

Steinhoff UK Holdings Limited

Directors' report and consolidated financial statements

Year ended 30 June 2004

Registered number 3738136



Steinhoff UK Holdings Limited

Year ended 30 June 2004

Directors' report and consolidated financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of Steinhoff UK Holdings Limited	4
Consolidated profit and loss account	5
Balance sheets	6
Consolidated cash flow statement	7
Notes	8

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2004.

Principal activity

The group's principal activity is that of importers and distributors of furniture.

Business review

The group's results were disappointing in a challenging market environment but the directors view the future with greater confidence.

Dividends

The directors do not recommend a dividend.

Research and development

Research and development is carried out within each of the group companies where this activity is necessary for the profitable development of the business.

Directors and directors' interests

The directors who held office during the year were as follows:-

B E Steinhoff

I M Topping

M J Jooste

D R Shaw

F E J Lewis

None of the directors who held office at the end of the year had a beneficial interest in the ordinary share capital of the company.

Messrs Steinhoff and Jooste are directors of Steinhoff International Holdings Limited, the ultimate parent company, and details of their beneficial interests in the ordinary share capital are shown in the published accounts of that company. No other director who held office at the end of the year had a beneficial interest in the ordinary share capital of Steinhoff International Holdings Limited.

Other than those disclosed in note 26, no director had a financial interest in any contract to which the parent company or a subsidiary was a party during the financial year.

Employees

The group recognises the need to keep staff informed about its performance and progress and provide information on matters of concern to them. Consultative meetings are held between senior management and staff. The group has continued to develop good practice regarding the development and contribution of employees.

Full and fair consideration is given to applications for employment made by disabled persons and, where employees become disabled during service with the group, arrangements are made for their continued service wherever possible.

Group policy on health and safety at work continues to be reviewed regularly to ensure a safe working environment.

Creditor payment policy

The majority of suppliers to the company are fellow Steinhoff International Holdings Limited group subsidiary companies and the payment of these creditors is supervised by the group treasury function with the aim of maximising the benefit arising from foreign currency transactions.

The policy with regard to external suppliers is to negotiate terms of payment on an individual basis and that remittances should then be made within those mutually agreed terms.

The average creditor days for the year ended 30 June 2004 were 70 (2003: 60).

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Directors' report *(continued)*

Charitable and political contributions

UK charitable donations amounted to £nil (2003: £nil). No contribution was made to any political party (2003: £nil).

Auditors

In accordance with S.385 of the Companies Act 1985, a resolution for the re-appointment of Haines Watts as auditors of the company at a fee to be fixed by the directors is to be proposed at the Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'DR Shaw', with a large circular flourish at the beginning.

DR Shaw
Director

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is not appropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Haines Watts
Sterling House
1 Sheepscar Court
LEEDS LS7 2BB

Report of the independent auditors to the members of Steinhoff UK Holdings Limited

We have audited the financial statements on pages 5 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and Accounting Standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or the other opinions we have formed.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

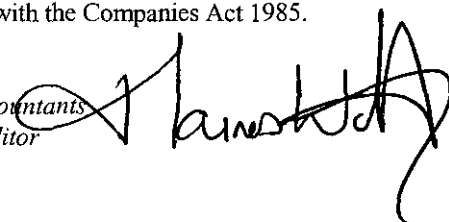
Fundamental uncertainty

In forming our opinion, we have considered the adequacy of disclosures made in the financial statements concerning the accounting concept – going concern. As referred to in note 1, the financial statements have been prepared on a going concern basis, on the assumption of the continued support of the parent company and other group companies. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Haines Watts
Chartered Accountants
Registered Auditor



Date

2/8/04

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Consolidated profit and loss account

for the year ended 30 June 2004

	Note	2004 £	2003 £
Turnover – continuing operations	2	7,142,522	9,980,844
Cost of sales		(6,623,828)	(10,403,501)
Gross profit / (loss)		518,694	(422,657)
Net operating expenses	3	(1,965,774)	(2,772,964)
Exceptional operating income	4	1,750,000	970,268
Profit / (loss) on ordinary activities before interest and taxation	5	302,920	(2,225,353)
Net interest payable	8	(238,730)	(125,436)
Profit / (loss) on ordinary activities before taxation		64,190	(2,350,789)
Tax credit on profit/loss on ordinary activities	9	790,652	-
Profit / (loss) for the financial year	20	854,842	(2,350,789)

The profit for the financial year of the company is shown below.

Reconciliation of movements in shareholders' funds

for the year ended 30 June 2004

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Profit / (loss) for the financial year	854,842	(2,350,789)	16,285	16
Opening shareholders' funds	(5,840,011)	(3,489,222)	(9,377)	(9,393)
Closing shareholders' funds	(4,985,169)	(5,840,011)	6,908	(9,377)

The notes on pages 8 to 17 form part of these financial statements.

Steinhoff UK Holdings Limited

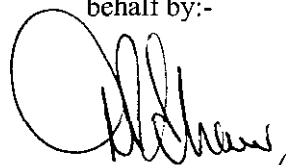
Year ended 30 June 2004

Balance sheets

as at 30 June 2004

		Group		Company	
		2004	2003	2004	2003
	Note	£	£	£	£
Fixed assets					
Tangible assets	11	444,641	510,784	-	-
Investments	12	-	-	434,000	434,000
		444,641	510,784	434,000	434,000
Current assets					
Stocks	13	853,060	677,743	-	-
Debtors	14				
- due after more than one year		1,450,000	-	6,200,000	4,250,000
- due within one year		1,153,384	2,608,283	97,952	4,826
		2,603,384	2,608,283	6,297,952	4,254,826
Cash at bank and in hand		424,791	26,405	-	-
		3,881,235	3,312,431	6,297,952	4,254,826
Creditors: amounts falling due within one year	15	(3,632,473)	(5,145,942)	(955,672)	(106,979)
Net current (liabilities) / assets		248,762	(1,833,511)	5,342,280	4,147,847
Total assets less current liabilities		693,403	(1,322,727)	5,776,280	4,581,847
Creditors: amounts falling due after more than one year	16	(5,750,424)	(4,517,284)	(5,841,224)	(4,591,224)
Provisions for liabilities & charges	18	71,852	-	71,852	-
Net assets/(liabilities)		(4,985,169)	(5,840,011)	6,908	(9,377)
Capital and reserves					
Share capital	19	100	100	100	100
Profit and loss account	20	(4,985,269)	(5,840,111)	6,808	(9,477)
Equity shareholders' funds		(4,985,169)	(5,840,011)	6,908	(9,377)

These financial statements were approved by the board of directors on 29 July 2004 and were signed on its behalf by:-



D R Shaw
Director

The attached notes on pages 8-17 form part of these financial statements.

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Consolidated cash flow statement for the year ended 30 June 2004

	Note	2004 £	2003 £
Net cash inflow / (outflow) from operating activities	21	2,328,539	(1,470,799)
Returns on investments and servicing of finance	22	(37,684)	(100,120)
Taxation refund		352,800	434,700
Capital expenditure and financial investment	22	4,448	(2,465)
Cash inflow / (outflow) before use of liquid resources and financing		2,648,103	(1,138,684)
Financing	22	(226,619)	(1,333,013)
Increase / (decrease) in cash in the period		2,421,484	(2,471,697)

Reconciliation of net cash flow to movement in net funds

		2004 £	2003 £
Increase / (decrease) in cash in the period		2,421,484	(2,471,697)
Cash outflow from decrease in lease financing		26,619	40,458
Movement in net funds in the period		2,448,103	(2,431,239)
Net funds at 1 July	23	(2,537,818)	(106,579)
Net debt at 30 June	23	(89,715)	(2,537,818)

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Notes

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Fixed assets and depreciation

Fixed assets are shown at cost less appropriate depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives within the following ranges:-

Plant and machinery	-	10-20% on reducing balance
Fixtures and fittings	-	10-25% on reducing balance
Motor vehicles	-	20% on reducing balance

Stocks

Stocks and work in progress have been valued at the lower of cost or net realisable value.

Taxation

The charge / (credit) for taxation is based on the profit / (loss) for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required by accounting standards, full provision without discounting in respect of deferred tax is made for all timing differences which have arisen but not reversed at the balance sheet date.

Pensions

The company operates a defined contribution scheme for certain employees. The assets of the scheme are held separately from those of the group in independently administered funds. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction; or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and unincorporated businesses post 1 January 1998, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised within fixed assets and amortised on a straight line basis over its estimated useful economic life of 20 years.

Leases

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Notes (continued)

1 Accounting policies (continued)

Accounting concept – going concern

The financial statements have been prepared on a going concern basis on the assumption of the continued support of the company's creditors which mainly relate to companies within the group.

Should the going concern basis not be appropriate, adjustments would be necessary to reduce the value of assets to their recoverable amount, to provide for any further liabilities which may crystallise and to re-classify fixed assets and long term liabilities as current assets and liabilities.

2 Turnover

Turnover represents the invoiced value of sales less trade discounts and allowances, excluding Value Added Tax.

2004	2003
£	£

The analysis of turnover by geographical area is as follows:-

United Kingdom	6,675,791	9,863,239
Other European Countries	466,731	117,605
	<u>7,142,522</u>	<u>9,980,844</u>

3 Net operating expenses

2004	2003
£	£

Net operating expenses are made up as follows:-

Sales and distribution costs	1,227,007	1,749,829
Administrative expenses	748,767	1,023,135
Other operating income	(10,000)	-
	<u>1,965,774</u>	<u>2,772,964</u>

4 Exceptional items

2004	2003
£	£

Exceptional income		
Operating income from non-group companies	<u>1,750,000</u>	<u>970,268</u>

During the year exceptional operating income received from non-group companies totalled £1,750,000 (2002/3: £970,268). The amount relates to a compensation payment, negotiated with the landlord of the warehouse premises, relating to the cost of maintenance of the building. In the year ended 30 June 2003, the amount related to the refund of costs and expenses incurred by the company in establishing its business in the UK. The amounts were payable by two companies, BS Beteiligungs-und Verwaltungs GmbH and Bruno Steinhoff Immobilien Verwaltungs- und Beteiligungs GmbH, established and owned by Mr Steinhoff, the former owner of Steinhoff Germany GmbH, under a warranty agreement relating to the sale of that organisation to Steinhoff International Holdings Limited and its subsequent flotation on the Johannesburg Stock Exchange.

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Notes (continued)

5 Profit / (loss) on ordinary activities before interest and taxation

	2004 £	2003 £
Profit / (loss) on ordinary activities before interest and taxation is stated after charging/(crediting):-		
Depreciation		
- on owned assets	52,445	110,690
- on assets held under finance leases and hire purchase contracts	20,245	18,016
(Profit) / loss on sale of fixed assets	(10,995)	49,779
Operating lease rental		
- Land and buildings	875,000	875,113
- Other	21,106	26,669
Research and development	131,163	142,052
Auditors' remuneration including Company £2,000, (2003: £2,000)	10,000	10,000

6 Remuneration of directors

	2004 £	2003 £
Directors' remuneration:-		
Directors' emoluments	2,445	61,702
Company contributions to money purchase pension schemes	-	1,250
	2,445	62,952
Remuneration of highest paid director:-		
Director's emoluments	2,445	32,346

During the year, no directors (2003: one) were members of money purchase pension schemes.

The emoluments of Messrs Topping and Shaw were paid by Relyon Group Ltd, a fellow subsidiary of the Steinhoff International group. It is not practicable to split their remuneration between their services to group companies. Details of their remuneration are included in the financial statements of Relyon Group Ltd. The emoluments of Messrs Steinhoff and Jooste were paid by Steinhoff International Holdings Ltd. It is not practicable to split their remuneration between their services to group companies. Details of their remuneration are included in the financial statements of Steinhoff International Holdings Ltd.

7 Staff numbers and costs

The average number of persons employed by the group, (including directors), during the year, analysed by category, was as follows:-

	2004 Number	2003 Number
Selling and distribution	22	28
Administration	10	12
	32	40
	£	£
The aggregate payroll costs of these persons were as follows:-		
Wages and salaries	665,148	1,037,096
Social security costs	74,315	113,323
Other pension costs	22,422	35,285
	761,885	1,185,704

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Notes (continued)

8 Net interest payable

	2004 £	2003 £
Interest payable:-		
Bank overdrafts and loans	97,922	252,447
Interest payable to group companies	194,604	212,958
Finance leases and hire purchase contracts	3,441	6,548
Other interest payable	403	2,678
Total interest payable	296,370	474,631
Interest receivable:-		
Interest on deposits at bank	(5)	(9)
Interest receivable from other group companies	(57,635)	(349,186)
Total interest receivable	(57,640)	(349,195)
Net interest payable	238,730	125,436

9 Taxation

	2004 £	2003 £
Analysis of charge/(credit) in period		
UK Corporation tax	68,700	-
Adjustment in respect of group relief in previous years	(787,500)	-
Total current tax	(718,800)	-
UK deferred tax (see note 18)		
Origination and reversal of timing differences	(71,852)	-
Total deferred tax	(71,852)	-
Tax credit on profit on ordinary activities	(790,652)	-

Factors affecting the tax charge for the current period

The current tax credit/charge differs from the standard rate of corporation tax in the UK. The differences are explained below:-

Current tax reconciliation:-		
Profit / (loss) on ordinary activities before tax	64,190	(2,350,789)
Current tax @ 30% (2003:30%)	19,257	(705,237)
Effects of :-		
Expenses not deductible for tax purposes	3,132	21,524
Capital allowances for period in excess of depreciation	(11,979)	(1,403)
Movement in short term timing differences	59,982	458
Utilisation/carry forward of tax losses	(1,692)	684,658
Adjustment in respect of group relief in previous yrs	(787,500)	-
Total current tax	(718,800)	-

Factors that may affect future tax charges

The company is not currently aware of any factors which may materially affect the effective rate of tax going forward other than the existing reconciling items.

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Notes (continued)

10 Intangible assets

Goodwill

Cost

At 1 July 2003

241,900

At 30 June 2004

241,900

Amortisation

At 1 July 2003

241,900

At 30 June 2004

241,900

Net book value

At 30 June 2004

-

At 1 July 2003

-

11 Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost				
At 1 July 2003	184,239	53,618	725,205	963,062
Additions	10,880	-	-	10,880
Disposals	-	(28,618)	(2,785)	(31,403)
At 30 June 2004	195,119	25,000	722,420	942,539
Depreciation				
At 1 July 2003	67,022	21,027	364,229	452,278
Charge for year	12,084	17,962	42,644	72,690
Disposals	-	(24,788)	(2,282)	(27,070)
At 30 June 2004	79,106	14,201	404,591	497,898
Net book value				
At 30 June 2004	116,013	10,799	317,829	444,641
At 30 June 2003	117,217	32,591	360,976	510,784

Assets held under finance leases originally cost £59,950 (2003: £88,568). Accumulated depreciation at the year end amounted to £26,600 (2003: £33,143) resulting in a net book value of £31,350 (2003: £55,425).

12 Investments

	2004 £	2003 £
Company		
Shares in group undertakings		
Cost		
At 1 July	434,000	434,000
At 30 June	434,000	434,000

Details of the principal operating subsidiaries are given in note 28.

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Notes (continued)

13 Stocks

	2004 £	2003 £
Goods for resale	<u>853,060</u>	<u>677,743</u>

14 Debtors

	2004 £	2003 £
Group		
Due within one year:-		
Trade debtors	846,371	964,351
Other debtors	32,153	93,159
Amounts owed by group undertakings	193,881	1,089,613
Prepayments and accrued income	<u>80,979</u>	<u>461,160</u>
	<u>1,153,384</u>	<u>2,608,283</u>
Due after more than one year:-		
Amounts owed by Group undertakings	<u>1,450,000</u>	<u>-</u>
	<u>2,603,384</u>	<u>2,608,283</u>
Company		
Due within one year:-		
Other debtors	97,182	3,718
Prepayments and accrued income	<u>770</u>	<u>1,108</u>
	<u>97,952</u>	<u>4,826</u>
Due after more than one year:-		
Amounts owed by group undertakings	<u>6,200,000</u>	<u>4,250,000</u>
	<u>6,297,952</u>	<u>4,254,826</u>

15 Creditors: amounts falling due within one year

	2004 £	2003 £
Group		
Bank overdraft	488,570	2,511,668
Obligations under hire purchase and finance lease contracts	16,860	26,619
Trade creditors	75,639	397,080
Amounts owed to group undertakings	2,887,944	1,636,534
Corporation tax	68,700	434,700
Other taxes and social security	18,201	31,415
Other creditors	2,488	5,470
Accruals and deferred income	<u>74,071</u>	<u>102,456</u>
	<u>3,632,473</u>	<u>5,145,942</u>
Company		
Bank overdraft	488,033	10,743
Corporation tax	68,700	-
Trade creditors	47,250	38,000
Amounts owed to group undertakings	336,478	52,641
Accruals and deferred income	<u>15,211</u>	<u>5,595</u>
	<u>955,672</u>	<u>106,979</u>

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Notes (continued)

16 Creditors: amounts falling due after one year

	2004 £	2003 £
Group		
Obligations under hire purchase and finance lease contracts	9,076	25,936
Amounts owed to group undertakings	5,741,348	4,491,348
	<u>5,750,424</u>	<u>4,517,284</u>
Company		
Amounts owed to group undertakings	<u>5,841,224</u>	<u>4,591,224</u>

17 Obligations under hire purchase and finance leases

	2004 £	2003 £
Obligations under finance leases and hire purchase contracts are analysed as follows:-		
Current obligations	16,860	26,619
Obligations due between one and five years	9,076	25,936
	<u>25,936</u>	<u>52,555</u>

The amounts outstanding under hire purchase and finance lease agreements are secured on the assets concerned.

18 Provision for liabilities and charges

Deferred taxation

	2004 £	2003 £
Group / company		
At 1 July	-	-
Charged / (credited) in period	(71,852)	-
At 30 June	<u>(71,852)</u>	<u>-</u>

The elements of deferred taxation are as follows:-

	2004 £	2003 £
Accelerated capital allowances	37,952	25,195
Other timing differences	(109,804)	(25,195)
	<u>(71,852)</u>	<u>-</u>

Unrecognised deferred tax asset

	2004 £	2003 £
Other timing differences	-	(20,145)
Tax losses	(795,210)	(1,654,687)
	<u>(795,210)</u>	<u>(1,674,832)</u>

As a result of the company's recent trading record taxable losses have arisen which are available for offset against future taxable profits of the company and certain profits of other Steinhoff International Holdings Limited group companies in the UK.

A deferred tax asset arises from the effect of short term timing differences between the treatment of interest payable to group companies for taxation and accounting purposes. A deferred tax asset has not been recognised in relation to the relief of tax losses as the company does not anticipate taxable profits arising in the short term and the value and availability of group relief is not yet confirmed.

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Notes (continued)

19 Share capital

	2004 £	2003 £
Authorised:		
100 (2003: 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid:		
100 (2003: 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>

20 Reserves

	2004 £	2003 £
Group		
Profit and loss account		
At 1 July	(5,840,111)	(3,489,322)
Retained profit / (loss) for the financial year	<u>854,842</u>	<u>(2,350,789)</u>
As at 30 June	<u>(4,985,269)</u>	<u>(5,840,111)</u>
Company		
Profit and loss account		
At 1 July	(9,477)	(9,493)
Retained (loss)/profit for the financial year	<u>16,285</u>	<u>16</u>
As at 30 June	<u>6,808</u>	<u>(9,477)</u>

21 Reconciliation of operating profit to operating cash flows

	2004 £	2003 £
Operating profit / (loss)	302,920	(2,225,353)
Depreciation	72,690	128,706
Profit / (loss) on sale of tangible fixed assets	(10,995)	49,779
Movement in stocks	(175,317)	1,356,985
Movement in debtors	1,458,073	249,752
Movement in creditors	<u>681,168</u>	<u>(1,030,668)</u>
Net cash outflow from operating activities	<u>2,328,539</u>	<u>(1,470,799)</u>

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Notes (continued)

22 Analysis of cash flows for headings netted in the cash flow statement

	2004 £	2003 £
Returns on investments and servicing of finance		
- interest paid	(88,709)	(441,659)
- interest element of finance lease rental payments	(2,333)	(7,656)
	(91,042)	(449,315)
- interest received	53,358	349,195
Net cash outflow from returns on investments and servicing of finance	(37,684)	(100,120)
Capital expenditure and financial investment		
- purchase of tangible fixed assets	(10,880)	(32,353)
- sale of tangible fixed assets	15,328	29,888
Net cash outflow for capital expenditure and financial investment	4,448	(2,465)
Financing		
- advance of loan to fellow group undertaking	(1,450,000)	-
- (repayment)/drawdown of loan from parent company	1,250,000	(1,292,555)
- capital element of finance leases	(26,619)	(40,458)
	(226,619)	(1,333,013)

23 Analysis of changes in net funds

	At 30 June 2003 £	Cash flow £	At 30 June 2004 £
Cash at bank and in hand	26,405	398,386	424,791
Overdrafts	(2,511,668)	2,023,098	(488,570)
	(2,485,263)	2,421,484	(63,779)
Finance leases	(52,555)	26,619	(25,936)
	(2,537,818)	2,448,103	(89,715)

24 Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held in separately administered funds independent from those of the company.

The total pension cost for the company during the year was £22,422 (2003: £35,285).

Steinhoff UK Holdings Limited

Year ended 30 June 2004

Notes (continued)

25 Lease commitments

At 30 June 2004 the company had annual commitments under non-cancellable operating leases as set out below:-

	2004 £	2003 £
Land and buildings		
Leases expiring:		
After five years	<u>875,000</u>	<u>875,000</u>
Other assets		
Leases expiring:		
Within one year	18,480	15,297
Between two and five years	<u>16,344</u>	<u>9,407</u>
	<u>34,824</u>	<u>24,704</u>

26 Related party disclosures

During the year ended 30 June 2003 exceptional operating income became payable from two non-group companies and totalled £970,268. The amounts related to the refund of costs and expenses incurred by the group in establishing its business in the UK. The amounts were payable by two companies, BS Beteiligungs- und Verwaltungs GmbH and Bruno Steinhoff Immobilien Verwaltungs- und Beteiligungs GmbH, established and owned by Mr Steinhoff, the former owner of Steinhoff Germany GmbH, under a warranty agreement relating to the sale of that organisation to Steinhoff International Holdings Limited and its subsequent flotation on the Johannesburg Stock Exchange. Mr Steinhoff is a director of the company and Chairman of Steinhoff International Holdings Limited.

27 Ultimate holding company and controlling party

The company is controlled by Steinhoff Europe AG the intermediate holding company, a company incorporated in Switzerland. The ultimate controlling party is Steinhoff International Holdings Limited, the ultimate holding company, which is incorporated in The Republic of South Africa.

The largest group in which the results of the company are consolidated is that headed by Steinhoff International Holdings Limited, a company incorporated in The Republic of South Africa. The consolidated accounts of the group are available to the public and may be obtained from The Company Secretary, Steinhoff International Holdings Limited, 28, Sixth Street, Wynberg, Sandton 2090, The Republic of South Africa.

28 Principal operating subsidiaries

Name of company	Country of incorporation	Details of investments	Share capital held	Principal activities
Steinhoff UK Furniture Limited	England	200 ordinary £1 shares	100%	Importers and distributors of furniture
Spearhead Upholstery Limited	England	100,000 ordinary £1 shares	100%	Dormant