23 November 2010

This notice is important and requires your immediate attention.

EDCON HOLDINGS (PROPRIETARY) LIMITED ("EDCON")

SUMMARY OF GROUP TRADING RESULTS FOR THE SIX-MONTH PERIOD ENDED 2 OCTOBER 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 26 September 2009 and the three-month period ended 2 October 2010. In the summary financial statements attached, certain unaudited financial information for the 13-week period ended 3 October 2009 has also been disclosed to enable comparability with the 13-week period ended 2 October 2010. Unless the context requires otherwise, references in this notice to (i) “second quarter 2010” and “second quarter 2011” shall mean the 13-week period ended 3 October 2009 and the 13-week period ended 2 October 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 second quarter 2011, further accelerating the positive momentum of the first quarter of fiscal 2011.

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

Focus on market share growth in all chains with specific attention to apparel, footwear and home, concurrent with improved analysis of the stock and markdown management have fuelled the performance. Improved connection with specific consumer segments with targeted marketing to support the product offers coupled with an improved quality of debtors has underpinned the growth. Store operating expenses continue to be tightly controlled through better staff scheduling and improved stock loss results.

Against this background, the momentum recently reported by Edcon has continued into the second quarter of 2011. Same store sales growth has recovered further and cash flow generation was robust. Additionally, the ongoing success of the receivables financing programme has further boosted liquidity.

Key operating highlights for the second quarter 2011:

- Adjusted EBITDA up 27.6% to R490 million
- Retail sales increased by 13.8% to R5,034 million
- Strong cash generation with operating cash inflow increasing by 28.9%

	Second Quarter (in millions) (unaudited)			Year to date (in millions) (unaudited)		
	2010[1]	2010[1,2]	**2011[1]**	2010[1]	2010[1,3]	**2011[1]**
	13 weeks to 26 September	13 weeks to 3 October	**13 weeks to 2 October**	26 weeks to 26 September	26 weeks to 3 October	**26 weeks to 2 October**
Comprehensive income data						
Revenues	R 5 052	R 5 009	**R 5 563**	R 11 000	R 10 958	**R 11 506**
Retail sales	4 466	4 423	**5 034**	9 768	9 726	**10 452**
Cost of sales	(2 868)	(2 827)	**(3 215)**	(6 252)	(6 220)	**(6 560)**
Gross profit	1 598	1 596	**1 819**	3 516	3 506	**3 892**
Other income	120	120	**110**	242	242	**225**
Store costs	(925)	(925)	**(1 023)**	(1 883)	(1 883)	**(2 048)**
Other operating costs	(580)	(580)	**(640)**	(1 149)	(1 149)	**(1 275)**
Additional depreciation and amortisation[5]	(173)	(173)	**(166)**	(349)	(349)	**(335)**
Retail trading profit	40	38	**100**	377	367	**459**
Net income/(loss) from credit	(45)	(45)	**(6)**	(49)	(49)	**17**
Equity accounted earnings of joint venture	94	94	**114**	196	196	**230**
Trading profit	89	87	**208**	524	514	**706**
Fees incurred – securitisation	(25)	(25)	**(8)**	(25)	(25)	**(8)**
Net fair value movement on floating rate notes and associated derivatives	(298)	(298)	**(589)**	145	145	**(1 026)**
(Loss)/Profit before financing costs	(234)	(236)	**(389)**	644	634	**(328)**
Net financing costs	(630)	(645)	**(552)**	(1 355)	(1 364)	**(1 061)**
Taxation	693	693	**271**	664	664	**379**
Loss for the period	R (171)	R (188)	**(670)**	R (47)	R (66)	**(1 010)**
Other financial data						
Adjusted EBITDA [6]	386	384	**490**	1 123	1 113	**1 298**
Operating lease expense	348	348	**365**	690	690	**737**
Adjusted EBITDAR	734	732	**855**	1 813	1 803	**2 035**
Capital expenditure	104	104	**88**	213	213	**188**
Depreciation and amortisation	309	309	**307**	611	611	**616**

	Second Quarter (unaudited)		Year to date (unaudited)	
	2010 at 26 September	**2011 at 2 October**	2010 at 26 September	**2011 at 2 October**
Select operating data				
Number of stores	1 244	**1 195**	1 244	**1 195**
Same store sales growth (%)	(9.1)	**13.3**	(4.9)	**6.4**
Average retail space (in ‘000 sqm)	1 309	**1 315**	1 304	**1 320**
Number of customer credit accounts (in ‘000s)	4 183	**3 836**	4 183	**3 836**

	Year to date (in millions) (unaudited)		
	2010(1) at 26 September	2010(1,3) at 3 October	**2011(1) at 2 October**
Financial position data			
Working capital	3 924	4 687	**2 731**
Total assets	31 332	31 092	**29 240**
Total debt at unhedged rates	19 135	19 135	**15 088**
Total net debt including cash and derivatives	20 578	21 187	**19 630**
Total shareholders' funds including shareholder's loan	6 241	6 395	**5 466**

	Second Quarter (in millions) (unaudited)			Year to date (in millions) (unaudited)		
	2010(1) 13 weeks to 26 September	2010(1,2) 13 weeks to 3 October	**2011(1) 13 weeks to 2 October**	2010(1) 13 weeks to 26 September	2010(1, 3) 13 weeks to 3 October	**2011(1) 13 weeks to 2 October**
Cash flow data						
Operating cash inflow before changes in working capital	R 383	R 381	**R 491**	R 1 106	R 1 096	**R 1 288**
Working capital movement	57	293	**82**	398	(652)	**(916)**
Cash generated by operating activities	440	674	**573**	1 504	444	**372**

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 4 below for a reconciliation of key line items.

2) Comprises the unaudited financial information for the 13-week period ended 26 September 2009 in the Group Financial Statements attached hereto, net of the unaudited adjustments required to reflect performance for the 13-week period ended 3 October 2009, to be comparable with the unaudited financial information for the 13-week period ended 2 October 2010.

3) Comprises the unaudited financial information for the 26-week-period ended 26 September 2009 in the Group Financial Statements attached hereto, net of the unaudited adjustments required to reflect performance for the 26-week-period ended 3 October 2009, to be comparable with the unaudited financial information for the 26-week-period ended 2 October 2010.

4) 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.

	Second 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	5 734	R	171	**R**	**5 563**
Net income from credit		99		105		**(6)**
Other financial data						
Adjusted EBITDA	R	625	R	135	**R**	**490**
Cash flow data						
Operating cash inflow before changes in working capital	R	626	R	135	**R**	**491**
Working capital movement		330		248		**82**

	Year to date (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	11 882	R	376	**R**	**11 506**
Net income from credit		235		218		**17**
Other financial data						
Adjusted EBITDA	R	1 546	R	248	**R**	**1 298**
Financial position data						
Total debt at unhedged rates	R	19 388	R	4 300	**R**	**15 088**
Total net debt including cash and derivatives		23 340		3 710		**19 630**
Cash flow data						
Operating cash inflow before changes in working capital	R	1 536	R	248	**R**	**1 288**
Working capital movement		(546)		370		**(916)**

	Second 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 5 196	R 144	R 5 052
Net (loss)/income from credit	(20)	25	(45)
Other financial data			
Adjusted EBITDA	R 423	R 37	R 386
Cash flow data			
Operating cash inflow before changes in working capital	R 420	R 37	R 383
Working capital movement	378	321	57

	Year to date (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 11 285	R 285	R 11 000
Net (loss)/income from credit	35	84	(49)
Other financial data			
Adjusted EBITDA	R 1 219	R 96	R 1 123
Financial position data			
Total debt at unhedged rates	R 21 981	R 2 846	R 19 135
Total net debt including cash and derivatives	23 256	2 678	20 578
Cash flow data			
Operating cash inflow before changes in working capital	R 1 202	R 96	R 1 106
Working capital movement	745	347	398

5) 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.

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

		Second Quarter (in millions) (unaudited)				Year to date (in millions) (unaudited)	
		2010[1]	2010[1,2]	**2011[1]**		2010[1]	2010[1, 3]	**2011[1]**
		13 weeks to 26 September	13 weeks to 3 October	**13 weeks to 2 October**		26 weeks to 26 September	26 weeks to 3 October	**26 weeks to 2 October**
Loss for the period	R	(171)	(188)	**(670)**	R	(47)	(66)	**(1 010)**
Taxation		(693)	(693)	**(271)**		(664)	(664)	**(379)**
Net financing costs		630	645	**552**		1 355	1 364	**1 061**
Depreciation & amortisation		309	309	**307**		611	611	**616**
EBITDA	R	75	73	**(82)**	R	1 255	1 245	**288**
Net fair value movement on notes and associated derivatives [a]		298	298	**589**		(145)	(145)	**1 026**
Gain on sale of receivables to OtC II[b]		(12)	(12)	**(30)**		(12)	(12)	**(30)**
Fees incurred – OtC II[c]		25	25	**8**		25	25	**8**
Net asset write-off [d]				**5**				**6**
Adjusted EBITDA	R	386	384	**490**	R	1 123	1 113	**1 298**

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 the reversal of a net gain of R30 million (FY10 R12 million) on the sale of R523 million (FY10 R543 million) receivables to OtC II.

c) This adjustment relates to professional fees incurred by Edcon in relation to the securitisation of accounts receivables to OtC II.

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

Retail Sales

Retail sales increased by R611 million or 13.8% from R4,423 million in the second quarter 2010 to R5,034 million in the second quarter 2011.

Same store sales (stores open for the full period in the current year and in the prior year) were up 13.3% on the prior period. Credit sales accounted for 48% of total retail sales in the second quarter 2011, in line with the 49% achieved in the second quarter 2010. In Edgars, retail sales in the second quarter 2011 increased by 13.0% from the second quarter 2010 due primarily to strong growth from ladieswear, menswear and cellular. CNA’s retail sales in the second quarter 2011 increased 6.0% from the second quarter 2010, driven primarily by positive growth in cellular. Retail sales in the discount division increased by 16.7% from the second quarter 2010 to the second quarter 2011 due mainly to growth in ladieswear, footwear and cellular.

Gross profit

Gross profit increased by R223 million, or 14.0%, from R1,596 million in the second quarter 2010 to R1,819 million in the second quarter 2011. Gross profit as a percentage of retail sales was 36.1%, the same as the second quarter 2010.

Gross profit as a percentage of retail sales for Edgars decreased from 41.1% in the second quarter 2010 to 40.4% in the second quarter 2011, driven by a change in product mix, with an increased contribution from lower margin cellular products. Gross profit as a percentage of retail sales in CNA increased from 32.4% in the second quarter 2010 to 33.1% in the second quarter 2011 primarily because of an increased contribution from stationery. In the discount division, gross profit as a percentage of retail sales increased from 29.9% in the second quarter 2010 to 31.1% in the second quarter 2011 due to lower markdowns in ladieswear and home products.

Store costs

Store costs increased by R98 million, or 10.6%, from R925 million in the second quarter 2010 to R1,023 million in the second quarter 2011 primarily as a result of (i) large electricity increases imposed by the utility provider, and (ii) wage and rent 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 R60 million, or 10.3%, from R580 million in the second quarter 2010 to R640 million in the second 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 reduced by R2 million from R309 million in the second quarter 2010 to R307 million in the second quarter 2011, primarily as a result of store fixtures and equipment being fully depreciated in fiscal 2010.

Credit and financial services net profit

Credit and financial services net profit increased by R59 million from R49 million in the second quarter 2010 to R108 million in the second 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 11.8% for the second quarter 2011, down from 12.9% for fiscal 2010. Equity accounted earnings of joint ventures after taxation increased by R20 million, or 21.3%, from R94 million in the second quarter 2010 to R114 million in the second quarter 2011. The number of active accounts decreased from 4.2 million accounts in the second quarter 2010 to 3.8 million in the second quarter 2011 due to the tightening of credit granting in fiscal 2010, however, this decision contributed to the improved quality of the book and the progress made on all key metrics.

Trading profit

Trading profit increased by R121 million, from R87 million in the second quarter 2010 to R208 million in the second quarter 2011, confirming the improvement in operating performance.

Adjusted EBITDA increased by R106 million, or 27.6%, from R384 million in the second quarter 2010 to R490 million in the second quarter 2011.

Net financing costs

Net financing costs decreased by R93 million, from R645 million in the second quarter 2010 to R552 million in the second quarter 2011. This decrease is primarily a result of lower interest rates and lower average drawings under the revolving credit facility during the second quarter 2011 following strong cash generation over the past twelve months.

Cash flow

Operating cash inflow before changes in working capital increased by R110 million, or 28.9%, from R381 million in the second quarter 2010 to R491 million in the second quarter 2011. This increase was primarily due to higher trading profit in the second quarter 2011 compared to the second quarter 2010 reinforcing Edcon's ability to convert operating profit into cash.

Working capital decreased by R82 million in the second quarter 2011 compared with a decrease of R293 million for the second quarter 2010. This was primarily due to (i) an increase in receivables of R78 million in the second quarter 2011 compared with a decrease in receivables of R70 million in the second quarter 2010, (ii) an increase in payables of R426 million in the second quarter 2011 compared to an increase of R409 million in the second quarter 2010, and (iii) an increase in inventory of R266 million in the second quarter 2011 compared to an increase of R186 million in the second quarter 2010.

Cash generated by operating activities decreased by R101 million, from R674 million in the second quarter 2010 to R573 million in the second quarter 2011 primarily due to the tightening of credit that occurred in the second quarter 2010. The growth of receivables in the second quarter 2011 has followed the acceleration in sales growth.

Capital expenditure was R88 million in the second quarter 2011 compared with R104 million in the second quarter 2010. During the second quarter 2011 we opened 3 new stores which, combined with store refurbishments, resulted in investments in store fixtures of R80 million. In addition, in the second quarter 2011 we invested R8 million in information technology infrastructure compared with R57 million in the second quarter 2010.

Liquidity and capital resources

At 2 October 2010 our total net debt including cash and derivatives (excluding OtC II) of R19,630 million consisted of (i) the fair value of the Floating Rate Notes of R14,623 million, (ii) borrowings under the revolving credit facility of R465 million, (iii) net derivatives of R4,846 million, less (iv) cash and cash equivalents of R304 million. In addition, OtC II's net debt of R3,710 million consisted of (i) receivables-backed notes of R4,300 million, less (ii) cash and cash equivalents of R590 million.

At 2 October 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 R4,300 million notes due between July 2012 and April 2017.

During the second quarter 2011 the maximum utilisation of the revolving credit facility was R972 million, substantially lower than the R2,655 million during the second quarter 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.

OntheCards Investments II (Proprietary) Limited

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	2010	2009
	2 October	3 April	26 September
	Rm	Rm	Rm
ASSETS			
Non-current assets			
Properties, fixtures, equipment and vehicles	**2 413**	2 663	2 936
Intangible assets	**18 234**	18 442	18 788
Equity accounted investment in joint ventures	**1**	-	21
Derivative financial instruments			129
Deferred tax	**533**	153	16
Total non-current assets	**21 181**	21 258	21 890
Current assets			
Inventories	**2 623**	2 402	2 407
Trade, other receivables and prepayments	**8 783**	8 983	8 890
Current taxation			187
Cash and cash equivalents	**894**	1 125	694
Total current assets	**12 300**	12 510	12 178
Total assets	**33 481**	33 768	34 068
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Share capital and premium	**2 148**	2 148	2 148
Other reserves	**(255)**	(408)	(538)
Retained loss	**(4 322)**	(3 329)	(2 384)
Total equity	**(2 429)**	(1 589)	(774)
Non-current liabilities – shareholder's loan			
Shareholder's loan	**7 772**	7 341	6 920
Total equity and shareholder's loan	**5 343**	5 752	6 146
Non-current liabilities – third parties			
Floating rate notes issued	**14 623**	15 020	16 689
Notes issued – securitisation	**4 300**	3 855	555
Derivative financial instruments	**4 195**	3 093	1 446
Lease equalisation	**388**	386	366
Employee benefit liability	**118**	114	116
	23 624	22 468	19 172
Total non-current liabilities	**31 396**	29 809	26 092
Current liabilities			
Interest-bearing debt	**465**	350	4 292
Notes issued – securitisation		445	445
Current taxation	**243**	236	
Derivative financial instruments	**651**	817	652
Trade and other payables	**3 155**	3 700	3 361
Total current liabilities	**4 514**	5 548	8 750
Total equity and liabilities	**33 481**	33 768	34 068
Total managed capital per IAS 1	**24 731**	25 422	28 127

Group Condensed Quarterly Statement of Comprehensive Income (unaudited)

	Note	2010 13 weeks to 2 October Rm	2009 13 weeks to 26 September Rm
Total revenues		**5 734**	5 196
Revenue - retail sales		**5 034**	4 466
Cost of sales		**(3 215)**	(2 868)
Gross profit		**1 819**	1 598
Other income		**110**	120
Store costs		**(1 023)**	(925)
Other operating costs		**(806)**	(753)
Retail trading profit		**100**	40
Income from credit		**448**	510
Expenses from credit		**(349)**	(530)
Equity accounted earnings of joint venture		**114**	94
Trading profit		**313**	114
Fees incurred – OtC II		**(8)**	(25)
Derivative expense		**(806)**	(598)
Foreign exchange gain		**217**	300
Loss before net financing costs		**(284)**	(209)
Interest received		**13**	6
Loss before financing costs		**(271)**	(203)
Financing costs		**(661)**	(705)
Profit/(loss) before taxation		**(932)**	(908)
Taxation		**250**	705
LOSS FOR THE PERIOD		**(682)**	(203)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**(14)**	(7)
Cash flow hedges		**90**	(26)
Other			2
Other comprehensive income for the period, net of tax		**76**	(31)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(606)**	(234)
Loss attributable to:			
Owners of the parent		**(682)**	(203)
Total comprehensive income attributable to:			
Owners of the parent		**(606)**	(234)

Group Condensed Half-year Statement of Comprehensive Income (unaudited)

	Note	**2010** **26 weeks to** **2 October** **Rm**	2009 26 weeks to 26 September Rm
Total revenues	3	**11 882**	11 285
Revenue - retail sales		**10 452**	9 768
Cost of sales		**(6 560)**	(6 252)
Gross profit		**3 892**	3 516
Other income		**225**	242
Store costs		**(2 048)**	(1 883)
Other operating costs		**(1 610)**	(1 498)
Retail trading profit		**459**	377
Income from credit	4.1	**935**	1 069
Expenses from credit	4.2	**(700)**	(1 034)
Equity accounted earnings of joint venture		**230**	196
Trading profit		**924**	608
Fees incurred – OtC II		**(8)**	(25)
Derivative expense		**(1 447)**	(2 786)
Foreign exchange gain		**421**	2 931
(Loss)/profit before net financing costs		**(110)**	728
Interest received		**40**	10
(Loss)/profit before financing costs		**(70)**	738
Financing costs		**(1 297)**	(1 508)
Profit/(loss) before taxation		**(1 367)**	(770)
Taxation		**374**	680
LOSS FOR THE PERIOD		**(993)**	(90)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**(11)**	(28)
Cash flow hedges		**164**	(230)
Other comprehensive income for the period, net of tax		**153**	(258)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(840)**	(348)
Loss attributable to:			
Owners of the parent		**(993)**	(90)
Total comprehensive income attributable to:			
Owners of the parent		**(840)**	(348)

Group Condensed Statements of Changes in Equity (unaudited)

	Share capital and premium Rm	Translation of foreign operations Rm	Cash flow hedges Rm	Revaluation surplus Rm	Retained loss Rm	Total equity Rm
AT 26 SEPTEMBER 2009						
Opening balance at 29 March 2009	2 143	28	(331)	23	(2 289)	(426)
Issue of share capital	5					5
Dividends					(5)	(5)
Total comprehensive income for the period		(28)	(230)	-	(90)	(348)
Balance at 26 September 2009	2 148	-	(561)	23	(2 384)	(774)
AT 2 OCTOBER 2010						
Opening balance at 4 April 2010	2 148	(20)	(391)	3	(3 329)	(1 589)
Total comprehensive income for the period		(11)	164		(993)	(840)
Balance at 2 OCTOBER 2010	**2 148**	**(31)**	**(227)**	**3**	**(4 322)**	**(2 429)**

Group Condensed Quarterly Statement of Cash Flows (unaudited)

	2010 13 weeks to 2 October Rm	2009 13 weeks to 26 September Rm
Cash retained from operating activities		
Profit before net financing costs	**(284)**	(209)
Depreciation	**202**	203
Amortisation	**105**	106
Foreign exchange gain	**(217)**	(300)
Derivative expense	**806**	598
Other non-cash items	**14**	22
Operating cash inflow before changes in working capital	**626**	420
Working capital movement	**330**	378
Inventories	**(266)**	131
Trade accounts receivable	**300**	728
Other debtors	**(115)**	69
Accounts payable	**411**	(550)
Cash generated from operating activities	**956**	798
Interest received	**13**	6
Financing costs paid	**(558)**	(536)
Taxation paid	**(43)**	(2)
Net cash retained	**368**	266
Cash utilised in investment activities		
Net investment in fixtures, equipment and vehicles	**(88)**	(104)
Net cash invested	**(88)**	(104)
Cash effects of financing activities		
Notes issued and refinancing		1 000
Decrease in interest bearing debt	**(507)**	(881)
Net cash (outflow)/inflow from financing activities	**(507)**	119
(Decrease)/increase in cash and cash equivalents	**(227)**	281
Cash and cash equivalents at the beginning of the period	**1 133**	414
Currency adjustments	**(12)**	(1)
Cash and cash equivalents at the end of the period	**894**	694

Group Condensed Half-year Statement of Cash Flows (unaudited)

	2010 **26 weeks to** **2 October** **Rm**	2009 26 weeks to 26 September Rm
Cash retained from operating activities		
Profit before net financing costs	**(110)**	728
Depreciation	**407**	402
Amortisation	**209**	209
Foreign exchange gain	**(421)**	(2 931)
Derivative expense	**1 447**	2 786
Other non-cash items	**4**	8
Operating cash inflow before changes in working capital	**1 536**	1 202
Working capital movement	**(546)**	745
Inventories	**(222)**	122
Trade accounts receivable	**331**	754
Other debtors	**(135)**	42
Accounts payable	**(520)**	(173)
Cash generated from operating activities	**990**	1 947
Interest received	**23**	10
Financing costs paid	**(1 100)**	(1 121)
Taxation paid	**(64)**	(277)
Net cash (utilised)/retained	**(151)**	559
Cash utilised in investment activities		
Net investment in fixtures, equipment and vehicles	**(188)**	(213)
Net cash invested	**(188)**	(213)
Cash effects of financing activities		
Notes issued and refinancing		1 000
Increase/(decrease) in interest bearing debt	**115**	(1 008)
Net cash inflow/(outflow) from financing activities	**115**	(8)
(Decrease)/Increase in cash and cash equivalents	**(224)**	338
Cash and cash equivalents at the beginning of the period	**1 125**	379
Currency adjustments	**(7)**	(23)
Cash and cash equivalents at the end of the period	**894**	694

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.

OntheCards Investments II (Proprietary) Limited

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 26 weeks to 2 October Rm	2009 26 weeks to 26 September Rm
2.	**SEGMENTAL RESULTS**		
2.1	**Revenues**		
	Edgars	**5 571**	5 189
	CNA	**807**	772
	Discount Division	**4 283**	4 030
	Manufacturing	**16**	19
	Credit and Financial Services	**1 165**	1 265
	Group Services	**40**	10
		11 882	11 285
2.2	**Retail sales**		
	Edgars	**5 458**	5 082
	CNA	**807**	772
	Discount Division	**4 187**	3 914
		10 452	9 768
2.3	**Number of stores**		
	Edgars	**261**	272
	CNA	**202**	210
	Discount Division	**732**	762
		1 195	1 244
2.4	**Segment result - operating profit**		
	Edgars	**1 163**	1 049
	CNA	**27**	32
	Discount Division	**457**	388
	Manufacturing	**(1)**	(7)
	Credit and Financial Services	**465**	231
	Group Services[1]	**(2 221)**	(965)
		(110)	728

[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.

3.	**REVENUES**		
	Retail sales	**10 452**	9 768
	Club fees	**209**	223
	Finance charges on trade receivables	**935**	1 069
	Equity accounted earnings of joint ventures	**230**	196
	Interest received	**40**	10
	Manufacturing sales to third parties	**16**	19
		11 882	11 285

		2010 26 weeks to 2 October Rm	2009 26 weeks to 26 September Rm
4.	**CREDIT INCOME AND EXPENSE**		
4.1	**Income from credit**		
	Finance charges on trade receivables	**935**	1 069
		935	1 069
4.2	**Expenses from credit**		
	Net bad debt	**(482)**	(571)
	Net decrease/(increase) in doubtful debt provision	**46**	(213)
	Administration costs	**(264)**	(250)
		(700)	(1 034)
4.3	**Net credit income**	**235**	35

	2010 13 weeks to 2 October Rm	2009 13 weeks to 26 September Rm
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:		
Second quarter Statement of Comprehensive Income		
Total revenues	**171**	144
Income from credit	**162**	141
Expenses from credit	**(57)**	(116)
Trading profit and profit before financing costs	**105**	25
Interest received	**9**	3
Profit before financing costs	**114**	28
Financing costs	**(105)**	(72)
Profit/(loss) before taxation	**9**	(44)
Taxation	**(21)**	12
Loss for the period	**(12)**	(32)

	2010 26 weeks to 2 October Rm	2009 26 weeks to 26 September Rm
Consolidation of OntheCards Investments Limited and OntheCards Investments II (Proprietary) Limited		
Half-year Statement of Comprehensive Income		
Total revenues	**376**	285
Income from credit	**357**	280
Expenses from credit	**(139)**	(196)
Trading profit and profit before financing costs	**218**	84
Interest received	**19**	5
Profit before financing costs	**237**	89
Financing costs	**(215)**	(148)
Profit/(loss) before taxation	**22**	(59)
Taxation	**(5)**	16
Profit/(loss) for the period	**17**	(43)

	2010 2 October Rm	2010 3 April Rm	2009 26 September 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)	(1 615)
Loan – Edcon (Proprietary) Limited	**(2 062)**	(2 062)	
Deferred tax	**128**	133	105
Total non-current assets	**(1 933)**	(1 928)	(1 431)
Current assets			
Trade, other receivables and prepayments	**5 584**	5 468	3 997
Current taxation			2
Cash and cash equivalents	**590**	684	168
Total current assets	**6 174**	6 152	4 167
Total assets	**4 241**	4 224	2 736
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Retained loss	**(123)**	(140)	(95)
Total equity	**(123)**	(140)	(95)
Non-current liabilities – third parties			
Notes issued – securitisation	**4 300**	3 855	555
Total non-current liabilities	**4 300**	3 855	555
Current liabilities			
Notes issued – securitisation		445	1 846
Current taxation	**-**	-	445
Trade and other payables	**64**	64	(15)
Total current liabilities	**64**	509	2 276
Total equity and liabilities	**4 241**	4 224	2 736
Total managed capital per IAS 1	**4 177**	4 160	2 751

Notes to the Financial Statements (unaudited) *continued*

	2010 13 weeks to 2 October 2010 Rm	2009 13 weeks to 26 September 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:		
Second quarter Statement of Cash Flows		
Profit before financing costs	**105**	25
Other non-cash items	**30**	12
Operating cash inflow before changes in working capital	**135**	37
Working capital movement	**248**	321
Trade accounts receivable	**263**	349
Other debtors		5
Accounts payable	**(15)**	(33)
Cash generated from operating activities	**383**	358
Interest received	**9**	3
Financing costs paid	**(110)**	(56)
Taxation paid		-
Net cash generated	**282**	305
Cash effects of financing activities		
Purchase of receivables	**(516)**	(496)
Increase in held-to-maturity investments		165
Notes issued and refinancing	**-**	1 000
Decrease in interest bearing debt		(806)
Net cash outflow from financing activities	**(516)**	(137)
(Decrease)/increase in cash and cash equivalents	**(234)**	168
Cash and cash equivalents at the beginning of the period	**824**	-
Cash and cash equivalents at the end of the period	**590**	168

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:

	2010 26 weeks to 2 October Rm	2009 26 weeks to 26 September Rm
Half-year Statement of Cash Flows		
Trading profit and profit before financing costs	**218**	84
Other non-cash items	**30**	12
Operating cash inflow before changes in working capital	**248**	96
Working capital movement	**370**	347
Trade accounts receivable	**370**	377
Other debtors	**-**	(1)
Accounts payable	**-**	(29)
Cash generated from operating activities	**618**	443
Interest received	**19**	5
Financing costs paid	**(215)**	(136)
Net cash utilised	**422**	312
Cash effects of financing activities		
Purchase of receivables	**(516)**	(496)
Increase in held-to-maturity investments		165
Notes issued and refinancing	**-**	1 000
Decrease in interest bearing debt		(813)
Net cash outflow from financing activities	**(516)**	(144)
(Decrease)/increase in cash and cash equivalents	**(94)**	168
Cash and cash equivalents at the beginning of the period	**684**	-
Cash and cash equivalents at the end of the period	**590**	168

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

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CM Vikisi

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