Annual Report

Edcon Holdings (Proprietary) Limited

For the period ended 2 April 2011

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BUSINESS AND MANAGEMENT

BUSINESS

Overview

We are the largest non-food retailer in South Africa with a market share of the South African clothing and footwear ("C&F") market nearly twice that of our nearest competitor, and have been in operation for more than 80 years. Since opening our first *Edgars* store in 1929, we have expanded our footprint to include 1,181 stores under 13 retail brands throughout southern Africa. Our leading brands include *Edgars, Jet, CNA, Boardmans* and *Red Square,* which are among the most recognisable retail brands in the region. We are the number one or number two retailer in the majority of our product lines, including clothing, footwear, mobile phones, cosmetics, stationery and books. We also have the largest base of consumer credit customers in southern Africa, with 3.7 million active private label credit cards.

Our primary operations are in South Africa, where we generate 94% of our retail sales. According to the RLC, C&F sales in South Africa, which accounted for 60% of our retail sales in fiscal year 2011, grew at a CAGR of 8.6% from fiscal year 2006, despite three quarters of recession when South Africa was facing the effects of the global economic downturn. C&F spend as a percentage of household expenditure has also increased, in part as a result of a rapidly emerging black middle class, which has more than doubled in size since 2000. Our large retail footprint positions us to continue to benefit from this growth in the South African market. The balance of our operations are in neighbouring Namibia, Botswana, Lesotho and Swaziland.

Our strong operating performance generated revenue of R25,586 million (excluding OntheCards Investments II (Pty) Ltd ("OtC II") R24,932 million), including retail sales of R22,716 million, and adjusted EBITDA of R3,624 million (excluding OtC II R3,160 million) in fiscal year 2011. From fiscal year 2006, we have increased our retail sales by a CAGR of 6.8% and our adjusted EBITDA by a CAGR of 6.0%. As of 2 April 2011 we employed approximately 18,300 permanent employees.

History

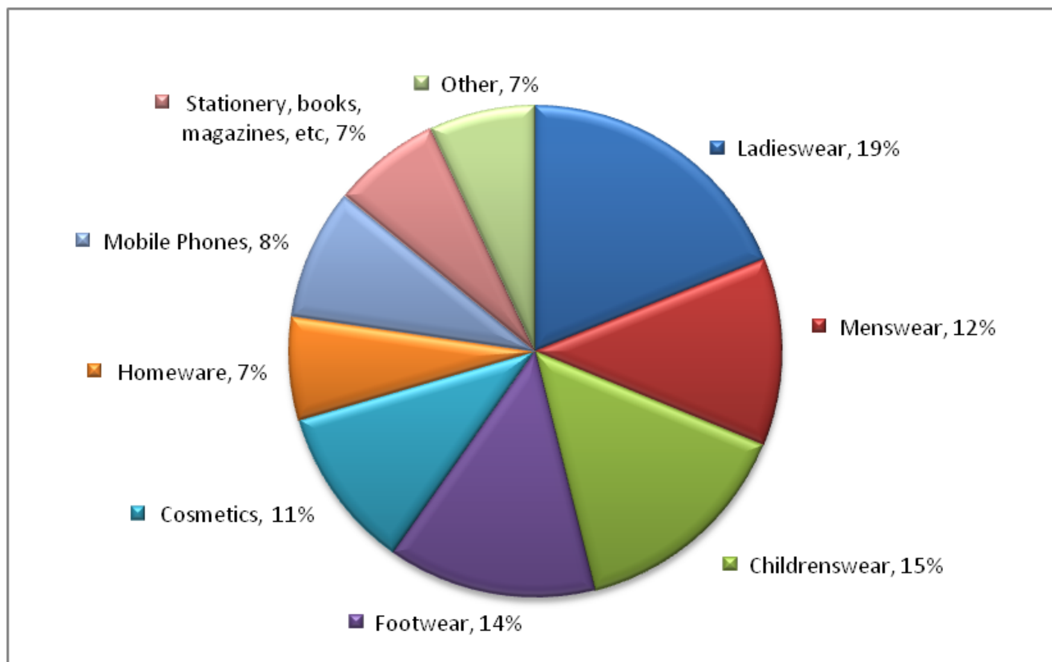
We opened our first *Edgars* store in 1929 and we launched our *Jet* brand in 1979. Edgars Stores Limited, our predecessor, listed on the Johannesburg Stock Exchange in 1946 and, in 1982, we became a subsidiary of The South African Breweries. Since separating from The South African Breweries in 1999, we have strengthened our position in the retail sector, in part through the completion of several carefully selected acquisitions, including *Boardmans, CNA,* and *Discom*. On 14 May 2007, Edcon became a private company after it was acquired by Edcon Acquisition (Pty) Ltd, a company beneficially controlled by funds advised by affiliates of Bain Capital. Edcon delisted from the Johannesburg Stock Exchange and the Namibian Stock Exchange on 25 May 2007.

Our operations

Our operations consist of our retail business and our credit and financial services business, both of which are supported by our centralised group services. Our retail business comprises three retail divisions: the department store division, the discount division and *CNA*, which together offer a diverse product portfolio of private label and branded products. Our credit and financial services business provides consumer credit and other financial and insurance products to holders of our credit cards. With 3.7 million customer credit accounts, we are the largest provider of credit in southern Africa by number of customers. The responsibilities of our group services include logistics, IT, property, human resources, finance and treasury management.

The split of our retail sales in fiscal year 2011 by category is shown below.

Retail product mix



Retail Business

Department Store Division

The department store division is targeted at middle- to upper-income consumers and accounted for 52% of our retail sales in fiscal year 2011. In addition to *Edgars*, our largest chain by retail sales, our department store division has expanded into complementary specialty store formats, including *Boardmans*, *Red Square*, *Temptations*, *Prato* and *Edgars Active*. Our six department store division chains are centrally managed, with all marketing and merchandising decisions executed at our head offices.

- *Edgars*, which began trading in 1929, is our chain of full-line department stores carrying a range of clothing, footwear, cosmetics, mobile phones, homewares and accessories. The *Edgars* chain comprises 166 stores with an average size of approximately 3,500 sqm. In fiscal year 2011, *Edgars* generated R10,852 million, or 48% of our retail sales.

- *Boardmans* is our chain of homewares specialty stores that we acquired in 2004 to strengthen our position in the fast-growing home-living retail segment. *Boardmans* carries homewares products such as kitchenwares, DIY, household appliances and textiles. The *Boardmans* chain comprises 36 stores with an average size of approximately 1,200 sqm. In addition, we sell homewares products under our *Boardmans* brand in our *Edgars* department stores.

- *Red Square* is our chain of cosmetics stores carrying international branded cosmetics, skin care products and fragrances. The *Red Square* brand was launched in 1996. The *Red Square* chain comprises 37 stores with an average size of approximately 150 sqm. In addition, we sell cosmetics under our *Red Square* brand in our *Edgars* department stores.

- *Temptations* is our ladies intimatewear specialty chain that we launched in 2005. The *Temptations* chain comprises 8 stores with an average size of approximately 250 sqm.

- *Prato* is our chain of casual footwear specialty stores. The *Prato* brand was launched in 2004 and comprises 6 stores with an average size of approximately 150 sqm.

- *Edgars Active* is a sportswear chain launched in 2005 as an extension of the sportswear product lines offered at our *Edgars* department stores. Currently, *Edgars Active* comprises 8 stores with an average size of approximately 400 sqm. In addition, we sell sportswear under our *Edgars Active* brand in our *Edgars* department stores.

CNA

CNA is our chain of stores offering stationery, books, music, magazines, toys, photographic equipment, greeting cards, movies, computer accessories and communications. *CNA* commenced trading in 1896 and is one of the region's oldest and best known retail brands. We acquired *CNA* in October 2002 and it generated R1,891 million, or 8% of our retail sales, in fiscal year 2011. *CNA* comprises 202 stores with an average size of approximately 460 sqm.

Discount Division

The discount division sells value merchandise targeted at lower- to middle-income consumers and accounted for 40% of our retail sales in fiscal year 2011. The largest chain in our discount division is *Jet*. In addition to *Jet* and its associated brands (*Jet Mart, Jet Shoes, Jet Home*), our discount division also operates specialty stores under the *Legit,* and *Discom* chains. Our six discount division chains are centrally managed, with all marketing and merchandising decisions executed at our head offices.

- *Jet*, which began trading in 1979, is a discount C&F retailer serving value-seeking customers. The *Jet* chain comprises 299 stores with an average size of approximately 920 sqm and in fiscal year 2011 generated R4,544 million, or 20% of our retail sales.

- *Jet Mart* is our discount general merchandise store offering a variety of product lines including clothing, footwear, kitchenwares, music, DIY, household appliances, textiles, stationery, and health and beauty products. The *Jet Mart* chain began trading in 2004 and comprises 118 stores with an average size of approximately 1,820 sqm.

- *Legit* is our youth ladieswear specialty store that caters to value-seeking fashionable women. The *Legit* brand was launched in 2001 and currently comprises 154 stores with an average size of approximately 260 sqm.

- *Discom* is a leading provider of health and beauty products and household appliances to lower-income consumers which we acquired in 2007. The *Discom* chain comprises 140 stores with an average size of approximately 390 sqm.

- *Jet Shoes* is our footwear specialty store which we launched in 2004 and which currently comprises 6 stores with an average size of approximately 240 sqm. In addition, we sell footwear under our *Jet Shoes* brand in our *Jet* and *Jet Mart* stores.

- *Jet Home* is our discount homewares specialty store offering product lines such as kitchenwares, DIY, household appliances and textiles. We currently have 1 store with a size of approximately 830 sqm.

Credit and financial services business

We offer consumer credit and insurance products through our credit and financial services business, which in fiscal year 2011 generated operating profit of R1,111 million (R677 million excluding OtC II).

Through our private label credit card programme, we issue *Edgars* and *Jet* credit cards to qualifying customers, who can use our private label credit cards across 12 of our brands (excludes Discom). Credit card accounts are activated against sophisticated scoring mechanisms which evaluate the customer's ability to manage their credit. After generating an internal application score, we cross-metric the score with a credit bureau score and derive a profitability metric, which forms the basis for our credit decision. In fiscal year year 2011, purchases completed with our private label credit cards accounted for 49% of our retail sales and we had 3.7 million customer credit accounts.

We sell eligible accounts in our credit and financial services business to OtC II. Accounts that meet the eligibility criteria may be sold at a discount to their face value. Our credit management team retains responsibility for interfacing with our credit customers whose accounts have been sold to OtC II, performing all administration and all collections for those accounts. Receivables sold to OtC II are consolidated in our group financial statements, but we retain no rights to such receivables. As of 2 April 2011, the outstanding receivables balance of OtC II was R6,008 million, the purchase of which was financed by the issuance by OtC II of R4,300 million in notes and a subordinated loan made to OtC II by Edcon (Pty) Ltd of R2,062 million.

In addition to our private label card operations, we partner with financial institutions and insurance providers to offer products in respect of which we only act as a sales agent and we do not bear any underwriting risk including:

- *Edgars* and *Jet* branded insurance products, pursuant to a joint venture with Hollard Insurance Group, which underwrites each policy. We offer a range of insurance products including credit life, funeral plans and mobile phone insurance. Under the provisions of the joint venture agreement, if the policy premiums exceed the claims, the net profit is distributed as a dividend to us and Hollard Insurance Group and we receive the majority of such dividends. As of 2 April 2011, there were 4.4 million insurance policies generating annual gross premiums of R1,075 million.

- *Edgars* and *Jet* co-branded *MasterCard*s in association with Standard Bank of South Africa offered to selected *Edgars* and *Jet* cardholders. We have 234,000 active co-branded credit cards with a balance of R1,6 billion, fully underwritten by Standard Bank.

Our in-house credit management team, which operates out of three regional offices in Johannesburg, Cape Town and Durban, manages the complete credit cycle, including vetting, activation, administration and collection.

Customers

We appeal to value-seeking customers as well as those seeking high-quality merchandise, and although our customers span the full range of socio-economic groups and ages, our largest demographic group of customers consist of female consumers in the 35 year-old and above age range. Our core customer shops for herself, her family and her home. We seek to appeal to our customer base by offering a diverse range of products across different market segments and customer spending categories.

Competition

Over 90% of the C&F market consists of five major retailers, of which we are the largest with a market share nearly twice the size of our nearest competitor. Our market is highly competitive, particularly with respect to product selection and quality, store location and design, price, customer service, credit availability and advertising. We compete at the national and local levels with a wide variety of retailers of varying sizes and covering different product lines across all geographic markets in which we operate.

Suppliers and distribution

We have over 1,900 suppliers for our three retail divisions, with the average supplier providing R7.3 million worth of goods in fiscal year 2011. Our supplies consist of direct imports purchased from foreign sales agents, indirect imports purchased from South African sales agents and domestic vendors. The purchasing operations of our department store and discount divisions have historically acted independently of each other and we often have different business lines purchasing from the same supplier. We have centralised our purchasing operations and established strategic relationships with low-cost suppliers. Additionally, we have a quality assurance department which manages quality standards for all merchandise categories across our supply pipeline.

Approximately 71% of our supplies are routed through one of our three distribution centres, two of which are located in Johannesburg, and one in Durban. All our distribution centres have electronic sorting equipment allowing us to achieve a daily combined capacity of approximately 1.5 million units for all of our distribution centres. Currently, we operate at approximately 60% of this capacity. We use sea freight for our imports and we make minimal use of airfreight, while we outsource our road transport to third-party logistics providers. We operate logistics systems that enable us to conduct automated, high-volume and high-stockturn operations. We will continue migrating our larger local suppliers to our business-to-business e-commerce platform in order to achieve integration of supply and distribution.

Property

Our real estate strategy is to rent the property on which our stores are located. Currently we have approximately 1,181 leased stores in southern Africa, including approximately 1,114 stores in South Africa, 25 in Namibia, 23 in Botswana, 7 in Lesotho and 12 in Swaziland.

We have a relatively high concentration of landlords and we currently let 63% of our trading space from our 12 largest landlords. Our leases have an average initial lease term of ten years for our *Edgars* stores and five years for our other chains. Our leases typically include four options to extend the lease for further periods of five years each. The leases generally allow us to sublet the leased premises and assign our rights under the leases to our affiliate companies. Rental payments are generally made on a monthly basis and increased at a previously specified percentage rate (typically 7%) compounded annually. As of 2 April 2011, the minimum property operating lease commitments due within one year amounted to R1,323 million.

Sales and marketing

We use a broad range of marketing techniques, including national promotional campaigns, in-store advertising, and community events to promote our brands and products. Our national campaigns promote our brands and selected products using television, radio, and print advertisements. We have window and floor displays in our stores as well as in-store radio and television broadcasts, to enhance our customers' shopping experience, advertise specific retail products and promote additional products such as our *Jet* club and financial services. We also seek to increase our brand appeal within the communities we serve by sponsoring community events. An example of such events is the *Jet* Community Awards, which awards funding to individuals or organizations that are working to make a difference in their communities. We employ two types of price markdowns: temporary promotional sales, which are used to bring in new or infrequent customers, and clearance sales, which are intended to sell slow moving inventory.

We also use a variety of membership programmes in our effort to increase the number and spending of our customer base. *Edgars* introduced one of the market's first loyalty programs, which allows loyalty card holders to accumulate points for purchases made. These points are then used in the issuance of vouchers that are redeemable in any store within the department store division. We currently have 626,000 active loyalty programme members.

Other membership programmes include the *Edgars* and *Jet* clubs. *Edgars* private label credit card customers can become members of the *Edgars* club for a small (R20 to R30) monthly fee. *Edgars* club membership offers numerous benefits, including subscription to the *Edgars* magazine, emergency services cover, funeral cover, reduced travel and accommodation charges and reduced prices on cinema and theatre tickets. The *Edgars* club currently has 1 million members.

Similar to the *Edgars* club, *Jet* private label credit card customers can become members of the *Jet* club for a small (R20 to R30) monthly fee. The *Jet* club is the largest retail store club in South Africa, with more than 1,1 million members. *Jet* club membership offers benefits including subscription to the *Jet* magazine (the most widely read lifestyle magazine in South Africa), emergency services cover, funeral cover, free legal advice, an AIDS careline, free anti-retroviral treatment under certain conditions and reduced travel and accommodation charges.

Seasonality

Our business, like that of most retailers, is affected by seasonal fluctuations in customer demand, product offerings and working capital expenditures. Historically, our most important trading periods in terms of sales, operating results and cash flow have been the Christmas and Easter seasons, with 33% of our retail sales occurring in April, November and December combined. In addition, our results of operations can be affected by unseasonal or abnormal weather conditions, which may lead to a decrease in sales and an increase in markdowns at the end of the season.

Human resources

Employees

As at 2 April 2011, we had a total of 43,985 employees, of whom 18,271 were permanent and 25,714 were temporary.

Employee relations in South Africa are regulated by the South African Labour Relations Act No. 66 of 1995 (the "SA Labour Relations Act"), which codifies the rights of employees to belong to trade unions and the rights of trade unions to have access to the workplace. The SA Labour Relations Act also guarantees employees the right to strike and the right to participate in secondary strikes in certain prescribed circumstances. In addition, the SA Labour Relations Act recognises the right of employees to participate in the decision-making of companies. As such, employees must be consulted with respect to a variety of matters insofar as they affect employee terminations, including workplace restructurings, partial or total plant closures, mergers and transfers of ownership. We have not experienced any industrial action against our company in over ten years.

The majority of Edcon employees belonging to a union are members of the South African Commercial, Catering and Allied Workers Union ("SACCAWU"). In March 2011, 67% of employees in the bargaining unit, and 27% of active employees, are members of SACCAWU. We recently renewed our wage agreement with SACCAWU for a two-year period, fixing salary increases of approximately 8% per annum.

Training

We have made significant investments in training in order to be able to attract and retain quality employees. We currently offer our employees approximately 1,146 learning programmes and spent 4.46% of payroll expenditure on learning in fiscal year 2011. In March 2005, we established the Edcon Retail Academy to improve our employees' retail management, leadership and operational skills. We currently have nine offerings at the academy, including such programmes as business leadership development and operations management development. In addition, in fiscal year 2006 we acquired the training facilities of Technikon SA to serve as a resource centre for our learning initiatives and enhance the training opportunities for our staff. Training costs are expected to increase with the number of our employees, as our business portfolio and products and service offerings expand.

Other human resources policies

We provide a variety of services to our employees. These services are diverse and range from general benefits such as medical aid and retirement fund schemes to overall employee care. The Edcon Wellness Centre provides psychological, medical (including free anti-retroviral treatment), legal and financial support to all employees.

In addition, we provide our employees with three retirement fund options, all of which are defined contribution plans: the Edcon Provident Fund and two union provident funds. A retirement savings plan is also made available to the flexible staff employed on a limited number of hours per month. In order to further incentivise our employees through performance-based rewards, we structured the remuneration package of our senior management so that they can earn an additional 30% to 70% of their annual package on achievement of certain performance targets. Our other employees are also eligible for performance rewards totaling up to 30% of their basic pay. In addition, we also have merit recognition events and long service awards.

We have also formed an Employment Equity Forum, chaired by our chief executive officer, which provides a forum for representatives of labour, management and other designated groups to review the progress, and discuss the direction, of our equity employment policies.

Since 2003, through external surveys administered by Deloitte and the Corporate Research Foundation, we have consistently been ranked as one of the best South African companies to work for. Since 2002 and according to our internal annual surveys, our employees' job satisfaction has increased progressively. Staff turnover at our company has fallen from 30% in fiscal year 2002 to 19% as at 2 April 2011. We have policies in place that actively promote equitable human resources practices, such as greater employment inclusion for black individuals, women and disabled people.

Information technology

From fiscal year 2008 to fiscal year 2011, we invested R357 million on application systems to create one of the most advanced IT systems in the South African retail market. In 2009, we implemented a new in-store system in all of our stores. This year we initiated a project to renew our merchandise planning systems which is expected to result in:

- An integrated approach to merchandise management, bringing pre-season and in-season planning together with execution strategies and better linking product and financial planning activities;
- An increase in efficiency and effectiveness of buyers and planners which should lead to better customer service, and improved profitability;
- A standardised planning platform facilitating process workflow across its multiple brands; and
- The better management of inventory within the complex supply chain and the numerous variables connected with demand, supply and replenishment across the business.

We use Nautilus as our distribution management system which interfaces with Retek to streamline the movement of a product from the delivery order to its final destination store. We also have in-store systems to capture sales and stock movement transactions and monitor staff scheduling and attendance.

In our credit and financial services business, we primarily use VisionPLUS modified with proprietary enhancements. VisionPLUS is a credit portfolio management system that we use to manage our financial services accounts and retail accounts, providing online, real-time information. VisionPLUS includes systems such as credit management, financial authorization, collections tracking and analysis, and we have added customized systems such as plastic card management and personal financial services. The VisionPLUS credit management system is an online multi-organisation account receivable system designed to track and process account activity in real time. In addition, we use the Oracle E-Business Suite Financials in our financial business processes.

Our IT development policy is to outsource software development to Accenture, processing and hardware capabilities to Business Connexion and storage and back-up to Shoden. All of our data is stored off-site in a secure location, which includes a back-up disaster recovery programme. All back-up procedures are reviewed quarterly and are updated as necessary. The services provided by Business Connexion include information security controls on all operating systems and databases to ensure compliance with our security standards.

Intellectual property

We have registered, or applied for the registration of, numerous trademarks in connection with our private label products and chain brands in South Africa and other countries in southern Africa. In general, we own the copyrights of the designs created or commissioned by us. We have no material patents. We regard our trademarks and other intellectual property as valuable assets in the marketing of our products and business and we take appropriate actions when necessary to protect our intellectual property rights.

Legal and regulatory proceedings

We are party to various claims and legal actions in the ordinary course of our business. We believe that such claims and actions, either individually or in the aggregate, will not have a material adverse effect on our business, financial condition or results of operations.

We are in ongoing discussions with the South African Revenue Service ("SARS") regarding various tax issues related to the private equity transaction in 2007, the Euronotes issued to fund the transaction and the associated foreign currency and interest rate hedges. See page 105 of the financial statements for more detail.

MANAGEMENT

Directors

Edcon Holdings (Proprietary) Limited has a unitary Board structure comprising three executive directors and five non-executive directors. The executive address of our directors is Edgardale, 1 Press Avenue, Crown Mines, Johannesburg, 2092, Republic of South Africa. The members of the Board (the "Board") are as follows:

Name	Age	Position
Jürgen Schreiber	49	Executive director, appointed group chief executive officer *(1 April 2011)*
Stephen M. Ross	59	Executive director, retired as group chief executive officer *(31 March 2011)*
Dr. Urin Ferndale	46	Executive director, chief operating officer
Dwight Poler	45	Non-executive director, chairman
Matthew Levin	45	Non-executive director
Marc M. Valentiny	46	Non-executive director
Edward B. Berk	37	Non-executive director
Zohra B. Ebrahim	50	Independent non-executive director

Jürgen Schreiber—Mr. Schreiber was appointed to the board as group chief executive officer effective 1 April 2011. Until recently Mr. Schreiber has been president and chief executive officer of Canadian health and beauty retailer Shoppers Drug Mart Corporation. Prior to joining Shoppers Drug Mart, Mr. Schreiber served five years with A.S. Watson Group, an international retailer and manufacturer. Before he joined A.S. Watson Group, Mr. Schreiber had a 14-year career with Reckitt Benckiser, a global consumer goods company. Mr. Schreiber progressed through many senior management positions in the U.K., Germany, Spain, Netherlands, China and Singapore.

Stephen M. Ross—Mr. Ross was appointed group chief executive officer of Edcon in 1998 and has served on the Board throughout this period. Mr. Ross has more than 25 years of experience in both wholesale, manufacturing and apparel retailing in the United States, having worked for companies such as Macy's, Lord & Taylor, Sears and Philips-van-Heusen. Mr. Ross received a B.A. from Washington & Jefferson College. Mr. Ross will retire as a director in May 2012.

Dr. Urin Ferndale—Dr. Ferndale joined Edcon in 1999 as the group human resources director. In September 2007 he was appointed as the chief operating officer. Prior to joining Edcon, Dr. Ferndale was employed as personnel manager, human resources manager and labour relations manager at several listed companies and parastatal entities. Dr. Ferndale holds a PhD from the University of Johannesburg and a B.A. and an M.A. from the University of the Western Cape.

Dwight Poler—Mr. Poler was appointed director in 2007. Mr. Poler is a managing director at Bain Capital, which he joined in 1994. Previously, Mr. Poler was at Bain & Company, and prior to that he worked in the mergers and acquisitions department at Morgan Stanley & Co. in New York and Tokyo. Mr. Poler received an M.B.A. from the Amos Tuck School at Dartmouth and a B.A. from Amherst College.

Matthew Levin—Mr. Levin was appointed director in 2010. Mr. Levin joined Bain Capital in 1992. He was promoted to managing director in 2000. Prior to joining Bain Capital, Mr. Levin was a consultant at Bain & Company where he consulted in the consumer products and manufacturing industries. Mr. Levin received an M.B.A. from Harvard Business School where he was a Baker Scholar. He received a BS from the University of California at Berkeley. Mr. Levin currently serves as a director of Bombardier Recreational Products Inc., Dollarama Capital Corp., Guitar Center, Inc., Michaels Stores, Inc., Toys R Us Inc., Liliput Inc, and Unisource Worlwide, Inc.

Marc Valentiny—Mr. Valentiny was appointed director in November 2009. Mr. Valentiny is a managing director at Bain Capital, which he joined in 2003. Prior to joining Bain Capital, Mr. Valentiny was managing director of Rexel UK and Northern Europe. Previously he was vice president Strategy and Planning of the Pinault-Printemps-Redoute group, controlling shareholder of Rexel. Prior to that, he was senior manager at McKinsey & Company, worked for Braxton Associates, and served as an Officer in the French Air Force. Mr. Valentiny received an M.B.A. from Harvard Business School, a Masters degree in Civil Engineering from ENPC and is a graduate from Ecole Polytechnique in France.

Edward Berk—Mr. Berk was appointed director in 2007. Mr. Berk is a managing director at Bain Capital, which he joined in 1997. Previously, he was a consultant with Bain & Company and also worked in the European mergers and

acquisitions group at Banque Paribas. Mr. Berk received an M.B.A. from Harvard Business School and a B.A. from Harvard University.

Zohra B. Ebrahim—Mrs. Ebrahim was appointed director of Edcon in 1999. Mrs. Ebrahim is a past president of the Institute of People Management and has advised government at various levels on aspects of housing policy. Mrs. Ebrahim holds a B.A. from the University of South Africa and a Higher Diploma in Education from the University of Cape Town.

Executive management

Our Board has delegated authority for the day-to-day affairs of each of our divisions to our executive managers. Our executive management team is mandated to assist in reviewing the operations of and performance by Edcon Holdings (Proprietary) Limited and its subsidiaries, developing strategy and policy proposals for consideration by our Board and implementing the directives of the Board. Our executive management team consists of the individuals indicated below.

Name	Age	Position
Jürgen Schreiber	49	Executive director, group chief executive officer
Stephen M. Ross	59	Executive director
Stephen R. Binnie	43	Chief financial officer
Mark R. Bower	56	Deputy chief executive officer
Dr. Urin Ferndale	46	Executive director, chief operating officer
Hugues Witvoet	52	Chief executive of the department store division
Christo Claassen	42	Chief executive of the discount division

For information on Jürgen Schreiber, Stephen M. Ross and Dr. Urin Ferndale, see “Management—Directors” above.

Stephen R. Binnie—Mr. Binnie was appointed as chief financial officer of Edcon in 2002. Mr. Binnie has been a senior financial executive for over 20 years, including a group financial manager at Investec from 1998 to 2002. Mr. Binnie holds a BCom and a BAcc from University of Witwatersrand, and an M.B.A. from Heriot-Watt University. Mr. Binnie is a qualified chartered accountant.

Mark R. Bower—Mr. Bower joined Edcon in 1990 and is currently the deputy chief executive of our group. Mr. Bower is currently the chief executive of the *CNA* division and is responsible for group-wide services such as credit, distribution, IT, property development, and business intelligence. Previously, Mr. Bower was an audit partner and a director of a number of listed companies for 22 years. Mr. Bower has been a trustee of the Eden Trust/Thuthuka Bursary Fund for the advancement of Black Chartered Accountants since 1989. He holds a BCom from Natal University and BCompt from University of South Africa. Mr. Bower is a qualified chartered accountant.

Hugues Witvoet—Mr. Witvoet joined in August 2008. Mr. Witvoet has extensive retail experience with AS Watson, LVMH and Carrefour and in addition has worked for McKinsey & Co. Mr. Witvoet is a graduate of Essec Business School.

Christo Claassen—Mr. Claassen was appointed chief executive of the discount division in July 2008. Previously he was responsible for group strategy as well as group property development. Mr. Claassen joined Edcon in 2004 as the Business Development Executive in the discount division. He is a qualified chartered accountant and holds an M.B.A. in Retailing from Stirling University in Scotland. Mr. Claassen was the chief executive officer of Dunns prior to joining Edcon.

Compensation

In fiscal year 2011, we paid our executive directors and executive managers an aggregate compensation, including bonuses, of R13 million and R24 million, respectively.

Our directors and executive managers are indirect equity investors in Edcon Holdings (Proprietary) Limited. Our non-executive directors may be deemed beneficial owners of securities in Edcon (BC) S.A.R.L, which in turn is a shareholder of Edcon Holdings (Proprietary) Limited. Our executive managers are beneficiaries of the Founder Investor Trusts, which in turn are shareholders of Edcon Holdings (Proprietary) Limited.

Principal shareholders and share capital

Edcon Holdings (Proprietary) Limited's shareholders are Edcon (BC) S.A.R.L, The Edcon Staff Empowerment Trust (the "Empowerment Trust") and seven further trusts. Edcon (BC) S.A.R.L, a *société à responsabilité limitée* incorporated in Luxembourg, holds 86% of the ordinary shares of Edcon Holdings (Proprietary) Limited. Edcon (BC) S.A.R.L is indirectly controlled by funds advised by affiliates of Bain Capital including Bain Capital Fund IX, L.P. and Bain Capital Fund VIII-E, L.P. Barclays Nominees (Aldermanbury) Limited, an affiliate of Barclays Capital beneficially holds approximately 13% of the shares in Edcon (BC) S.A.R.L. The Empowerment Trust holds shares entitling it in aggregate to 11% of the votes at any general meeting of Edcon Holdings (Proprietary) Limited. The Empowerment Trust was created in July 2005 as part of our black economic empowerment programme and its beneficiaries are predominantly black employees. The remaining shareholders in Edcon Holdings (Proprietary) Limited are the Founder Investor Trusts. These trusts, the beneficiaries of which include members of Edcon management, collectively hold 3% of the ordinary shares of Edcon Holdings (Proprietary) Limited. Edcon Holdings (Proprietary) Limited indirectly owns 100% of the issued capital of Edcon (Proprietary) Limited. The members of the Board of Edcon Holdings (Proprietary) Limited that are affiliated with Bain Capital may be deemed to beneficially own shares owned by entities affiliated with Bain Capital. Each such individual disclaims beneficial ownership of any such shares in which such individual does not have a pecuniary interest.

Equity sponsor

Our sponsor is an affiliate of Bain Capital, a leading global private investment firm, whose affiliates manage several pools of capital, including private equity, venture capital, public equity, and leveraged debt assets. Since its inception in 1984, Bain Capital has made private equity investments and add-on acquisitions in over 230 companies around the world, including such leading retailers and consumer companies as *Toys* "*R*" *Us*, *Burger King*, *Staples*, *Burlington Coat Factory, Michaels, Shopper's Drug Mart*, *Brookstone*, *Domino's Pizza*, *Dollarama*, *Sealy Corp.*, *Sports Authority* and *Duane Reade*. Headquartered in Boston, Bain Capital has offices in New York, London, Munich, Mumbai, Hong Kong, Shanghai and Tokyo.

Corporate Information

Edcon Holdings (Proprietary) Limited is a company incorporated under the laws of South Africa on 27 November 2006 under Registration No. 2006/036903/07. Edcon (Proprietary) Limited, is a company incorporated under the laws of South Africa on 5 February 2007 under Registration No. 2007/003525/07. Edcon Acquisition (Proprietary) Limited is a company incorporated under the laws of South Africa on 12 January 2007 under Registration No. 2007/000518/07. Our headquarters are located at Edgardale, 1 Press Avenue, Crown Mines, Johannesburg, 2092, Republic of South Africa. Our telephone number is +27 11 495 6000. Our website address is www.edcon.co.za.

Corporate Governance

Governance review

During the course of the financial period, a self-assessment was undertaken to assess the extent to which Edcon applies the best practice suggestions contained in the King Report on Corporate Governance for South Africa (King III). No issues were identified to suggest flaws in Edcon's governance. Instead, opportunities to enhance current practice have been noted and scheduled for addressing in the new financial period. Examples of these opportunities are:

- Preparing an integrated report;
- Aligning relevant functions to provide combined assurance to the Board;
- Instituting annual Board consideration of previously authorised Board Committee charters; and
- Reviewing the composition of current Board Committees.

We apply appropriate corporate governance principles and practices and comply with all material legislation to which we are subject. Corporate governance is managed and monitored by the Board, in conjunction with the following committees: Audit and Risk Committee, Remuneration Committee and Transformation Committee.

The roles of the chairman of the Board and the chief executive officer are separate, with a clear division of responsibilities to ensure a balance of power and authority between them. The chairman of the Board has no executive functions.

In addition, we will be proactive in the review of our structures and processes to ensure compliance with the new Companies Act

Roles and responsibilities of the Board

The Board focuses on the key elements of the corporate governance processes underpinning our operation. In particular its role is to:

- consider, and adopt if appropriate, operating budgets and business plans proposed by management for the achievement of our strategic direction;
- delegate authority for capital expenditure and evaluate investment, capital and funding proposals reserved for Board approval;
- provide oversight of performance against targets and objectives;
- provide oversight of reporting on our direction, corporate governance and performance;
- identify, consider and review key risk areas;
- ensure ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles and our internal governing documents and codes of conduct;
- act responsibly towards Edcon's relevant stakeholders;
- be aware of and committing to the underlying principles of good corporate governance and ensure that compliance with corporate governance principles is reviewed regularly; and
- evaluate on a regular basis economic, political, social and legal issues, as well as any other relevant external matters that may influence or affect the development of the business or the interests of our stakeholders.

The Board regularly reviews its annual Board agenda with the view to ensure that sufficient time is allocated towards the review of our strategy, which involves the analysis and choice of such strategy, followed by the ongoing review of progress against the approved plans.

Board meetings

Board meetings are held at least quarterly and more frequently if circumstances so require. Directors are invited to add items to the agenda for Board meetings.

Conflicts of interest

Directors and officers are required to timely inform the Board of conflicts or potential conflicts of interest they may have in relation to particular items of business. Declarations of interest are tabled annually at the Board meeting or whenever a director has concluded or is about to conclude a contract with respect to which he/she is conflicted.

Insurance

Adequate Directors' and Officers' insurance cover has been purchased by Edcon. No claims under the relevant policy were made during the 2011 financial period.

Advice

Directors have unlimited access to the company secretary, who acts as an advisor to the Board and its committees. The address of the secretary is Edgardale, 1 Press Avenue, Crown Mines, Johannesburg, 2092, South Africa. Any director may, in appropriate circumstances and at the expense of the Group, obtain independent professional advice. The directors are also entitled, with the prior knowledge of the chief executive officer, to have access to senior management and to relevant corporate information.

Board committees

Edcon's current Board committees are described below. Each of the committees operates according to terms of reference defined in their respective charters. The members of the various Board committees and the respective chairpersons (none of whom is the chairman of the Board), are elected annually by the Board. Regular reports on the committees' activities are provided to the Board.

Audit and Risk Committee

The members of the Audit and Risk Committee are Mr. Edward B. Berk (Chairman), Mr. Marc M. Valentiny and Mr. Stephen M. Ross. The deputy chief executive officer, the chief financial officer, the external auditors, the internal auditors and the company secretary attend all meetings of the Audit and Risk Committee as invitees.

The Audit and Risk Committee meets at least twice a year to perform its chartered responsibilities, mainly by considering comprehensive reports from:

- the chief financial officer regarding our financial performance of Edcon;
- the risk governance workgroup regarding the output of our continuous risk management process;
- the internal auditors regarding the adequacy and effectiveness of financial and operational control measures; and
- the external auditors regarding the planning and results of their audit activities.

The Audit and Risk Committee oversees the internal and external audit and the internal and external auditors have access to the chairman of the Audit and Risk Committee, the chairman of the Board and the chief executive officer.

Remuneration Committee

The members of the Remuneration Committee are Mrs. Zohra B. Ebrahim (chairman), Mr. Dwight M. Poler and Mr. Matthew Levin. The Remuneration Committee meets at least twice per annum in order to perform its function of approving a broad remuneration strategy for Edcon and to ensure that executive directors and senior executives are adequately remunerated. Succession planning is also considered at every meeting of the Remuneration Committee.

Transformation Committee

The members of the Transformation Committee are Mrs. Zohra B. Ebrahim (chairman), Mr. Stephen M. Ross, Mr. Edward B. Berk and Mr. Marc M. Valentiny. The general manager of human resources, the executive director responsible for Transformation and the company secretary attend all meetings as invitees.

The Transformation Committee meets at least twice per annum to guide, monitor, review and evaluate the Group's progress on transformation, with specific reference to the seven pillars outlined in the Codes of Good Conduct of the Broad Based Black Economic Empowerment Act, 2003 (the "BBBEE Act").

Internal control

The Board is responsible for our systems of financial and operational internal control and the executive directors are relied on to ensure that management continues to maintain accounting records and systems of internal control that are appropriate to the achievement of our business strategies.

Internal audit

Edcon's internal audit function provides the Board and management with an independent and objective assurance service that reviews matters relating to control, risk management and operational efficiency. The internal auditors report directly to the Audit and Risk Committee but are responsible to the chief financial officer on day-to-day matters, which arrangement does not impair the function's independence or objectivity.

There is regular two-way communication between the chief executive officer and the head of Internal Audit. The Audit and Risk Committee approves the function's yearly plan of audits, which encompasses all Edcon business operations and support functions. The Internal Audit plan is based on an annually conducted group-wide risk assessment.

External audit

The external auditors provide an independent assessment of our systems of internal financial control and express an independent opinion on the Group Financial Statements. The external auditors' plan is reviewed by the Audit and Risk Committee to ensure that significant areas of concern are covered, without infringing on the external auditors' independence and right to audit. Ernst & Young Inc., South Africa are the auditors of Edcon and the audit partner rotates in line with current legislation.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL AND OTHER DATA

The following audited historical financial data relates to the financial statements for the 52-week period ended 2 April 2011, the 53-week period ended 3 April 2010 and the 52-week period ended 28 March 2009 which appear elsewhere in this annual report. These financial statements have been audited by Ernst & Young Inc., South Africa. Unless the context requires otherwise, references in this notice to "fiscal year 2009" and "fiscal year 2010" and "fiscal year 2011" shall mean the 52-week period ended 28 March 2009, the 52-week period ended 3 April 2010 and the 52-week period ended 2 April 2011, respectively. We have also presented certain unaudited adjusted financial data for fiscal year 2010.

	Fiscal year (in millions)			
	(audited) 2009[1] 52 weeks	(audited) 2010[1] 53 weeks	(unaudited) 2010[1,2] 52 weeks	(audited) 2011[1] 52 weeks
Comprehensive income data				
Revenues	R 24 665	R 24 273	R 23 797	R 24 932
Retail sales	22 075	21 888	21 412	22 716
Cost of sales	(13 774)	(13 848)	(13 536)	(14 332)
Gross profit	8 301	8 040	7 876	8 384
Other income	467	473	473	490
Store costs	(3 847)	(4 078)	(4 053)	(4 348)
Other operating costs	(2 628)	(2 338)	(2 320)	(2 563)
Additional depreciation and amortisation [4]	(656)	(690)	(690)	(658)
Retail trading profit	1 637	1 407	1 286	1 305
Operating profit from credit	216	99	99	190
Equity accounted earnings of joint ventures	349	435	435	487
Trading profit	2 202	1 941	1 820	1 982
Fees incurred-securitisation		(33)	(33)	(10)
Gain on buy-back of senior floating rate notes	1 350			
Net fair value movement on notes and associated derivatives	(1 050)	(459)	(459)	(2 113)
Impairment of indefinite life brands and goodwill	(697)	(137)	(137)	
Profit/(loss) before financing costs	1 805	1 312	1 191	(141)
Net financing costs	(2 899)	(2 588)	(2 570)	(2 128)
Taxation	454	350	350	578
Net loss	R (640)	R (926)	R (1 029)	R (1 691)
Other financial data				
EBITDA[5]	R 2 904	R 2 537	R 2 416	R 1 075
Adjusted EBITDA [5]	3 410	3 044	2 923	3 160
Operating lease expense	1 269	1 425	1 425	1 488
Adjusted EBITDAR	4 679	4 469	4 348	4 648
Capital expenditure	569	473	473	474
Depreciation and amortisation	1 099	1 225	1 225	1 216

	Fiscal year (in millions) (audited)		
	2009[1] at 28 March	2010[1,2] at 3 April	2011[1] at 2 April
Financial position data			
Cash and cash equivalents	R 379	R 441	R 1 676
Working capital	4 834	2 281	2 199
Total assets	34 822	29 544	30 988
Total debt at unhedged rates	22 241	15 370	20 140
Total net debt including cash and derivatives	20 797	18 839	19 688
Total equity and shareholder’s loan	6 118	5 892	4 852

	2009 at 28 March	2010 at 3 April	2011 at 2 April
	Fiscal year *(unaudited)*		
Select operating data			
Number of stores	1 233	1 228	1 181
Same store sales growth	3.2%	(4.7%)	5.3%
Average retail space (in '000 sqm)	1 251	1 316	1 321
Number of customer credit accounts (in '000s)	4 290	3 993	3 713

	Fiscal year *(in millions)*			
	(audited) **2009[1]** **52 weeks**	*(audited)* **2010 [1]** **53 weeks**	*(unaudited)* **2010[1,2]** **52 weeks**	*(audited)* **2011[1]** **52 weeks**
Cash flow data				
Operating cash inflow before changes in working capital	R 3 432	R 2 988	R 2 867	R 3 159
Working capital movement	(1 420)	460	1 074	(446)
Cash generated from operating activities	2 012	3 488	3 941	2 713

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1) All figures presented in the summary financial statements above exclude the impact of consolidating OntheCards Investments Limited ("OtC I") and OntheCards Investments II (Proprietary) Limited ("OtC II"), together ("OtC"). Refer to note 3 below for a reconciliation of key items.

2) Fiscal year 2010 comprises the audited financial information for the 53 week period ending 3 April 2010, net of the unaudited adjustments required to reflect performance for the 52-week period ended 3 April 2010.

3) The following tables reconcile financial information which is presented in the Group Financial Statements which consolidate OtC, to the tables presented in the summary financial statements above. Refer to note 35 in the Group Financial Statements for the impact of consolidating OtC.

	Fiscal year *(in millions)* *(audited)* **2011** **52 weeks**		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
Comprehensive income data			
Revenues	R 25 586	R 654	R 24 932
Operating profit from credit	624	434	190
Other financial data			
Adjusted EBITDA	R 3 624	R 464	R 3 160

	Fiscal year (in millions) (audited)		
	2011 52 weeks		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
Financial position data			
Working capital	R 7 712	R 5 513	R 2 199
Total assets	35 329	4 341	30 988
Total debt at unhedged rates	24 440	4 300	20 140
Total net debt including cash and derivatives	23 349	3 661	19 688
Cash flow data			
Operating cash inflow before changes in working capital	R 3 622	R 463	R 3 159
Working capital movement	(69)	377	(446)

	Fiscal year (in millions) (audited)		
	2010 53 weeks		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
Comprehensive income data			
Revenues	R 24 876	R 603	R 24 273
Operating profit from credit	278	179	99
Other financial data			
Adjusted EBITDA	R 3 368	R 324	R 3 044
Financial position data			
Working capital	R 7 685	R 5 404	R 2 281
Total assets	33 768	4 224	29 544
Total debt at unhedged rates	19 670	4 300	15 370
Total net debt including cash and derivatives	22 455	3 616	18 839
Cash flow data			
Operating cash inflow before changes in working capital	R 3 352	R 364	R 2 988
Working capital movement	952	492	460

		Fiscal year *(in millions)* *(audited)* 2009 52 weeks				
		Including OtC		Consolidation adjustments for OtC		Excluding OtC
Comprehensive income data						
Revenues	R	25 195	R	530	R	24 665
Net income from credit		499		283		216
Other financial data						
Adjusted EBITDA	R	3 693	R	283	R	3 410
Financial position statement data						
Working capital	R	8 721	R	3 887	R	4 834
Total assets		37 340		2 518		34 822
Total debt at unhedged rates		24 900		2 659		22 241
Total net debt including cash and derivatives		23 456		2 659		20 797
Cash flow data						
Operating cash inflow before changes in working capital	R	3 715	R	283	R	3 432
Working capital movement		(1 553)		(133)		(1 420)

4) This additional depreciation and amortisation relates to the amortisation of intangibles and the incremental depreciation arising from the fair value adjustments in relation to the private equity transaction. These figures are included in “Other operating costs” in the Group Financial Statements.

5) The following table reconciles net loss or earnings to EBITDA and adjusted EBITDA.

	Fiscal year *(in millions)*						
		(audited)		*(audited)*		*(unaudited)*	*(audited)*
		2009[1] **52 weeks**		**2010[1]** **53 weeks**		**2010[1,2]** **52 weeks**	**2011[1]** **52 weeks**
Net loss	R	(640)	R	(926)	R	(1 029)	(1 691)
Taxation		(454)		(350)		(350)	(578)
Net financing costs		2 899		2 588		2 570	2 128
Depreciation & amortisation		1 099		1 225		1 225	1 216
EBITDA	R	2 904	R	2 537	R	2 416	1 075
Net fair value movement on notes and associated derivatives [(a)]		1 050		459		459	2 113
Gain on buy-back of senior floating rate notes [(b)]		(1 350)					
Impairment of intangible assets [(c)]		697		137		137	
VAT expense [(d)]		90					
Net asset write-off [(e)]		19		23		23	(8)
Gain on sale of receivables to OtC II [(f)]				(112)		(112)	(20)
Adjusted EBITDA	R	3 410	R	3 044	R	2 923	3 160

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a) We have executed currency and interest rate derivatives to hedge the repayment of the interest and principal on the respective floating and fixed rate notes (see note 17 of the Group Financial Statements). This adjustment relates to the revaluation of the notes to the spot exchange rate and change in the fair value of these derivatives.

b) On 27 June 2008, Edcon Holdings (Proprietary) Limited completed a notes repurchase where Edcon purchased a nominal value of €252 million of the senior floating rate notes for €138,6 million, or 55% of the face value. As a result of the buy-back Edcon recognised a gain, net of associated fees, of R1,350 million.

c) This adjustment relates to the impairment of goodwill and indefinite life intangible assets.

d) This adjustment relates to a reversal of VAT input charges claimed from the South African Revenue Service (SARS) in fiscal year 2009 of R90 million, that arose as a result of legislative interpretation, by SARS of the Value Added Tax Act, during fiscal year 2009 which they applied retrospectively.

e) This adjustment relates to assets written off net of related proceeds.

f) This adjustment relates to the reversal of a net gain of R20 million (2010 : R112 million) on the sale of R523 million (2010 : R2,065 million) receivables to OtC II.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our group financial statements and the related notes thereto included in this Annual Report. When used in this Annual Report in relation to any year, "fiscal year" means the fiscal year ended on the Saturday of that year closest to 31 March of that year. The following discussion should also be read in conjunction with "Summary Historical and Pro Forma Financial and Other Data".

Financial statement presentation

We discuss below the financial statements and results of operations of Edcon on a consolidated basis in fiscal years 2009, 2010 and 2011. The discussion excludes the impact of consolidating OtC. The group financial statements for the periods discussed have been audited and prepared in accordance with IFRS and appear in this Annual Report see "Group Financial Statements".

Key Group statement of comprehensive income items

Revenue

We derive revenue primarily from the sale of retail products which accounted for 91% of our revenue in fiscal year 2011. Our retail products are available for sale in 1,181 stores, 94% of which are in South Africa, with the remainder in Namibia, Botswana, Lesotho and Swaziland.

Changes to our retail sales from period to period are generally affected by the following factors:

- the quality and availability of our products;
- the extent to which we are able to predict, plan for and implement changes to our product mix to reflect customer trends;
- the prices at which we sell our products, which may change depending on markdowns; and
- the volume of our products sold and changes in the mix of products sold within our different product lines.

Changes to our cost of sales from period to period result from a number of factors, including:

- the base price of raw materials;
- exchange rates;
- the amount of duties paid on purchases of products imported to South Africa;
- freight cost;
- import quotas;
- rebates and discounts earned from suppliers; and
- the level of our marketing and advertising costs, including costs associated with market research.

Store costs

Our store costs primarily consist of (i) payroll for our store based employees, including salaries, bonuses, payroll taxes and pension costs, (ii) establishment costs such as rent, local taxes, service charges, and other operating costs at our stores, including cleaning, maintenance, security and energy, (iii) depreciation expense related to capital expended on our stores, (iv) stock shrinkage, and (v) credit card commissions.

Changes in our store costs from period to period are the result of a number of factors, including:

- the general level of payroll and benefit increases given to our store based employees;
- rental increases agreed to as part of our store lease agreements;
- the opening of new stores, including pre-opening costs, and the modernisation of existing stores, including the associated depreciation charge; and
- costs related to the volume of products sold, including increases in transaction charges related to credit card sales.

Other operating costs

Other operating costs primarily consist of (i) various corporate overhead costs associated primarily with our head offices, including human resources, procurement, communications, finance, information technology, strategy and facilities, (ii) depreciation expense related to our head office assets and the amortisation of other intangible assets, (iii) other human resource costs, such as our BBBEE programmes, our training programmes and the maintenance of our wellness programme for employees, (iv) depreciation and maintenance expense related to certain information technology systems, (v) costs related to group marketing, (vi) other head office facility costs, and (vii) costs associated with logistics in our distribution and supply chains.

Changes in our other operating costs from period to period are primarily the result of:

- the general level of payroll and benefit increases given to selected head office employees;
- costs associated with implementing employee incentive plans;
- expenses related to new and revised information technology systems;
- changes to our head offices including expansion of our head offices to accommodate the
- increased number of stores;
- changes to our overhead costs;
- changes in cost associated with our logistics in our distribution and supply chains.

Credit and financial services operating profit

In addition to our retail sales, we generate profit from our credit and financial services business. Credit and financial services operating profit primarily consists of (i) interest earned from our credit card customers, (ii) equity accounted earnings from our insurance joint ventures, which earn money from premiums paid by customers, and (iii) revenue from the sale of credit receivables, less (x) bad debts on the credit accounts which we have underwritten, and the provision for impairment of receivables, (y) costs associated with running the credit and financial services business, including payroll for our credit and financial services business employees, collection costs, and credit bureau costs, and (z) taxes incurred on the profit of the credit and financial services business.

Credit and financial services net profit from period to period is affected generally by the following factors:

- the level of credit card sales;
- incidence of bad debts on the credit card accounts which we have underwritten, and the provision for impairment of receivables;
- interest rate fluctuations and changes to restrictions on the level of interest we are able to charge our credit customers;
- changes in the amount of receivables we sell or changes in the discount rate applicable to such receivables;
- the general level of payroll and benefit increases given to selected credit and financial service employees.

For a further discussion of the components which comprise credit operating profit, see note 25 to the Group Financial Statements.

Significant factors affecting our results of operations

Economic conditions in South Africa

Approximately 94% of our retail sales are generated in South Africa, which has undergone significant social, political and economic transformation in the last ten years. Our future results of operation are dependent on continued economic, political and social stability in South Africa. Changes in economic conditions may affect, among other things, demand for our services and the creditworthiness of our customers.

Although affected by the global economic downturn, South Africa has experienced overall economic growth in recent years, in part due to a rapidly emerging black middle class with increased spending power, and the government's commitment to macro-economic growth. Real GDP increased by 3.6% and by 2.8% in 2011 and 2010 respectively and decreased by 1.7% in 2009, consumer price inflation has been 11.5%, 7.1% and 4.3% and respectively.

Growth in the clothing and footwear market

The C&F market in South Africa grew at a CAGR of 8.6% from fiscal year 2006 to fiscal year 2011. This growth was due to a number of factors, including the growth of the South African economy, the rapidly emerging black middle class, which historically spends a higher percentage of its disposable income on C&F goods, and the movement of market share from the informal market to more established medium- and large-sized retailers. We expect this growth to continue, and as the market share leader, we expect to benefit from the increased size of the C&F market.

Cost of sales

A key component of our growth strategy is to consolidate our procurement and leverage our market scale to obtain better pricing for our products, decreasing our cost of sales. We also intend to establish strategic relationships with low-cost suppliers. For a number of external factors that can affect our cost of sales see, "Key group statement of comprehensive items - Revenue".

Same store growth

Our retail sales and profitability are primarily dependent on the amount of retail sales that we generate from our existing stores. From fiscal year 2006 to fiscal year 2011, we have increased our same store growth at a CAGR of 2.6%, and increased our trading density from R15,443 million to R16,712 million. The amount of retail sales we generate from our existing store sites is contingent on a number of factors, including average customer spend, customer retention and merchandise assortment and allocation.

New store openings

Historically, we have increased retail sales by opening new stores and increased average trading space by 0.4% in fiscal 2011. We opened a net 92 new stores in fiscal year 2009, and closed a net 5 and 47 stores in fiscal year 2010 and fiscal year 2011, respectively. Our property development committee applies strict criteria to potential new sites, and reviews site performance annually to determine if sites are meeting their targets or can be used more efficiently. Our ability to open new stores in the future will depend on our ability to find new sites which meet our investment criteria for expansion.

Seasonality

Our retail sales, like most other retailers, are subject to seasonal influences. Historically, our most important trading periods in terms of retail sales have been the Easter and Christmas seasons, with 33% of our retail sales occurring in April, November and December combined. We incur significant additional expenses in advance of the Easter and Christmas seasons in anticipation of higher retail sales during those periods, including the cost of additional inventory, advertising and hiring additional employees. In previous years, our investment in working capital has peaked in early to mid-March, and October and November as a result of increased supply purchases in anticipation of Easter and Christmas. Our results are also affected by periods of abnormal or unseasonal weather conditions, which can lead to a decrease in retail sales and higher markdowns.

Performance of our receivables book

Our credit and financial services business generated R677 million of operating profit in fiscal year 2011. The size of the receivables book managed by Edcon increased from R9.3 billion in fiscal year 2008 to R9.6 billion in fiscal year 2011, due to increased credit balances from existing customers. During this period, the incidence of net impairment of receivables in our receivables book decreased from 11.8% in fiscal year 2009 to 10.9% in fiscal

year 2011, due to initiatives implemented during fiscal year 2010 to limit the extension of credit to high risk customers. Credit and financial services operating profit is dependent on a number of factors. We may consider various opportunities to grow our credit and financial services business, and to expand its profits and return on capital employed.

Results of Operations

Fiscal year 2011 compared to fiscal year 2010

Overview

Edcon continued to deliver an improvement in performance in fiscal year 2011, principally resulting from ongoing business transformation initiatives, however, these are work in progress and we still have opportunities to improve further.

Key operating highlights for fiscal year 2011 include:

- Adjusted EBITDA up 8.1% to R3,160 million
- “Same store” sales increased by 5.3%
- Combined credit activities (excluding OtC) delivering a 27% increase in operating profit
- Continued strong cash generation even as the business resumes its growth trajectory

An improved connection with our targeted consumer segments, driven by successful marketing to support enhanced product offers, has underpinned the consistently positive growth that continued in fiscal year 2011 as well as the strong cash sales performance (+9.5% compared with 2010). The success of merchandise execution is improving, with particularly encouraging results in ladies contemporary, menswear, homeware and cellular. However, progress still has to be made in certain areas, such as footwear and menswear in our Discount Division

We believe that the South African economy is improving, and that the outlook remains positive, despite some short-term challenges such as job losses. In this environment, Edcon's growth was achieved even as the company maintains a conservative stance in our credit activities; the debtors book continued to be tightly managed, and all key credit metrics improved.

We also continued to monitor and control store operating expenses and working capital.

Retail sales

Retail sales increased by R1,304 million, or 6.1%, from R21,412 million in fiscal year 2010 to R22,716 million in fiscal year 2011.

In our department stores division, retail sales in fiscal year 2011 increased by 7.1% from fiscal year 2010 due primarily to strong growth from ladieswear, menswear and mobile phones. *CNA*’s retail sales in fiscal year 2011 increased 3.9% from fiscal year 2010, primarily due to growth in sales of mobile phones and stationery. Retail sales in the discount division increased by 5.3% from fiscal year 2010 to fiscal year 2011 primarily due to growth in cosmetics, home products and mobile phones.

Same store sales (sales from stores open for the full period in the current fiscal year and in the prior fiscal year) increased by 5.3% from the prior period. Our credit sales accounted for 49% of total retail sales during fiscal year 2011, down from 50% achieved during fiscal year 2010. Cash sales for fiscal year 2011 increased 9.5% from fiscal year 2010, primarily due to improving merchandise and customer value proposition, which has had a positive effect on cash flow generation. Credit sales increased 2.8% compared to fiscal year 2010 primarily due to increased spend per account.

Gross profit

Gross profit increased by R508 million, or 6.4%, from R7,876 million in fiscal year 2010 to R8,384 million in fiscal year 2011. Gross profit as a percentage of retail sales was 36.9%, substantially similar to 36.8% in fiscal year 2010, as an improvement in the winter season was offset by increased seasonal markdowns in the third quarter and input price inflation.

Gross profit as a percentage of retail sales for the department store division increased from 41.2% in fiscal year 2010 to 41.5% in fiscal year 2011, primarily due to reduced markdowns on ladieswear and home products offsetting the impact from higher input prices. Gross profit as a percentage of retail sales in *CNA* decreased from 32.8% in fiscal year 2010 to 32.6% in fiscal year 2011 primarily due to an increase in contribution to retail sales from lower margin merchandise such as mobile phones and digital products. In the discount division, gross profit as a percentage of retail sales was substantially similar, decreasing from 31.9% in fiscal year 2010 to 31.8% in fiscal year 2011, with a lower level of markdowns across most major product categories being offset by input price inflation.

Store costs

Store costs increased by R295 million, or 7.3%, from R4,053 million in fiscal year 2010 to R4,348 million in fiscal year 2011 principally as a result of (i) increases in electricity prices imposed by the utility provider and (ii) increases in wages and rentals.

Other operating costs

Other operating costs increased by R243 million, or 10.5%, from R2,320 million in fiscal year 2010 to R2,563 million in fiscal year 2011. This increase was principally the result of higher fuel costs and an increase in unit volumes in the distribution centres.

Credit and financial services operating profit

Credit and financial services operating profit increased by R143 million, or 26.8%, from R534 million in fiscal year 2010 to R677 million in fiscal year 2011. This increase was primarily because of a decrease in impairment of receivables and provision for impairment of receivables. This results from our initiatives in fiscal year 2010 to restrict the growth of our receivables book for higher risk customers and improved collection activity. The improvement was offset to an extent by lower interest income associated with a reduction in the prevailing interest rate charged to customers. Consolidated annualised impairment of receivables as a percentage of average receivables decreased to 10.9% for fiscal 2011 from 12.9% in fiscal year 2010. Equity accounted earnings of joint ventures after taxation increased by R52 million, or 12.0%, from R435 million in fiscal 2010 to R487 million in fiscal year 2011 primarily due to increased insurance sales. The number of active accounts decreased from 4.0 million accounts at March 2010 to 3.7 million at March 2011 due to our tightened credit standards in fiscal year year 2010.

Depreciation and amortisation

Depreciation and amortisation remained substantially similar, decreasing by R9 million from R1,225 million in fiscal year 2010 to R1,216 million in fiscal year 2011.

Trading profit

Trading profit increased by R162 million, or 8.9%, from R1,820 million in fiscal year 2010 to R1,982 million in fiscal year 2011.

Adjusted EBITDA increased by R237 million, or 8.1%, from R2,923 million in fiscal year 2010 to R3,160 million in fiscal year 2011.

Net financing costs

Net financing costs decreased by R442 million, from R2,570 million in fiscal year 2010 to R2,128 million in fiscal year 2011. This decrease is primarily a result of lower interest rates and lower average drawings under the short-term borrowings facilities during fiscal year 2011.

Taxation

Taxation income increased by R228 million, from R350 million in fiscal year 2010 to R578 million in fiscal year 2011. The increase was primarily due to higher taxable losses in fiscal year 2011 compared to fiscal year 2010.

Fiscal year 2010 compared to fiscal year 2009

Overview

As GDP growth stalled in South Africa, management took aggressive steps to reduce risk, improve cash flow and prepare for future growth. Growth of the debtors book was restricted for higher risk customers and credit was discontinued on certain lower margin product like airtime and food. Expenses and space expansion were reviewed and revised down, seasonal inventory was cleared aggressively and merchandise orders were reduced in line with expected trend. The low point in performance was the second quarter of fiscal year 2010 when the effect of the recession coincided with the cumulative impact of these key control measures.

Gross margin recovery began in the second half of fiscal year 2010, and cash flow generation was robust. The quality of sales improved as the pressure of seasonal stock liability diminished and inventories closed below the prior year levels. Margins and comparable store sales continue to strengthen, at the same time expense controls remain tight and the pace of expansion is cautiously but progressively returning to pre-recession norms. Additionally, the successful refinancing of the receivables facilities in fiscal year 2010 has boosted liquidity further.

Retail Sales

Retail sales in fiscal year 2010 decreased by R663 million, or 3.0%, from R22,075 million in fiscal year 2009 to R21,412 million in fiscal year 2010 principally due to the global economic downturn, the adverse impact of the new mobile regulatory legislation, continuing poor performance from ladieswear and home textiles. The tightening of credit sales also had a negative 3.0% impact on retail sales.

Same store sales (sales from stores open for the full period in the current fiscal year and in the prior fiscal year) were down 4.7% from fiscal year 2009. Credit sales accounted for 50% of total retail sales in fiscal year 2010, down from 52% in fiscal year 2009, due to our tightened credit standards. In the department store division, retail sales in fiscal year 2010 decreased by 2.4.% from fiscal year 2009 primarily due to a decrease in sales in product lines such as cellular, ladieswear and home products. *CNA's* retail sales in fiscal year 2010 decreased 1.1% from fiscal year 2009, driven by negative growth in cellular, digital and auio products. Retail sales in the discount division decreased by 4.1% from fiscal year 2009 to fiscal year 2010 due mainly to a decrease in sales in ladieswear, cosmetics, cellular products and food.

Gross profit

Gross profit decreased by R425 million, or 5.1%, from R8,301 million in fiscal year 2009 to R7,876 million in fiscal year 2010. Gross profit as a percentage of retail sales decreased from 37.6% in fiscal year 2009 to 36,8% in fiscal year 2010 due to increased markdown activity in the first half of fiscal year 2010.

In our department stores division, gross profit as a percentage of retail sales decreased from 42.2% in fiscal year 2009 to 41.2% in fiscal year 2010, primarily as a result of increased markdowns in ladieswear and homeware products in the first half of fiscal year 2010. In *CNA*, gross profit as a percentage of retail sales remained stable at

32.8% in fiscal year 2010 compared to fiscal year 2009. In the discount division, gross profit as a percentage of retail sales decreased from 32.8% in fiscal year 2009 to 31.9% in fiscal year 2010 mainly due to higher markdowns in ladieswear and menswear.

Store costs

Store costs increased by R206 million or 5.4%, from R3,847 million in fiscal year 2009 to R4,053 million in fiscal year 2010 principally as a result of (i) the addition of 5.2% to average retail space in fiscal year 2010 and (ii) increases in wages, rent and utilities, partially offset by productivity improvements in stores.

Other operating costs

Other operating costs decreased by R308 million, or 11.7%, from R2,628 million in fiscal year 2009 to R2,320 million in fiscal year 2010. This decrease was principally a result of lower fuel costs in logistics and distribution and cost saving initiatives undertaken in corporate departments such as information technology.

Credit and financial services operating profit

Credit and financial services operating profit decreased by R31 million from R565 million in fiscal year 2009 to R534 million in fiscal year 2010. This decrease was primarily due to lower interest income associated with a reduction in the interest rate charged to customers and increased net impairment of receivables. Consolidated annualised impairment of receivables as a percentage of average debtors was 12.9% for fiscal year 2010 compared with 11.8% in fiscal year 2009. Equity accounted earnings of joint ventures after taxation increased by R86 million, or 24.6%, from R349 million in fiscal year 2009 to R435 million in fiscal year 2010. The number of active accounts decreased from 4.3 million in fiscal year 2009 to 4.0 million in fiscal year 2010 due to our tightened credit standards in fiscal year 2010.

Depreciation and amortisation

Depreciation and amortisation increased by R126 million from R1,099 million in fiscal year 2009 to R1,225 million in fiscal year 2010, primarily due to higher capital expenditure in fiscal year 2010 and prior years.

Trading profit

Trading profit decreased by R382 million from R2,202 million in fiscal year 2009 to R1,820 million in fiscal year 2010.

Adjusted EBITDA decreased by R487 million, or 14.3%, from R3,410 million in fiscal year 2009 to R2,923 million in fiscal year 2010.

Net financing costs

Net financing costs decreased by R329 million, from R2,899 million in fiscal year 2009 to R2,570 million in fiscal year 2010. This decrease is primarily a result of lower interest rates and lower average drawings under our no longer existing receivables based facility and the short-term borrowing facilities during fiscal year 2010.

Taxation

Taxation income decreased by R104 million, from R454 million in fiscal year 2009 to R350 million in fiscal year 2010. The reduction was primarily due to lower taxable losses in fiscal year 2010 compared to fiscal year 2009, offset by the impact of the buy-back of the senior floating rate notes in fiscal year 2009.

Historical cash flows

Fiscal year 2011 compared to fiscal year 2010

Operating cash inflow before changes in working capital increased by R292 million, or 10.2% from R2,867 million in fiscal year 2010 to R3,159 million in fiscal year 2011, due to the higher trading profit in fiscal year 2011.

Working capital increased by R446 million in the fiscal year 2011 compared with a decrease of R1,074 million for fiscal year 2010. This was principally due to (i) an increase in receivables of R524 million in the fiscal year 2011 compared with a decrease in receivables of R165 million in the fiscal year 2010 resulting from the credit tightening implemented in fiscal year 2010, (ii) an increase in inventory of R225 million in the fiscal year 2011 compared to an decrease of R72 million in the fiscal year 2010 (iii) an increase in payables of R303 million in the fiscal year 2011 compared to an increase of R837 million in the fiscal year 2010 due to higher purchases in the fiscal year 2011 compared to fiscal year 2010.

Cash generated by operating activities decreased by R1,228 million, from R3,941 million in fiscal year 2010 to R2,713 million in the fiscal year 2011 primarily because of the higher working capital investment.

Capital expenditure was R474 million in the fiscal year 2011, up from R473 million in fiscal year 2010 due to an accelerated store refurbishment program in *Edgars* and *Jet* stores partially offset by lower new space growth. The store refurbishment program combined with the opening of 38 new stores resulted in an investment of R337 million. In addition, in fiscal year 2011 we invested R127 million in information technology infrastructure compared with R174 million in fiscal year 2010. The last remaining administrative building we owned was sold for R100 million.

During fiscal year 2011 foreign currency swaps of R5,001 million were settled early and their mark-to-market position extinguished. The settlement proceeds were funded through the issue of senior secured fixed rate notes of R4,616 million (net of fees) and a super senior secured term loan of R985 million, which was subsequently refinanced in April 2011 through the issuance of R1,010 million of super senior secured notes due April 2016.

During fiscal year 2011, as part of the OtC II securitisation, Edcon sold R523 million trade receivable to OtC II for R516 million.

Fiscal year 2010 compared to fiscal year 2009

Operating cash inflow before changes in working capital decreased by R565 million, or 16.5%, from R3,432 million in fiscal year 2009 to R2,867 million in fiscal year 2010 primarily due to the lower trading profit in fiscal year 2010.

Working capital decreased by R1,074 million in fiscal year 2010 compared to an increase of R1,420 million for fiscal year 2009. This was principally due to (i) a decrease in trade and other receivables of R165 million in fiscal year 2010 compared to an increase in trade and other receivables of R874 million in fiscal year 2009 due to the tightening of credit granting for higher risk customers as well as the suspension of sales of certain product categories on credit in fiscal year 2010, (ii) decrease in inventory of R72 million in fiscal year 2010 compared to an increase of R397 million in fiscal year 2009 as a result of improved inventory management, and (iii) an increase in payables of R837 million in fiscal year 2010 compared to a decrease of R149 million in fiscal year 2009.

Cash generated from operating activities rose by R1,929 million, or 95.9%, from R2,012 million in fiscal year 2009 to R3,941 million in fiscal year 2010.

Capital expenditure in fiscal year 2010 was R473 million compared with R569 million in fiscal year 2009 due to a slowdown in the opening of new stores. During fiscal year 2010, we opened 51 stores which, combined with store

refurbishments, resulted in investments in store fixtures of R297 million. In addition, we invested R174 million in IT infrastructure compared to R265 million in fiscal year 2009. We sold the last remaining store property we owned for R107 million.

During fiscal year 2010, as part of the OtC II securitisation, Edcon sold R2,065 million trade receivables to OtC II for R2,210 million. As part of the funding of OtC II, Edcon increased its subordinated loan to OtC II by R612 million and invested in OtC II receivables-backed notes of R78 million.

OntheCards Investments II (Proprietary) Limited

In August 2009, OtC II raised R1 billion through the issuance of a combination of one year (R445 million) and three-year (R555 million) receivables-backed notes listed on the Bond Exchange of South Africa. OtC II used the proceeds from this issuance, together with a subordinated loan from Edcon of R515 million, to acquire accounts receivable of R484 million and R939 million from Edcon and OtC I respectively.

In November 2009, OtC II raised a further R3,300 million external funding through the issuance of three-year receivables-backed notes. OtC II used the proceeds from this issuance, together with a subordinated loan from Edcon of R1,547 million, to acquire accounts receivable of R1,429 million and R2,562 million from Edcon and OtC I respectively.

In March 2010, OtC II acquired a further R152 million of accounts receivable from Edcon and refinanced R750 million of the receivables-backed notes issued in November 2009 with notes listed on the Bond Exchange of South Africa.

In August 2010, OtC II acquired a further R523 million of accounts receivable from Edcon. At the same time OtC II raised R1,400 million through the issuance of three year notes (R968 million), four year notes (R182 million) and seven year notes (R250 million). The spreads on these notes were Jibar +215bps, Jibar +225bps and fixed 10.09% respectively. Both the three year and four year notes were placed at a tighter spread than the existing OtC II notes with a similar maturity. The funds raised by OtC II were used to refinance the R445 million notes due in July 2010 and R955 million notes due in October 2012.

Edcon has consolidated OtC II and the results thereof are included in the Group Financial Statements attached hereto.

Buy-back of senior floating rate notes

On 27 June 2008, Edcon Holdings (Proprietary) Limited completed a notes repurchase of the senior floating rate notes with a nominal value of €252 million for €138,6 million, or 55% of the face value. As a result of the buy-back, Edcon recognised a gain, net of associated fees, of R1,350 million.

Hedge realisation/settlement and issue of senior secured fixed rate notes

In June 2008 we realised R1,793 million from certain derivatives used to hedge interest rate and foreign exchange exposures associated with the senior floating rate notes. A revised hedging structure was put in place, whereby Edcon Holdings (Proprietary) Limited entered into currency swaps and foreign currency forward contracts to hedge certain exposures under the €378 million of senior floating rate notes then outstanding.

In February 2011, the foreign currency swaps that Edcon had entered to hedge the principal outstanding on the senior secured floating rate notes and the senior floating rate notes, were early-settled and their mark-to-market positions extinguished. A settlement value of R5,001 million was agreed with the hedge counterparties to settle the derivative liability and enter into a revised hedging structure (refer to note 32.2 of the Group Financial Statements for management's hedging strategies).

The settlement proceeds were funded through the issue of senior secured fixed rate notes due March 2018, comprising a €317 million tranche and a $250 million tranche, and a super senior secured term loan for R985 million due March 2014. The super senior secured term loan was subsequently refinanced in April 2011 through the issuance of R1,010 million of super senior secured notes due April 2016.

Liquidity and capital resources

Our primary source of short-term liquidity is cash on hand, our revolving credit facility and the receivables backed notes issued by OntheCards Investments II (Proprietary) Limited. The amount of cash on hand and the outstanding balance of our revolving credit facility are influenced by a number of factors, including retail sales, working capital levels, supplier payment terms, timing of payment for capital expenditure projects, and tax payment requirements.
Our working capital requirements fluctuate during the month, depending on when we pay our suppliers and collect receivables, and throughout the year depending on the seasonal build-up of inventory and accounts receivable. We fund peaks in the working capital cycle with cash flows from operations and drawings under our revolving credit facility.

At 2 April 2011 our total net debt including cash and derivatives (excluding the OtC II Receivables-Backed Notes) of R19,688 million consisted of (i) the fair value of Floating Rate Notes of R14,621 million, (ii) the fair value of Fixed Rate Notes of R4,534 million (iii) borrowings under a super senior secured term loan facility of R985 million, (iv) net derivatives of R1,224 million, less (v) cash and cash equivalents of R1,676 million. In addition, OtC II's net debt of R3,661 million consisted of (i) Receivables-Backed Notes issued of R4,300 million, less (ii) cash and cash equivalents of R639 million.

At 2 April 2011, the total availability under the Senior Revolving Credit Facility was R3,117 million which matures between June 2012 and March 2014. The OtC II Receivables-Backed Notes issued by OtC II consist of R4,300 million notes due between July 2012 and April 2017. During fiscal year 2011 the maximum utilisation of the revolving credit facility was R1,130 million.

We believe that operating cash flows and amounts available under the Senior Revolving Credit Facility and the OtC II Receivables-Backed Notes will be sufficient to fund our debt service obligations and operations, including capital expenditure and contractual commitments, through to 31 March 2012.

Indebtedness

Reference is hereby made to the indentures governing the Floating Rate Notes and Fixed Rate Notes (the "Indentures"). Reference is further made to (i) the Senior and Amended Super Revolving Credit Facility (as defined in the Indentures) and (ii) the Inter creditor Agreement (as defined in the Indentures).

Scheduled repayments of our obligations

The following table summarises as of 2 April 2011, (i) the contractual obligations, commercial commitments and principal payments we are committed to make under our debt obligations, leases and other agreements and (ii) their maturities.

Commitments due by period – R million	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Revolving Credit Facility	R 3 117	R	R 3 117	R	R
2014 Senior Secured Floating Rate Notes (net of derivatives)[1]	11 534			11 534	
2015 Senior Floating Rate Notes (net of derivatives)[1]	3 623			3 623	
Super Senior Secured Term Loan[2]	985		985		
2018 Senior Secured Fixed Rate Notes[1]	4 695				4 695
Leases[3,4]	6 966	1 462	2 167	1 814	1 523
Medical aid[5]	130				130
Interest on 2014 Senior Secured Floating Rate Notes (net of derivatives)[6]	4 659	1 448	3 107	104	
Interest on 2015 Senior Floating Rate Notes (net of derivatives)[6]	1 568	455	823	290	
Interest on 2018 Senior Secured Fixed Rate Notes (net of derivatives)[6]	3 374	554	1 073	892	855
Interest on Super Senior Secured Term Loan	350	122	228		
Total long-term debt obligations	41 001	4 041	11 500	18 257	7 203

(1) Presented at the hedged rate of principal for the respective bonds. In terms of the Group's total exposure to foreign currency on its principal debt obligations, 96% of the 2014 notes and 20% of the 2015 notes are hedged. The balance of unhedged principal is reflected at the ruling rate of exchange at the reporting date. Refer to note 32.2 of the Group Financial Statements for hedging strategy.

(2) The super senior secured term loan was subsequently refinanced in April 2011 through the issuance of R1,010 million of super senior secured notes due April 2016.

(3) Our Group Financial Statements present our lease obligations in categories different from the categories we use in this table. Therefore, we have straight-lined our lease obligations to present them for the periods we use in this table.

(4) Leases include property operating lease commitments and computer equipment operating lease commitments.

(5) We assume that there are no medical aid obligations that will become due and payable prior to five years.

(6) Presented at the hedged rate of interest up to the maturity of the derivative contracts, the majority of which mature in March 2014. Thereafter, interest is based on the floating interest and exchange rates at the reporting date. Refer to note 32.2 of the Group Financial Statements for hedging strategy.

(7) In addition to the above commitments for Edcon, OtC II has commitments of R4,300 million under the OtC II Receivables-Backed Notes, a R145 million Liquidity Facility and a R43 million Receivables Purchase Facility, which mature between July 2012 and April 2017.

The property leases into which we enter have an average initial lease term of ten years for our *Edgars* chain and five years for our other chains, with lease terms typically including four options to extend the lease for periods of five years each. The leases generally give us the right to sublet the leased premises and assign our rights under the lease to our affiliate companies. Rental payments are generally made on a monthly basis and rent is increased at an agreed percentage rate (typically 7%) compounded annually. As of 2 April 2011, the future minimum property operating lease commitments due within one year amounted to R1,323 million.

Events after the reporting date

Refinancing of Super Senior Secured Term Loan

On 4 April 2011, Edcon (Proprietary) Limited, a subsidiary of Edcon Holdings (Proprietary) Limited, launched its R2.5 billion Domestic Medium Term Note Programme with the issuance of R1.010 billion in super senior secured notes on the Johannesburg Securities Exchange. This marked Edcon (Pty) Ltd's debut issuance of corporate bonds in the South African debt capital markets.

The notes were issued at an interest rate of 6.25% over the three-month Johannesburg Interbank Agreed Rate and have a final maturity date of 4 April 2016. The proceeds were used to fully repay the R985 million Super Senior Secured Term loan, that was due 31 March 2014.

Part-repurchase of Senior Secured Floating Rate Notes

During May 2011, the Group completed a repurchase of a portion of the senior secured floating rate notes with a nominal value of €39 million for €35 million being 90% of the face value. The repurchase was funded from the proceeds raised through the issuance in March 2011 of the senior secured fixed rate notes.

Market risk

Foreign currency risk

We are exposed to the exchange rate movement of the rand, our operating currency, against other currencies in respect of merchandise we import. A substantial portion of our indebtedness is denominated in euro and U.S. dollar. Foreign exchange rate fluctuations in the future may affect our ability to service our foreign-currency denominated indebtedness, including payments in euro and U.S. dollar on the 2007 Notes. See "Risk Factors—Risks related to our business and industry—Our business is affected by foreign currency fluctuations". Historically, our policy has been to cover all foreign-denominated import liabilities using forward exchange contracts. We partially hedge our exposure to the rate movement of the rand against the euro and the U.S. dollar in relation to both the principal and interest coupons. See Group Financial Statements.

Interest rate risk

As a result of the significant inter-seasonal and intra-month swings in working capital in our business, our short term net debt can fluctuate significantly. Therefore, our treasury actively monitors our interest rate exposure. We use swaps to manage our interest rate risk against any unexpected fluctuations in the interest rate. We also actively manage our fixed and floating rate interest-bearing debt, and cash and cash equivalents mix as part of this exposure management process. In order to hedge specific interest rate exposure of existing borrowings and anticipated peak additional borrowings, we make use of interest rate derivatives, only as approved in terms of policy limits which require approval of the chief executive officer and, in some cases, the board of directors, depending on the size of the derivative. We have fixed the interest payments on the floating rate notes until June 2014. See Group Financial Statements.

Counterparty risk

Counterparty risk for deposits with financial institutions is managed by clearly defined bank mandates and delegation of authority. We carefully assess on an ongoing basis the creditworthiness of financial counterparties. Exposure limits are managed by our treasury, and monitored by our Treasury Risk Workgroup.

Critical accounting policies and use of estimates

In preparing our group financial statements, our management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Actual results in the future could differ from these estimates, and this may be material to our group financial statements.

Significant estimates and judgments made relate to a credit risk valuation adjustments in determining the fair value of derivative instruments to reflect non-performance risk, a provision for impairment of receivables, allowances for slow-moving inventory, residual values, useful lives and depreciation methods for property, plant and equipment and intangible asset impairment tests. Other judgements made relate to classifying financial assets and liabilities into categories.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty.

Revenue comprises retail sales of merchandise, manufacturing sales, club fees, financial services income, earnings from joint ventures, dividends, interest and finance charges accrued to the Group. Revenue from all sales of merchandise, net of returns, is brought to account when delivery takes place to the customer. Revenue from manufacturing and other operations is recognised when the sale transactions giving rise to such revenue are concluded. Finance charges on arrear account balances are accrued on a time proportion basis, recognising the effective yield on the underlying assets. Dividends are recognised when the right to receive payment is established. Interest received is recognised using the effective interest rate method. Club fees are recognised as incurred.

Trade and other receivables

Subsequent to initial measurement, receivables are recognised at amortised cost less a provision for impairment of receivables. A provision for impairment is made when there is objective evidence (such as default or delinquency of interest and the principal) that Edcon will not be able to collect all amounts due under the original terms of the trade receivable transactions. Impairments are recognised in profit or loss as incurred. Delinquent accounts are impaired by applying Edcon's impairment policy recognising both contractual and ages of accounts. Age refers to the number of months since a qualifying payment was received. The process for estimating impairment considers all credit exposures, not only those of low credit quality and estimated on the basis of historical loss experience, adjusted on the basis of current observable data, to reflect the effects of current conditions. Edcon assesses whether objective evidence of impairment exists individually for receivables that are individually significant, and individually or collectively for receivables that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, the receivable is included in a group of receivables with similar credit risk characteristics and that group of receivables is collectively assessed for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised, are not included in a collective assessment of impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss; to the extent the carrying value of the receivable does not exceed its cost at the reversal date.

Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to Edcon as lessee. The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Assets subject to finance leases are capitalised at the lower of the fair value of the asset, and the present value of the minimum lease payments, with the related lease obligation recognised at the same value. Capitalised leased

assets are depreciated over the shorter of the lease term and the estimated useful life if Edcon does not obtain ownership thereof. Finance lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in financing costs, and the capital repayment, which reduces the liability to the lessor.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals with fixed escalation clauses are charged against trading profit on a straight-line basis over the term of the lease.

In the event of a sub-lease, lease rentals received are included in profit or loss on a straight-line basis.

Inventory

Retail trading inventories are valued at the lower of cost, using the weighted average cost, and net realisable value, less an allowance for slow-moving items. Net realisable value is the estimated selling price in the ordinary course of business less necessary costs to make the sale. In the case of own manufactured inventories, cost includes the total cost of manufacture, based on normal production facility capacity, and excludes financing costs. Work-in-progress is valued at actual cost, including direct material costs, labour costs and manufacturing overheads. Factory raw materials and consumable stores are valued at average cost, less an allowance for slow-moving items.

The allowance for slow-moving inventory is made with reference to an inventory age analysis. All inventory older than 18 months is provided for in full as it is not readily disposable.

Financial instruments

Financial instruments are initially measured at fair value, including transaction costs, except those at fair value directly through profit or loss, when the Group becomes party to contractual arrangements. Where the Group can legally do so, and the Group intends to settle on a net basis, or simultaneously, related positive and negative values of financial instruments are offset.

The Group determines the classification of its financial assets and financial liabilities at initial recognition.

All regular way purchases and sales of financial assets are recognised on the date of trade being the date on which the Group commits to purchase or sell the asset.

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to manage the financial risks associated with their underlying business activities and the financing of those activities. the Group does not undertake any trading activity in derivative financial instruments.

Derivative financial instruments are initially measured at their fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. For hedge accounting purposes, derivative financial instruments are designated at inception as fair value, cash flow or net investment hedges if appropriate.

The fair value of forward exchange contracts and foreign currency swaps are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. The fair value of cross currency swaps is determined by reference to market interest rates and forward exchange rates for similar instruments.

A credit risk valuation adjustment is incorporated to appropriately reflect the Group’s own non-performance risk and the respective counterparty’s non-performance risk in the fair value measurements.

The significant inputs to the overall valuations are based on market observable data or information derived from or corroborated by market observable data, including transactions, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Where models are used the selection of a particular model to value a derivative depends upon the contractual terms of, and specific risks inherent in the instrument as well as the ability of pricing information in the market. The Group uses similar models to value similar instruments. Valuation models require a variety of inputs including contractual terms, market prices, yield curves and credit curves.

The credit risk valuation adjustments are calculated by determining the net exposure of each derivative portfolio (including current and potential future exposure) and then applying the Group's credit spread, and each counterparty's credit spread to the applicable exposure.

The inputs utilised by the Group's own credit spread are based on estimated fair market spreads for entities with similar credit ratings. For counterparties with publicly available credit information, the credit spreads over the benchmark rate used in the calculations represent implied credit default swap spreads obtained from a third party credit provider.

In adjusting the fair value of derivative contracts for the effect of non-performance risk, the Group has considered the impact of netting and any applicable credit enhancements such as, collateral postings, thresholds, mutual puts and guarantees. the Group actively monitors counterparty credit ratings for any significant changes.

For the purposes of hedge accounting, hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

In relation to cash flow hedges which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in comprehensive income and the ineffective portion is recognised in profit or loss.

For cash flow hedges, the gains or losses that are recognised in comprehensive income are transferred to profit or loss in the same period in which the hedged item affects the profit or loss, for example when interest payments are made.

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for special hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in comprehensive income is kept in comprehensive income until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in comprehensive income is transferred to profit or loss for the period.

Business Combinations and Goodwill

Business combinations from 4 April 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 4 April 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets. Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Other intangible assets

Where payments are made for the acquisition of intangible assets with a finite useful life, the amounts are capitalised at cost and amortised on a straight-line basis over their anticipated useful lives. Intangible assets acquired through the acquisition of an entity are recognised at fair value. The useful life of intangible assets with a finite life is estimated to be between five and fifteen years. Amortisation is charged on those assets with finite lives and the expense is taken to profit or loss and included in other operating costs. The amortisation period and the

amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial period-end and assessed for indicators of impairment. Annually, intangible assets with an indefinite useful life are reviewed for impairment or changes in estimated future benefits, either individually or at the cash-generating unit level. Such intangible assets are not amortised and the useful life is reviewed annually to determine whether indefinite life assessment continues to be appropriate. If not, the change from indefinite to finite will be made on a prospective basis. If such indications exist, an analysis is performed to assess whether the carrying amount of intangible assets is fully recoverable. An impairment is made if the carrying amount exceeds the recoverable amount.

Intangible assets are derecognised on disposal or when no future economic benefits are expected through use of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognised in profit or loss when the intangible asset is derecognised. No valuation is made of internally developed and maintained intangible assets. Expenditure incurred to maintain brand names is charged in full to profit or loss as incurred.

RISK FACTORS

Risks related to our business and industry

Unfavourable macroeconomic factors may decrease consumer demand for our retail goods

Macroeconomic factors such as interest rates, consumer indebtedness and employment levels affect consumer demand for our goods. Recently, a slowdown in growth of the South African economy and the resulting impact of employment has put pressure on consumer spending. Consumer demand has been supported in part by increasing social grants since 2002. However, the expansion of the provision of social grants is expected to stabilise, which could have an adverse impact on consumer spending. Higher interest rates, increased consumer indebtedness, a leveling off of social grants and lower consumer confidence could have a material adverse effect on our retail sales and the results of our operations.

Our results are also impacted by other macroeconomic factors, such as the prevailing economic climate, levels of unemployment, real disposable income and salaries and wage rates, including any increase as a result of payroll cost inflation or governmental action to increase minimum wages or contributions to pension provisions, the availability of consumer credit and consumer perception of economic conditions. 94% of our retail sales are derived from South Africa and therefore a general slowdown in South African GDP growth or an uncertain economic outlook may adversely affect consumer spending habits, which may reduce our retail sales and adversely impact our results of operations. Moreover, many of the items that we sell, particularly higher margin fashion and homeware products, represent discretionary purchases, meaning that we may experience a decline in retail sales that is proportionally greater than the level of general economic decline. Therefore, an economic downturn in South Africa could have a material adverse effect on our financial condition and results of operations.

The global economic downturn could impair the solvency of our suppliers and other counterparties

The ongoing challenging economic environment could have a number of adverse effects on our business. The inability of suppliers to access liquidity, or the insolvency of suppliers, could lead to delivery delays or failures. In addition, failures of other counterparties, including banks, insurance providers and counterparties to contractual arrangements, could negatively impact our business.

Our business could be adversely affected by disruptions in our supply chain

Any significant disruption or other adverse event affecting our relationship with any of our major suppliers could have a material adverse effect on the results of our financial condition and our operations. If we need to replace any of our major suppliers, we may face risks and costs associated with a transfer of operations. In addition, a failure to replace any of our major suppliers on commercially reasonable terms, or at all, could have a material adverse effect on our results of operations and financial condition.

The concentration of our suppliers will increase as we proceed with our strategy to reduce the number of our suppliers. Our strategy to expand our supplier base in markets such as China, Bangladesh and Africa places us at risk if merchandise is in short supply in those locations. In addition, such suppliers may be unwilling to provide us with merchandise if we do not place orders at an internationally competitive order level or at a level competitive with large volume customers. In the event that one or more of our major suppliers chooses to cease providing us with merchandise or experiences operational difficulties, and we are unable to secure alternative sources in a timely manner or on commercially beneficial terms, we may experience inventory shortages or other adverse effects to our business. If our suppliers are unable or unwilling to continue providing us with merchandise under our presently agreed terms including as a result of our significantly increased leverage, or if we are unable to obtain goods from our suppliers at prices that will allow our merchandise to be competitively priced, there could be a material adverse effect on our retail sales, results of operations and liquidity. The cost and availability of our supplies are dependent on many factors, including:

- the base price of raw material costs, such as cotton and wool, as well as the cost of individual product components;
- freight costs; and
- rebates and discounts earned from suppliers.

Moreover, we purchase a significant portion of our products in markets outside of South Africa, principally in Asia, and the number of our foreign suppliers may increase as we proceed with our strategy to partner with suppliers in low cost

countries. We face a variety of risks generally associated with doing business in foreign markets and importing merchandise from these regions, including:

- political instability;
- increased security requirements applicable to foreign goods;
- imposition of duties and taxes, other charges and restrictions on imports;
- risks related to our suppliers' labour practices, environmental matters or other issues in the foreign countries or factories in which our merchandise is manufactured;
- delays in shipping; and
- increased costs of transportation.

Any of these risks, in isolation or in combination, could adversely affect our reputation, financial condition and results of operations. New initiatives may be proposed that may have an impact on the trading status of certain countries and may include retaliatory duties or other trade sanctions that, if enacted, could increase the cost of products purchased from suppliers in such countries or restrict the importation of products from such countries. The future performance of our business will partly depend on our foreign suppliers and may be adversely affected by the factors listed above, all of which are beyond our control.

Our business is affected by foreign currency fluctuations

We realise a majority of our revenue, and incur a significant portion of our costs and expenses, in rand. We purchase a significant portion of our products in markets outside of South Africa, principally in Asia, and the number of our foreign suppliers may increase as we proceed with our strategy to partner with suppliers in low cost countries. The cost of foreign-sourced products is affected by the fluctuation of the relevant local currency against the rand or, if priced in other currencies, the price of the merchandise in currencies other than the rand. Accordingly, changes in the value of the rand relative to foreign currencies may increase our cost of goods sold and, if we are unable to pass such cost increases on to our customers, decrease our gross margins and ultimately our earnings.

In addition, a substantial portion of our indebtedness, is denominated in euro and in U.S. dollar respectively. In recent years, the value of the rand as measured against the euro and the U.S. dollar has fluctuated considerably. Foreign currency fluctuations in the future may affect our ability to service our foreign currency denominated indebtedness.

We cannot assure you that we will be able to manage our currency risks effectively or that any volatility in currency exchange rates will not have a material adverse effect on our financial condition or results of operations or on our ability to make principal and interest payments on our indebtedness.

We may elect to use hedges as part of our hedging strategy

As part of the hedging strategy that we implemented for the senior secured fixed and floating rate notes ("Senior Secured Notes"), we elected to hedge some or all of our interest rate and/or currency risk from the Senior Secured Notes with credit-based hedges. Such hedges, to the extent that they hedge such risks from the Senior Secured Notes would rank *pari passu* in right of recovery and would benefit from the same security as the Senior Secured Notes. If we were to default in making payments under the Senior Secured Notes or if certain other credit events were to occur in relation to us and a credit-linked hedge of interest rate or currency risk in respect of the Senior Secured Notes were to terminate or be closed out as a result, then, in relation to the mark-to-market value ("MTM") which would normally be payable by one party to the other on a termination or close out of an equivalent hedge which was not credit-linked, either (a) we will be limited, where such MTM would otherwise be payable to us, in claiming against our hedge counterparty in respect of such termination or close out to an amount equal to the product of (i) such MTM and (ii) the credit recovery rate for holders of the Senior Secured Notes, such credit recovery rate being determined within a reasonable period after such termination or close out by reference to a market auction process or market quotations for such notes, or (b) no MTM payment in respect of such termination or close out will be due from either party, depending on the particular type of credit-linked hedge we enter into.

If we are unable to renew or replace our store leases or enter into leases for new stores on favourable terms, or if any of our current leases are terminated prior to the expiration of its stated term and we cannot find suitable alternate locations, our growth and profitability could be harmed

We lease all of our store locations. Our ability to renew any expired lease or, if such lease cannot be renewed, our ability to lease a suitable alternative location, as well as our ability to enter into leases for new stores on favourable terms,

depend on many factors beyond our control, such as conditions in the local real estate market, competition for desirable properties and our relationships with current and prospective landlords. If we are unable to renew existing leases or lease suitable alternative locations, or enter into leases for new stores on favourable terms, our growth and our profitability may be significantly harmed.

Our results may be adversely affected by increases in energy costs

Energy costs have fluctuated dramatically in the past. These fluctuations may result in an increase in our transportation costs for distribution, utility costs for our retail stores and costs to purchase products from our manufacturers. For example, electricity prices in South Africa increased an average of 27.8% per year since 2008. A continual rise in energy costs could adversely affect consumer spending and demand for our products and could increase our operating costs, both of which could have a material adverse effect on our financial condition and results of operations.

We depend heavily on our information technology systems to operate our business

We rely to a significant degree on the efficient and uninterrupted operation of our various computer and communications systems to operate and monitor all aspects of our retail business and our credit and financial services business, including, in respect of our retail business, sales, warehousing, distribution, purchasing, inventory control and merchandise planning and replenishment. Any significant breakdown or other significant disruption to the operations of our primary sites for all of our computer and communications systems could significantly affect our ability to manage our information technology systems, which in turn could have a material adverse effect on our marketing initiatives may prove to be financial condition and results of operations.

Any negative impact on the reputation of, and value associated with, our brand names could adversely affect our business

Our brand names represent an important asset of our business. Maintaining the reputation of, and value associated with, our brand names is central to the success of our business, but there can be no assurance that our business strategy and its execution will accomplish this objective. We rely on marketing to strengthen our brand names, and our marketing initiatives may prove to be ineffective. Significant negative publicity or widespread product recalls or other events could also cause damage to our brand names. Substantial erosion in the reputation of, or value associated with, our brand names could have a material adverse effect on our financial condition and results of operations.

Our business could suffer as a result of weak retail sales during peak selling seasons

Our business is subject to seasonal peaks. Historically, our most important trading periods in terms of retail sales, operating results and cash flow have been the Easter and Christmas seasons, with 33% of our retail sales occurring in April, November and December combined. We incur significant additional expenses in advance of the Easter and Christmas seasons in anticipation of higher retail sales during those periods, including the cost of additional inventory, advertising and hiring additional employees. In previous years, our investment in working capital has peaked in early to middle March and October and November and has fallen significantly in April and January. If, for any reason, retail sales during our peak seasons are significantly lower than we expect, we may be unable to adjust our expenses in a timely fashion and may be left with a substantial amount of unsold inventory, especially in seasonal merchandise that is difficult to liquidate. In that event, we may be forced to rely on significant markdowns or promotional sales to dispose of excess inventory, which could have a material adverse effect on our financial condition and results of operations. At the same time, if we fail to purchase a sufficient quantity of merchandise, we may not have an adequate supply of products to meet consumer demand, which may cause us to lose retail sales.

Our business can be adversely affected by unseasonal weather conditions

Our results are affected by periods of abnormal or unseasonal weather conditions. For example, periods of warm weather in the winter could render a portion of our inventory incompatible with such unseasonal conditions. Adverse weather conditions early in the season could lead to a slowdown in retail sales at full margin, followed by more extensive markdowns at the end of the season. Prolonged unseasonal weather conditions during one of our peak trading seasons could adversely affect our turnover and, in turn, our financial condition and results of operations. In addition, extreme weather conditions, such as floods, may make it difficult for our employees and customers to travel to our stores.

The sector in which our business operates is highly competitive

The retail market is highly competitive, particularly with respect to product selection and quality, store location and design, price, customer service, credit availability and advertising. We compete at the national and local levels with a wide variety of retailers of varying sizes and covering different product lines across all geographic markets in which we operate. For example, in the department store segment we compete directly with *Woolworths*. In the discount store segment we compete with companies such as *Mr Price*, *Ackermans* and *PEP*. In addition, the South African retail sector has experienced a consolidation of market formats as retail companies diversify in other sectors of the retail market. For example, *Pick 'n Pay*, South Africa's leading food retailer, has entered into the C&F market by opening standalone value clothing stores. Our credit and financial services business faces competition from other retail companies, such as *Truworths* and *Foschini*, which offer financial services to their customers. Increased competition from our existing competitors or new entrants to the market could result in lower prices and margins or a decrease in our market share, any of which could have a material adverse effect on our financial condition and results of operations. In addition, international competitors can enter our market and create increased competition, as in the case of *Walmart*, whose bid to acquire a controlling interest in *Massmart* was approved by the shareholders of *Massmart* Holdings in January 2011 and is subject to approval from the competition authorities. Also, *Zara* announced its intention to open its first store in South Africa in calendar year 2011.

We face a variety of competitive challenges including:

- anticipating and quickly responding to changing consumer demands;
- maintaining favourable brand recognition and effectively marketing our products to consumers in several diverse market segments;
- developing innovative fashion products in styles that appeal to consumers of varying age groups and tastes;
- sourcing merchandise efficiently;
- competitively pricing our products; and
- responding to changes in consumer behaviour as a result of economic conditions and as a result of changes in consumer spending patterns.

Actions taken by our competitors, as well as actions taken by us to maintain our competitiveness and reputation, can place and will continue to place pressure on our pricing strategy, margins and profitability and could have a material adverse effect on our financial condition and results of operations. Some of our competitors may have greater financial resources, greater purchasing economies of scale and/or lower cost bases, any of which may give them a competitive advantage over us. Our competitors also may merge or form strategic partnerships, which could cause significant additional competition for us.

We may not be able to predict accurately or fulfill customer preferences or demand

A portion of our sales are from fashion-related products, which are subject to volatile and rapidly changing customer tastes. The availability of new products and changes in customer preferences has made it more difficult to predict sales demand accurately. As a multi-product retailer, our success depends, in part, on our ability to effectively predict and respond to quickly changing consumer demands and preferences and to translate market trends into attractive product offerings. Our ability to anticipate and effectively respond to changing customer preferences and tastes depends, in part, on our ability to attract and retain key personnel in our buying, design, merchandising, marketing and other functions. Competition for such personnel is intense, and we may not be able to attract and retain a sufficient number of qualified personnel in future periods.

Furthermore, many of our products are manufactured offshore. Accordingly, in some instances we must enter into contracts for the purchase and manufacture of merchandise well in advance of the applicable selling season. The long lead times between ordering and delivery make it more important to accurately predict, and more difficult to fulfill, the demand for items.

There can be no assurance that our orders will match actual demand. If we are unable to successfully predict or respond to sales demand or to changing styles or trends, our sales will be lower and we may be forced to rely on additional markdowns or promotional sales to dispose of excess or slow-moving inventory or we may experience inventory shortfalls on popular products, any of which could have a material adverse effect on our financial condition and results of operations. In addition, a number of other factors, including changes in personnel in the buying and merchandising function, could adversely affect product availability.

Our growth depends in part on our ability to open and operate new stores profitably

One of our business strategies is to expand our base of retail stores. If we are unable to implement this strategy, our ability to increase our sales, profitability and cash flow could be impaired. To the extent that we are unable to open and operate new stores profitably, our sales growth would come only from increases in same store sales. We may be unable to implement our strategy if we cannot identify suitable sites for additional stores, negotiate acceptable leases, access sufficient capital to support store growth, or hire and train a sufficient number of qualified employees.

We are reliant on our key personnel and we face strong competition to attract and retain qualified managers and employees

We are highly dependent on our key personnel who have extensive experience in, and knowledge of, our industry. In addition, our business faces significant and increasing competition for qualified management and skilled employees. We have instituted a number of programmes to improve the recruitment and retention of managers and employees, and we invest substantially in their training and professional development. However, these programmes may prove unsuccessful, and, in conditions of constrained supply of skilled employees, there is a risk that our well-trained managers and employees will accept employment with our competitors. The loss of the service of our key personnel or our failure to recruit, train, and retain skilled managers and employees could have a material adverse effect on our retail sales, results of operations and liquidity.

An increase of impairment of receivables among our credit card customers or restrictions on our ability to charge market interest rates could have a negative impact on the performance of our credit and financial services business

An increase of impairment of receivables as a percentage of our credit card receivables could have a material adverse effect on our revenue, results of operations and liquidity. In addition, existing or future statutory usury provisions may prevent us from increasing the interest rates we charge on our credit cards beyond a specified threshold even though our cost of credit may increase. Such restrictions could have a material adverse effect on our revenue, results of operations and liquidity. However, in the last 18 months the enforcement of tight credit approval criteria contributed to improved management of credit card customers and to decreased impairment of receivables from 12.9% as at end fiscal year 2010 to 10.9% as at 2 April 2011.

Changes in our credit card arrangements could adversely affect our business

We maintain *Edgars* and *Jet* private label credit card programmes through which we extend credit to our customers. We may consider various opportunities to grow our credit and financial services business, and to expand its profits and return on capital employed. However, because a large portion of our sales are transacted through our credit cards, changes in our current credit card arrangements that adversely impact our ability to facilitate the provision of consumer credit may adversely affect our performance. In addition, a potential purchaser of our credit card business may have discretion over certain policies and arrangements with credit card customers and may change these policies and arrangements in ways that affect our relationship with these customers. Any such changes in our credit card arrangements may adversely affect our credit card programmes and could have a material adverse effect on our retail sales, results of operations and liquidity.

The financing of our operations is reliant on the OtC Securitisation Programme

The financing of our operations is heavily reliant on the sale of receivables to OtC II, which finances such purchases partly through the issue of notes under an asset backed domestic medium term note programme (the "OtC Securitisation Programme"). The initial balance of receivables sold to OtC II on commencement of the OtC Securitisation Programme was R1,553 million. In fiscal 2011, the average outstanding balance of receivables in OtC II was R6,099 million. There are a number of circumstances which constitute events of default under the OtC Securitisation Programme, including a deterioration in the performance of our receivables. If there is an event of default under the OtC Securitisation Programme, the notes used to finance OtC II may be subject to early amortisation, which could prevent OtC II from purchasing further receivables. If the OtC Securitisation Programme were to be discontinued, we cannot assure you that we will be able to implement another securitization programme at satisfactory terms or at all, nor that we could find other sources of funding. This could have a material adverse impact on our liquidity and results of operating.

The credit rating assigned to the notes issued under the OtC Securitisation may impact our ability to sell receivables to OtC II

The funding of our operations, including our debt service obligations, is partly reliant on the sale of receivables to OtC II which in turn relies on the issuance of notes under the OtC Securitisation Programme. The notes issued by OtC II must receive a credit rating by a rating agency. Under the terms of the OtC Securitisation Programme, additional notes may not be issued unless a rating agency has affirmed that such issuance will not result in a downgrade or withdrawal of the rating assigned to any outstanding notes by OtC II. Accordingly, the ability of OtC II to issue additional notes is dependant on the credit rating of OtC II's outstanding notes. Credit ratings of debt securities represent the rating agency's opinion and such opinion is based on criteria subject to change at any time. It is possible that the rating agency will determine that issuing additional notes would result in the withdrawal or downgrade on the credit rating of OtC II's issued notes. In such case, OtC II will be unable to issue additional notes and therefore may be unable to purchase our receivables which could have a material adverse affect on our liquidity and ability to service our debt obligations.

We are indirectly owned and controlled by our equity sponsor, an affiliate of Bain Capital, and its interests as equity holder may conflict with yours as a creditor

We are indirectly owned and controlled by our equity sponsor, an affiliate of Bain Capital, and our equity sponsor or its affiliates have the ability to control our policies and operations. The interests of our equity holders may not in all cases be aligned with your interests. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of our equity holders might conflict with those of the holders of the Senior Secured Notes. In addition, our equity holders may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks to holders of the Senior Secured Notes. Furthermore, our equity sponsor or its affiliates may in the future own businesses that directly or indirectly compete with us. Our equity sponsor or its affiliates also may pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us.

We could experience labour disputes that could disrupt our business

As of 2 April 2011, approximately 12,502 of our employees are represented by collective bargaining and are covered by collective bargaining or similar agreements that are subject to periodic renegotiation. Although we recently negotiated a two-year collective bargaining agreement with the South African Commercial, Catering and Allied Workers Union, the biggest trade union active among our employees effective from 2011, future collective bargaining negotiations may not prove successful and result in the disruption of our operations. Such future collective bargaining negotiations may result in an increase in our labour costs. In addition, our employees could join in national labour strikes, boycotts or other collective actions. Any work stoppages and labour disruptions or any increase in our labour costs could materially adversely affect our retail sales, results of operations and financial condition.

We are subject to complaints, claims and legal actions that could affect us

We are party to various complaints, claims and legal actions in the ordinary course of our business. These complaints, claims and legal actions, even if successfully disposed of without direct adverse financial effect, could have a material adverse effect on our reputation and divert our financial and management resources from more beneficial use. If we were to be found liable under any such claims, our results of operations could be adversely affected.

Compliance with privacy and information laws and requirements could be costly, and a breach of information security or privacy could adversely affect our business

We are subject to privacy and information laws and requirements governing our use of individually identifiable data of customers, employees and others. Compliance with such laws and requirements may require us to make necessary systems changes and implement new administrative processes. If a data security breach occurs, our reputation could be damaged and we could experience lost sales, fines or lawsuits.

We may be unable to protect our trademarks and other intellectual property or may otherwise have our brand names harmed

We believe that our registered trademarks and other intellectual property have significant value and are important to the marketing or our products and business. While we intend to take appropriate action to protect our intellectual property rights, we may not be able to sufficiently prevent third parties from using our intellectual property without our authorisation. The use of our intellectual property by others could reduce or eliminate any competitive advantage we have developed, causing us to lose sales or otherwise harm the reputation of our brands names.

Group Financial Statements

Edcon Holdings (Proprietary) Limited

For the period ended 2 April 2011

Group Financial Statements of Edcon Holdings (Proprietary) Limited

(Registration number 2006/036903/07)

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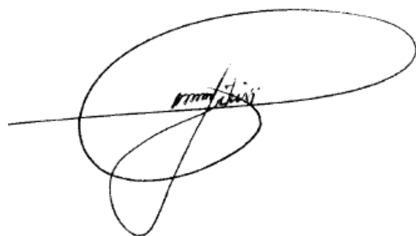
Group Financial Statements of Edcon Holdings (Proprietary) Limited

(Registration number 2006/036903/07)

Certificate by Group Secretary

In my capacity as Group Secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the period ended 2 April 2011, the Company has lodged with the Registrar of Companies all such returns as are required of a company in terms of this Act and that all such returns are true, correct and up to date.



CM Vikisi
Group Secretary

Johannesburg
3 June 2011

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Independent Auditor's Report

TO THE MEMBERS OF EDCON HOLDINGS (PROPRIETARY) LIMITED

We have audited the Group Financial Statements of Edcon Holdings (Proprietary) Limited and its subsidiaries ('the Group'), which comprise the Group statement of financial position as at 2 April 2011, Group statement of comprehensive income, Group statement of changes in equity and Group statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 49 to 123.

Director's Responsibility for the Financial Statements

The Group's directors are responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act (No 61 of 1973) of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these Group Financial Statements present fairly, in all material aspects, the financial position of the Group as at 2 April 2011, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act (No 61 of 1973) of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Jane M. Fitton
Registered Auditor
Chartered Accountant (SA)
Ernst & Young Inc.
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Johannesburg
3 June 2011

Chief Executive: Ajen Sita
A full list of Directors is available from the website.

A member firm of Ernst & Young Global Limited

GROUP FINANCIAL STATEMENTS OF EDCON HOLDINGS (PROPRIETARY) LIMITED

(Registration number 2006/036903/07)

GOING CONCERN AND DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING
For the period 2 April 2011

GOING CONCERN

The Group's statement of financial position at 2 April 2011 reports a net debit of R600 million in other reserves, an accumulated retained loss of R4 972 million and share premium of R2 148 million in equity attributable to shareholders. Therefore, the total deficit reported in equity at 2 April 2011 is R3 424 million.

The directors' having considered the going concern assumption have included the shareholder's loan of R8 184 million in the assessment (refer to note 31, management of capital). To the extent required to maintain the solvency of the Group, the Shareholder's loan has been subordinated to the claims of all of the creditors of the Group.

As a result, the Group Financial Statements set out on pages 49 to 123 have been prepared on the going-concern basis. The directors have every reason to believe that the Group has adequate resources to continue in operation for the foreseeable future.

In the context of their audit, carried out for the purposes of expressing an opinion on the fair presentation of the Group Financial Statements, the external auditors have concurred with the disclosures of the directors on going concern.

SEPARATE ANNUAL FINANCIAL STATEMENTS

The separate Annual Financial Statements of the parent company Edcon Holdings (Proprietary) Limited have not been included in these Group Financial Statements. A copy thereof can be provided on request.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors' are ultimately responsible for the preparation of the Group Financial Statements and related financial information that fairly present the state of affairs and the results of the Group. The external auditors are responsible for independently auditing and reporting on these Group Financial Statements in conformity with International Standards on Auditing.

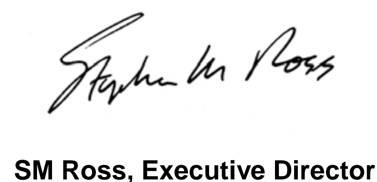
GOING CONCERN AND DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING *(continued)*
For the period 2 April 2011

The Group Financial Statements set out in this report have been prepared by management in accordance with International Financial Reporting Standards. They incorporate full and reasonable disclosure and are based on appropriate accounting policies, which have been consistently applied and which are supported by reasonable and prudent judgments and estimates.

Adequate accounting records have been maintained throughout the period under review.

The Group Financial Statements have been approved by the Board of Directors and are signed on its behalf by:

DM Poler, Chairman



SM Ross, Executive Director

Johannesburg
3 June 2011

* *Mr. SM Ross has signed the Group Financial Statements for the period ending 2 April 2011 as Mr. J Schreiber was appointed Chief Executive Officer on 1 April 2011 and effectively took office on 4 April 2011 following Mr. SM Ross's retirement as Chief Executive Officer.*

Currency of Group Financial Statements

The presentation currency of the Group Financial Statements is South African Rand (R).

The approximate Rand cost of a unit of the following currencies at 2 April 2011 was:

	2011	2010	2009
US Dollar	**6,69**	7,24	9,48
Sterling	**10,87**	11,07	13,68
Botswana Pula	**1,04**	1,07	1,23
Euro	**9,53**	9,82	12,78

Group Statement of Financial Position

	Note	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
ASSETS				
Non-current assets				
Properties, fixtures, equipment and vehicles	3	**2 246**	2 663	3 128
Intangible assets	4	**18 024**	18 442	18 997
Equity accounted investment in joint ventures	6	**6**	-	1
Derivative financial instruments	7.1	**30**		2 393
Deferred tax	8	**887**	153	
Total non-current assets		**21 193**	21 258	24 519
Current assets				
Inventories	9	**2 626**	2 402	2 544
Trade, other receivables and prepayments	10	**9 195**	8 983	9 710
Derivative financial instruments	7.2			188
Cash and cash equivalents	11	**2 315**	1 125	379
Total current assets		**14 136**	12 510	12 821
Total assets		**35 329**	33 768	37 340
EQUITY AND LIABILITIES				
Equity attributable to shareholders				
Share capital	12	**-**	-	-
Share premium	12	**2 148**	2 148	2 143
Other reserves	13	**(600)**	(408)	(280)
Retained loss	14	**(4 972)**	(3 329)	(2 289)
		(3 424)	(1 589)	(426)
Non-controlling interest		**-**	-	-
Total equity		**(3 424)**	(1 589)	(426)
Non-current liabilities – shareholder's loan				
Shareholder's loan	16	**8 184**	7 341	6 492
Total equity and shareholder's loan		**4 760**	5 752	6 066
Non-current liabilities – third parties				
Interest bearing debt	17	**24 440**	18 875	19 600
Lease equalisation		**392**	386	369
Derivative financial instruments	7.3	**308**	3 093	1 002
Employee benefit liability	26.5	**130**	114	112
Deferred tax	8			374
		25 270	22 468	21 457
Total non-current liabilities		**33 454**	29 809	27 949
Current liabilities				
Interest-bearing debt	18		795	5 300
Current taxation		**244**	236	470
Derivative financial instruments	7.4	**946**	817	514
Trade and other payables	19	**4 109**	3 700	3 533
Total current liabilities		**5 299**	5 548	9 817
Total equity and liabilities		**35 329**	33 768	37 340
Total managed capital per IAS 1	31	**29 200**	25 422	30 966

Group Statement of Comprehensive Income

	Note	**2011 52 weeks to 2 April Rm**	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
Total revenues	22	**25 586**	24 876	25 195
Revenue - retail sales		**22 716**	21 888	22 075
Cost of sales		**(14 332)**	(13 848)	(13 774)
Gross profit		**8 384**	8 040	8 301
Other income	23	**490**	473	467
Store costs		**(4 348)**	(4 078)	(3 847)
Other operating costs	24	**(3 221)**	(3 028)	(3 284)
Retail trading profit		**1 305**	1 407	1 637
Income from credit	25.1	**1 833**	2 049	2 271
Expenses from credit	25.2	**(1 209)**	(1 771)	(1 772)
Equity accounted earnings of joint ventures		**487**	435	349
Trading profit		**2 416**	2 120	2 485
Gain on buy-back of senior floating rate notes				1 350
Derivative loss	7.6	**(2 343)**	(5 081)	(1 184)
Foreign exchange gain on notes issued	17.6	**230**	4 622	134
Fees incurred on funding facilities		**(10)**	(33)	
Impairment of indefinite life brands and goodwill	4		(137)	(697)
Profit before net financing costs		**293**	1 491	2 088
Interest received	27.2	**60**	31	33
Profit before financing costs		**353**	1 522	2 121
Financing costs	27.1	**(2 557)**	(2 946)	(3 288)
Loss before taxation		**(2 204)**	(1 424)	(1 167)
Taxation	28	**561**	370	472
LOSS FOR THE PERIOD		**(1 643)**	(1 054)	(695)
Other comprehensive income after tax:				
Loss on cash flow hedges		**(177)**	(60)	(1 113)
Exchange difference on translating foreign operations		**(15)**	(48)	(3)
Other			(1)	(5)
Other comprehensive income for the period after tax		**(192)**	(109)	(1 121)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(1 835)**	(1 163)	(1 816)
Loss attributable to:				
Owners of the parent		**(1 643)**	(1 054)	(694)
Non-controlling interest		**-**	-	(1)
Total comprehensive income attributable to:				
Owner of the parent		**(1 835)**	(1 163)	(1 815)
Non-controlling interest		**-**	-	(1)

Group Statement of Changes in Equity

	Share capital Rm	Share premium Rm	Foreign currency translation reserve Rm	Cash flow hedging reserve Rm	Revaluation surplus Rm	Retained loss Rm	Total attributable to owners of the parent Rm	Non-controlling interest Rm	Total equity Rm
Balance at 29 March 2008	**-**	**2 143**	**31**	**782**	**23**	**(1 590)**	**1 389**	**1**	**1 390**
Loss for the period						(694)	(694)		(694)
Other comprehensive income for the period			(3)	(1 113)		(5)	(1 121)	(1)	(1 122)
Balance at 28 March 2009	-	2 143	28	(331)	23	(2 289)	(426)	-	(426)
Loss for the period						(1 054)	(1 054)		(1 054)
Other comprehensive income for the period			(48)	(60)		(1)	(109)	-	(109)
Transfer to retained earnings					(20)	20			
Preference share capital issued	-	180					180		180
Ordinary share capital repurchased	-	(175)					(175)		(175)
Preference dividends						(5)	(5)		(5)
Balance at 3 April 2010	-	2 148	(20)	(391)	3	(3 329)	(1 589)	-	(1 589)
Loss for the period					-	(1 643)	(1 643)		(1 643)
Other comprehensive income for the period			(15)	(177)			(192)		(192)
Balance at 2 April 2011	**-**	**2 148**	**(35)**	**(568)**	**3**	**(4 972)**	**(3 424)**	**-**	**(3 424)**
Note	12.6	12.6	13	13	13	14			

Group Disclosure of Tax Effects on Other Comprehensive Income

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
Disclosure of tax effects relating to each component of other comprehensive income:			
Before tax amount			
Cash flow hedges	**(246)**	(83)	(1 546)
Exchange differences on translating foreign operations	**(15)**	(48)	(3)
Other		(1)	(5)
Other comprehensive income for the period before tax	**(261)**	(132)	(1 554)
Tax income			
Cash flow hedges	**69**	23	433
Tax income	**69**	23	433
After tax amount			
Cash flow hedges	**(177)**	(60)	(1 113)
Exchange differences on translating foreign operations	**(15)**	(48)	(3)
Other		(1)	(5)
Other comprehensive income for the period after tax	**(192)**	(109)	(1 121)

Group Statement of Cash Flows

	Note	**2011 52 weeks to 2 April Rm**	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
Cash retained from operating activities				
Loss before taxation		**(2 204)**	(1 424)	(1 167)
Interest received		**(60)**	(31)	(33)
Financing costs		**2 557**	2 946	3 288
Impairment of intangibles	4		137	697
Derivative loss	7.6	**2 343**	5 081	1 184
Foreign exchange gain on notes issued	17.6	**(230)**	(4 622)	(134)
Gain on buy-back of senior floating rate notes				(1 350)
Amortisation	24.1	**418**	418	418
Depreciation	24.3	**798**	807	681
Other non-cash items	29.1	**-**	40	131
Operating cash inflow before changes in working capital		**3 622**	3 352	3 715
Working capital movement	29.2	**(69)**	952	(1 553)
Cash generated from operating activities		**3 553**	4 304	2 162
Interest received		**60**	31	15
Financing costs paid		**(2 191)**	(2 190)	(2 280)
Taxation paid	29.3	**(97)**	(368)	(235)
Net cash retained/(utilised)		**1 325**	1 777	(338)
Cash utilised in investment activities				
Investment to maintain operations	29.4	**(349)**	(264)	(419)
Investment to expand operations	29.5	**(25)**	(89)	(149)
Net cash invested		**(374)**	(353)	(568)
Cash effects of financing activities				
Increase/(decrease) in long-term debt	29.6	**5 601**		(25)
(Settlement of)/proceeds from derivatives		**(5 001)**		1 793
Buy-back of senior floating rate notes	29.7			(1 768)
Proceeds from receivables-backed notes issued	29.8	**-**	4 300	
(Decrease)/increase in short-term debt	29.9	**(350)**	(4 950)	793
Net cash inflow/(outflow) from financing activities		**250**	(650)	793
Increase/(decrease) in cash and cash equivalents	29.10	**1 201**	774	(113)
Cash and cash equivalents at the beginning of the period		**1 125**	379	492
Currency adjustments		**(11)**	(28)	-
Cash and cash equivalents at the end of the period		**2 315**	1 125	379

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

1.1. Basis of preparation

Edcon Holdings (Proprietary) Limited is a limited liability company which is incorporated and domiciled in South Africa.

The Edcon Holdings (Proprietary) Limited's Group Financial Statements (Financial Statements) are presented in Rands and all values are rounded to the nearest Rand million except when otherwise indicated.

In preparing these Financial Statements, the same accounting principles and methods of computation are applied as in the Group Financial Statements of Edcon Holdings (Proprietary) Limited on 3 April 2010 and for the period then ended.

The Financial Statements are prepared in accordance with the historical cost basis except for land and buildings and certain financial instruments that have been measured at fair value.

The 2011 and 2009 financial period consisted of 52 weeks respectively while the 2010 financial period consisted of 53 weeks.

1.2. Comparability

1.2.1. Standards and interpretations issued

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS interpretations effective as of 4 April 2010.

- IFRS 3, Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39, Financial Instruments : Recognition and measurement – Eligible Hedged Items effective 1 July 2009
- IFRIC 17, Distribution of Non-cash Assets to Owners
- Improvements to IFRS's (April 2009)

The adoption of the standards or interpretations is described below:

IFRS 3, Business Combinations (Revised) and IAS 27, Consolidated and Separate Financial Statements (Amended)

IFRS 3 introduces significant changes in the accounting for business combinations. Changes effect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 requires that a change in ownership interest of subsidiary (without loss of control) to be accounted for as transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss.

The change in accounting policy was applied prospectively and had no material impact on the Group.

IAS 39, Financial Instruments : Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

1.2 Comparability *(continued)*

1.2.1 Standards and interpretations issued *(continued)*

IFRIC 17 *Distribution of Non-cash Assets to Owners*

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position nor performance of the Group

Other Standards and Interpretations adopted

The Group has adopted the following new and amended accounting standards and interpretations which have not had a material effect on the financial position, total comprehensive income or cash flows of the Group:

- IFRS 2, Share-based Payments
- IAS 32, Classification of Right Issues
- IFRIC 18, Transfers of Assets from Customers

IMPROVEMENTS TO IFRS's

In April 2009, the IASB issued an omnibus of amendments to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendments did not have any impact on the financial position nor financial performance of the Group.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRS's only apply if specifically required for such non-current assets or discontinued operations. The amendment is applied prospectively and has no impact on the financial position nor financial performance of the Group in the current year.
- IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 2.
- IAS 7 Statement of Cash Flows: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. The amendment is applied prospectively and has no impact on the Group in the current year.
- IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRS to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2, Share-based Payments
- IAS 1, Presentation of Financial Statements
- IAS 17, Leases
- IAS 38, Intangible Assets
- IAS 39, Financial Instrument : Recognition Measurement
- IFRIC 9, Reassessment of Embedded Derivatives
- IFRIC 16, Hedge of Net Investment in a Foreign Operation

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

The Group Financial Statements conform to International Financial Reporting Standards. The Financial Statements incorporate the following accounting policies:

1.3. Basis of consolidation

Basis of Consolidation from 4 April 2010

The Group Financial Statements comprise the financial statements of the parent company (Edcon Holdings (Proprietary) Limited), its subsidiaries, the Staff Empowerment Trust, OntheCards Investments Limited ("OtC I"), OntheCards Investment Limited II (Proprietary) Limited ("OtC II") (securitisation programme) and jointly controlled entities, presented as a single economic entity and, consolidated at the same reporting date of the parent company. The Group Financial Statements are prepared using uniform accounting policies for like transactions and events. All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries, which are directly or indirectly controlled by the Group, are included in the Group Financial Statements as from the date of acquisition, where control is transferred to the Group, and cease to be consolidated from the date on which control no longer exists.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the group losses control over a subsidiary, it:

- Derecognises the asset (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus of deficit in profit and loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate.

Basis of Consolidation prior to 4 April 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition on non-controlling interest, prior to 4 April 2010, was accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Loss prior to 4 April 2010 was not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained as its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 4 April 2010 have not been restated.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

1.4. Use of estimates and judgments and assumptions made in the preparation of the Financial Statements

In preparing the Financial Statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgment are inherent in the formation of estimates.

Significant estimates and judgments made relate to credit risk valuation adjustments in determining the fair value of derivative instruments to reflect non-performance risk (refer to note 1.9.1), a provision for impairment of receivables (refer to note 1.9.2), allowances for slow-moving inventory (refer to note 1.10), residual values, useful lives and depreciation methods for property, plant and equipment (refer to note 1.12), pension fund and employee obligations (refer to note 1.19, 26.2.1 and 26.2.2), and intangible asset impairment tests (refer to note 5). Other judgments made relate to classifying financial assets and liabilities into categories.

1.5. Foreign currency transactions

The presentation currency of the Group Financial Statements is the South African Rand. Transactions in foreign currencies are initially recorded in the presentation currency at the rate ruling at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the presentation currency, at exchange rates ruling at the reporting date. Exchange differences arising on the settlement of foreign currency balances, at rates different from those at the date of the transaction, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in profit or loss.

1.6. Foreign currency translations

The functional currencies of the foreign subsidiaries are as follows:

- Pula – (Jet Supermarkets Botswana (Pty) Limited).
- Maloti – (Edgars Stores Lesotho (Pty) Limited and Easy Rider Clothing (Pty) Limited).
- Namibian Dollar - (Edgars Stores (Namibia) Limited).
- Lilangeni – (Edgars Stores Swaziland Limited, Central News Agency (Swaziland) (Pty) Limited).
- British Pound – (Bellfield Limited).

The Maloti, Namibian Dollar and the Lilangeni are pegged at one to one to the South African Rand.

As at the reporting date, the assets and liabilities of these foreign subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their statements of comprehensive income are translated at the weighted average exchange rates for the period. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

1.7. Business Combinations and Goodwill

Business combinations from 4 April 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in other operating costs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

1.7 Business Combinations and Goodwill *(continued)*

Business combinations from 4 April 2010 *(continued)*

conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 4 April 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets. Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

1.8 Other intangible assets

Where payments are made for the acquisition of intangible assets with a finite useful life, the amounts are capitalised at cost and amortised on a straight-line basis over their anticipated useful lives. Intangible assets acquired through the acquisition of an entity are recognised at fair value. Currently the useful life of intangible assets with a finite life is estimated to be between five and fifteen years. Amortisation is charged on those assets with finite lives and the expense is taken to profit or loss and included in other operating costs. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each reporting date. Intangible assets with a finite life are assessed for indicators of impairment at least at each reporting date. Annually, intangible assets with an indefinite useful life are reviewed for impairment or changes in estimated future benefits, either individually or at the cash-generating unit level. Such intangibles are not amortised and the useful life is reviewed annually to determine whether indefinite life assessment continues to be appropriate. If not, the change from indefinite to finite will be made on a prospective basis. If such indications exist, an analysis is performed to assess whether the carrying amount of intangible assets is fully recoverable. An impairment is made if the carrying amount exceeds the recoverable amount.

The Group's intangible assets and their associated useful lives are as follows:

	Estimated useful life
Edgars brand	Indefinite
Jet brand	Indefinite
CNA brand	Indefinite
Boardmans brand	Indefinite
Red Square brand	10 years
Legit brand	10 years
Discom brand	10 years
Customer relationships	5 – 10 years
Trademarks	5 – 15 years
Customer lists	5 – 10 years
Technology	7 years

Intangible assets are derecognised on disposal or when no future economic benefits are expected through use of the intangible asset. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognised in profit or loss when the intangible asset is derecognised. Expenditure on internally developed and maintained intangible assets are expensed. Expenditure incurred to maintain brand names is charged in full to profit or loss as incurred.

1.9 Financial instruments

Financial instruments are initially measured at fair value, including transaction costs, except those at fair value directly through profit or loss, when the Group becomes a party to contractual arrangements. The subsequent measurement of financial instruments is dealt with in subsequent notes. Where the Group can legally do so, and the Group intends to settle on a net basis, or simultaneously, related positive and negative values of financial instruments are offset.

The Group's financial assets include, trade and other receivables and cash and cash equivalents which are classified as either loans and receivables, or as derivatives at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge as appropriate. The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments and are classified as either loans and borrowings and derivatives at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial assets and financial liabilities at initial recognition.
All regular way purchases and sales of financial assets are recognised on the date of trade being the date on which the Group commits to purchase or sell the asset.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

1.9 Financial instruments *(continued)*

1.9.1 Derivative Financial instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to manage the financial risks associated with their underlying business activities and the financing of those activities. The Group does not undertake any trading activity in derivative financial instruments.

Derivative financial instruments are initially measured at their fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. For hedge accounting purposes, derivative financial instruments are designated at inception as fair value, cash flow or net investment hedges if appropriate.

The fair value of forward exchange contracts and foreign currency swaps are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market interest rates for similar instruments. The fair value of cross currency swaps is determined by reference to market interest rates and forward exchange rates for similar instruments. A credit risk valuation adjustment is incorporated to appropriately reflect the group's own non performance risk and the respective counterparty's non-performance risk in the fair value measurement. The significant inputs to the overall valuations are based on market observable data or information derived from or corroborated by market observable data, including transactions, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Where models are used, the selection of a particular model to value the derivative depends upon the contractual terms of, and specific risks inherent in the instrument as well as the availability of pricing information in the market. The Group uses similar models to value similar instruments. Valuation models require a variety of inputs including contractual terms, market prices, yield curves and credit curves.

The credit risk valuation adjustments are calculated by determining the net exposure of each derivative portfolio (including current and potential future exposure) and then applying the Group's credit spread, and each counterparty's credit spread to the applicable exposure.

The inputs utilised for the Group's own credit spread are based on estimated fair market spreads for entities with similar credit ratings as the Group. For counterparties with publicly available credit information, the credit spreads over the benchmark rate used in the calculations represent implied credit default swap spreads obtained from a third party credit provider.

In adjusting the fair value of derivative contracts, for the effect of non-performance risk, the Group has not considered the impact of netting and any applicable credit enhancements such as, collateral postings, thresholds, mutual puts and guarantees. The Group actively monitors counterparty credit ratings for any significant changes.

For the purposes of hedge accounting, hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

For cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to profit or loss in the same period in which the hedged item affects the profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

1.9 Financial instruments *(continued)*

1.9.1 Derivative financial instruments *(continued)*

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for special hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in other comprehensive income until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss for the period.

1.9.2 Trade and other receivables

Subsequent to initial measurement, receivables are recognised at amortised cost less a provision for impairment of receivables. A provision for impairment is made when there is objective evidence (such as default or delinquency of interest and the principal) that the Group will not be able to collect all amounts due under the original terms of the trade receivable transactions. Impairments are recognised in profit or loss as incurred. Delinquent accounts are impaired by applying the Group's impairment policy recognising both contractual and ages of accounts. Age refers to the number of months since a qualifying payment was received. The process for estimating impairment considers all credit exposures, not only those of low credit quality and estimated on the basis of historical loss experience, adjusted on the basis of current observable data, to reflect the effects of current conditions. The Group assesses whether objective evidence of impairment exists individually for receivables that are individually significant, and individually or collectively for receivables that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, the receivable is included in a group of receivables with similar credit risk characteristics and that group of receivables is collectively assessed for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised, are not included in a collective assessment of impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss; to the extent the carrying value of the receivable does not exceed its cost at the reversal date.

1.9.3 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost and comprise cash on hand and demand deposits together with any highly liquid investments readily convertible to known amounts of cash.

1.9.4 Impairment of financial assets

At each reporting date an assessment of financial assets other than trade receivables (refer note 1.9.3) is made of whether there is any objective evidence of impairment of these financial assets. If there is evidence of defaults and current market conditions indicate that an impairment loss on these financial assets has been incurred, the impairment loss is measured as the difference between the assets' carrying amounts and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rates. The loss is recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

1.9 Financial instruments *(continued)*

1.9.5 Financial liabilities

Financial liabilities, other than derivatives, are subsequently measured at their original debt value, less principal payments and amortisation. Discounts arising from the difference between the net proceeds of debt instruments issued and the amounts repayable at maturity, are charged to net financing costs over the life of the instruments using the effective interest rate method.

1.9.6 Derecognition of financial instruments

Financial assets are derecognised where the Group transfers the rights to receive cash flows associated with the financial asset. Derecognition normally occurs when the financial asset is sold or all the cash flows associated with the financial asset are passed to an independent third party. Where the contractual rights to receive the cash flows of certain receivables are retained but a contractual obligation is assumed to pay those cash flows to a third party, those receivables are derecognised provided;

- there is no obligation to pay amounts to the third party, unless equivalent amounts are collected from the original receivable.
- The Group is prohibited from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows and,
- the Group has an obligation to remit any cash flows it collects on behalf of the third party without material delay and is not entitled to reinvest such cash flows except for investments in cash and cash equivalents during the short settlement period, from the collection date to the date of required remittance to the third party and the interest earned on such investments, is passed on to the third party.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

1.10 Inventories

Retail trading inventories are valued at the lower of cost, using the weighted average cost, and net realisable value, less an allowance for slow-moving items. Net realisable value is the estimated selling price in the ordinary course of business less necessary costs to make the sale. In the case of own manufactured inventories, cost includes the total cost of manufacture, based on normal production facility capacity, and excludes financing costs. Work-in-progress is valued at actual cost, including direct material costs, labour costs and manufacturing overheads.

Factory raw materials and consumable stores are valued at average cost, less an allowance for slow-moving items.

The allowance for slow-moving inventory is made with reference to an inventory age analysis. All inventory older than 18 months is provided for in full as it is not deemed to be readily disposable.

1.11 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group as lessee. The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Assets subject to finance leases are capitalised at the lower of the fair value of the asset, and the present value of the minimum lease payments, with the related lease obligation recognised at the same value. Capitalised leased assets are depreciated over the shorter of the lease term and the estimated useful life if the Group does not obtain ownership thereof. Finance lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in financing costs, and the capital repayment, which reduces the liability to the lessor.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

1.11 Leases

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals with fixed escalation clauses are charged against trading profit on a straight-line basis over the term of the lease.

In the event of a sub-lease, lease rentals received are included in profit or loss on a straight-line basis.

1.12 Properties, fixtures, equipment and vehicles

1.12.1 Properties

Properties comprise of buildings held by the Group for use by employees. Properties are initially measured at cost and subsequently revalued by recognised professional valuers, to net realisable open-market value using the alternative or existing-use basis as appropriate, ensuring carrying amounts do not differ materially from those which would be determined using fair value at the reporting date. On revaluation, the cost, as well as the accumulated depreciation, is restated proportionately. Any revaluation surplus is credited to other comprehensive income, net of deferred taxes, and included in shareholders' equity in the statement of financial position. Any revaluation deficit directly offsetting a previous surplus is directly offset against that surplus in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular property being sold is transferred to retained earnings.

Depreciation is provided on buildings over 50 years on a straight-line basis.

1.12.2 Lease premiums and leasehold improvements

Expenditure relating to leased premises is capitalised as appropriate and depreciated to expected residual value over the remaining period of the lease on a straight-line basis.

Leasehold improvements for leasehold land and buildings are depreciated over the lease periods which range from 5 to 10 years, or such shorter periods as may be appropriate.

1.12.3 Fixtures, equipment and vehicles

Fixtures, equipment and vehicles are carried at cost less accumulated depreciation and impairment loss, and are depreciated on a straight-line basis to their expected residual values over the estimated useful lives as follows:

Fixtures and fittings	8 years
Computer equipment	5 years
Computer software	3 years
Machinery	10 years
Vehicles	5 years

1.12.4 Impairment of property, fixtures, equipment and vehicles

Property, fixtures, equipment and vehicles are reviewed at each reporting date for impairment or whenever events or changes in circumstances indicate that the carrying value may not be recoverable, to determine whether there is any indication of impairment. The impairment recognised in the profit or loss (or other comprehensive income for revalued property) is the excess of the carrying value over the recoverable amount (the greater of fair value less cost to sell and value in use). Recoverable amounts are estimated for individual assets or, when an individual asset does not generate cash flows independently, the recoverable amount is determined for the larger cash-generating unit to which the asset belongs.

A previously recognised impairment will be reversed in so far as estimates change as a result of an event occurring after the impairment was recognised. This assessment is made at each reporting date. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

1.12 Properties, fixtures, equipment and vehicles *(continued)*

1.12.4 Fixtures, equipment and vehicles *(continued)*

amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in profit or loss.

1.12.5 Derecognition of properties, fixtures, equipment and vehicles

An item of property, fixtures, equipment and vehicles is derecognised on disposal or when no future economic benefits are expected through its continued use. Gains or losses which arise on derecognition, are included in profit or loss in the year of derecognition. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the property, fixtures, equipment or vehicles at the date of sale.

1.12.6 Asset lives and residual values

Buildings, fixtures, equipment and vehicles are depreciated over their useful life taking into account any residual values where appropriate. The estimated useful life of these assets and depreciation methods are assessed at each reporting date and could vary as a result of technological innovations and maintenance programmes. In addition, residual values are reviewed at each reporting date after considering future market conditions, the remaining life of the asset and projected disposal values. Changes in asset lives and residual values are accounted for on a prospective basis as a change in estimate.

1.13 Software costs

Packaged software and the direct costs associated with the development and installation thereof are capitalised as computer software and are an integral part of computer hardware. The total cost is capitalised and depreciated in accordance with note 1.12.3.

1.14 Non-current assets held for sale and discontinued operations

Non-current assets (or a disposal group) are classified as held for sale if the carrying amount will be recovered through a highly probable sale transaction, rather than through continuing use. The sale is considered to be highly probable where the assets (or a disposal group) are available for immediate sale, management is committed to the sale and the sale is expected to be completed within a period of one year from the date of classification. Assets classified as held for sale are measured at the lower of the asset's carrying amount and fair value less costs to sell.

Where the sale is more than one year into the future due to circumstances beyond the Group's control, the costs to sell are measured at the present value. Any increase in the present value of costs to sell are recognised in the Group statement of comprehensive income as a financing cost.

An impairment loss is recognised in profit or loss for any initial or subsequent write-down of the asset or disposal group to fair value less costs to sell. A gain, for any subsequent increase in fair value less costs to sell, is recognised in profit or loss to the extent that it does not exceed the cumulative impairment loss previously recognised.

Non-current assets classified as held for sale are not depreciated.

Where a component of the Group, being either a separate major line of business, a geographical area of operations or a subsidiary is acquired exclusively with a view to resell and management is committed to the sale and it is expected to be completed within a period of one year or has been sold, that component is classified as a discontinued operation.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

1.15 Income taxes

Income tax payable on profits, based on the applicable tax laws, is recognised as an expense in the period in which profits arise. Current income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in profit or loss. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for temporary differences arising between the carrying amounts of assets and liabilities at the reporting date and their amounts as measured for tax purposes, irrespective of whether it will result in taxable amounts in future periods, unless the deferred tax liability arises from the initial recognition of goodwill. Deferred tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, which will result in deductible amounts in future periods, but only to the extent that it is probable that sufficient taxable profits will be available against which these deductible temporary differences, and carry forward of unused tax credits and unused tax losses can be utilised. Neither a deferred tax asset nor liability is recognised where it arises from a transaction, which is not a business combination, and, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled, based on enacted or substantively enacted rates at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity, and relate to the same tax authority, and when the legal right to offset exists. Where applicable, non-resident shareholders' taxation is provided in respect of foreign dividends receivable.

Secondary tax on companies (STC), is provided for at a rate of 10% on the amount by which dividends declared by the Group exceed dividends received. STC is charged to profit or loss at the applicable ruling rate and included in the taxation expense for the period.

1.16 Financing costs

Financing costs are recognised in profit or loss in the period in which they are incurred.

1.17 Joint ventures

The Group has an interest in a joint venture which is jointly controlled by the Group and one or more other venturer under a contractual arrangement. The Group's interest in jointly controlled entities is accounted for using the equity method. Under the equity method, the investment in joint ventures is carried in the Group statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint ventures. Goodwill relating to the joint ventures is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The Group statement of comprehensive income reflects the share of the results of operations of the joint ventures. Where the Group transacts with a jointly controlled entity, unrealised profits or losses are eliminated to the extent of the Group's interest in the joint venture. The reporting period for jointly controlled entities is the same as the Group's.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

1.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty.

Revenue comprises retail sales of merchandise, manufacturing sales, club fees, financial services income, earnings from joint ventures, dividends, interest and finance charges accrued to the Group. Revenue from all sales of merchandise, net of returns, is brought to account when delivery takes place to the customer. Revenue from manufacturing and other operations is recognised when the sale transactions giving rise to such revenue are concluded. Finance charges on arrear account balances are accrued on a time proportion basis, recognising the effective yield on the underlying assets. Dividends are recognised when the right to receive payment is established. Interest received is recognised using the effective interest rate method. Club fees are recognised as incurred.

1.19 Employee benefits – post retirement benefits

The Group operates a number of retirement benefit plans for its employees. These plans include both defined benefit and defined contribution provident funds and other retirement benefits such as medical aid benefit plans. Current contributions incurred with respect to the defined contribution provident funds, are charged against profit or loss when incurred.

The Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related current service cost and, where applicable, past service costs. The portion of actuarial gains and losses recognised in profit or loss is the excess over the greater of 10% of the present value of the defined benefit obligation at the end of the previous reporting period, before deducting plan assets, and 10% of the fair value of any plan assets at the same date, divided by the expected average remaining working lives of the employees participating in the fund. Improved benefits in defined benefit funds are only granted if they can be financed from the actuarial surplus. Contribution rates to defined benefit plans are adjusted for any unfavourable experience adjustments. Favorable experience adjustments are retained within the funds. Actuarial surpluses are only brought to account in the Group's Financial Statements when it is certain that economic benefits will be available to the Group.

1.20 Share capitalisation awards and cash dividends

The full cash equivalent of capitalisation share awards, and cash dividends paid by the Group are recorded and disclosed as dividends declared in the statement of changes in equity. Dividends declared subsequent to the period-end are not charged against shareholders' equity at the reporting date as no liability exists. Upon allotment of shares in terms of a capitalisation award, the election amounts are transferred to the share capital and share premium account; cash dividend election amounts are paid and the amount deducted from equity.

1.21 Treasury shares

Shares held by the Staff Empowerment Trust are classified in the Group's shareholders' equity as treasury shares. These shares are treated as a deduction from the issued number of shares, and the cost price of the shares is deducted from share capital and premium, in the Group statement of financial position. Any dividends received on treasury shares are eliminated on consolidation.

1.22 Future changes in accounting policies

The following standards, amendments to standards and interpretations have been issued but are not yet effective at the financial year end.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

1.22 Future changes in accounting policies *(continued)*

IFRS 7, Financial Instruments : Disclosures

This amendment was issued in October 2010 and becomes effective for financial periods on or after 1 July 2011. The amendments provide new disclosures for the derecognition of financial assets. They are expected to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position and will promote transparency in the reporting of transfer transactions, particularly those that involve securitisation of financial assets.

IFRS 9, Financial Instruments

This standard was issued in November 2009 and becomes effective for financial periods beginning on or after 1 January 2013. It sets out the requirements for recognising and measuring financial assets, including some hybrid contracts. It requires all financial assets to be classified on the basis of an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The standard requires all financial assets to initially be measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Financial assets are subsequently measured at amortised cost or fair value.

For fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the fair value option.

The Group is still evaluating the effect of adopting this standard and expects that adoption of this standard will materially impact the financial statements. However the necessary evaluation and the effects thereof will be completed before the effective date of adoption.

IAS 12, Deferred Tax: Recovery of Underlying Assets

This amendment was issued in December 2010 and becomes effective for financial periods on or after 1 January 2012 The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 *Investment Property*. Under IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. However, it is often difficult and subjective to determine the expected manner of recovery when the investment property is measured using the fair value model in IAS 40.

To provide a practical approach in such cases, the amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

SIC-21 Income Taxes — *Recovery of Revalued Non-Depreciable Assets* addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 – *Property, Plant and Equipment*. The amendments incorporate SIC-21 into IAS 12 after excluding investment property measured at fair value from the scope of the guidance previously contained in SIC-21.

IAS 24, Related Party Disclosures

The revised standard was issued in November 2009 and becomes effective for financial periods beginning on or after 1 January 2011. The revision simplifies the definition of a related party and clarifies its intended meaning and eliminates inconsistencies from the definition. The revision of IAS 24 further provides a partial exemption from the disclosure requirements for government-related entities.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

1.22 Future changes in accounting policies *(continued)*

IAS 24, Related Party Disclosures *(continued)*

The Group has evaluated the effect of this revised statement and has assessed it will not result in a material impact on the Group Financial Statements.

IFRIC 14, Prepayments of Minimum Funding Requirements

IFRIC 14 was amended in November 2009 and is effective for financial periods beginning on or after 1 January 2011. These amendments apply in limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset.

The Group has evaluated the effect of adopting these amendments which on adoption thereof, will not impact the Group Financial Statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

This interpretation was issued in November 2009, effective for financial periods beginning on or after 1 July 2010. This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address the accounting by the creditor.

Equity instruments issued are recognised at fair value initially. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished and the consideration paid, is recognised in profit or loss and, shall disclose the gain or loss recognised as a separate line item in profit or loss or in the notes.

The Group has evaluated the effect of adopting this interpretation and does not expect that adoption thereof, will impact the Group Financial Statements unless the Group enters into a debt for equity swap.

Improvements to IFRS's (annual Improvements May 2010)

The improvement to IFRS deals with the amendments to standards and interpretation listed below and become effective for financial periods beginning on or after 1 July 2010 or 1 January 2011:

- IFRS 3, Business Combinations
- IFRS 7, Financial Instruments : Disclosures
- IAS 1, Presentation of Financial Statements
- IAS 27, Consolidated and Separate Financial Statements
- IAS 34, Interim Financial Reporting
- IFRIC 13, Customer Loyalty Programmes

The Group is still evaluating the effect of all improvements but does not expect adoption thereof to have a material impact on the Group Financial Statements.

2. OPERATING SEGMENT REPORT

For management purposes, the Group is organised into business units based on their target markets and product offering, and the business is structured under six reportable operating segments. The operating segments are as follows:

Edgars division

The department store division is targeted at middle- to upper-income consumers. The speciality store chains included in this division are *Edgars, Boardmans, Red Square, Temptations, Prato* and *Edgars Active*. The products within this operating segment include mainly clothing, footwear, cosmetics, mobile phones, homewares and accessories.

CNA division

The CNA division is targeted at middle- to upper income consumers and its product offering includes stationery, books, magazines, greeting cards, mobile phones, music, toys, photographic and digital equipment.

Discount division

The discount division sells value merchandise targeted at lower- to middle-income consumers. The largest brand in discount division is Jet, with associated brands that include Jet Mart, Jet Shoes and Jet Home. The Legit and Discom chains are also part of the Discount division operating segment. The product offering within this operating segment includes mainly clothing, footwear, mobile phones, cosmetics, homewares and accessories.

Manufacturing division

Celrose, the manufacturing division, is an apparel manufacturer, focusing on mid to high-end garments of mostly woven construction. This operating segment, manufactures ladies and men's outerwear for the Edgars and Discount divisions.

Credit and Financial Services

Credit and Financial Services focuses on the management of the Group's trade debtors and offers consumer credit and insurance products.

This operating segment issues private label credit cards to qualifying customers who can use these credit cards in all the Group's chains. Credit and financial services performs all aspects of the credit management process in-house including credit scoring activation, servicing and collection and also provides credit management services to third parties. In addition, credit card holders are offered insurance products in partnership with insurance providers through joint venture agreements. The operating segment does not bear underwriting risk with respect to these insurance products.

Group Services

Group Services performs the Group's shared services functions which include, human resources, treasury, tax, finance, internal audit, property management, logistics, and secretarial. Additionally, the trade accounts payable function for the Group is managed centrally by Group Services and the accounting for trademarks and goodwill is accounted for centrally.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Operating segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Group Financial Statements.

Group financing (including all treasury functions such as finance costs and income and related borrowings) income taxes, trade accounts payable, trademarks and goodwill are managed on a group basis and are not allocated to operating segments.

2. OPERATING SEGMENT REPORT *(continued)*

	REVENUES			REVENUE-RETAIL SALES			SEGMENT RESULT-OPERATING PROFIT[3]		
	2011 Rm	2010 Rm	2009 Rm	**2011 Rm**	2010 Rm	2009 Rm	**2011 Rm**	2010 Rm	2009 Rm
Edgars Division	**12 014**	11 425	11 455	**11 772**	11 213	11 250	**2 540**	2 457	2 715
CNA Division	**1 891**	1 851	1 836	**1 891**	1 851	1 836	**128**	138	154
Discount Division	**9 244**	9 039	9 206	**9 053**	8 824	8 989	**974**	1 011	1 226
Manufacturing Division	**57[1]**	46[1]	45[1]				**(4)**	6	2
Credit and Financial Services	**2 350**	2 504	2 633				**1 111[4]**	713[4]	848[4]
Group Services[2]	**30**	11	20				**(4 456)**	(2 834)	(2 857)
Group	**25 586**	24 876	25 195	**22 716**	21 888	22 075	**293**	1 491	2 088
South Africa	**24 177**	23 533	23 915	**21 432**	20 688	20 946	**164**	1 123	1 687
Other[7]	**1 409**	1 343	1 280	**1 284**	1 200	1 129	**129**	368	401

	DEPRECIATION AND AMORTISATION			IMPAIRMENT OF INTANGIBLES[5]			CAPITAL EXPENDITURE[6]		
	2011 Rm	2010 Rm	2009 Rm	**2011 Rm**	2010 Rm	2009 Rm	**2011 Rm**	2010 Rm	2009 Rm
Edgars Division	**139**	126	124		17	73	**199**	156	126
CNA Division	**22**	21	17		71	111	**20**	24	43
Discount Division	**111**	110	106		49	513	**122**	114	168
Manufacturing Division	**2**	2	2				**1**	1	1
Credit and Financial Services	**7**	5	4				**2**	1	-
Group Services[2]	**935**	961	846				**130**	177	231
Group	**1 216**	1 225	1 099		137	697	**474**	473	569
South Africa	**1 205**	1 214	1 088		137	697	**454**	467	562
Other 7	**11**	11	11				**20**	6	7

Notes

[1] Represents manufacturing sales to third parties. In deriving the revenue, inter-group manufacturing sales of R143 million (53 week to 3 April 2010 R96 million, 52 weeks to 28 March 2009 R145 million) have been eliminated.

[2] Incorporating corporate divisions and consolidation adjustments, including additional depreciation and amortisation which arose on formation of the Group.

[3] The segmental result is stated after impairment of intangibles.

[4] Includes equity accounted earnings of joint ventures of R487 million (53 weeks to 3 April 2010 R435 million, 52 weeks to 28 March 2009 R349 million).

[5] Impairment of intangibles is accounted for by Group Services and included in Group Services operating profit but, the split of these impairments in relation to each operating segment has been disclosed here.

[6] Excludes proceeds on disposal of properties, fixtures, equipment and vehicles (note 29.4)

[7] Comprising Botswana, Lesotho, Swaziland and Namibia.

[8] 2011 and 2009 financial data is presented for 52 weeks and 2010 financial data is presented for 53 weeks.

2. OPERATING SEGMENT REPORT *(continued)*

The following is an analysis of the Group's revenue from continuing operations by reportable segment:

	Edgars	CNA	Discount Division	Manufac turing	Credit and Financial Services	Group Services	Total
52 weeks to 2 April 2011							
Retail sales	11 772	1 891	9 053				**22 716**
Club revenue	242		191				**433**
Manufacturing sales[1]				57			**57**
Finance charges on trade receivables					1 833		**1 833**
Equity accounted earnings of joint ventures					487		**487**
Interest received					30	30	**60**
Total revenue	**12 014**	**1 891**	**9 244**	**57**	**2 350**	**30**	**25 586**
53 weeks to 3 April 2010							
Retail sales	11 213	1 851	8 824				21 888
Club revenue	212		215				427
Manufacturing sales[1]				46			46
Finance charges on trade receivables					2 049		2 049
Equity accounted earnings of joint ventures					435		435
Interest received					20	11	31
Total revenue	11 425	1 851	9 039	46	2 504	11	24 876
52 weeks to 28 March 2009							
Retail sales	11 250	1 836	8 989				22 075
Club revenue	205		217				422
Manufacturing sales				45			45
Finance charges on trade receivables					2 271		2 271
Equity accounted earnings of joint ventures					349		349
Interest received					13	20	33
Total revenue	11 455	1 836	9 206	45	2 633	20	25 195

Note

[1] Represents manufacturing sales to third parties. In deriving the revenue, inter-group manufacturing sales of R143 million (53 weeks to 3 April 2010 R96 million) and (52 weeks to 28 March 2009 R145 million) have been eliminated.

2. OPERATING SEGMENT REPORT *(continued)*

2.1 Information on products

The following is an analysis of the Group's retail sales from continuing operations by product line:

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
Clothing	**10 459**	10 197	9 974
Footwear	**3 117**	3 066	2 870
Cosmetics	**2 442**	2 370	2 448
Homeware	**1 547**	1 480	1 482
Cellular	**1 951**	1 531	1 968
Stationery, books, magazines etc	**1 615**	1 627	1 596
Hardlines and FMCG	**1 585**	1 617	1 737
Total sales	**22 716**	21 888	22 075

2.2 Information about major customers

Revenues arise from direct sales to a broad base of public customers. The following is an analysis of the number of stores in the Group through which the Group's product offering is distributed:

	2011 2 April	2010 3 April	2009 28 March
Edgars division	**261**	263	267
CNA division	**202**	203	211
Discount division	**718**	762	755
Group	**1 181**	1 228	1 233

2.3 Reportable operating segment assets and liabilities

The following is an analysis of the operating segments assets and liabilities:

	TOTAL ASSETS[4]			**TOTAL LIABILITIES**		
	2011 Rm	2010 Rm	2009 Rm	**2011 Rm**	2010 Rm	2009 Rm
Edgars Division	**2 213**	2 181	2 348	**386**	327	377
CNA Division	**387**	420	392	**57**	58	50
Discount Division	**1 795**	1 879	1 887	**215**	242	219
Manufacturing Division	**51**	46	53	**46**	6	18
Credit and Financial Services	**9 718[1]**	9 656[1]	9 619[1]	**4 464**	4 457	162
Group Services[2]	**21 165**	19 586	23 041	**33 585**	30 267	36 940
Group	**35 329**	33 768	37 340	**38 753**	35 357	37 766
South Africa	**34 603**	33 086	36 652	**38 710**	35 326	37 673
Other[3]	**726**	682	688	**43**	31	93

Notes

[1] Includes investment in joint ventures of R6 million (2010 and 2009 : R0 million and R1 million).
[2] Incorporating corporate divisions and consolidation adjustments, including additional depreciation and amortisation.
[3] Compromising Botswana, Lesotho, Swaziland and Namibia.
[4] Included in total assets are non-current assets of R20 270 million (2010 : R21 105 million and 2009 : R22 125 million) which are part of group services. 98% of non-current assets are domiciled in South Africa.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
3. PROPERTIES, FIXTURES, EQUIPMENT AND VEHICLES			
Historic cost except for revalued land and buildings			
Land and buildings			
Historic cost	**4**	40	131
Revaluation surplus	**-**	1	35
Leasehold improvements	**626**	564	495
Fixtures and fittings	**2 842**	2 656	2 438
Computer equipment and software	**1 246**	1 122	952
Machinery and vehicles	**170**	170	169
	4 888	4 553	4 220
Accumulated depreciation			
Buildings	**1**	3	8
Leasehold improvements	**345**	254	155
Fixtures and fittings	**1 405**	1 018	595
Computer equipment and software	**805**	547	290
Machinery and vehicles	**86**	68	44
	2 642	1 890	1 092
Net carrying value	**2 246**	2 663	3 128
Comprising:			
Land and buildings	**3**	38	158
Leasehold improvements	**281**	310	340
Fixtures and fittings	**1 437**	1 638	1 843
Computer equipment and software	**441**	575	662
Machinery and vehicles	**84**	102	125
	2 246	2 663	3 128
Opening net carrying value	**2 663**	3 128	3 263
Movements for the period			
Land and buildings – revaluation, cost less accumulated depreciation	**-**	-	-
Capital expenditure			
Leasehold improvements	**81**	68	65
Fixtures and fittings	**261**	230	233
Computer equipment and software	**127**	174	265
Machinery and vehicles	**5**	1	3
	474	473	566
Other			
Currency adjustments	**(1)**	(4)	(1)
Reclassification of assets			-
Buildings			33
Leasehold improvements			(36)
Fixtures and fittings			(57)
Computer equipment and software			50
Machinery and vehicles			10
	473	469	565
Disposals (net book value)			
Land and buildings	**35**	113	-
Leasehold improvements	**12**	3	4
Fixtures and fittings	**44**	11	10
Computer equipment and software	**1**		5
Machinery and vehicles	**-**		
	92	127	19
Depreciation (note 24.3)	**798**	807	681
Closing net carrying value	**2 246**	2 663	3 128

3. PROPERTIES, FIXTURES, EQUIPMENT AND VEHICLES *(continued)*

The reclassifications arose as a result of finalising the take-on of the fixed assets fair value adjustment in the fixed asset register by asset as a result of the private equity acquisition.

Land and buildings were revalued at 31 March 2011 to open market value based on the open market net rentals and current replacement cost of each property. Deferred taxation has been raised on the revaluation surplus. The independent valuations were carried out by professional valuers. No other categories of assets were revalued.

A register of the Group's land and buildings is available for inspection at the company's registered office.

If the land and buildings were measured using the cost model the cost would have been R4 million (2010 and 2009 : R40 million and R156 million) and the accumulated depreciation R1 million (2010 and 2009 : R3 million and R8 million).

These assets are security in terms of the floating rate notes (note 17), fixed rate notes (note 17), the super senior secured term loan (note 17) and the revolving credit facility (note 18).

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
4. INTANGIBLE ASSETS			
Goodwill represents the excess of the purchase consideration over the fair value of the identifiable assets at the date of acquisition purchased as part of a business combination. Other intangible assets represent registered rights to the exclusive use of certain trademarks and brand names.			
Balance at the beginning of the period	**18 442**	18 997	20 112
Amortisation of intangible assets:			
Charge for the period (note 24.1)	**(418)**	(418)	(418)
Impairment of goodwill		(71)	(12)
Impairment of indefinite life brands		(66)	(685)
Balance at the end of the period	**18 024**	18 442	18 997
Comprising:			
Goodwill at cost	**8 513**	8 513	8 513
Intangible assets at cost	**11 979**	11 979	11 979
Impairment of intangibles	**(834)**	(834)	(697)
Accumulated amortisation of intangible assets	**(1 634)**	(1 216)	(798)
	18 024	18 442	18 997

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
4. INTANGIBLE ASSETS *(continued)*			
Intangible assets (excluding goodwill)			
Intangible assets at cost:			
Indefinite life brands	**8 492**	8 492	8 492
Finite life brands	**229**	229	229
Customer relationships	**1 974**	1 974	1 974
Trademarks recognised	**206**	206	206
Customer lists	**561**	561	561
Technology	**517**	517	517
	11 979	11 979	11 979
Impairment of intangibles:			
Indefinite life brands	**(751)**	(751)	(685)
	(751)	(751)	(685)
Accumulated amortisation of intangible assets:			
Finite life brands	**(87)**	(64)	(41)
Customer relationships	**(885)**	(659)	(433)
Trademarks recognised	**(80)**	(60)	(40)
Customer lists	**(292)**	(217)	(142)
Technology	**(290)**	(216)	(142)
	(1 634)	(1 216)	(798)
Carrying value of intangible assets:			
Indefinite life brands	**7 741**	7 741	7 807
Finite life brands	**142**	165	188
Customer relationships	**1 089**	1 315	1 541
Trademarks recognised	**126**	146	166
Customer lists	**269**	344	419
Technology	**227**	301	375
	9 594	10 012	10 496

Indefinite life brands principally comprise those brands for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

The Edgars, Jet, CNA and Boardmans brands are considered to have an indefinite life as each has been in existence for a significant period and the strength and durability of these brands and the level of marketing support.

Goodwill and indefinite life brands are tested annually for impairment (refer to note 5).

5. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated to individual cash-generating units for impairment testing as follows:

- Edgars – includes Edgars, Red Square, Temptations, Prato, Boardmans and Edgars Active, offering clothing, footwear and homeware products.
- CNA – offers stationery and electronic products.
- Discount Division – includes Jet, JetMart, Discom, Legit and Jet Shoes chains offering clothing, footwear, beauty and homeware products.
- Credit and Financial Services.

5. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES *(continued)*

Impairment testing of this goodwill and intangibles with indefinite lives was undertaken on the following basis:
The recoverable amount of cash-generating units has been determined based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering no more than a five-year period. The discount rate applied to the cash flow projections for Edgars, CNA and the Discount Division is 15% (2010 and 2009:15%) and for the Credit and Financial Services division, 17% (2010 and 2009:17%). The average growth rates used to extrapolate the cash flow projection of each cash-generating unit beyond the periods covered by the financial forecasts is 6% (2010 and 2009: 6%) as future benefits are expected beyond the periods of the financial forecasts.

Carrying amount of goodwill and intangibles with indefinite lives (Rm)	**Edgars**	**CNA**	**Discount Division**	**Credit and Financial Services**	**Total**
Carrying amount of goodwill	**1 753**		**3 008**	**3 669**	**8 430**
Carrying amount of indefinite life intangibles	**4 535**	**546**	**2 660**		**7 741**

No impairment was recognised in the current period. During the 2010 and 2009 financial periods total impairments of R66 million and R685 million (2010 and 2009 respectively) was recognised on the indefinite life brands due to economic trading conditions and a change in the mix of products sold by CNA and the Discount Division stores. As a result, forecast sales assumptions were based on estimated growths over the short-term, and the growth rates beyond the forecasted period were held constant at 6%.

The initial goodwill allocated to CNA of R83 million was fully impaired at 3 April 2010 (R71 million in 2010 and R12 million in 2009).

Key assumptions applied in value-in-use calculation of the cash generating units
The calculation of value-in-use is most sensitive to the following assumptions:

- Gross margin
- Discount rates
- Market share
- Growth rates used to extrapolate cash flows beyond the financial forecast period.

Gross margins are based on financial forecasts for the Edgars, CNA and the Discount Division.

Discount rates reflect management's estimate of the risks specific to each unit.

Market share assumptions (based on external market information) are important as management considers how the unit's position relative to its competitors might change over the forecast period. Management expects the market share of Edgars, CNA and the Discount Division to be reasonably stable over the forecast period.

Growth rate estimates are conservatively applied to each unit having considered industry expected growth rates and internal targets. The Group is not expected to exceed the long-term average growth rates of the industry.

A reasonable possible change in any of the key assumptions would not result in the carrying amount of any of the cash generating units exceeding their recoverable amount.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
6. EQUITY ACCOUNTED INVESTMENT IN JOINT VENTURES			
Hollard Insurance – 50% holding offering long and short-term insurance products to account holders	**1**	-	1
Europe Assistance	**5**		
Total equity accounted in joint venture	**6**	-	1
6.1 Share of joint ventures' reserves			
Balance at the beginning of the period	**-**	1	11
Equity accounted earnings for the period	**487**	435	349
Paid as follows :			
Administration fee received	**(381)**	(267)	(129)
Dividends received	**(100)**	(169)	(230)
Carrying value of joint ventures	**6**	-	1
6.2 Share of joint ventures' net assets, revenue and profit			
Current assets	**6**	-	1
Revenue	**1 124**	1 049	990
Expenses	**582**	527	515
Profit after tax	**487**	435	349

		2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
7.	**DERIVATIVE FINANCIAL INSTRUMENTS**[1]			
7.1	**Non-current derivative assets**			
	Interest rate swaps	**30**		
	Foreign currency forward contracts			232
	Foreign currency swaps			2 161
		30		2 393
7.2	**Current derivative assets**			
	Foreign currency forward contracts			188
				188
7.3	**Non-current derivative liabilities**			
	Interest rate swaps		91	503
	Foreign currency forward contracts	**55**	76	68
	Foreign currency swaps		2 926	431
	Cross currency swaps	**253**		
		308	3 093	1 002
7.4	**Current derivative liabilities**			
	Interest rate swaps	**111**	487	454
	Foreign currency forward contracts	**146**	330	60
	Cross currency swaps	**689**		
		946	817	514
7.5	**Total derivatives**			
	Interest rate swap liability	**(81)**	(578)	(957)
	Foreign currency forward contracts (liability)/asset	**(201)**	(406)	292
	Foreign currency swaps (liability)/asset		(2 926)	1 730
	Cross currency swaps liability	**(942)**		
		(1 224)	(3 910)	1 065
	Credit risk valuation adjustments[1]			
	Interest rate swaps	**(2)**	(79)	(240)
	Foreign currency forward contracts	**(13)**	(23)	(18)
	Foreign currency swaps		(561)	(168)
	Cross currency swaps	**(154)**		
		(169)	(663)	(426)
	Total derivatives before credit risk valuation adjustments			
	Interest rate swap liability	**(83)**	(657)	(1 197)
	Foreign currency forward contracts (liability)/asset	**(214)**	(429)	274
	Foreign currency swaps (liability)/asset		(3 487)	1 562
	Cross currency swaps liability	**(1 096)**		
		(1 393)	(4 573)	639

[1] Credit risk valuation adjustments are included in the total fair value of derivatives above.

Refer to note 32.2 for details of hedging activities.

In June 2008 we realised R1 793 million from certain derivatives used to hedge interest rate and foreign exchange exposures associated with the senior floating rate notes.

On 1 March 2011, Edcon (Pty) Ltd, a subsidiary of Edcon Holdings (Pty) Ltd issued 9.5% Senior Secured Fixed Rate Notes due 2018, comprising of a €317 million tranche and a $250 million tranche. These funds were utilised to settle the derivative liability of R5 001 million on 2 March 2011.

The interest rate risk relating to OTC II receivables have been hedged with a dynamic interest rate swap with Rand Merchant Bank a division FirstRand Bank Ltd. The fair value at financial period end of 2011 is a liability of R156 million (2010: asset R45 million). The interest rate swap balance is offset by the movement of finance charges on eligible receivables.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
7. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*			
7.6 Derivative losses			
Derivative losses recognised in profit or loss	**(2 343)**	(5 081)	(1 184)
	(2 343)	(5 081)	(1 184)
Movement in derivatives			
Ineffective portion of cash flow hedges released from other comprehensive income, recorded in derivative losses	**(82)**	(39)	2
Included in derivative losses, released from other comprehensive income			231
Included in financing costs released from other comprehensive income	**(443)**	6	265
Included in foreign exchange gain on notes issued, released from other comprehensive income (note 17.6)	**(304)**		
Net derivative losses released from other comprehensive income (note 13)	**(829)**	(33)	508
7.7 Maturity analysis of derivative financial instruments' cash flows			
Cash outflows			
Due within one year	**2 580**	2 282	2 205
Total due within one year	**2 580**	2 282	2 205
After one year but within two years	**2 472**	545	2 268
After two years but within three years	**12 536**	21 623	564
After three years but within four years	**1 810**		21 623
Total due after one year	**16 818**	22 168	24 455
Total	**19 398**	24 450	26 660
Cash inflows			
Due within one year	**1 443**	1 337	1 738
Total due within one year	**1 443**	1 337	1 738
After one year but within two years	**1 490**	350	1 831
After two years but within three years	**12 940**	17 500	475
After three years but within four years	**2 032**		23 617
Total due after one year	**16 462**	17 850	25 923
Total	**17 905**	19 187	27 661
Net cash (outflows)/inflows			
Due within one year	**(1 137)**	(945)	(467)
Total due within one year	**(1 137)**	(945)	(467)
After one year but within two years	**(982)**	(195)	(437)
After two years but within three years	**404**	(4 123)	(89)
After three years but within four years	**222**		1 994
Total due after one year	**(356)**	(4 318)	1 468
Total	**(1 493)**	(5 263)	1 001

The maturity analysis of derivative financial instruments' cash flows reflects the expected cash outflows and inflows of the Group using undiscounted cash flows, settlement terms and expected movements in floating rates.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
8. DEFERRED TAXATION			
Balance at the beginning of the period – asset/(liability)	**153**	(374)	(1 851)
Recognised in profit or loss (note 28.1)	**693**	515	1 193
Deferred tax in other comprehensive income – currency forwards (note 28.2)	**19**	121	279
Deferred tax in other comprehensive income – interest rate swaps and cross currency swaps (note 28.2)	**22**	(109)	
Other			5
Balance at the end of the period – asset/(liability)	**887**	153	(374)
Comprising:			
Appro sales	**13**	14	20
Intangible assets	**1 426**	1 543	1 669
Property, fixtures, equipment and vehicles	**209**	359	431
Prepayments	**4**	2	4
Revaluation reserve			3
Unearned finance income	**20**	19	
Fair value gain on interest rate swaps			2
Cash flow hedges in other comprehensive income			-
Deferred STC raised			10
Other	**26**	23	15
Deferred tax liability	**1 698**	1 960	2 154
Provision for impairment of receivables	**183**	282	244
Other payables	**138**	132	129
Leave pay accrual	**39**	38	34
Operating lease adjustment	**112**	113	112
Unearned finance income			19
Fair value loss on interest rate hedges	**232**	167	352
Assessed loss	**1 852**	1 373	890
Other	**29**	8	
Deferred tax asset	**2 585**	2 113	1 780
Net deferred tax asset/(liability)	**887**	153	(374)

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
9. INVENTORIES			
Merchandise	**2 605**	2 385	2 515
Raw materials	**13**	12	20
Work in progress	**8**	5	9
Total inventories on hand	**2 626**	2 402	2 544
Inventory write-downs included above	**153**	99	85
Cost of inventories expensed	**13 923**	13 361	13 325
10. TRADE, OTHER RECEIVABLES AND PREPAYMENTS			
Trade accounts receivable – retail	**9 586**	9 824	10 506
Trade accounts receivable – personal loans	**-**	1	1
Provision for impairment of receivables	**(733)**	(1 126)	(1 045)
Total trade receivables	**8 853**	8 699	9 462
Other receivables	**326**	271	224
Staff loans	**4**	5	9
Total receivables	**9 183**	8 975	9 695
Prepayments	**12**	8	15
Net trade, other receivables and prepayments	**9 195**	8 983	9 710

At 2 April 2011, all obligations under the OtC II receivables-backed notes issued (see note 17 and 18) are secured by pledge and cession of the eligible receivables that OtC II acquires from time to time. As at 2 April 2011 R6 146 million (2010 : R6 041 million) is designated as eligible receivables.

At 28 March 2009, all obligations under the borrowing base facility (see note 18) were secured by a first priority security interest over designated eligible receivables constituting the borrowing base for the borrowing base facility. As at 28 March 2009 R2 634 million was designated as eligible receivables. All obligations under the OtC I receivables backed facility (see note 18) were secured by a pledge and cession of the eligible receivables that OtC I acquired from time to time. As at 28 March 2009 R4 157 million was designated as eligible receivables. Subsequently the borrowing base facility and the OtC I receivables backed facility were fully settled, cancelled and replaced with the OtC II receivable-backed notes (see note 17 and 18).

		2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
10.	**TRADE, OTHER RECEIVABLES AND PREPAYMENTS** *(continued)*			
10.1	**Analysis of trade receivables past due but not impaired**			
	Overdue 30 days – 60 days	**1 011**	1 049	1 691
	Overdue 60 days – 90 days	**134**	158	212
	Overdue 90 days – 120 days	**71**	86	105
	Greater than 120 days	**236**	265	260
		1 452	1 558	2 268
10.2	**Trade receivables impaired**	**733**	1 126	1 045
10.3	**Interest on impaired receivables**			
	Interest recognised on impaired receivables	**254**	214	201
	This interest is included in the finance charges in note 22.			
10.4	**Provision for impairment of receivables**			
	Balance at the beginning of the period	**1 126**	1 045	827
	(Decrease)/increase in impairment provision	**(393)**	81	218
	Balance at the end of the period	**733**	1 126	1 045
	Movements are disclosed in note 25.2.			
11.	**CASH AND CASH EQUIVALENTS**			
	Cash on hand	**1 370**	1 071	233
	Cash on deposit	**945**	54	146
		2 315	1 125	379
12.	**SHARE CAPITAL AND PREMIUM**			
12.1	**Authorised ordinary share capital**			
	1 000 000 000 “A “ordinary shares with a par value of 0.00001 cent each	**-**	**-**	-
	100 000 000 “B” ordinary shares with a par value of 0.00001 cent each	**-**	**-**	-
	1 000 000 000 “C” ordinary shares with a par value of 0.00001 cent each	**-**	**-**	-
	1 000 000 000 “D” ordinary shares with a par value of 0.00001 cent each	**-**	**-**	-
	1 000 000 000 “E” ordinary shares with a par value of 0.00001 cent each	**-**	**-**	-
		-	**-**	-

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
12. SHARE CAPITAL AND PREMIUM *(continued)*			
12.2 Authorised preference share capital			
1 000 000 000 "A" preference shares of R0.00001 each	**-**	-	-
1 000 000 000 "B" preference shares of R0.00001 each	**-**	-	
	-	-	-
12.3 Number of ordinary shares in issue			
Number of shares at the beginning of the period	**560 133**	610 438	610 438
"A" ordinary shares repurchased		(50 305)	
Number of shares at the end of the period	**560 133**	560 133	610 438
Number of ordinary shares in issue comprise:			
"A" ordinary shares issued	**500 133**	500 133	550 438
"B" ordinary shares issued	**69 213**	69 213	69 213
"C" ordinary shares issued	**20 000**	20 000	20 000
"D" ordinary shares issued	**20 000**	20 000	20 000
"E" ordinary shares issued	**20 000**	20 000	20 000
Treasury shares – Staff Empowerment Trust	**(69 213)**	(69 213)	(69 213)
	560 133	560 133	610 438
12.4 Number of preference share capital in issue			
Number of shares at the beginning of the period	**252 449**	200 866	200 866
"B" preference shares of R0.00001 each issued		51 583	
Number of shares at the end of the period	**252 449**	252 449	200 866
Number of preference shares in issue comprise:			
"A" preference shares of R0.00001 each	**200 866**	200 866	200 866
"B" preference shares of R0.00001 each	**51 583**	51 583	
	252 449	252 449	200 866

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm

12.5 SHARE CAPITAL AND PREMUIM *(continued)*

12.5 Voting rights of ordinary and preference shares

Each "A" ordinary share of the Group shall entitle the holder thereof to 1 000 votes on all matters upon which shareholders have the right to vote.

Each "A" redeemable cumulative preference share of the Group shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company Edcon Holdings (Proprietary) Limited, save in the circumstances prescribed by the Companies Act.

The total "B" ordinary shareholder of the Group at any time shall, in aggregate, have the right to exercise such number of votes as is equal to 10,6% of the aggregate voting rights of the total "A" ordinary shares then in issue.

Each "B" redeemable cumulative preference share of the Group shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company Edcon Holdings (Proprietary) Limited, save in the circumstances prescribed by the Companies Act.

Each "C", "D" and "E" ordinary share shall entitle the holder thereof to one vote on all matters upon which shareholders have the right to vote.

12.6 Issued shares and premium

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
Balance at the beginning of the period	**2 148**	2 143	2 143
Preference shares issued – share capital		-	
Preference shares issued – share premium		180	
Ordinary shares repurchased – share capital		-	
Ordinary shares repurchased – share premium		(175)	
Balance at the end of the period	**2 148**	2 148	2 143
Comprising:			
Share capital	**-**	-	-
Share premium	**2 148**	2 148	2 143
Total	**2 148**	2 148	2 143

During the period ended 3 April 2010 the share capital structure changed through the repurchase of "A" ordinary shares and the issue of "B" preference shares.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
13. OTHER RESERVES			
Balance at the beginning of the period comprising:			
Revaluation reserve net of deferred taxation	**3**	23	23
Foreign currency translation reserve	**(20)**	28	31
Cash flow hedges net of tax	**(391)**	(331)	782
	(408)	(280)	836
Movements			
Net (decrease)/increase in revaluation reserve	**-**	(20)	-
Foreign currency translation reserve	**(15)**	(48)	(3)
Cash flow hedges recognised in other comprehensive income	**(1 075)**	(116)	(2 054)
Cash flow hedges reclassified to profit or loss (note 7.6)	**829**	33	508
Tax impact of cash flow hedges (note 28.2)	**69**	23	433
Balance at the end of the period	**(600)**	(408)	(280)
Comprising:			
Revaluation reserve net of deferred taxation	**3**	3	23
Foreign currency translation reserve	**(35)**	(20)	28
Cash flow hedges net of tax	**(568)**	(391)	(331)
	(600)	(408)	(280)
14. RETAINED (LOSS)/SURPLUS			
Comprising:			
Holding company - Edcon Holdings (Proprietary) Limited	**2 070**	2 062	2 039
Consolidated subsidiaries	**(7 042)**	(5 391)	(4 328)
	(4 972)	(3 329)	(2 289)

Distributions by certain foreign subsidiaries will give rise to withholding taxes of R70 million (2010 and 2009 : R87 million and R68 million). No deferred tax is raised until dividends are declared as the Group controls the timing of the reversal and it is probable that there will be no reversal in the foreseeable future. Deferred tax not raised was R242 million (2010 and 2009 : R206 million and R161 million).

15. CONSOLIDATED SUBSIDIARIES (Annexure 1 : page 123)

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
15.1 Aggregate profits/(losses) of subsidiaries and joint venture			
Profits	**419**	355	254
Losses	**(2 062)**	(1 437)	(3 415)
	(1 643)	(1 082)	(3 161)

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
16. SHAREHOLDER'S LOAN			
Loan by Edcon (BC) S.A.R.L.	**8 184**	7 341	6 492
Comprising:			
Principal at the beginning of the period	**6 597**	5 729	5 057
Interest capitalised during the period	**831**	868	672
Principal at the end of the period	**7 428**	6 597	5 729
Interest accrued at the beginning of the period	**744**	763	490
Interest accrued for the period (note 27.1)	**843**	849	945
Interest capitalised during the period	**(831)**	(868)	(672)
Interest accrued at the end of the period	**756**	744	763

The loan is denominated in South African Rands and accrues interest at the South African prime rate plus 2% p.a. on the principal up to and including the date of repayment. The principal is repayable in May 2037. This shareholder's loan is regarded as capital for IAS 1 purposes (refer to note 31).

The directors' having considered the going concern assumption have included the shareholder's loan of R8 184 million in the assessment (refer to note 31, management of capital). To the extent required to maintain the solvency of the Group, the Shareholder's loan has been subordinated to the claims of all of the creditors of the Group.

	2011	2010	2009
17. NON-CURRENT INTEREST BEARING DEBT			
Senior secured floating rate notes (note 17.1)	**11 094**	11 397	14 867
Senior floating rate notes (note 17.2)	**3 527**	3 623	4 733
Senior secured fixed rate notes (note 17.3)	**4 534**		
Senior notes	**19 155**	15 020	19 600
OtC II receivables-backed notes (note 17.4)	**4 300**	3 855	
Super senior secured term loan (note 17.5)	**985**		
	24 440	18 875	19 600
17.1 SENIOR SECURED FLOATING RATE NOTES			
Notes issued	**11 259**	11 259	11 259
Foreign currency	**(9)**	331	3 832
Fees capitalised	**(156)**	(193)	(224)
	11 094	11 397	14 867
Balance at the beginning of the period	**11 397**	14 867	14 870
Foreign currency movement	**(340)**	(3 501)	(31)
Fees amortised	**37**	31	28
Balance at end of period	**11 094**	11 397	14 867

	2011	2010	2009
	2 April	3 April	28 March
	Rm	Rm	Rm

17. NON-CURRENT INTEREST BEARING DEBT *(continued)*

17.1 SENIOR SECURED FLOATING RATE NOTES *(continued)*

The senior secured floating notes of €1 180 million are issued by Edcon (Proprietary) Limited and guaranteed on a senior secured basis and are secured, along with the revolving credit facility, the super senior secured term loan and the senior secured fixed rate notes, by security interests over substantially all the assets of Edcon Holdings (Proprietary) Limited and its subsidiaries. Interest is payable quarterly in arrears at a rate of three month EURIBOR, reset quarterly, plus 3.25%. The notes mature on 15 June 2014. There have been no defaults or breaches of the principal or interest during the period. The market value of the senior secured floating rate notes at 2 April 2011 was R9 618 million (2010 and 2009 : R8 750 million and R5 885 million respectively).

17.2 SENIOR FLOATING RATE NOTES

	2011	2010	2009
Notes issued	**3 606**	3 606	3 606
Foreign currency	**(2)**	106	1 227
Fees capitalised	**(77)**	(89)	(100)
	3 527	3 623	4 733
Balance at the beginning of the period	**3 623**	4 733	7 891
Foreign currency movement	**(108)**	(1 121)	(836)
Repurchased			(2 404)
Fees amortised	**12**	11	82
Balance at end of period	**3 527**	3 623	4 733

On 27 June 2008, the Group completed a notes repurchase of the senior floating rate notes with a nominal value of €252 million for €139 million being 55% of the face value.

The senior floating notes of €378 million are issued by Edcon Holdings (Proprietary) Limited and guaranteed on a senior subordinated basis and secured by a third ranking pledge of the proceeds of the loan between Edcon Holdings (Proprietary) Limited and Edcon (Proprietary) Limited. Interest is payable quarterly in arrears at a rate of three month EURIBOR, reset quarterly, plus 5.5%. The notes mature on 15 June 2015. There have been no defaults or breaches of the principal or interest during the period. The market value of the senior floating rate notes at 2 April 2011 was R3 009 million (2010 and 2009: R2 450 million and R1 039 million respectively).

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm

17. NON-CURRENT INTEREST BEARING DEBT *(continued)*

17.3 SENIOR SECURED FIXED RATE NOTES

	2011	2010	2009
Notes issued	**4 781**		
Foreign currency	**(86)**		
Fees capitalised	**(161)**		
	4 534		
Notes issued	**4 781**		
Foreign currency movement	**(86)**		
Fees capitalised	**(165)**		
Fees amortised	**4**		
Balance at end of period	**4 534**		

The senior secured fixed rate notes of €317 million and $250 million are issued by Edcon (Proprietary) Limited and guaranteed on a senior secured basis and are secured, along with the revolving credit facility, the super senior secured term loan and the senior secured floating rate notes, by security interests over substantially all the assets of Edcon Holdings (Proprietary) Limited. Interest is payable semi-annually in arrears at a rate of 9.5%. The notes mature March 2018. The market value of the senior secured fixed rate notes at 2 April 2011 was R2 886 million for the €317 million notes and R1 623 million for the $250 million notes. There have been no defaults or breaches of the principal or interest during the period.

17.4 OTC II RECEIVABLES-BACKED NOTES

	2011	2010	2009
Notes issued	**4 300**	4 300	
Current		(445)	
Non current	**4 300**	3 855	

During the 2010 financial period, both the borrowing base facility and the OtC I receivables backed facility were fully settled and the facilities cancelled. As part of the refinancing transaction R4 300 million was raised through the issuance of receivables-backed notes, some of which are listed on the Bond Exchange of South Africa. During the 2011 financial period, R955 million of the unlisted notes and R445 million of the listed notes were refinanced with the issuing of R1 400 million notes listed on the Bond Exchange of South Africa. Interest is payable quarterly in arrears. The applicable interest rate and margin, maturity date and fair value is detailed below:

17. NON-CURRENT INTEREST BEARING DEBT *(continued)*

17.4 OTC II RECEIVABLES-BACKED NOTES *(continued)*

OtC II receivables – backed notes	Amount and Fair Value 2 April 2011 Rm	Maturity Date	Applicable Interest	Margin %
Non current				
Listed	**555**	31 Jul 2012	3m Jibar	2.5
Unlisted	**1 545**	31 Oct 2012	3m Jibar	2.5
Unlisted	**50**	31 Oct 2012	3m Jibar	4.5
Listed	**427**	30 Apr 2013	3m Jibar	2.3
Listed	**968**	30 Apr 2013	3m Jibar	2.2
Listed	**323**	30 Apr 2014	3m Jibar	2.5
Listed	**182**	30 Apr 2014	3m Jibar	2.3
Listed	**250**	30 Apr 2017	Fixed 10.09%	
Total receivables-backed notes	**4 300**			

OtC II receivables-backed notes	Amount and Fair Value at 3 April 2010 Rm	Maturity Date	Applicable interest	Margin %
Current				
Listed	275	Jul 2010	3m Jibar	1,9
Listed	170	Jul 2010	Fixed 9.1%	
Total current	445			
Non Current				
Listed	555	Jul 2012	3m Jibar	2,5
Listed	427	Apr 2013	3m Jibar	2,3
Listed	323	Apr 2014	3m Jibar	2,5
Unlisted	2 500	Oct 2012	3m Jibar	2,5
Unlisted	50	Oct 2012	3m Jibar	4,5
Total non-current	3 855			
Total receivables-backed notes	4 300			

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
17.5 SUPER SENIOR SECURED TERM LOAN			
Loan raised	**985**		

During the 2011 financial period a loan of R985 million was raised by Edcon (Proprietary) Limited and guaranteed on a super senior secured basis, and are secured along with the revolving credit facility, the senior secured floating rate notes and the senior secured fixed rate notes by security interests over the assets of Edcon Holdings (Proprietary) Limited and its subsidiaries. Interest is payable quarterly in arrears at a rate of three-month JIBAR, plus 4.0%. The loan matures on 31 March 2014. There have been no defaults or breaches of the principal or interest during the period.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm

17. NON-CURRENT INTEREST BEARING DEBT *(continued)*

17.6 FOREIGN EXCHANGE GAINS & FEES AMORTISED

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
Foreign exchange gain	**534**	4 622	134
Released from other comprehensive income (note 7.6)	**(304)**		
Foreign exchange gain	**230**	4 622	134
Fees amortised recognised in financing costs (note 27.1)	**53**	42	110

18. CURRENT INTEREST BEARING DEBT

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
Revolving credit facility		350	1 825
OtC II receivables-backed notes (note 17.4)		445	
Borrowing base facility			816
OtC I receivables backed facility			2 599
OtC I liquidity facility			60
		795	5 300

The revolving credit facility provides senior secured financing of up to R3 117 million (2010 and 2009: R3 500 million) for general corporate and working capital purposes. All obligations under the facility are secured by substantially all the assets of Edcon Holdings (Proprietary) Limited and its subsidiaries. The revolving credit facility accrues interest at applicable JIBAR plus a margin of 2,5% (2010 and 2009: 2,5%) for Tranche A and 4% for Tranche B, payable monthly in arrears. The facility includes R2 100 million (2010 and 2009: R2 250 million) borrowing capacity available for bank guarantees, letters of credit, forward exchange contracts and for borrowings under bilateral ancillary facilities. These ancillary facilities accrue interest at ruling over-night market related lending rates.

The borrowing base facility provided secured financing of up to R3,900 million in 2009. All obligations under that facility were secured by a first priority security interest over designated eligible receivables (see note 10) constituting the borrowing base for the facility. The facility accrued interest at applicable JIBAR plus a margin of 2,6% in 2009 that was payable monthly in arrears. The facility was settled and subsequently cancelled during the 2010 financial period (note 17.4).

The OtC I receivables backed facility provided secured financing of up to R2,600 million in 2009. All obligations under the facility were secured by a pledge and a cession of the eligible receivables that OtC I acquired from time to time (see note 10). The facility accrued interest at applicable JIBAR plus a margin of 2,6% in 2009 that was payable monthly in arrears. The facility was settled and subsequently cancelled during the 2010 financial period (note 17.4).

The OtC I liquidity facility with FirstRand Bank Limited, which had a limit of R200 million and was cancelled in November 2009. The facility accrued interest at a rate equal to the SAFEX call rate from time to time plus 1,45% calculated from the date of any particular drawdown was made up to and including to the date immediately prior to the date on which the drawdown was repaid and capitalised monthly in arrears.

An OtC II liquidity facility with FirstRand Bank Limited accrues interest at a rate equal to the SAFEX call rate from time to time plus 1,7%, calculated from the date of drawdown up to and including the date immediately prior to the date on which the drawdown is repaid, and is capitalised monthly in arrears. The total liquidity facility granted is R145 million expiring on 30 April 2017.

The receivables purchase facility with First Rand Bank Limited accrues interest at a rate equal to the SAFEX call rate from time to time plus 1,7% calculated from the date of draw down up to and including the date immediately prior to the date on which the drawdown is repaid, and is capitalised monthly in arrears. The total receivables payable liquidity facility granted is R43 million expiring 30 April 2017.

There have been no defaults or breaches of principal interest or redemption terms during the current or prior periods.

	2011 2 April Rm	**2010 3 April Rm**	2009 28 March Rm
19. TRADE AND OTHER PAYABLES			
Trade accounts payable	**2 752**	2 577	2 150
Sundry accounts payable and accrued expenses	**1 040**	887	1 119
Lease equalisation	**9**	17	30
Leave pay accrual	**139**	137	126
Value added taxation payable	**83**	33	46
Interest accrued on senior floating rate notes	**12**	13	15
Interest accrued on senior secured fixed rate notes	**41**		
Interest accrued on senior secured floating rate notes	**25**	26	32
Commitment fee accrued	**8**	10	15
	4 109	3 700	3 533

The trade and sundry payables amounts are interest free and mature no later than 30 to 60 days. Other payables mature no later than one year.

	2011	**2010**	2009
20. FUTURE CAPITAL EXPENDITURE			
Contracted:			
Properties, fixtures, equipment and vehicles	**244**	138	214
Authorised by the directors but not yet contracted:			
Properties, fixtures, equipment and vehicles	**572**	319	258
	816	457	472

All the expenditure will be incurred during the next financial period and is to be financed from free cash flows.

21. LEASES

The Group leases the majority of its properties and computer equipment under operating leases whereas other operating assets are generally owned. The lease agreements of certain of the Group's store premises provide for a minimum annual rental payment and additional payments determined on the basis of turnover. Lease agreements have an option of renewal in terms of the lease agreement ranging between 5 to 10 years.

	2011	**2010**	2009
The future minimum property operating lease commitments are due as follows:	**6 654**	6 260	5 667
Within one year	**1 323**	1 195	1 069
Between two and five years	**3 808**	3 607	3 218
In more than five years	**1 523**	1 458	1 380

The future revenue expected from sub-leases is estimated to be R24 million (2010 and 2009: R18 million and R17 million respectively).

The Group also leases certain computer equipment. The agreements provide for minimum annual rental payments and additional payments depending on usage.

	2011	**2010**	2009
The future minimum computer equipment operating lease commitments are due as follows:	**312**	249	412
Within one year	**139**	152	167
Between two and five years	**173**	97	245

		2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
22.	**REVENUES**			
	Retail sales	**22 716**	21 888	22 075
	Club fees	**433**	427	422
	Finance charges on trade receivables	**1 833**	2 049	2 271
	Earnings from joint ventures	**487**	435	349
	Interest received (note 27.2)	**60**	31	33
	Manufacturing sales to third parties	**57**	46	45
		25 586	24 876	25 195
23.	**OTHER INCOME**			
	Club fees	**433**	427	422
	Manufacturing sales to third parties	**57**	46	45
		490	473	467
24.	**OTHER OPERATING COSTS** Trading profit is stated after taking account inter alia the following items:			
24.1	**Amortisation of trademarks**			
	Charge for the year	**418**	418	418
24.2	**Auditors' remuneration**			
	Audit fees – current year	**12**	11	10
	Audit fees – prior year			1
	Fees for consulting and other services	**8**	3	2
		20	14	13
24.3	**Depreciation of properties, fixtures, equipment and vehicles**			
	Buildings	**1**	4	4
	Leasehold improvements	**97**	99	96
	Fixtures and fittings	**418**	423	389
	Computer equipment and software	**259**	257	164
	Machinery and vehicles	**23**	24	28
		798	807	681
24.4	**Fees payable**			
	Managerial, technical, administrative and secretarial fees paid outside the Group	**158**	139	212
	Outsourcing of IT function	**317**	298	354
		475	437	566
24.5	**Operating lease expenses**			
	Properties:			
	Minimum lease payments	**1 312**	1 193	1 061
	Turnover clause payments	**13**	23	35
	Operating lease adjustment	**(2)**	4	(23)
	Sublease rental income	**(39)**	(18)	(17)
	Equipment and vehicles	**204**	223	213
		1 488	1 425	1 269

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
24. OTHER OPERATING COSTS *(continued)*			
24.6 Net gain/(loss) on disposal of properties, fixtures, equipment and vehicles	**8**	(23)	(18)
24.7 VAT expense			90
As a result of legislative interpretation in terms of Value Added Tax (VAT) the Group incurred a R90 million charge in the 2009 financial period which related to transactions incurred in prior periods.			
25. CREDIT INCOME AND EXPENSE			
25.1 Income from credit			
Finance charges on trade receivables	**1 833**	2 049	2 271
	1 833	2 049	2 271
25.2 Expenses from credit			
Impairment of receivables incurred	**(1 357)**	(1 419)	(1 226)
Impairment of receivables recoveries	**336**	264	221
Net decrease/(increase) in provision for impairments on receivables	**393**	(81)	(218)
Administration and other costs	**(581)**	(535)	(549)
	(1 209)	(1 771)	(1 772)
25.3 Operating profit from credit	**624**	278	499
26. DIRECTORS AND EMPLOYEES			
26.1 Employees			
The aggregate remuneration and associated cost of permanent and casual employees including directors was:			
Salaries and wages	**2 392**	2 209	2 287
Retirement benefit costs	**258**	235	217
Medical aid contributions:			
Current	**62**	58	53
Post-retirement	**7**	6	1
	2 719	2 508	2 558

	2011 52 weeks to 2 April R 000	2010 53 weeks to 3 April R 000	2009 52 weeks to 28 March R 000

26. DIRECTORS AND EMPLOYEES *(continued)*

26.2 Directors' emoluments

	2011 R 000	2010 R 000	2009 R 000
Non-executive directors:	**295**	295	295
Fees	**295**	295	295
Executive directors:			
Remuneration	**11 536**	11 645	10 651
Retirement, medical, accidental and death benefits	**508**	480	446
Performance bonus			350
Loyalty bonus	**350**	350	423
Other benefits	**92**	82	-
	12 486	12 557	11 870
Retired ex-directors	**76**	72	69
Total	**12 857**	12 924	12 234

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm

26.3 Defined Pension Benefit Plan

	2011 Rm	2010 Rm	2009 Rm
Edcon Pension Fund			
Actuarially determined:			
Current service cost	**(1)**	(1)	(1)
Interest cost	**(44)**	(38)	(33)
Unrecognised loss (paragraph 58 limit)	**(30)**	(33)	(129)
Expected return on assets	**74**	71	76
Net loss	**(1)**	(1)	(87)
Company contributions	**1**	1	1
Actual return on pension fund assets	**71**	137	101

The contribution for the 2012 financial period is estimated to be approximately R1 million.

26.3.1 Reconciliation of defined benefit obligation – pension fund

	2011 Rm	2010 Rm	2009 Rm
Balance at the beginning of the period	**490**	440	400
Service cost	**1**	1	1
Interest cost	**44**	38	33
Actuarial loss	**6**	58	43
Benefits paid	**(47)**	(47)	(37)
Balance at the end of the period	**494**	490	440

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm

26. DIRECTORS AND EMPLOYEES *(continued)*

26.3 Defined Pension Benefit Plan *(continued)*

26.3.2 Reconciliation of fair value plan assets – pension fund

	2011 Rm	2010 Rm	2009 Rm
Balance at the beginning of the period	**941**	850	786
Expected return on assets	**74**	71	76
Employer contributions	**1**	1	1
Benefits paid	**(47)**	(47)	(37)
Actuarial (loss)/gain	**(3)**	66	24
Balance at the end of the period	**966**	941	850
	%	%	%
Composition and percentage of the portfolio:			
Cash	**30**	35	48
Equity	**1**	13	4
Bonds	**21**	-	-
International	**-**	1	-
Property and other	**48**	51	48
	100	100	100

26.3.3 Analysis of defined benefit obligation and the fair value of plan assets – pension fund (Rm)

	2011	2010	2009	2008	2007
Defined benefit obligation	**(494)**	(490)	(440)	(400)	(395)
Fair value of plan assets	**966**	941	850	786	740
Unrecognised actuarial gains	**(65)**	(65)	(64)	(84)	(84)
Unrecognised net asset (paragraph 58 limit)	**407**	386	346	302	261

A statutory valuation of the Edcon Pension Fund, a defined benefit plan, was carried out by an independent firm of consulting actuaries on 31 December 2002 using the attained age method of valuation. The actuarial value of liabilities for all pensioners and members, including a stabilisation reserve, was determined at R328 million. The fair value of assets calculated by reference to the market value was R644 million. The fund was accordingly fully funded. The actuarial valuation was based on the principal assumptions that the fund will earn 10% per annum after taxation, that salary increases will be 7,3% per annum plus merit increases and a post-retirement interest rate of 4,5% per annum.

As a result of a change in the requirements of the regulators it was necessary to re-perform the valuation on the “best estimate basis” as prescribed by Pension Fund Circular 117 issued by the Financial Services Board. Under the best estimate basis the actuarial value of liabilities for all pensioners and members including a solvency reserve, was determined at R426 million. The fair value of assets calculated by reference to the market value remained at R644 million. The fund therefore remains fully funded.

In the current period an actuarial estimate was performed using the projected unit credit method, and the fair value of the assets and liabilities is reflected above. The actuarial estimate was based on the principle assumptions as set out in note 26.3.4.

As reported last period, proposals were submitted to the Financial Services Board (FSB) in 2002 to offer pensioners an enhanced pension in exchange for assuming all their medical aid liabilities. Similarly, a portion of the surplus was to be utilised to pay the lump sum to medical aid members’ provident fund accounts to meet the existing post-retirement medical aid liability for service rendered to date.

26. DIRECTORS AND EMPLOYEES *(continued)*

26.3 Defined Pension Benefit Plan *(continued)*

26.3.3 Analysis of defined benefit obligation and the fair value of plan assets – pension fund (Rm) *(continued)*

Initially approval was received from the FSB to transfer active members and pensioners to alternative arrangements and annuity policies. These members' and pensioners' accrued actuarial liabilities were enhanced by 25%. The surplus detailed in note above is adequate to cover the estimated consequence of this transaction which is estimated to be R59 million and the balance of the surplus will be transferred to the Edcon Provident Fund. Subsequently, however, the FSB reneged on their approval and requested a determination of the surplus available for distribution to former members prior to the utilisation of the surplus for current members.

A formal surplus apportionment scheme must be prepared as envisaged by Section 15B of the Pension Fund Act.

The Trustees of the Edcon Pension Fund have finalised a scheme of apportionment which was submitted to the Financial Services Board for consideration in January 2011.

The Trustees of the Edcon Pension Fund have amended the investment strategy of the Fund with regards to the management of the assets backing the pensioner liabilities. The pension assets have been utilised to purchase a policy of insurance with Metropolitan which effectively guarantees the monthly pensions payable to pensioners and protects the Fund against the adverse effects of longevity risk. The surplus assets have been invested in various portfolios over time, all of which had mandates protecting the capital value of the surplus assets. The surplus assets are currently invested in interest bearing money market instruments.

26.3.4 Valuation Assumptions

Defined Benefit Pension Fund Valuation Assumptions

The valuation is based on assumptions which include a discount rate of 9.25% (2010 and 2009: 9.3% and 9,0%) per annum, an inflation rate and pension increase rate of 6% (2010 and 2009: 5,5% and 5,3%) per annum, a salary increase rate of 7% (2010 and 2009: 6,5% and 6,3%) per annum, and an expected return on assets of 9,5% per annum. The discount rate is determined with reference to market yields at the reporting date. The market yield is determined with reference to the yield curve for South African government bonds. The inflation rate is in line with the Government Monetary Policy target of 3% to 6% (2010 and 2009: 3% to 6%). The inflation rate assumed is used to determine both the salary and pension rate increases. The salary increase is based on the assumption that the increase will be 1% above inflation. The Fund adopts a pension increase policy that targets 100% of inflation and, as a result, a pension increase of 6% is used in the valuation. The expected rate of return on assets has been based on long-term returns on equities, cash and bonds. An adjustment is made to reflect the effects of retirement fund's tax.

26.4 Defined Contribution Plans

Contributions to the Group's significant defined contribution funds are at a rate of 17,5% of benefit salary and where funds are contributory, members pay a maximum of 7,5%. The employer's portion is charged against profits.

Separate funds, independent of the Group, provide retirement and other benefits for all permanent employees and their dependants. During the period there were three defined contribution funds of significance, namely Edcon Provident Fund, SACCAWU National Provident Fund and FEDCRAW Provident Fund. A defined contribution fund is available to employees in Namibia and Botswana, Edcon Namibia Retirement Fund and Edcon Botswana Retirement Fund.

26. DIRECTORS AND EMPLOYEES *(continued)*

26.4 Defined Contribution Plans *(continued)*

	Pensioners Number	Members Number	Contributions
Membership of, and employer contributions to each of the funds were:			
2011 at 2 April			
Edcon Pension Fund	**1 141**	**17**	**1**
Edcon Provident Fund		**14 556**	**217**
Edcon Namibia Retirement Fund		**600**	**2**
Botswana Retirement Fund		**300**	**1**
SACCAWU National Provident Fund		**1 297**	**6**
FEDCRAW Provident Fund		**134**	**2**
	1 141	**16 904**	**229**
2010 at 3 April			
Edcon Pension Fund	1 130	22	1
Edcon Provident Fund		15 037	209
Edcon Namibia Retirement Fund	13	210	1
Botswana Retirement Fund		192	1
SACCAWU National Provident Fund		1 007	6
FEDCRAW Provident Fund		390	3
	1 143	16 858	221

	Pensioners Number	Members Number	Contributions
Membership of, and employer contributions to each of the funds were:			
2009 at 28 March			
Edcon Pension Fund	1 020	27	1
Edcon Provident Fund		15 597	195
Edcon Namibia Retirement Fund	13	224	1
Botswana Retirement Fund		220	1
SACCAWU National Provident Fund		1 090	6
FEDCRAW Provident Fund		463	3
	1 033	17 621	207

All funds are subject to the Pension Funds Acts of the various countries and, where required by law, actuarial valuations are conducted every three years. The market value of investments of the various Edcon funds as at 2 April 2011 was R3 430 million (2010 and 2009: R2 863 million and R2 690 million).

26. DIRECTORS AND EMPLOYEES *(continued)*

26.5 Medical aid fund

The Group operates a defined benefit medical aid scheme for the benefit of permanent employees. The contributions of the short-term benefit for current employees amounted to R62 million for the period ending 2 April 2011 (2010 and 2009: R58 million and R53 million). Membership of the medical aid scheme is voluntary for all employees. Total membership currently stands at 4 654 principal members. In terms of employment contracts and the rules of the schemes, certain post-retirement medical benefits are provided to 1 489 current and past employees by subsidising a portion of the medical aid contribution of members, after retirement. The medical aid payments for 2012 are estimated to be approximately R6 million. The actuarial valuation was based on the main assumptions set out in note 26.5.3.

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
26.5.1 Edcon Medical Aid			
Actuarially determined:			
Current service cost	**3**	3	3
Interest cost	**10**	10	10
Actuarial gain/(loss)	**9**	(5)	(15)
Post-retirement medical aid expense	**22**	8	(2)

26.5.2 The status of the Edcon Medical Aid Fund determined in terms of IAS 19 is as follows:

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
Recognised employee benefit liability	**130**	114	112
Reconciliation of employee benefit liability			
Balance at the beginning of the period	**114**	112	120
Current service cost	**3**	3	3
Interest cost	**10**	10	10
Actuarial loss/(gain)	**9**	(5)	(15)
Employee benefit payments	**(6)**	(6)	(6)
	130	114	112

26. DIRECTORS AND EMPLOYEES *(continued)*

26.5 Medical aid fund *(continued)*

26.5.3 Valuation Assumptions

Employee Benefit Liability Valuation Assumptions and Sensitivity

The valuation is based on assumptions which include a discount rate of 9% (2010 and 2009 : 9,3% and 9,0%) per annum, inflation rate of 5.8% (2010 and 2009 : 5,5% and 5,3%) per annum, income at retirement would increase by 7.25% per annum, demographic assumptions based on a standard set of best estimate demographic assumptions, membership continuation and expected retirement age. The discount rate is determined with reference to market yields at the statement of financial position date. The market yield is determined with reference to the yield curve for South African government bonds. The inflation rate is in line with the Government Monetary Policy target of 3% to 6% (2010 and 2009 : 3% to 6%). It was assumed that health care cost inflation would be the same as CPI inflation and that remuneration increases, including promotional increases would exceed inflation by 1,5% over the long-term and that income at retirement would be 60% of final salary. It was further assumed that no current in-service members eligible for benefits would discontinue membership upon reaching retirement with Edcon and that they would retire on their current medical scheme option and no changes would occur on retirement. An expected retirement age of 63 was used in the valuation with assumed rates of early retirement.

The valuation results are extremely sensitive to the assumptions used. The value of the liability could turn out to be overstated or understated depending on the extent to which actuarial experience differs from the above assumptions.

The effect of a 1% increase or decrease would have the following effects:

	Central Assumption			**Decrease 1%**			**Increase 1%**		
	2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Inflation (CPI and health care costs) sensitivity	**5.8%**	5.5%	5,3%						
Accrued liability – Rm	**130**	114	112	**113**	101	99	**151**	130	129
Accrued liability – % change				**(11)**	(11)	(12)	**15**	14	15
Current service and interest cost – Rm	**13**	13	13	**11**	11	11	**15**	15	15
Current service and interest cost - % change				**(15)**	(15)	(15)	**19**	15	15
Retirement age sensitivity	**63 years**			**One year younger**			**One year older**		
Accrued liability – Rm	**130**	114	112	**135**	119	116	**124**	110	109
Accrued liability - % change				**4**	4	4	**(4)**	(4)	(3)
Discount rate	**9%**	9.3%	9.0%	**Decrease 1%**			**Increase 1%**		
Accrued liability – Rm	**130**	114	112	**150**	130	128	**113**	101	100
Accrued liability - % change				**16**	14	14	**(12)**	(11)	(11)
Post employment mortality tables	**PA (90) ult rated down 1 year to 0.75% improvement p.a. from 2006**			**PA (90) ult rated down 2 years with 1% improvement p.a. from 2006**					
Accrued liability – Rm	**130**	114	112	**136**	119	117			
Accrued liability - % change				**5**	4	4			

26.5.4 Analysis of employee benefit liability (Rm)

	2011	2010	2009	2008	2007
Accrued liability for post retirement medical aid	**130**	114	112	120	123

		2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
27.	**FINANCING COSTS AND INTEREST RECEIVED**			
27.1	**Financing costs**			
	Interest on senior secured floating rate notes	**808**	992	956
	Interest on senior floating rate notes	**302**	427	470
	Interest on senior secured fixed rate notes	**48**		
	Interest on other facilities	**470**	628	769
	Interest on super senior secured term loan	**9**		
	Interest accrued on shareholder's loan (note 16)	**843**	849	945
	Fees amortised on senior secured floating rate notes (note 17.1)	**37**	31	28
	Fees amortised on senior floating rate notes (note 17.2)	**12**	11	82
	Fees amortised on senior secured fixed rate notes (note 17.3)	**4**		
	Foreign currency losses	**24**	6	
	Forward exchange contracts	**-**	2	38
		2 557	2 946	3 288
27.2	**Interest received**			
	Interest received from independent third parties	**60**	31	18
	Foreign currency gain			15
		60	31	33
27.3	**Net financing costs**	**2 497**	2 915	3 255

			2011 Rm	2010 Rm	2009 Rm
28.	**TAXATION**				
28.1	**Taxation charge**				
	Current taxation	- this year	**109**	124	696
		- prior year	**23**	12	25
	Secondary taxation on companies	- this year		9	
	Total current taxation		**132**	145	721
	Deferred taxation	- this year	**(696)**	(502)	(1 193)
		- prior years	**3**	(13)	
	Total deferred taxation credit		**(693)**	515	(1 193)
	Total		**(561)**	(370)	(472)
	Comprising:				
	South African normal taxation		**(650)**	(435)	(546)
	Secondary taxation on companies			9	
	Foreign taxes		**89**	56	74
			(561)	(370)	(472)
28.2	**Taxation charge to other comprehensive income**				
	Current income tax related to items charged or credited directly to other comprehensive income:				
	Unrealised gain on cash flow hedges		**(27)**	(11)	(154)
	Deferred income tax related to items charged or credited directly to other comprehensive income:				
	Unrealised gain on cash flow hedges		**(42)**	(12)	(279)
	Income tax expense reported in other comprehensive income		**(69)**	(23)	(433)

		2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
28.	**TAXATION** *(continued)*			
28.3	**Deferred income tax comprises:**			
	Arising on deferred tax assets (note 8)			
	Provision for impairment of receivables	**99**	(38)	(69)
	Other payables	**(6)**	(3)	(54)
	Leave pay accrual	**(1)**	(4)	(34)
	Operating lease adjustment	**1**	(1)	6
	Unearned finance income			(4)
	Interest rate swaps	**(43)**	(6)	
	Assessed loss	**(459)**	(267)	(851)
	Other	**(22)**	(8)	
	Arising on deferred tax liabilities (note 8)			
	Appro sales	**(1)**	(6)	20
	Property, fixtures, equipment and vehicles	**(150)**	(72)	1
	Intangible assets	**(117)**	(126)	(212)
	Prepayments	**2**	(2)	2
	Unearned finance income	**1**	38	
	Interest rate swaps		(2)	
	Revaluation reserve		(3)	
	Deferred STC raised		(10)	1
	Other		8	1
		(696)	(502)	(1 193)
	Prior year adjustment	**3**	(13)	
	Net deferred tax expense	**(693)**	(515)	(1 193)
28.4	**Reconciliation of rate of taxation (%)**			
	Standard rate – South Africa	**(28)**	(28)	(28)
	Adjusted for:			
	Equity accounted earnings of joint venture	**1**	1	-
	Disallowable expenditure		(1)	(47)
	Secondary taxation on companies		1	-
	Prior year charges	**-**	1	5
	Withholding tax	**2**	-	-
	Capital profits and assessed loss utilised	**-**	-	43
	Effective tax rate	**(25)**	(26)	(27)

28. TAXATION *(continued)*

28.5 Section 24I application

In terms of section 24I of the Income Tax Act, the ruling exchange rate to be used in determining the foreign exchange gains/losses on currency swaps, foreign currency forward contracts and forward exchange contracts (forward exchange contracts) on translation, is the market related forward rate for the remaining period of the forward exchange contract or such alternative rate used for accounting purposes in terms of IFRS, as prescribed by the Commissioner ("alternative rate").

The Group approached the South African Revenue Service ("SARS") during the 2008 financial year, requesting approval from the Commissioner to use such an alternative rate to determine foreign exchange gains/losses on its open forward exchange contracts. During the 2008 financial year, the movement in foreign exchange rates created large unrealised fair value gains on the revaluation of the forward exchange contracts. The impact is a timing difference over the life of the forward exchange contracts.

The Group is currently in the process of responding to further information requested by SARS, after various interactions and communication with SARS in which SARS initially denied the use of the alternative rate. Appropriate procedure is followed in attending to the queries and the matter will be escalated by SARS to their head office for further consideration.

Should the Group's request for the use of the alternative rate be denied, the impact on the Group Financial Statements in the current period would be an increase in the taxation liability and an increase of the deferred taxation asset.

		2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
29.	**CASH FLOW**			
29.1	**Other non-cash items**			
	Net (gain)/loss on disposal of properties, fixtures, equipment and vehicles (note 24.6)	**(8)**	23	18
	Equity accounted investment in joint ventures	**(6)**	1	10
	Vat expense		2	130
	Operating lease adjustment	**(2)**	4	(23)
	Other non-cash items		8	4
	Employee benefit liability	**16**	2	(8)
		-	40	131
29.2	**Working capital movement**			
	(Increase)/decrease in inventories	**(224)**	138	(397)
	(Increase)/decrease in trade accounts receivable	**(159)**	731	(988)
	Increase in other receivables	**(58)**	(36)	(11)
	Increase/(decrease) in trade and other payables	**372**	119	(157)
		(69)	952	(1 553)
29.3	**Taxation paid**			
	Taxation liability at the beginning of the period	**(236)**	(470)	(138)
	Current taxation recognised in profit or loss (note 28.1)	**(132)**	(145)	(721)
	Current taxation recognised in other comprehensive income (note 28.2)	**27**	11	154
	Taxation liability at the end of the period	**244**	236	470
		(97)	(368)	(235)
29.4	**Investment to maintain operations**			
	Replacement of properties, fixtures, equipment and vehicles	**(449)**	(384)	(420)
	Proceeds on disposal of properties, fixtures, equipment and vehicles	**100**	120	1
		(349)	(264)	(419)
29.5	**Investment to expand operations**			
	Additions to leased premises	**(7)**	(21)	(65)
	Additions to properties, fixtures, equipment and vehicles	**(18)**	(68)	(84)
		(25)	(89)	(149)

		2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
29.	**CASH FLOW** *(continued)*			
29.6	**Increase/(decrease) long-term debt**			
	Subordinated loan repaid			(25)
	Senior secured fixed rate notes	**4 781**		
	Super senior secured term loan	**985**		
	Fees paid for senior secured fixed rate notes	**(165)**		
		5 601		(25)
29.7	**Buy-back of senior floating rate notes**			
	Senior floating rate notes repurchased (note 17.2)			(3 137)
	Fees paid on buy-back of senior floating rate notes			(42)
	Gain before fees paid and accrued on buy-back of senior floating rate notes			1 411
				(1 768)
29.8	**Proceeds from receivables-backed notes issued**			
	Receivables-backed notes issued (note 17 and 18)	**1 400**	4 300	
	Repurchase of receivables-backed notes	**(1 400)**		
		-	4 300	
29.9	**(Decrease)/increase in short-term debt**			
	Net (decrease)/increase in short-term debt	**(350)**	(4 950)	793
		(350)	(4 950)	793
29.10	**Increase/(decrease) in cash and cash equivalents**			
	Cash on hand	**299**	838	(149)
	Cash on deposit	**891**	(92)	36
	Currency adjustments	**11**	28	-
		1 201	774	(113)

		2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
30.	**MATURITY ANALYSIS FOR NOTES ISSUED, SHAREHOLDER'S LOAN, SHORT-TERM INTEREST-BEARING DEBT AND TRADE AND OTHER PAYABLES**			
	Trade and other payables (note 19)	**3 878**	3 513	3 331
	Short-term interest bearing debt (note 18)		795	5 300
	Total due within one year	**3 878**	4 308	8 631
	After one year but within two years	**2 150**		
	After two years but within three years	**2 380**	3 105	
	After three years but within four years	**11 755**	427	
	After four years but within five years	**3 854**	11 719	
	After 5 years	**12 879**	10 964	26 092
	Total due after one year	**33 018**	26 215	26 092
	Total debt	**36 896**	30 523	34 723

Refer to note 7.7 for maturity details relating to derivatives.

31. MANAGEMENT OF CAPITAL

The Group considers share capital including ordinary and preference shares, share premium, the shareholder's loan, reserves and long-term interest-bearing debt as capital.

The shareholder's loan is considered to be capital as the amount is repayable in May 2037 and all interest is capitalised. The "A" and "B" preference shares are cumulative and redeemable at the option of the issuer and are therefore regarded as capital. The long-term interest bearing debt primarily consists of:

- Senior secured floating rate notes, maturing June 2014;
- Senior floating rate notes, maturing June 2015;
- Senior secured fixed rate notes, maturing March 2018;
- Super senior secured term loan, maturing March 2014; and
- OtC II receivables-backed notes, which mature between July 2012 and April 2017.

The senior secured floating rate notes and the senior floating rate notes were issued to finance the purchase of Edgars Consolidated Stores Limited and as such are regarded as permanent capital. The senior secured fixed rate notes and the super senior secured term loan were issued during the period to finance the settlement of the negative mark-to-market positions on the foreign currency swap contracts, which hedged the foreign currency exposure on the principal of the senior secured and the senior floating rate notes.

The objectives in managing this capital are to:

- Ensure appropriate access to equity debt markets.
- Ensure sufficient resilience against economic turmoil.
- Safeguard the Group's ability to continue as a going concern, be flexible and take advantage of opportunities that are expected to provide an adequate return to shareholders.
- Optimise weighted average cost of capital, given inherent constraints.

The Group manages its capital and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the current period.

The notes, super senior secured term loan and banking facilities contain substantially the same covenants and events of default. These are set out in the Offering Memorandum for the floating rate notes dated 8 June 2007, the OtC II Programme Memorandum dated 3 August 2009 and the Offering Memorandum for the senior secured fixed rate notes dated 22 February 2011. During the period there have been no defaults.

The Group takes cognisance of select rating agency ratios that evaluate the ability of the capital to absorb losses and the flexibility that a combination of capital instruments provide. The value placed on the corporate rating is important as the Group has issued notes on the Irish Stock Exchange and to facilitate the funding of OtC II where certain notes are issued on the Bond Exchange of South Africa.

32. FINANCIAL RISK MANAGEMENT

32.1 Treasury risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to moderate certain risk exposures.

A treasury workgroup consisting of senior executives meets on a regular basis to update treasury policies and objectives, analyse currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts. Compliance with Group Treasury policies and objectives of the Board and exposure limits is reviewed at meetings of the Risk Management Workgroup.

32. FINANCIAL RISK MANAGEMENT *(continued)*

32.2 Hedging Strategy

The foreign denominated floating and fixed rate notes expose the Group to both interest rate risk and/or foreign exchange risk. The Group has executed the following hedging strategy:

Euro Denominated Senior Secured Floating Rate Notes due 2014

From June 2007 to February 2011

- A series of interest rate swaps were entered at a swap rate of pay of 4.529% fixed, receive three months EURIBOR, quarterly. Settlement dates match the quarterly payment dates for coupons on the notes up to 15 June 2011. The transaction hedges the interest rate risk on the cash flows occurring during the first four years of the senior secured floating rate notes (refer to note 17) and was designated as a cash flow hedge.

- A series of foreign currency forward contracts were entered to buy EUR and sell ZAR corresponding to the EUR scheduled payments on the fixed leg of the interest rate swap above at each payment date up to 15 June 2011. Settlement dates match the payment dates of the interest rate swap. These foreign currency forward contracts therefore economically hedge the EUR/ZAR currency risk on the combined cash flows of the interest rate swap and the first four years of anticipated interest payments on the senior secured floating rate notes and were designated as a cash flow hedge.

- A foreign currency swap was entered to economically hedge the repayment of the €1,180 million principal on the senior secured floating rate notes and matures on 15 June 2012. This swap was early-settled, and its mark-to-market position extinguished, on 2 March 2011.

February 2011 onwards

- On 22 February 2011 a series of cross currency swaps were entered which, (i) protect against interest rate variability in future interest cash flows on liabilities, (ii) protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedges the repayment of €952 million in principal on the notes to 15 March 2014 and €178 million to 15 June 2014. The hedges create an effective annual average fixed interest rate of 13.98% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

Euro Denominated Senior Floating Rate Notes due 2015

From June 2007 to February 2011

- A series of interest rate swaps were entered at a swap rate of pay of 4.529% fixed, receive three months EURIBOR, quarterly. Settlement dates match the quarterly payment dates for coupons on the notes up to 15 June 2011. The transaction hedges the interest rate risk on the cash flows occurring during the first four years of the senior floating rate notes (refer to note 17) and was designated as a cash flow hedge.

- A series of foreign currency forward contracts were entered to buy EUR and sell ZAR corresponding to the EUR scheduled payments on the fixed leg of the interest rate swap above at each payment date. Settlement dates match the payment dates of the interest rate swap. These foreign currency forward contracts economically hedge the EUR/ZAR currency risk on the combined cash flows of the interest rate swap and the first four years of anticipated interest payments on the senior floating rate notes and were designated as a cash flow hedge.

32. FINANCIAL RISK MANAGEMENT *(continued)*

32.2 Hedging Strategy *(continued)*

Euro Denominated Senior Floating Rate Notes due 2015 *(continued)*

From June 2007 to February 2011 (continued)

- A foreign currency swap was entered to economically hedge the repayment of the €378 million principal on the senior floating rate notes and matures on 15 June 2012. This swap was early-settled, and its mark-to-market position extinguished, on 2 March 2011.

From February 2011 onwards

- Based on a notional value of €303 million, a series of interest rate swaps were entered at a swap rate of pay of 2.3437% fixed, receive three months EURIBOR, quarterly. Settlement dates match the quarterly payment dates for coupons on the notes up to 15 March 2014. The transaction hedges the interest rate risk on the cash flows occurring during the next three years of the senior floating rate notes (refer to note 17) and have been designated as a cash flow hedge.

- Based on a notional value of €303 million, a series of foreign currency forward contracts were entered to buy EUR and sell ZAR corresponding to the EUR scheduled payments on the fixed leg of the interest rate swap above at each payment date up to 15 March 2014. Settlement dates match the payment dates of the interest rate swap. These foreign currency forward contracts therefore economically hedge the EUR/ZAR currency risk on the combined cash flows of the interest rate swap and the next three years of anticipated interest payments on the senior floating rate notes and have been designated as a cash flow hedge.

- A cross currency swap was entered which, (i) protects against interest rate variability in future interest cash flows on liabilities, (ii) protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedges the repayment of €75 million in principal on the notes to 15 March 2014. The hedges create an effective annual average fixed interest rate of 17.29% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

Euro Denominated Senior Secured Fixed Rate Notes due 2018

From February 2011 onwards

- A series of cross currency swaps were entered which protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is €317 million and provides cover on the coupon of the notes up to 15 March 2014. The hedges create an effective annual average fixed interest rate of 10.86% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

US Dollar Denominated Senior Secured Fixed Rate Notes due 2018

From February 2011 onwards

- A series of cross currency swaps were entered which protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is $190 million and provides cover on the coupon of the notes up to 15 March 2014. The hedges create an effective annual average fixed interest rate of 10.99% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

32. FINANCIAL RISK MANAGEMENT *(continued)*

32.2 Hedging Strategy *(continued)*

- A series of foreign currency forward contracts were entered, with a notional value of $60 million, to buy USD and sell ZAR corresponding to the USD scheduled fixed rate interest payments on the senior secured 9.5% fixed rate notes at each payment date. These foreign currency forward contracts have been designated as a cash flow hedge.

32.3 Sensitivity analysis of derivatives

The Group recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might impact the value of its derivatives and also the amounts recorded in its other comprehensive income and its profit or loss for the period. Therefore the Group has assessed:
(a) what would be reasonably possible changes in the risk variables at the reporting date and
(b) the effects on profit or loss and other comprehensive income if such changes in the risk variables were to occur.

The sensitivity analysis takes into account the incremental change in value arising from a parallel fall or rise in the yield curve and the exchange rate.

The following table assumes all designated hedges will change in fair value through other comprehensive income, and considers sensitivities to forward interest rate curves, of +/- 50 and +/-100 basis points respectively. If these sensitivities were to occur, the impact on the profit or loss, and other comprehensive income for each category of financial instrument held at the reporting date is shown below:

32. FINANCIAL RISK MANAGEMENT *(continued)*

32.3 Sensitivity analysis of derivatives *(continued)*

	Index	Sensitivity	Derivative asset / (liability) Rm	Other comprehensive income Rm	Profit or loss effect Rm
Interest rate swaps	EURIBOR	-100bps	(76)	76	
	EURIBOR	-50bps	(38)	38	
	EURIBOR	+50bps	37	(37)	
	EURIBOR	+100bps	73	(73)	
Cross currency swaps	EURIBOR	-100bps	(312)	312	
	EURIBOR	-50bps	(154)	154	
	EURIBOR	+50bps	151	(151)	
	EURIBOR	+100bps	300	(300)	
Cross currency swaps	EUR-ZAR	-10%	(1 330)	1 330	
	EUR-ZAR	-5%	(665)	665	
	EUR-ZAR	5%	665	(665)	
	EUR-ZAR	10%	1 330	(1 330)	
Cross currency swaps	USD-ZAR	-10%	(36)	36	
	USD-ZAR	-5%	(18)	18	
	USD-ZAR	5%	18	(18)	
	USD-ZAR	10%	36	(36)	
Foreign currency forward contracts	EUR-ZAR	-10%	(86)	9	77
	EUR-ZAR	-5%	(43)	4	39
	EUR-ZAR	5%	43	(4)	(39)
	EUR-ZAR	10%	87	(9)	(77)
Foreign currency forward contracts	USD-ZAR	-10%	(10)	10	
	USD-ZAR	-5%	(5)	5	
	USD-ZAR	5%	5	(5)	
	USD-ZAR	10%	10	(10)	

32.4 Foreign currency management

Material forward exchange contracts at 2 April 2011 are summarised below. Currency options are only purchased as a cost-effective alternative to forward exchange contracts. Currently no currency options are in place.

	Foreign currency m	Derivative fair value Rm	Contract equivalent Rm	Average rate %
Foreign currency exposure against Rand hedged import forward orders				
2011 US dollar	**46**	**12**	**328**	**7,12**
2010 US dollar	40	(11)	303	7,66
2009 US dollar	26	(8)	260	10,12
Foreign currency exposure against Rand hedged notes				
2011 Euro	**1 882**	**(1 088)**[1]	**18 655**	**9,92**
2011 US dollar	**81**	**(55)**	**603**	**7,46**
2010 Euro	1 723	(3 332)	23 762	13,79
2009 Euro	1 854	2 022	25 370	13,68

[1] *Included in the fair value are cross currency swaps of R778 million, hedging the senior secured floating rate notes and R67 million, hedging the senior floating rate notes, which also hedges the interest rate risk on the floating rate notes.*

32. FINANCIAL RISK MANAGEMENT *(continued)*

32.4 Foreign currency management *(continued)*

The Group, in terms of approved policy limits, manages short-term foreign currency exposures relating to trade imports and exports. Net uncovered Rand transaction exposures to the US dollar at 2 April 2011 amounted to Rnil million (2010 and 2009: R2 million and R27 million). The Group policy is to restrict the net aggregate cover to between 80% and 125% of total foreign order exposure.

At 2 April 2011, in respect of future import commitments, if the South African Rand had weakened 5% against the US dollar, with all other variables held constant, attributable earnings for the period would have increased by R15 million from revaluation of forward exchange contracts (2010 and 2009: R16 million and R14 million). Conversely at 2 April 2011, in respect of future import commitments, if the South African Rand had strengthened by 5% against the US dollar, with all other variables held constant, profit or loss for the period would have decreased by R15 million from revaluation of forward exchange contracts (2010 and 2009: R16 million and R14 million). Changes in the Rand/US dollar exchange rates of foreign currency creditors are largely offset by fair value changes on the forward exchange contracts.

The principal on the floating rate notes up to a nominal of EUR1 205 million, have been cash flow hedged through a cross currency swap (refer to note 7). The interest cash flows payable quarterly on notes maturing 2014 and 2015, and semi-annually for notes maturing in 2018, have been comprehensively hedged to 15 March 2014, and proportionally hedged to 15 June 2014 (Refer to note 7 and 32.2).

Gains and losses on translation of the floating and fixed rate notes will be offset by foreign exchange gains and losses on the cross currency swaps to the extent hedges are in place. At 2 April 2011, in respect of the notes exposures, if the South African Rand had weakened 5% against the Euro and US dollar, with all other variables held constant, attributable earnings for the period would have decreased by R977 million (2010 and 2009: R765 million and R996 million respectively). Conversely, at 2 April 2011, in respect of the notes exposures, if the South African Rand had strengthened 5% against other currencies, with all other variables held constant, attributable earnings for the period would have increased by R977 million (2010 and 2009: R765 million and R996 million respectively).

32.5 Interest rate management

As part of the process of managing the Group's fixed and floating rate interest bearing debt and cash and cash equivalents mix, the interest rate characteristics of new and the refinancing of existing loans are positioned according to expected movements in interest rates. The maximum interest rate exposure and the repricing profile at 2 April 2011 is summarised as follows:

	Fixed Rate		Floating Rate	
	Short-term Rm	Long-term Rm	Short-term Rm	Long-term Rm
2011				
Interest-bearing debt		**4 781**		**19 165**
Rate %		**Refer to note 17**		**Refer to note 17**
2010				
Interest-bearing debt	170		625	18 875
Rate %	9.1%		Refer to note 18	Refer to note 17
2009				
Interest-bearing debt			5 300	19 600
Rate %			Refer to note 18	Refer to note 17

At 2 April 2011, if all interest rates on local borrowings had been 100 basis points lower, with all other variables held constant, attributable earnings would have been R45 million (2010 and 2009: R62 million and R52 million) higher. Conversely, at 2 April 2011, if all interest rates on local borrowings had been 100 basis points higher with all other variables held constant, attributable earnings would have been R45 million (2009 and 2008: R62 million and R52 million) lower.

32. FINANCIAL RISK MANAGEMENT *(continued)*

32.5 Interest rate management *(continued)*

As at 2 April 2011 the cash held on deposit and investments is as follows:

	Total Rm	Floating rate Rm
2011		
Cash on deposit and investments by currency		
US dollar	**16**	**16**
Euro	**515**	**515**
Botswana Pula	**46**	**46**
South African Rand	**1 738**	**1 738**
2010		
Cash on deposit and investments by currency		
US dollar	36	36
Sterling	5	5
Botswana Pula	14	14
South African Rand	1 070	1 070
2009		
Cash on deposit and investments by currency		
US dollar	108	108
Sterling	3	3
Botswana Pula	21	21
South African Rand	247	247

The following interest rate swaps and cross currency swaps are in place to hedge against interest payment exposures:

Interest rate hedges	Notional amount Rm			Fixed interest % payable			Fair value of the interest rate hedges Rm		
	2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Pay fixed / receive floating interest rate hedges > 1 year-Senior secured floating rate notes	**11 259**	11 259	11 259	**13.98**[1]	7.78	7.78	**854**[2]	438	725
Pay fixed / receive floating interest rate hedges > 1 year-Senior floating rate notes	**3 606**	3 606	3 606	**17.29**[1]	10.03	10.03	**73**[2]	140	232
Pay fixed / receive fixed interest rate hedges > 1 year-Senior secured fixed rate notes (Euro tranche)	**3 044**			**10.86**			**58**		
Pay fixed / receive fixed interest rate hedges > 1 year-Senior secured fixed rate notes (USD tranche)	**1 320**			**10.99**			**38**		

Refer to note 32.2 for details of hedging strategy.

[1] *Effective rate from 16 June 2011. There is still one payment due in June 2011 with an effective rate of 10.03% on the 2015 Senior floating rate notes and 7.78% on the 2014 Senior secured floating rate notes.*

[2] *Included in the fair value are cross currency swaps of R778 million, hedging the Senior secured floating rate notes and R67 million, hedging the Senior floating rate notes, which also hedges the foreign currency risk on the principle on the floating rate notes (refer to note 32.4).*

32. FINANCIAL RISK MANAGEMENT *(continued)*

32.6 Credit risk management

Maximum exposure to credit risk is represented by the carrying amounts of derivative assets, trade accounts receivable and short-term cash investments in the Group statement of financial position. The Group only deposits short-term cash surpluses with financial institutions of high-quality credit standing. Credit limits per financial institution are established at the treasury meeting and are approved at the Audit and Risk Workgroup. Trade accounts receivable comprise a large, widespread customer base and risk exists on delinquent accounts and possible defaults by customers. The Group performs ongoing credit evaluations of the financial condition of customers. The granting of credit is controlled by application and behavioural scoring models, and the assumptions therein are reviewed and updated on an ongoing basis. At 2 April 2011, the Group did not consider there to be any concentration of credit risk.

At 2 April 2011, if all interest rates on interest-bearing trade receivables and short-term cash investments at that date had been 100 basis points lower, with all other variables held constant, attributable earnings would have been R101 million (2010 and 2009: R103 million and R85 million) lower. Conversely, at 2 April 2011, if all interest rates at that date had been 100 basis points higher, with all other variables held constant, the attributable earnings would have been R101 million (2010 and 2009: R103 million and R85 million) higher. This sensitivity is due to the high value of trade receivables attracting the Usury rate interest income.

The derivatives are held with four counterparties of high credit worthiness. The credit worthiness is assessed on a regular basis. At period end all counterparties were classified as investment grade.

32. FINANCIAL RISK MANAGEMENT *(continued)*

32.7 Liquidity risk

	2011 Rm	2010 Rm	2009 Rm
The Group has minimised risk of working capital illiquidity as shown by its substantial banking facilities and reserve borrowing capacity.			
Total banking and loan facilities	**7 605**	7 988	10 200
Actual borrowings (notes 17 and 18)	**(4 300)**	(4 650)	(5 300)
Unutilised borrowing facilities	**3 305**	3 338	4 900
Total banking and loan facilities of the Group including OtC I and OtC II comprise:			
Revolving credit facility – Tranche A	**650**[1]		
Revolving credit facility – Tranche B1	**250**	3 500[3]	3 500[3]
Revolving credit facility – Tranche B2	**2 217**[2]		
Borrowing base facility			3 900
OtC I receivable backed facility			2 600
OtC II receivables-backed notes	**4 300**	4 300	
Receivable purchase facility	**43**	43	
OtC I liquidity facility			200
OtC II liquidity facility	**145**	145	
	7 605	7 988	10 200

[1]Includes R350 million ancillary facilities.
[2]Includes R1 750 million ancillary facilities.
[3]Includes R2 250 million ancillary facilities.

The maturity dates of the facilities are:

	2011	2010	2009
• Revolving credit facility - Tranche A	June 2012	June 2012	June 2012
- Tranche B1	December 2013		
- Tranche B2	March 2014		
• Revolving credit ancillary facilities	Reviewed annually	Reviewed annually	Reviewed annually
• Borrowing base facility			June 2010
• OtC I receivable backed facility			June 2010
• OtC II receivables-backed notes (note 17.4)	July 2012 to April 2017	July 2010 to April 2014	
• Receivable purchase facility	April 2017	April 2014	
• OtC I liquidity facility			June 2010
• OtC II liquidity facility	April 2017	April 2014	

32. FINANCIAL RISK MANAGEMENT *(continued)*

32.8 Fair value of financial instruments

The Group uses a three-level hierarchy to prioritise the inputs used in measuring fair value. The levels within the hierarchy are described below with level 1 having the highest priority and level 3 having the lowest. Fair value is principally applied to financial assets and financial liabilities. These are measured at fair value on a recurring basis as of 2 April 2011, aggregated by the level in the fair value hierarchy within which these measurements fall.

The following table presents the Group's assets and liabilities that are measured at fair value at 2 April 2011:

		Fair value measurement using		
	Total Rm	Level 1 (a) Rm	Level 2 (b) Rm	Level 3 (c) Rm
2 April 2011				
Financial assets				
Interest rate swaps	**30**		**30**	
Total financial assets	**30**		**30**	
Financial liabilities				
Interest rate swaps	**111**		**111**	
Foreign currency forward contracts	**201**		**201**	
Cross currency swaps	**942**		**942**	
Total financial liabilities	**1 254**		**1 254**	
3 April 2010				
Financial liabilities				
Interest rate swaps	578		578	
Foreign currency forward contracts	406		406	
Foreign currency swaps	2 926		2 926	
Total financial liabilities	3 910		3 910	
28 March 2009				
Financial assets				
Foreign currency forward contracts	420		420	
Foreign currency swaps	2 161		2 161	
Total financial assets	2 581		2 581	
Financial liabilities				
Interest rate swaps	957		957	
Foreign currency forward contracts	128		128	
Foreign currency swaps	431		431	
Total financial liabilities	1 516		1 516	

a) Level 1 – Based on quoted market prices in active markets.

b) Level 2 – Based on observable inputs other than Level 1 prices, such as quoted prices for similar financial assets or financial liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial assets or financial liabilities.

c) Level 3 – Based on observable inputs that are supported by little or no market activity and are financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgement or estimation.

32. FINANCIAL RISK MANAGEMENT *(continued)*

32.8 Fair value of financial instruments *(continued)*

All financial instruments have been recognised in the statement of financial position and there is no material difference between their fair values and carrying values, except for the Notes.

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

Liquid resources, trade accounts receivable, investments and loans: the carrying amounts reported in the statement of financial position approximate fair values.

Short-term interest-bearing debt: the fair values of the Group's loans are estimated using discounted cash flow analyses applying the RSA yield curve. The carrying amount of short-term borrowings approximates their fair value.

Notes issued: the notes issued are fair valued based on the exchange rate ruling at the reporting date. The market values are disclosed in note 7.7.

Forward instruments: forward exchange contracts are entered into to cover import orders, and fair values are determined using foreign exchange market rates at 2 April 2011. Forward exchange agreements and swaps are entered into to hedge interest rate exposure of interest bearing debt and fair values are determined using market related rates at 2 April 2011.

33. RELATED-PARTY TRANSACTIONS

The Group Financial Statements include the financial statements of Edcon Holdings (Proprietary) Limited and subsidiaries and joint ventures (refer to Annexure 1 on page 123 for a list of significant subsidiaries). Related party relationships exist within the Group. During the period all purchasing and selling transactions were concluded at arm's length. Edcon Holdings (Proprietary) Limited is the ultimate South African parent entity and the ultimate parent of the Group is Edcon (BC) S.A.R.L.("Bain Capital"). The following table provides the total amount of transactions, which have been entered into with related parties:

	2011	
	Paid to related parties Rm	**Amounts owed to related parties Rm**
Loan including interest to shareholder		**8 184**
Fee paid to Bain Capital affiliate	**39**	

	2010	
	Paid to related parties Rm	**Amounts owed to related parties Rm**
Loan including interest to shareholder		7 341
Fee paid to Bain Capital affiliate	38	
Preference dividend paid to shareholders	5	

	2009	
	Fee paid to related parties Rm	**Amounts owed to related parties Rm**
Loan including interest to shareholder		6 492
Fee paid to Bain Capital affiliate	43	

Transactions with joint ventures are detailed in note 6.

33. RELATED-PARTY TRANSACTIONS *(continued)*

33.1 Compensation relating to key management personnel

	52 weeks to 2 April 2011	53 weeks to 3 April 2010	52 weeks 28 March 2009
	Total including directors Rm	Total including directors Rm	Total including directors Rm
Remuneration	**33**	30	27
Retirement, medical, accident and death benefits	**4**	4	4
Loyalty bonus	**6**	8	8
Other benefits		-	1
	43	42	38
Comprising:			
Short-term employee benefits	**39**	38	34
Options exercised			
Post-employment benefits	**4**	4	4

Key management personnel includes directors (refer to note 26.2) and members of the Chief Executive's Forum.

34. Events after the reporting period

Refinancing of Super Senior Secured Term Loan

On 4 April 2011, Edcon (Proprietary) Limited, a subsidiary of Edcon Holdings (Proprietary) Limited, launched its R2.5 billion Domestic Medium Term Note Programme with the issuance of R1.010 billion in super senior secured notes on the Johannesburg Securities Exchange.

The notes were issued at an interest rate of 6.25% over the three-month Johannesburg Interbank Agreed Rate and have a final maturity date of 4 April 2016. The proceeds were used to fully repay the R985 million Super Senior Secured Term loan, that was due 31 March 2014.

Part-repurchase of Senior Secured Floating Rate Notes

During May 2011, the Group completed a repurchase of a portion of the senior secured floating rate notes with a nominal value of €39 million for €35 million being 90% of the face value. The repurchase was funded from the proceeds raised through the issuance in March 2011 of the senior secured fixed rate notes.

No other events material to the understanding of this report have occurred between the financial period end and the date of this report.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
35. CONSOLIDATION OF ONTHECARDS INVESTMENTS LIMITED (OtC I) AND ONTHECARDS INVESTMENTS II (PROPRIETARY) LIMITED (OtC II)			
Included in the Group Statement of Financial Position by line are the following balances relating to the consolidation of OtC I and OtC II:			
ASSETS			
Non-current assets			
Intangible assets	**79**	79	79
Held-to-maturity investments	**(78)[1]**	(78)[1]	
Loan-Edcon (Proprietary) Limited	**(2 062)**	(2 062)	(1 450)
Deferred tax	**117**	133	
Total non-current assets	**(1 944)**	(1 928)	(1 371)
Current assets			
Trade, other receivables and prepayments	**5 646**	5 468	3 889
Cash and cash equivalents	**639**	684	-
Total current assets	**6 285**	6 152	3 889
Total assets	**4 341**	4 224	2 518
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Retained loss	**(92)**	(140)	(52)
Total equity	**(92)**	(140)	(52)
Non-current liabilities – third parties			
Interest-bearing debt	**4 300**	3 855	
Deferred tax			(89)
Total non-current liabilities	**4 300**	3 855	(89)
Current liabilities			
Interest-bearing debt		445	2 659
Current taxation	**-**	-	(2)
Trade and other payables	**133**	64	2
Total current liabilities	**133**	509	2 659
Total equity and liabilities	**4 341**	4 224	2 518
Total managed capital per IAS 1	**4 208**	4 120	2 607

[1]In November 2009, OtC II issued R78 million of three-year receivables-backed notes to Edcon (Proprietary) Limited. These notes mature on 31 October 2012 and accrue interest at applicable JIBAR plus a margin of 4.5% payable quarterly in arrears. Refer to note 17.4.

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm

35. CONSOLIDATION OF ONTHECARDS INVESTMENTS LIMITED (OtC I) AND ONTHECARDS INVESTMENTS II (PROPRIETARY) LIMITED (OtC II) *(continued)*

Included in the Group Statement of Comprehensive Income by line, are the following amounts relating to the consolidation of OtC I and OtC II:

	2011 Rm	2010 Rm	2009 Rm
Total revenues	**654**	603	530
Income from credit	**625**	582	517
Expenses from credit	**(191)**	(403)	(234)
Trading profit and profit before financing costs	**434**	179	283
Interest received	**29**	21	13
Profit before financing costs	**463**	200	296
Financing costs	**(398)**	(348)	(369)
Profit/(loss)profit before taxation	**65**	(148)	(73)
Taxation	**(17)**	20	18
Profit/(loss) for the period	**48**	(128)	(55)

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
35. CONSOLIDATION OF ONTHECARDS INVESTMENTS LIMITED (OtC I) AND ONTHECARDS INVESTMENTS II (PROPRIETARY) LIMITED (OtC II) *(continued)*			
Included in the Group Statement of Cash Flows by line, are the following amounts relating to the consolidation of OtC and OtC II:			
Cash retained from operating activities			
Profit/(loss) before taxation	**65**	(148)	(73)
Interest received	**(29)**	(21)	(13)
Financing costs	**398**	348	369
Non-cash items	**29**	185	
Operating cash inflow before changes in working capital	**463**	364	283
Working capital movement	**377**	493	(133)
Trade accounts receivable	**309**	505	(82)
Other receivables		(19)	(43)
Trade and other payables	**68**	7	(8)
Cash generated from operating activities	**840**	857	150
Interest received	**29**	21	5
Financing costs paid	**(398)**	(293)	(360)
Taxation paid	**-**	(22)	-
Net cash retained/(utilised)	**471**	563	(205)
Cash effects of financing activities			
Increase in held-to-maturity investments		78	25
Loan – Edcon (Proprietary) Limited		612	
Proceeds from receivables-backed notes issued	**1 400**	4 300	
Buy-back of receivables backed notes	**(1 400)**		
Purchase of trade receivables	**(516)**	(2 210)	
(Decrease)/increase in short-term interest bearing debt		(2 659)	53
Net cash (outflow)/inflow from financing activities	**(516)**	121	78
(Decrease)/increase in cash and cash equivalents	**(45)**	684	(127)
Cash and cash equivalents at the beginning of the period	**684**	-	127
Cash and cash equivalents at the end of the period	**639**	684	-

ANNEXURE 1 – INTERESTS IN SIGNIFICANT SUBSIDIARIES

	Nature of business*	Issued ordinary capital			% interest in capital			Book value-shares		
		2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009
		R	R	R	**R**	%	%	**Rm**	Rm	Rm
Celrose (Pty) Limited	M	**100**	100	100	**49**	49	49	**51**	51	51
Edcon Acquisition (Pty) Ltd	A	**1**	1	1	**100**	100	100	**1 968**	1 968	1 968
Edcon (Pty) Ltd	R	**897**	896	895	**100**	100	100	**5 429**	3 482	3 232
National Security Corporation (Pty) Limited	G	**2 000**	2 000	2 000	**100**	100	100	**7**	7	7
R22 Properties (Pty) Limited	#		1	1		100	100		88	88
Topics (Pty) Limited	D	**235 219**	235 219	235 219	**100**	100	100	**94**	94	94
VOC Investments (Pty) Limited	D	**950 050**	950 050	950 050	**100**	100	100	**51**	51	51
Incorporated in Botswana		**P**	P	P						
Jet Supermarkets Botswana (Pty) Limited	R	**300 000**	300 000	300 000	**100**	100	100	**405**	405	405
Incorporated in Namibia		**N$**	N$	N$						
Edgars Stores (Namibia) Limited	R	**1 050 000**	1 050 000	1 050 000	**100**	100	100	**264**	264	264
Incorporated in Swaziland		**L**	L	L						
Edgars Stores Swaziland Limited	R	**1 500 000**	1 500 000	1 500 000	**100**	100	100	**136**	136	136
Incorporated in Guernsey		**£**	£	£						
Bellfield Limited	G	**41**	41	41	**100**	100	100	**-**	70	70
Interest in subsidiaries								**8 405**	6 616	6 366

** Nature of business R: Retailing, M: Manufacturing, G: Group Services, D: Dormant, P: Property Holding, A: Acquisition company.*

 # Deregistered during 2011

Note: Celrose (Pty) Ltd is consolidated as the Group retains control.

Corporate Information

Edcon Holdings (Proprietary) Limited
Incorporated in the Republic of South Africa
Registration number 2006/036903/07

Non-executive directors
DM Poler* (Chairman), EB Berk*, M Levin*, ZB Ebrahim, MMV Valentiny**

Executive directors
J Schreiber *** (Managing Director and Chief Executive Officer effective 1 April 2011), SM Ross* (Managing Director and Chief Executive Officer until 31 March 2011, Executive Director effective 1 April 2011), U Ferndale

*USA ** BELGIUM ***GERMAN

J Schreiber assumed his duties with the commencement of the 2012 financial period.

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CM Vikisi

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