26 August 2010

This notice is important and requires your immediate attention.

EDCON HOLDINGS (PROPRIETARY) LIMITED (“EDCON”)

SUMMARY OF GROUP TRADING RESULTS FOR THE THREE-MONTH PERIOD ENDED 3 JULY 2010

SUMMARY OF FINANCIAL AND OTHER DATA

The following unaudited historical financial data in the Group Financial Statements attached hereto, relates to the three-month period ended 27 June 2009 and the three-month period ended 3 July 2010. In the summary financial statements attached, certain unaudited financial information for the 13-week period ended 4 July 2009 has also been to disclosed to enable comparability with the 13-week period ended 3 July 2010. Unless the context requires otherwise, references in this notice to (i) "first quarter 2010" and "first quarter 2011" shall mean the 13-week period ended 4 July 2009 and the 13-week period ended 3 July 2010, respectively, and (ii) "fiscal 2010" and "fiscal 2011" shall mean the 52-week period ended 3 April 2010 and the 52-week period ending 2 April 2011, respectively.

We present below certain financial data to show the effect of certain aspects of the Transactions, as defined in the offering memorandum in relation to the €1,180 million senior secured floating rate notes due 2014 and the €630 million senior floating rate notes due 2015 (together the "Floating Rate Notes") dated 14 June 2007 (the "Offering Memorandum").

Overview

Edcon delivered a significant improvement in performance in the first quarter of fiscal 2011, further accelerating the positive momentum of the second half of fiscal 2010.

During fiscal 2010, as GDP growth stalled in South Africa, management took aggressive steps to reduce risk, improve cash flow and position Edcon for future growth. Growth of the debtors book was restricted for higher risk customers and certain lower margin product categories. Expenses were rigorously controlled, seasonal inventory was cleared aggressively and product assortments were refocused in line with expected trends.

In the first quarter fiscal 2011, the South African macroeconomic environment has improved, although some short-term challenges such as job losses and high consumer debt levels remain.

Against this background, the improvements in operating performance Edcon achieved in the second half of fiscal 2010 have continued into the first quarter fiscal 2011. Same store sales growth has recovered further, margins have improved and cash flow generation was robust. Additionally, the ongoing success of the receivables financing programme has further boosted liquidity.

Key operating highlights:

- Adjusted EBITDA up 10.8% to R808 million for the quarter ended 3 July 2010
- Retail sales increased by 2.2% to R5,418 million despite tightening of credit granting
- Gross profit margin improved from 36.0% to 38.3%
- Strong cash generation with operating cash inflow increasing by 11.5%

	First Quarter (in millions) (unaudited)		
	2010[1] 13 weeks to 27 June	2010[1,2] 13 weeks to 4 July	**2011[1] 13 weeks to 3 July**
Comprehensive income data			
Revenues	R 5 948	R 5 949	R **5 943**
Retail sales	5 302	5 303	**5 418**
Cost of sales	(3 384)	(3 393)	**(3 345)**
Gross profit	1 918	1 910	**2 073**
Other income	122	122	**115**
Store costs	(958)	(958)	**(1 025)**
Other operating costs	(569)	(569)	**(635)**
Additional depreciation and amortisation[4]	(176)	(176)	**(169)**
Retail trading profit	337	329	**359**
Net income/(loss) from credit	(4)	(4)	**23**
Equity accounted earnings of joint venture	102	102	**116**
Trading profit	435	427	**498**
Net fair value movement on floating rate notes and associated derivatives	443	443	**(437)**
Profit before financing costs	878	870	**61**
Net financing costs	(725)	(719)	**(509)**
Taxation	(29)	(29)	**108**
(Loss)/profit for the period	R 124	R 122	R **(340)**

	2010[1] 13 weeks to 27 June	2010[1,2] 13 weeks to 4 July	**2011[1] 13 weeks to 3 July**
Other financial data			
Adjusted EBITDA [5]	737	729	**808**
Operating lease expense	342	342	**372**
Adjusted EBITDAR	1 079	1 071	**1 180**
Capital expenditure	109	109	**100**
Depreciation and amortisation	302	302	**309**

	First Quarter (unaudited)	
	2010[1] at 27 June	**2011[1] at 3 July**
Select operating data		
Number of stores	1 242	**1 224**
Same store sales growth (%)	(1.5)	**0.7**
Average retail space (in ‘000 sqm)	1 299	**1 325**
Number of customer credit accounts (in ‘000s)	4 308	**3 895**

	First Quarter (in millions) (unaudited)		
	2010[1] at 27 June	2010[1,2] at 4 July	**2011[1] at 3 July**
Financial position data			
Working capital	R 4 450	R 5 743	R **3 315**
Total assets	32 657	32 623	**29 397**
Total debt at unhedged rates	19 499	20 794	**15 799**
Total net debt including cash and derivatives	20 456	21 751	**19 803**
Total shareholders' funds including shareholder's loan	6 219	6 217	**5 840**

	First Quarter (in millions) (unaudited)		
	2010[1] 13 weeks to 27 June	2010[1,2] 13 weeks to 4 July	**2011[1] 13 weeks to 3 July**
Cash flow data			
Operating cash inflow before changes in working capital	R 723	R 715	R **797**
Working capital movement	341	(945)	**(998)**
Cash generated/(utilised) from operating activities	1 064	(230)	**(201)**

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

2) Comprises the unaudited financial information for the 13-week period ended 27 June 2009 in the Group Financial Statements attached hereto, net of the unaudited adjustments required to reflect performance for the 13-week period ended 4 July 2009, to be comparable with the unaudited financial information for the 13-week period ended 3 July 2010.

3) The following tables reconcile financial information which is presented in the Group Financial Statements attached hereto which consolidate OtC and OtC II, to the tables presented in the summary financial statements above. Refer to note 5 in the Group Financial Statements for the impact of consolidating OtC and OtC II.

	First Quarter (in millions) (unaudited)		
	2011		
	Including OtC and OtC II	Consolidation adjustments for OtC and OtC II	**Excluding OtC and OtC II**
Comprehensive income data			
Revenues	R 6 148	R 205	**R 5 943**
Net income from credit	136	113	**23**
Other financial data			
Adjusted EBITDA	R 921	R 113	**R 808**
Financial position data			
Total debt at unhedged rates	R 20 099	R 4 300	**R 15 799**
Total net debt including cash and derivatives	23 279	3 476	**19 803**
Cash flow data			
Operating cash inflow before changes in working capital	R 910	R 113	**R 797**
Working capital movement	(876)	122	**(998)**

	First Quarter (in millions) (unaudited)		
	2010		
	Including OtC and OtC II	Consolidation adjustments for OtC and OtC II	Excluding OtC and OtC II
Comprehensive income data			
Revenues	R 6 089	R 141	R 5 948
Net income from credit	55	59	(4)
Other financial data			
Adjusted EBITDA	R 796	R 59	R 737
Financial position data			
Total debt at unhedged rates	R 22 151	R 2 652	R 19 499
Total net debt including cash and derivatives	23 108	2 652	20 456
Cash flow data			
Operating cash inflow before changes in working capital	R 782	R 59	R 723
Working capital movement	367	26	341

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 Transactions in fiscal 2008. These figures are included in "Other operating costs" in the Group Financial Statements attached hereto.

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

	First Quarter (in millions) (unaudited)		
	2010[1] 13 weeks to 27 June	2010[1,2] 13 weeks to 4 July	**2011[1] 13 weeks to 3 July**
(Loss)/profit for the period	R 124	R 122	R **(340)**
Taxation	29	29	**(108)**
Net financing costs	725	719	**509**
Depreciation & amortisation	302	302	**309**
EBITDA	R 1 180	R 1 172	R **370**
Net fair value movement on notes and associated derivatives [(a)]	(443)	(443)	**437**
Net asset write-off [(b)]			**1**
Adjusted EBITDA	R 737	R 729	R **808**

a) Prior to the issuance of the Floating Rate Notes we executed currency and interest rate derivatives to hedge the repayment of the interest and principal on the Floating Rate Notes to 2011 and 2012 respectively. This adjustment relates to the revaluation of the Floating Rate Notes to the spot exchange rate and change in the fair value of these derivatives.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Retail Sales

Retail sales increased by R115 million or 2.2% from R5,303 million in the first quarter 2010 to R5,418 million in the first quarter 2011. This was achieved despite an estimated 3.0% impact on sales for the first quarter 2011 due to the tightening of credit sales.

Same store sales (stores open for the full period in the current year and in the prior year) were up 0.7% on the prior period. Credit sales accounted for 50% of total retail sales in the first quarter 2011, down from 53% in the first quarter 2010 due to the credit tightening. In Edgars, retail sales in the first quarter 2011 increased by 2.7% from the first quarter 2010 primarily due to positive growth from menswear and footwear. CNA's retail sales in the first quarter 2011 increased 3.1% from the first quarter 2010, driven by positive growth in cellular and stationery products. Retail sales in the discount division increased by 1.3% from the first quarter 2010 to the first quarter 2011 due mainly to positive growth in childrenswear and footwear offsetting the negative impact from food and cosmetics.

Gross profit

Gross profit increased by R163 million, or 8.5%, from R1,910 million in the first quarter 2010 to R2,073 million in the first quarter 2011. Gross profit as a percentage of retail sales was 38.3% in the first quarter 2011, up from 36.0% in the first quarter 2010. The improvement was driven by the prudent management of inventories throughout fiscal 2010 resulting in substantially reduced markdowns.

Edgars increased its gross profit as a percentage of retail sales from 39.8% in the first quarter 2010 to 42.6% in the first quarter 2011, due to reduced markdown activity in ladieswear and home products. Gross profit as a percentage of retail sales in CNA decreased from 33.1% in the first quarter 2010 to 30.6% in the first quarter 2011 primarily because of a change in product mix, with an increased contribution from lower margin cellular and digital products. In the discount division, gross profit margin increased from 31.8% in the first quarter 2010 to 34.2% in the first quarter 2011 due to product mix and the lower markdowns in ladieswear and childrenswear.

Store costs

Store costs increased by R67 million, or 7.0%, from R958 million in the first quarter 2010 to R1,025 million in the first quarter 2011 primarily as a result of (i) the addition of 2.0% to average retail space from the first quarter 2010 to the first quarter 2011, and (ii) wage, rent and utilities increases for our existing stores.

Other operating costs

Other operating costs, excluding depreciation and amortisation charges associated with the fair value adjustments from the Transactions, increased by R66 million, or 11.6%, from R569 million in the first quarter 2010 to R635 million in the first quarter 2011. This increase was primarily the result of higher fuel costs and an increase in unit volumes in the distribution centres, with small salary cost increases at a rate well below inflation across other corporate areas.

Depreciation and amortisation

Depreciation and amortisation increased by R7 million from R302 million in the first quarter 2010 to R309 million in the first quarter 2011, primarily as a result of increased depreciation of store fixtures and equipment.

Credit and financial services net profit

Credit and financial services net profit increased by R41 million from R98 million in the first quarter 2010 to R139 million in the first quarter 2011. This increase was primarily due to lower bad debts and doubtful debt provision levels as a result of initiatives during fiscal 2010 to restrict the growth of the debtors' book for higher risk customers and improved collection activity. The quality of the credit book continues to improve and consolidated annualised bad debts as a percentage of average debtors was 12.4% for the first quarter 2011, down from 12.9% for fiscal 2010. Equity accounted earnings of joint ventures after taxation increased by R14 million, or 13.7%, from R102 million in the first quarter 2010 to R116 million in the first quarter 2011. The number of active accounts decreased from 4.3 million accounts in the first quarter 2010 to 3.9 million in the first quarter 2011 due to the tightening of credit granting in fiscal 2010.

Trading profit

Trading profit increased by R71 million, or 16.6%, from R427 million in the first quarter 2010 to R498 million in the first quarter 2011 after deducting R169 million (R176 million in the prior year) additional depreciation and amortisation costs related to the Transactions.

Adjusted EBITDA increased by R79 million, or 10.8%, from R729 million in the first quarter 2010 to R808 million in the first quarter 2011.

Net financing costs

Net financing costs decreased by R210 million, from R719 million in the first quarter 2010 to R509 million in the first quarter 2011. This decrease is primarily a result of settling the receivables based facility in fiscal 2010 which was refinanced by OtC II and is excluded from the summary financial statements, coupled with lower interest rates and lower average drawings under the revolving credit facility during the first quarter 2011 following strong cash generation over the past twelve months.

Cash flow

Operating cash inflow before changes in working capital increased by R82 million, or 11.5%, from R715 million in the first quarter 2010 to R797 million in the first quarter 2011. This increase was primarily due to higher trading profit in the first quarter 2011 compared to the first quarter 2010 reinforcing Edcon's ability to convert operating profit into cash.

Working capital increased by R998 million in the first quarter 2011 compared with an increase of R945 million for the first quarter 2010. This was primarily due to (i) an increase in payable of R946 million in the first quarter 2011 compared to an increase of R947 million in the first quarter 2010, (ii) an increase in trade

receivables of R76 million in the first quarter 2011 compared to a decrease in trade receivables of R23 million in the first quarter 2010 following the increased sales in the first quarter 2011, offset by (iii) a decrease in inventory of R44 million in the first quarter 2011 compared to relatively flat inventory levels in the first quarter 2010.

Cash utilised from operating activities declined by R29 million, or 12.6%, from R230 million in the first quarter 2010 to R201 million in the first quarter 2011.

Capital expenditure was R100 million in the first quarter 2011 compared with R109 million in the first quarter 2010. During the first quarter 2011 we opened 12 new stores which, combined with store refurbishments, resulted in investments in store fixtures of R69 million. In addition, in the first quarter 2011 we invested R29 million in information technology infrastructure compared with R42 million in the first quarter 2010.

Liquidity and capital resources

At 3 July 2010 our total net debt including cash and derivatives (excluding OtC) of R19,803 million consisted of (i) the fair value of the Floating Rate Notes of R14,827 million, (ii) borrowings under the revolving credit facility of R972 million, (iii) net derivatives of R4,313 million, less (iv) cash and cash equivalents of R309 million. In addition, OtC II's net debt of R3,476 million consisted of (i) receivables-backed notes of R4,300 million, less (ii) cash and cash equivalents of R824 million.

At 3 July 2010, the total amount available under the revolving credit facility was R3,500 million, which matures in June 2012. The external notes issued by OtC II consist of R445 million notes due in July 2010 and R3,855 million notes due between July 2012 and April 2014. See below in *Events after the reporting date* for an update on the subsequent refinancing of a portion of these notes.

During the first quarter of 2011 the maximum utilisation of the revolving credit facility was R1,130 million, substantially lower than the R2,875 million during the first quarter of 2010, as a consequence of the strong focus on cash generation. We believe that operating cash flows and amounts available under the 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, in the foreseeable future.

Events after the reporting date

In August 2010, 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 Jibar +250bps 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 R445 million notes due in July 2010 and R955 million notes due in October 2012.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

In preparing our group financial statements, our management has historically been 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 financial statements. Significant estimates and judgments made relate to an allowance for doubtful debts, allowances for slow-moving inventory, residual values, useful lives and depreciation methods, classification of leases, estimating the fair value of derivatives including credit valuation adjustments to reflect non-performance risk, pension fund and employee obligations and asset impairment tests.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Edcon 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, equity accounted earnings of joint ventures, dividends, and interest and finance charges accrued to Edcon. 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

Trade and other receivables are initially recognised at fair value. Subsequent to initial measurement, receivables are recognised at amortised cost less an allowance for doubtful debts. 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. Bad debts incurred 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.

All store inventories are physically verified at least twice a year through the performance of inventory counts and shortages identified are written off immediately. Stores, which have a history of high inventory losses, are subject to more frequent inventory counts. An allowance is made, based on historical trends of inventory losses, for losses incurred between the last physical count and the reporting date.

Financial instruments

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

Financial instruments recognised on the Statement of Financial Position include derivative instruments, held-to-maturity investments, trade and other receivables, cash and cash equivalents, trade and other payables and financial liabilities.

Edcon 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. Edcon does not undertake any trading activity in derivative financial instruments.

The fair value of forward exchange contracts is 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.

We incorporate credit risk valuation adjustments to appropriately reflect both our 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, end specific risks inherent in the instrument as well as the ability of pricing information in the market. Edcon 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 current net exposure of each derivative (excluding potential future exposure) and then discounting the estimated cash flows at a rate, adjusted with each counterparty's credit spread to the applicable exposure.

The inputs utilised by Edcon for its 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 data provider.

In adjusting the fair value of derivative contracts for the effect of non-performance risk, Edcon has not considered the impact of netting and any applicable credit enhancements such as, collateral postings, thresholds, mutual puts and guarantees. Edcon additionally 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.

Goodwill

Goodwill is initially measured at cost and represents the excess of the purchase consideration over the fair value of Edcon's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impaired losses relating to goodwill are not reversed in future periods.

If on acquiring an entity, Edcon's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity exceeds the purchase consideration, this excess/(discount) is recognised in profit or loss immediately.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the acquisition. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. 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 that operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

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. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

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.

Group Financial Statements

Edcon Holdings (Proprietary) Limited

Group Condensed Statement of Financial Position (unaudited)

	2010 3 July Rm	2010 3 April Rm	2009 27 June Rm
ASSETS			
Non-current assets			
Properties, fixtures, equipment and vehicles	**2 543**	2 663	3 036
Intangible assets	**18 338**	18 442	18 894
Equity accounted investment in joint ventures	**14**	-	11
Derivative financial instruments			534
Deferred tax	**310**	153	
Total non-current assets	**21 205**	21 258	22 475
Current assets			
Inventories	**2 359**	2 402	2 551
Trade, other receivables and prepayments	**8 973**	8 983	9 685
Derivative financial instruments			28
Cash and cash equivalents	**1 133**	1 125	414
Total current assets	**12 465**	12 510	12 678
Total assets	**33 670**	33 768	35 153
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Share capital and premium	**2 148**	2 148	2 143
Other reserves	**(331)**	(408)	(505)
Retained loss	**(3 640)**	(3 329)	(2 178)
Total equity	**(1 823)**	(1 589)	(540)
Non-current liabilities – shareholder's loan			
Shareholder's loan	**7 552**	7 341	6 696
Total equity and shareholder's loan	**5 729**	5 752	6 156
Non-current liabilities – third parties			
Floating rate notes issued	**14 827**	15 020	16 978
Notes issued – securitisation	**3 855**	3 855	
Lease equalisation	**395**	386	370
Derivative financial instruments	**3 483**	3 093	1 354
Employee benefit liability	**116**	114	114
Deferred tax			252
	22 676	22 468	19 068
Total non-current liabilities	**30 228**	29 809	25 764
Current liabilities			
Interest-bearing debt	**972**	350	5 173
Notes issued – securitisation	**445**	445	
Current taxation	**278**	236	256
Derivative financial instruments	**830**	817	579
Trade and other payables	**2 740**	3 700	3 921
Total current liabilities	**5 265**	5 548	9 929
Total equity and liabilities	**33 670**	33 768	35 153
Total managed capital per IAS 1	**25 828**	25 422	28 307

Group Condensed Statement of Comprehensive Income (unaudited)

	Note	**2010 13 weeks to 3 July Rm**	2009 13 weeks to 27 June Rm
Total revenues	3	**6 148**	6 089
Revenue - retail sales		**5 418**	5 302
Cost of sales		**(3 345)**	(3 384)
Gross profit		**2 073**	1 918
Other income		**115**	122
Store costs		**(1 025)**	(958)
Other operating costs		**(804)**	(745)
Retail trading profit		**359**	337
Income from credit	4.1	**473**	559
Expenses from credit	4.2	**(337)**	(504)
Equity accounted earnings of joint venture		**116**	102
Trading profit		**611**	494
Derivative expense		**(641)**	(2 188)
Foreign exchange gain		**204**	2 631
Profit before net financing costs		**174**	937
Interest received		**27**	4
(Loss)/profit before financing costs		**201**	941
Financing costs		**(636)**	(803)
Profit/(loss) before taxation		**(435)**	138
Taxation		**124**	(25)
(LOSS)/PROFIT FOR THE PERIOD		**(311)**	113
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**3**	(21)
Cash flow hedges		**74**	(204)
Other			(2)
Other comprehensive income for the year, net of tax		**77**	(227)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(234)**	(114)
Profit attributable to:			
Owners of the parent		**(311)**	113
Total comprehensive income attributable to:			
Owners of the parent		**(234)**	(114)

Group Condensed Statements of Changes in Equity (unaudited)

	Share capital and premium Rm	Translation of foreign operations Rm	Cash flow hedges Rm	Re-valuation surplus Rm	Retained loss Rm	Total equity Rm
AT 27 JUNE 2009						
Opening balance at 29 March 2009	2 143	28	(331)	23	(2 289)	(426)
Total comprehensive income for the period		(21)	(204)		111	(114)
Balance at 27 June 2009	2 143	7	(535)	23	(2 178)	(540)
AT 3 JULY 2010						
Opening balance at 4 April 2010	2 148	(20)	(391)	3	(3 329)	(1 589)
Total comprehensive income for the period		3	74		(311)	(234)
Balance at 3 July 2010	**2 148**	**(17)**	**(317)**	**3**	**(3 640)**	**(1 823)**

Group Condensed Statement of Cash Flows (unaudited)

	2010 13 weeks to 3 July Rm	2009 13 weeks to 27 June Rm
Cash retained from operating activities		
Profit before net financing costs	**174**	937
Depreciation	**205**	199
Amortisation	**104**	103
Foreign exchange gain	**(204)**	(2 631)
Derivative expense	**641**	2 188
Other non-cash items	**(10)**	(14)
Operating cash inflow before changes in working capital	**910**	782
Working capital movement	**(876)**	367
Inventories	**44**	(9)
Trade accounts receivable	**31**	26
Other debtors	**(20)**	(27)
Accounts payable	**(931)**	377
Cash generated from operating activities	**34**	1 149
Interest received	**10**	4
Financing costs paid	**(542)**	(585)
Taxation paid	**(21)**	(275)
Net cash (utilised)/retained	**(519)**	293
Cash utilised in investment activities		
Net investment in fixtures, equipment and vehicles	**(100)**	(109)
Net cash invested	**(100)**	(109)
Cash effects of financing activities		
Increase/(decrease) in interest bearing debt	**622**	(127)
Net cash inflow/(outflow) from financing activities	**622**	(127)
Increase in cash and cash equivalents	**3**	57
Cash and cash equivalents at the beginning of the period	**1 125**	379
Currency adjustments	**5**	(22)
Cash and cash equivalents at the end of the period	**1 133**	414

Notes to the Financial Statements (unaudited)

Basis of Accounting

Edcon Holdings (Proprietary) Limited's consolidated financial statements (Financial Statements) are prepared in accordance with International Financial Reporting Standards (IFRS) and stated in Rands (R).

These Financial Statements are presented in accordance with IAS 34 *Interim Financial Reporting*. Accordingly, certain information and note disclosures normally included in the annual financial statements have been condensed or omitted.

These Financial Statements have not been audited or reviewed by an auditor. In the opinion of management, all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods have been made.

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.

These Financial Statements should be read in conjunction with the audited Financial Statements as at and for the period ended 3 April 2010 as included in the 2010 audited Group Annual Financial Statements of Edcon Holdings (Proprietary) Limited.

Events after the reporting date

In August 2010, 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 Jibar +250bps 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 R445 million notes due in July 2010 and R955 million notes due in October 2012.

Going concern

The going concern assumption has been considered after including the Shareholder's loan in the assessment. To the extent required to maintain the solvency of the Group, the Shareholder's loan agreement is subordinated to the claims of all of the creditors of the Group.

Notes to the Financial Statements (unaudited) *continued*

		2010 13 weeks to 3 July Rm	2009 13 weeks to 27 June Rm
2.	**SEGMENTAL RESULTS**		
2.1	**Revenues**		
	Edgars	**2 865**	2 782
	CNA	**405**	394
	Discount Division	**2 253**	2 240
	Manufacturing	**9**	8
	Credit and Financial Services	**589**	661
	Group Services	**27**	4
		6 148	6 089
2.2	**Retail sales**		
	Edgars	**2 809**	2 728
	CNA	**405**	394
	Discount Division	**2 204**	2 180
		5 418	5 302
2.3	**Number of stores**		
	Edgars	**265**	269
	CNA	**203**	210
	Discount Division	**756**	763
		1 224	1 242
2.4	**Segment result - operating profit**		
	Edgars	**644**	597
	CNA	**12**	22
	Discount Division	**300**	270
	Manufacturing	**(1)**	(2)
	Credit and Financial Services	**252**	157
	Group Services[1]	**(1 033)**	(107)
		174	937

[1] Included in the allocation to the Group Services segment is corporate overheads, derivative expense, foreign exchange gain and amortisation of intangible assets and additional depreciation as a result of the Transactions.

		2010	2009
3.	**REVENUES**		
	Retail sales	**5 418**	5 302
	Club fees	**105**	114
	Finance charges on trade receivables	**473**	559
	Equity accounted earnings of joint ventures	**116**	102
	Interest received	**27**	4
	Manufacturing sales to third parties	**9**	8
		6 148	6 089

	2010 13 weeks to 3 July Rm	2009 13 weeks to 27 June Rm
4. CREDIT INCOME AND EXPENSE		
4.1 Income from credit		
Finance charges on trade receivables	**473**	559
	473	559
4.2 Expenses from credit		
Net bad debt	**(231)**	(258)
Net decrease/(increase) in doubtful debt provision	**10**	(120)
Administration costs	**(116)**	(126)
	(337)	(504)
4.3 Net credit income	**136**	55

5. Consolidation of OntheCards Investments Limited and OntheCards Investments II (Proprietary) Limited

Included in the Group Condensed Statement of Comprehensive Income by line, are the following amounts:

First Quarter Statement of Comprehensive Income	2010 13 weeks to 3 July Rm	2009 13 weeks to 27 June Rm
Total revenues	**205**	141
Income from credit	**195**	139
Expenses from credit	**(82)**	(80)
Trading profit and profit before financing costs	**113**	59
Interest received	**10**	2
Profit before financing costs	**123**	61
Financing costs	**(110)**	(76)
Profit/(loss) before taxation	**13**	(15)
Taxation	**16**	4
Profit/(loss) for the period	**29**	(11)

	2010 3 July Rm	2010 3 April Rm	2009 27 June Rm
5. Consolidation of OntheCards Investments Limited and OntheCards Investments II (Proprietary) Limited *(continued)*			
Included in the Group Condensed Statement of Financial Position by line, are the following balances:			
ASSETS			
Non-current assets			
Intangible assets	**79**	79	79
Held-to-maturity investments	**(78)**	(78)	
Loan – Edcon (Proprietary) Limited	**(2 062)**	(2 062)	(1 450)
Deferred tax	**149**	133	
Total non-current assets	**(1 912)**	(1 928)	(1 371)
Current assets			
Trade, other receivables and prepayments	**5 361**	5 468	3 867
Cash and cash equivalents	**824**	684	-
Total current assets	**6 185**	6 152	3 867
Total assets	**4 273**	4 224	2 496
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Retained loss	**(111)**	(140)	(63)
Total equity	**(111)**	(140)	(63)
Non-current liabilities – third parties			
Notes issued – securitisation	**3 855**	3 855	
Deferred tax			(93)
	3 855	3 855	(93)
Total non-current liabilities	**3 855**	3 855	(93)
Current liabilities			
Interest-bearing debt			2 652
Notes issued – securitisation	**445**	445	
Current taxation	**-**	-	(2)
Trade and other payables	**84**	64	2
Total current liabilities	**529**	509	2 652
Total equity and liabilities	**4 273**	4 224	2 496
Total managed capital per IAS 1	**4 189**	4 160	2 589

Notes to the Financial Statements (unaudited) *continued*

	2010 **13 weeks to** **3 July** **Rm**	2009 13 weeks to 27 June Rm
5. Consolidation of OntheCards Investments Limited and OntheCards Investments II (Proprietary) Limited *(continued)*		
Included in the Group Condensed Statement of Cash Flows by line, are the following amounts:		
First quarter Statement of Cash Flows		
Trading profit and profit before financing costs	**113**	59
Operating cash inflow before changes in working capital	**113**	59
Working capital movement	**122**	26
Trade accounts receivable	**107**	28
Other debtors	**-**	(6)
Accounts payable	**15**	4
Cash generated from operating activities	**235**	85
Interest received	**10**	2
Financing costs paid	**(105)**	(80)
Taxation paid	**-**	-
Net cash generated	**140**	7
Cash effects of financing activities		
Decrease in interest bearing debt		(7)
Net cash outflow from financing activities		(7)
Increase in cash and cash equivalents	**140**	-
Cash and cash equivalents at the beginning of the period	**684**	-
Cash and cash equivalents at the end of the period	**824**	-

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
SM Ross* (Managing Director and Chief Executive Officer), U Ferndale

*USA **Belgium

Group Secretary
CM Vikisi

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