. We have thus been able to weather the turbulence that continues to influence world economies. Our operations are underpinned by sound financial principles, supported by corporate governance policies and procedures and an overall focus on the sustainability of our businesses.

We are fully aware of our responsibilities toward:

- our employees – to value them and create the most suitable environment in which they can add value;
- the natural resources on which we are dependant; and
- our businesses, shareholders, customers, business partners and the communities in which we operate.

ABOUT THIS REPORT

The aim of this report is to provide stakeholders with an overview of the Steinhoff International corporate responsibility approach at divisional and group level. We focus on the three core elements of sustainability: people, planet and profit.

This report provides a summarised view of the group's corporate responsibility approach. A full corporate responsibility report is available on the group's website at www.steinhoffinternational.com.

CORPORATE RESPONSIBILITY STRUCTURE AND MANAGEMENT APPROACH

Steinhoff International remains committed to ensuring adherence to effective sustainability policies and ethical practices across all of the group's operations. And, we are aware of our wider global role and responsibilities.

Our corporate responsibility management structure encompasses all our business functions. We have adopted a policy that provides clear accountability to the board, while placing day-to-day responsibility to implement and manage divisional responsibility programmes with divisional management and their boards. This management process and structure is in line with the group's overall decentralised approach.

The corporate responsibility committee which has representation on the Steinhoff International board:

- focuses on issues of sustainability;
- provides strategic direction to the group on corporate responsibility matters with input from the global management teams; and
- reports to the board on matters of sustainability.

Due to the diversity of the group, the materiality of sustainability issues is determined and considered at divisional level. This is based on the potential impact of risks, the effect thereof on communities and the value, to all concerned, derived from the investments made. This has resulted in certain of our more material operations (as it relates to their actual or potential risks) being at the centre of many of the group's sustainability initiatives.

PEOPLE

Policies

Policies are in place at divisional and group level covering human resources (HR), HIV/Aids, human rights, employment equity and broad-based black economic empowerment. These policies are implemented at divisional level and are communicated to employees by various means. It is the duty of the directors of Steinhoff International to protect the group's reputation and to ensure that the group's ethical standards and policies are communicated, implemented and managed throughout the group.



Directives to achieve targets for the management of HR are set and endorsed at group level, but enforced and managed within each operation. These directives are actively driven by the Steinhoff human resources and remuneration committee.

Stakeholders

Stakeholder engagement is an inclusive and continuous process between group companies and stakeholders who are or could potentially be affected by our activities.

Stakeholder groups include:

- Employees: Employees, trade unions, regulatory bodies
- Investors: equity and institutional investors, company analysts, media, related stakeholders and regulatory bodies such as the JSE Limited
- Business partners
- Communities
- Other: Regulators, central banks, revenue authorities, advisory councils, governments, competition authorities and industry bodies.

Employees

Human capital development has been incorporated into all of the group's operations through divisional human resource (HR) committees. It is our aim to develop and protect our employees. We strive to ensure that our employees work in an environment which actively fosters development and growth, to recognise and adequately reward individual and team performance and to assist employees to reach their full potential.

Divisional targets for employee development are incorporated into the key performance areas of the divisional managing directors and form part of their annual incentive bonus scheme measurement. Terms of reference of the divisional human resources and remuneration committees include remuneration, medical and retirement benefits, employment equity/equal opportunities, black economic empowerment (where relevant), succession planning, training and development, industrial relations and performance management.

The various policies and practices that cover HR issues include:

- Employee benefits
- Remuneration, attraction and retention of employees
- Succession planning
- Performance management
- Labour practices and employee participation
- Education and training
- Employment equity and equal opportunity
- Discrimination and freedom of association

Education and training

Divisional managing directors have full responsibility for the training and development of staff within their areas of control.

All staff members are informed of and have equitable access to training and development opportunities as far as is reasonably practical, taking into consideration the operational needs of the business.

Training and development aims to equip staff members with the competencies they need to fulfil their job requirements. The focus is particularly on the transfer of skills from the classroom to the workplace.

Targets for training are put in place and are represented as an annual financial training budget. Training budgets vary between 1.5% and 5% of total payroll costs per division, depending on specific training needs. The execution of budgeted and planned training activities is linked to specific performance management targets and incentive bonus schemes.

Learning assistance through bursaries and study loans is offered in divisions where there are skills shortages. Fewer bursaries are given to non-employees due to the current over-supply of qualified candidates. Most external learning assistance given to employees is for those employees who have been identified for further development within the various operations. The main recipients of bursaries are previously disadvantaged people.

Risk assessments, safety training and implementation of workplace systems are undertaken and are reported on to measure performance and to identify areas for improvement.

Health and safety

Overall responsibility for health and safety across the group rests with the board. Operational responsibility for health and safety rests with the management or board of each division. This is supported by the HR managers, divisional and regional health and safety managers and occupational health and safety representatives. External consultants and administrators are appointed when specialised expertise is required.

Health and safety committees are in place in the divisions to ensure that the guidelines set at group level are complied with. These guidelines require that, as a minimum, all operations adhere to the legislation, regulations, codes of practice and industry standards of the countries in which they operate.

Risk assessments, safety training and implementation of workplace systems are undertaken and are reported on to measure performance and to identify areas for improvement. Internal or external assessments, reviews and independent audit results are reported on regularly by the divisional committees, safety representatives and management. This process follows the established reporting channels up to board level if necessary. Integrated computerised safety, health, environment and quality (SHEQ) systems have been introduced by certain divisions, and assist greatly in the compilation of accurate and timeous SHEQ reports and in the identification and management of risk areas.

The majority of South African employees are employed in operations that are covered by international SHEQ certification standards. Certifications are also in place in the UK and Europe.

HIV/Aids

The group operates in 15 countries on four continents – however, the socio-economic consequences of HIV/Aids poses a risk only in South Africa. With approximately 50% of

the group's workforce employed in South Africa, the group has focused its attention towards the prevention, detection and treatment of HIV/Aids in South Africa.

In Europe, the UK and Australia, the prevalence rates of HIV/Aids are very low. In these regions, the state generally offers adequate prevention and treatment interventions. Sourcing from China is on the increase and as a result, this could be seen as an indirect risk. However, the permanent staff complement in China consists of a small administrative group and the HIV/Aids prevalence rate for Asia is estimated at well below 0.5%, considerably lower than that in South Africa.

Accordingly, the group continues to support all divisional-based plans to combat HIV/Aids in South Africa. We are committed to addressing this real issue in meaningful ways i.e. by striving to understand the realities, by reducing possible future impact and by encouraging healthy lifestyles for our employees.

HIV/Aids is also addressed in divisional policies, with specific relevance to the requirements of each operation, focusing on:

- HIV/Aids awareness programmes; and
- understanding and managing the costs of appropriate medical care and the impact of the disease on traditional family structures.

During recent years, certain divisional operations in South Africa that could be more directly impacted by HIV/Aids-related consequences, have established plans and interventions to aid their employees by offering:

- prevention and early detection counselling;
- free confidential pre- and post-testing counselling by external service providers; and
- 24-hour access to on-site clinics at selected sites.

We are pleased to report that the number of employees volunteering for testing, has been higher than expected.



This is particularly so in an environment where factors such as social stigma, lack of awareness and low socio-economic status act as barriers to testing. The drive to enhance awareness and education around HIV/Aids, testing and care will continue and we are happy to report that employee attrition due to HIV infection has been minimal.

Risks related to HIV/Aids in South Africa have been identified and are continuously evaluated.

Broad-Based Black Economic Empowerment (B-BBEE)

Steinhoff International endorses the B-BBEE strategy of the South African Department of Trade and Industry which supports the policy of the South African government's towards an 'integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities.'

B-BBEE accreditation

Each division in South Africa manages its own B-BBEE scorecard which is externally audited for final accreditation. B-BBEE forms part of performance management reviews.

During the year under review, Steinhoff Africa improved its overall B-BBEE ratings for its divisions, with ratings ranging from level 7 to level 3. The significant improvement over the previous year reflects the commitment from the various operations within South Africa to achieving their targets. Steinhoff Africa has a dedicated B-BBEE manager tasked with providing internal divisional assistance in aligning the strategies of divisions and business units in South Africa within Steinhoff International, in order to attain the currently set target of Level 5.

Documented targets for preferential procurement, ownership, management control and employment equity (in line with industry specific standard/charter/code of good practice) are in place.

The B-BBEE Equity Transaction

A B-BBEE Equity Transaction (the BEE Equity Transaction) was approved at the shareholders' annual general meeting held on 1 December 2008. The transaction was effected via a special purpose vehicle, Steinhoff S'khulasonke Investments (Proprietary) Limited (S'khulasonke).

S'khulasonke means 'grow together' and reflects the view that the B-BBEE equity transaction will support an enduring and value-creating partnership that will become one of the key drivers to sustainable growth of the South African operations of Steinhoff International.

The major parties to the B-BBEE equity transaction are:

- all South African permanent employees of Steinhoff International not currently participating in the Steinhoff long-term share incentive scheme(s) via a Steinhoff Employee Share Trust. Of these permanent employees, more than 70% are black (as defined in the Broad-Based Black Economic Empowerment Act No 53 of 2003), participating on an equal basis through an employee share ownership plan; and
- permanent black management of Steinhoff Africa, through the Steinhoff Africa Black Management Trust.

Suppliers and customers

The group's ethical trading policy covers safety, quality, legal, environmental and social matters.

The policy incorporates required standards for suppliers of goods and services and it is the group's global policy to work with its suppliers to ensure compliance. To the extent possible, we source goods from suppliers who comply with relevant legislation and who operate in terms of established and responsible policies.

The principles of non-discrimination, employment equity and freedom of association are entrenched in the group's policies.

Steinhoff International is conscious of its own responsibility to protect the environment and of the market advantage that our policies and practices can afford us with increasingly environmentally aware consumers.

The group does not compromise on quality, price, delivery and service in striving to reach external scorecards or internal targets. The group ensures that all required safety, technical, commercial compliance and environmental standards are met and remain in place.

In South Africa, preferential procurement is used to drive transformation and the group encourages procurement from suppliers that are B-BBEE compliant and who have verified certificates in place.

Human rights

We support the human rights' dictates of the countries within which we operate. The principles of non-discrimination, employment equity and freedom of association are entrenched in the group's policies.

The group does not tolerate any form of discrimination based on religious or other beliefs, nationality, gender or race. Harassment in any form of fellow employees is viewed in a serious light and, should this occur, appropriate disciplinary action is taken.

Corporate Social Investment (CSI)

The group's strategy on CSI is to concentrate its efforts in areas that require the most assistance. Monetary assistance is channelled and managed in ways that optimise the use of funds, providing the best possible short- and long-term benefit. All projects are managed and monitored to ensure that the funds are appropriately and responsibly used. In many cases, formal bodies, trusts or charitable organisations partner the management of these contributions. The final decision for CSI contributions resides with the managing director and/or board members of the individual businesses.

These group-funded projects are often executed and championed by the employees who get personally involved in many projects through raising additional funds, and in making various personal contributions. The time spent by employees in raising funds and volunteering in projects is not accounted for and no monetary value has been associated with these contributions.

When evaluating the projects within the group, there is a strong affiliation with issues of education, child welfare, health and socio-economic upliftment. South Africa remains the geographical area of focus given its socio-economic challenges and there is a marked emphasis on CSI projects and contributions in this area.

PLANET

Steinhoff International remains committed to responsible stewardship of the resources under its control and to identifying, assessing and, where practicable, reducing the environmental impact of its activities. The group endeavours to decrease both its direct and indirect impacts on the environment by implementing sound environmental practices in all of its operations. The management of each of our divisions sets and monitors adherence to environmental policies that are appropriate for the regions in which they operate, taking into account the particular environmental challenges that each operation faces.

Geographical footprint

The group's operations are spread across a variety of geographical locations and encompass different industries with varying potential impacts on the environment. Steinhoff International requires each of its divisions to operate in a responsible and ethical manner. As a minimum requirement, divisions must comply with all applicable environmental legislation and regulations and with the conditions of any permits under which they operate.



Operational diversity

Steinhoff International operates from approximately 50 factory locations, 280 logistics depots and sites and 1300 retail outlets. Waste, energy and effluent systems and requirements differ from location to location. The group strives to keep waste materials to a minimum and to reduce, recycle and, dispose of waste by the safest and most responsible means available.

Notwithstanding the increasingly stringent global and regional environmental requirements, Steinhoff International has an established record of meeting required environmental standards, implementing international environmental management systems and of being a corporate citizen of good standing. We continue to invest in systems, practices, education and facilities to elevate standards in line with best practice.

Responsibility

The Steinhoff International board has overall responsibility for the impact of the group's activities on the environment (including climate change). The operational responsibility for divisional environmental matters is delegated to the respective divisional managing directors. Each division has the responsibility for identifying environmental risks, determining their environmental policy and for implementing and monitoring the application and efficacy of that policy.

Reporting of environmental matters

Each division reports quarterly on environmental issues to its relevant committees and to the regional European, Pacific Rim and African boards. Any material concerns raised at the regional boards are in turn reported to the board of Steinhoff International. The director charged with sustainability also acts as group company secretary, serves on the European board, is secretary of the Steinhoff Africa board and chairs the corporate responsibility committee.

A separate environmental working group, chaired by an alternate director on the board of Steinhoff International, is

in place for the South Africa operations. This working group comprise representatives from the divisions in South Africa operations, the group compliance officer and representatives of the corporate responsibility committee and meets on a quarterly basis to review any environmental issues that may arise within these operations. Any material concerns are reported to the relevant divisional boards and, if deemed material, are escalated to the Steinhoff International board.

Reporting on environmental matters also forms an integral part of our risk management process (see the section on internal controls and risk management in the corporate governance section on page 70). Environmental risks are identified as part of each division's risk assessment and any material risks identified, including the financial implications and recommended mitigating actions, are reported, firstly to the divisional audit committees, then to the divisional boards, and, if material, to the Steinhoff International board. The responsibility of managing these risks remains at divisional level.

Setting of targets

Targets for short and long-term goals are set and managed within each division to contain the impact of their operations.

Carbon Footprint

The group participates in the annual Carbon Disclosure Project and subscribes to the GHG Protocol for emission calculations. The group acknowledges the undertakings of the local governments of the countries in which it operates and is working towards international protocols and frameworks.

During 2010, the group calculated its carbon footprint using the services of an external consultant. Objectives of the assessment were to:

- Establish a baseline against which future performance relating to climate change mitigation can be benchmarked and tracked
- Use the report results as the basis for future decision-making concerning the measurement, management

Steinhoff International remains committed to responsible stewardship of the resources under its control and to identifying, assessing and, where practicable, reducing the environmental impact of its activities.

and reduction of emissions in divisional and operational areas

- Increase awareness of climate change amongst employees
- Provide better quality data for the group's reporting requirements and future CDP responses

Findings of the assessment are reported in the full Corporate Responsibility report available on the group's website at www.steinhoffinternational.com.

Management of natural resources and waste

The management of land, water, and waste is a key item on the agenda of each of the group's divisions. This also forms part of the overarching group policy regarding the protection and management of environmental resources.

The group subscribes to the protection of natural habitats, the responsible use of water and closely manages the disposal of waste materials.

PROFIT

Risk management and corporate governance

Internal control and risk management systems are in place to identify and manage the key risks faced by the group. Details of these systems are set out in the corporate governance report which forms part of this annual review.

Main categories of risk have been identified and are reported on in the full Corporate Responsibility report which is available on the group's website at www.steinhoffinternational.com.

These include:

- Operational risks
- Competition risk
- Acquisition risk
- Supply risk
- Risks associated with vertical integration
- Health, safety and environmental risks
- Ethical risks

- Market and general risks
- Regulatory environment
- Concentration risk
- Political and economic risk

Insurance Programme

The group reduces its overall exposure to risk by way of its group insurance programme. The group, in conjunction with the group's insurance brokers, undertakes an annual assessment of its risk exposure relative to its assets and possible liabilities. The insurance philosophy of the group is to take advantage of self-insurance and funding arrangements where exposure can be estimated with reasonable certainty but to cater for unpredictable losses of a catastrophic nature through insurers. Uninsured risks in respect of assets or profitability are contained at a level which should not materially damage the group should claims arise.

All risks, save for political risks, are considered to be adequately covered.

Regular risk management audits are conducted by the group's risk management and insurance consultants, whereby areas for improvement are identified and resultant action plans implemented.

PROGRAMMES AND INITIATIVES

Throughout the group, many projects and initiatives covering training, health and safety, HIV/Aids, CSI and the environment have been established and are on-going. Some of these are highlighted in case studies and are listed as examples in the full Corporate Responsibility report which is available on the group's website at www.steinhoffinternational.com.

This report provides a summarised view of the group's corporate responsibility approach. A full corporate responsibility report is available on the group's website at www.steinhoffinternational.com.

SHAREHOLDERS' DIARY

Last date shares trade <i>cum</i> capital distribution	Friday, 26 November 2010
Record date	Friday, 3 December 2010
Payment and issue date	Monday, 6 December 2010
Annual general meeting	Monday, 6 December 2010 at 10:00
Announcement of interim results and anticipated declaration of preference share dividend	Tuesday, 1 March 2011
Anticipated payment date for preference share dividend	Monday, 18 April 2011
Announcement of annual results and anticipated declaration of dividend/distribution and preference share dividend	Tuesday, 6 September 2011
Anticipated payment date for preference share dividend	Monday, 24 October 2011
Annual general meeting	Monday, 5 December 2011

CORPORATE INFORMATION

REGISTRATION NUMBER

1998/003951/06

REGISTERED OFFICE

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(PO Box 1955, Bramley, 2018)

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TRANSFER SECRETARIES

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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.

