

10 February 2011

This notice is important and requires your immediate attention.

**EDCON HOLDINGS (PROPRIETARY) LIMITED (“EDCON”)
SUMMARY OF GROUP TRADING RESULTS FOR THE NINE-MONTH
PERIOD ENDED 1 JANUARY 2011**

SUMMARY OF FINANCIAL AND OTHER DATA

The following unaudited historical financial data in the Group Financial Statements attached hereto (pages 18-31), relate to the nine-month period ended 26 December 2009 and the nine-month period ended 1 January 2011. In these summary financial statements, certain unaudited financial information for the 13-week period ended 2 January 2010 has also been disclosed to enable comparability with the 13-week period ended 1 January 2011. Unless the context requires otherwise, references in this notice to (i) “third quarter 2010” and “third quarter 2011” shall mean the 13-week period ended 2 January 2010 and the 13-week period ended 1 January 2011, 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 continues to deliver an improvement in performance in fiscal year 2011, further consolidating the favourable momentum that has resulted from the business transformation initiatives underway.

Key operating highlights for fiscal 2011 year to date include:

- ❖ Adjusted EBITDA up 8.6% to R2,663 million
- ❖ “Same store” sales increased by 6.0%
- ❖ Combined credit activities (Edcon plus OtC) delivering a 68% increase in earnings
- ❖ Continued strong cash generation even as the business resumes its growth trajectory

An improved connection with our targeted consumer segments, driven by successful marketing to support enhanced product offers, has underpinned the consistently positive growth that continued in the third quarter as well as the strong cash sales performance (+8.4% compared with the third quarter 2010). The success of merchandise execution is improving, with particularly encouraging results in ladies contemporary, menswear and cellular. However, progress still has to be made in certain areas, such as footwear in our Discount Division; as a result, seasonal markdowns have increased in the third quarter 2011.

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

Store operating expenses remain stringently controlled, although management is encouraged by the initial results of targeted spending to enhance the in-store experience. Working capital continues to be tightly managed and net debt is at levels below the last fiscal year.

	Third Quarter (in millions) (unaudited)			Year to date (in millions) (unaudited)		
	2010 ⁽¹⁾ 13 weeks to 26 December 2009	2010 ^(1,2) 13 weeks to 2 January 2010	2011 ⁽¹⁾ 13 weeks to 1 January 2011	2010 ⁽¹⁾ 39 weeks to 26 December 2009	2010 ^(1,3) 39 weeks to 2 January 2010	2011 ⁽¹⁾ 39 weeks to 1 January 2011
Comprehensive income data						
Revenues	R 7 612	R 7 584	R 8 026	R 18 612	R 18 542	R 19 532
Retail sales	7 045	7 017	7 465	16 813	16 743	17 917
Cost of sales	(4 338)	(4 310)	(4 691)	(10 590)	(10 530)	(11 251)
Gross profit	2 707	2 707	2 774	6 223	6 213	6 666
Other income	118	118	136	360	360	361
Store costs	(1 119)	(1 119)	(1 201)	(3 002)	(3 002)	(3 249)
Other operating costs	(648)	(648)	(732)	(1 797)	(1 797)	(2 007)
Additional depreciation and amortisation ⁽⁵⁾	(171)	(171)	(164)	(520)	(520)	(499)
Retail trading profit	887	887	813	1 264	1 254	1 272
Net income from credit	140	140	121	91	91	138
Equity accounted earnings of joint venture	113	113	119	309	309	349
Trading profit	1 140	1 140	1 053	1 664	1 654	1 759
Fees incurred funding facilities	(3)	(3)	(2)	(28)	(28)	(10)
Net fair value movement on floating rate notes and associated derivatives	(215)	(215)	(427)	(70)	(70)	(1 453)
Profit before financing costs	922	922	624	1 566	1 556	296
Net financing costs	(649)	(640)	(495)	(2 004)	(2 004)	(1 556)
Taxation	(508)	(508)	(13)	156	156	366
(Loss)/Profit for the period	R (235)	R (226)	116	R (282)	R (292)	(894)
Other financial data						
Adjusted EBITDA ⁽⁶⁾	1 340	1 340	1 365	2 463	2 453	2 663
Operating lease expense	365	365	382	1 054	1 054	1 119
Adjusted EBITDAR	1 705	1 705	1 747	3 517	3 507	3 782
Capital expenditure	132	132	167	345	345	355
Depreciation and amortisation	308	308	304	919	919	920

	Third Quarter (unaudited)		Year to date (unaudited)	
	2010 at 26 December 2009	2011 at 1 January 2011	2010 at 26 December 2009	2011 at 1 January 2011
Select operating data				
Number of stores	1 250	1 198	1 250	1 198
Same store sales growth (%)	(8.8)	5.4	(6.6)	6.0
Average retail space (in '000 sqm)	1 327	1 321	1 312	1 321
Number of customer credit accounts (in '000s)	4 080	3 804	4 080	3 804

	Year to date (in millions) (unaudited)		
	2010 ⁽¹⁾	2010 ^(1,3)	2011 ⁽¹⁾
	at 26 December 2009	at 2 January 2010	at 1 January 2011
Financial position data			
Working capital	1 452	2 634	2 067
Total assets	31 122	30 171	30 636
Total debt at unhedged rates	16 912	16 912	13 446
Total net debt including cash and derivatives	17 916	18 926	18 383
Total shareholders' funds including shareholder's loan	6 277	6 449	5 870

	Third 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 December 2009	13 weeks to 2 January 2010	13 weeks to 1 January 2011	39 weeks to 26 December 2009	39 weeks to 2 January 2010	39 weeks to 1 January 2011
Cash flow data						
Operating cash inflow before changes in working capital	R 1 343	R 1 343	R 1 347	R 2 449	R 2 439	R 2 635
Working capital movement	1 042	910	669	1 440	258	(247)
Cash generated by operating activities	2 385	2 253	2 016	3 889	2 697	2 388

- 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 December 2009 in the Group Financial Statements attached hereto, net of the unaudited adjustments required to reflect performance for the 13-week period ended 2 January 2010, to be comparable with the unaudited financial information for the 13-week period ended 1 January 2011.
- 3) Comprises the unaudited financial information for the 39-week-period ended 26 December 2009 in the Group Financial Statements attached hereto, net of the unaudited adjustments required to reflect performance for the 39-week-period ended 2 January 2010, to be comparable with the unaudited financial information for the 39-week-period ended 1 January 2011.
- 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.

	Third 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 8 172	146	8 026
Net income from credit	256	135	121
Other financial data			
Adjusted EBITDA	R 1 500	135	1 365
Cash flow data			
Operating cash inflow before changes in working capital	R 1 482	135	1 347
Working capital movement	125	(544)	669
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 20 054	522	19 532
Net income from credit	491	353	138
Other financial data			
Adjusted EBITDA	R 3 046	383	2 663
Financial position data			
Total debt at unhedged rates	R 17 746	4 300	13 446
Total net debt including cash and derivatives	22 590	4 207	18 383
Cash flow data			
Operating cash inflow before changes in working capital	R 3 018	383	2 635
Working capital movement	(421)	(174)	(247)

	Third 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 7 781	169	7 612
Net income from credit	155	15	140
Other financial data			
Adjusted EBITDA	R 1 472	132	1 340
Cash flow data			
Operating cash inflow before changes in working capital	R 1 475	132	1 343
Working capital movement	737	(305)	1 042
	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 19 066	454	18 612
Net income from credit	190	99	91
Other financial data			
Adjusted EBITDA	R 2 691	228	2 463
Financial position data			
Total debt at unhedged rates	R 21 212	4 300	16 912
Total net debt including cash and derivatives	21 845	3 929	17 916
Cash flow data			
Operating cash inflow before changes in working capital	R 2 677	228	2 449
Working capital movement	1 482	42	1 440

- 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.

	Third 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 December 2009	13 weeks to 2 January 2010	13 weeks to 1 January 2011	39 weeks to 26 December 2009	39 weeks to 2 January 2010	39 weeks to 1 January 2011	
(Loss)/profit for the period	R	(235)	(226)	116	(282)	(292)	(894)
Taxation		508	508	13	(156)	(156)	(366)
Net financing costs		649	640	495	2 004	2 004	1 556
Depreciation & amortisation		308	308	304	919	919	920
EBITDA	R	1 230	1 230	928	2 485	2 475	1 216
Net fair value movement on notes and associated derivatives ^(a)		215	215	427	70	70	1 453
Gain on sale of receivables to OtC II ^(b)		(117)	(117)	-	(129)	(129)	(30)
Fees incurred funding facilities ^(c)		3	3	2	28	28	10
Net asset write-off ^(d)		9	9	8	9	9	14
Adjusted EBITDA	R	1 340	1 340	1 365	2 463	2 453	2 663

- 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 R129 million) on the sale of R523 million (FY10 R1 675 million) receivables to OtC II.
- c) This adjustment relates to professional fees incurred by Edcon in relation to funding facilities and securitisation of accounts receivables to OtC II.
- d) This adjustment relates to assets written off net of related proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS

Retail Sales

Retail sales increased by R448 million or 6,4% from R7,017 million in the third quarter 2010 to R7,465 million in the third quarter 2011.

Same store sales (stores open for the full period in the current year and in the prior year) were up 5.4% on the prior period. Edcon maintained tight control on credit granting procedures and credit sales accounted for 49% of total retail sales in the third quarter 2011, down from 51% achieved in the third quarter 2010. Cash sales for the third quarter 2011 were 9.0% higher than the third quarter 2010 driven by improving merchandising and customer value proposition, while growth in credit sales was restrained at 3.8%.

In Edgars, retail sales in the third quarter 2011 increased by 8.6% from the third quarter 2010 due primarily to strong growth from ladieswear, menswear and cellular. CNA's retail sales in the third quarter 2011 increased 4.7% from the third quarter 2010, driven primarily by positive growth from cellular and stationery. Retail sales in the discount division increased by 3.9% from the third quarter 2010 to the third quarter 2011 due mainly to growth in ladieswear, home products and cellular and despite closing approximately 2% of trading space (primarily unprofitable Discom stores) and having 12% fewer active credit accounts.

Gross profit

Gross profit increased by R67 million, or 2.5%, from R2,707 million in the third quarter 2010 to R2,774 million in the third quarter 2011. Gross profit as a percentage of retail sales was 37.2%, down from 38.6% in the third quarter 2010 following conservative management of seasonal markdowns over the festive season and input price inflation.

Gross profit as a percentage of retail sales for Edgars decreased from 43.0% in the third quarter 2010 to 42.2% in the third quarter 2011, driven by rising input prices and an increased contribution from lower margin cellular products. Gross profit as a percentage of retail sales in CNA was stable at 33.1% in the third quarter 2010 compared with 33.0% in the third quarter 2011. In the discount division, gross profit as a percentage of retail sales decreased from 34.2% in the third quarter 2010 to 31.5% in the third quarter 2011 primarily due to accelerated markdowns of menswear, childrenswear and footwear merchandise that was over-bought in light of our restrained credit policy for higher risk customers.

Store costs

Store costs increased by R82 million, or 7.3%, from R1,119 million in the third quarter 2010 to R1,201 million in the third quarter 2011 primarily as a result of (i) large electricity increases of R48 million imposed by the utility provider, and (ii) wage and rent increases below inflation 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 R84 million, or 12.9%, from R648 million in the third quarter

2010 to R732 million in the third 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 below inflation across other corporate areas.

Depreciation and amortisation

Depreciation and amortisation reduced by R4 million from R308 million in the third quarter 2010 to R304 million in the third 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 decreased by R13 million, or 5.1%, from R253 million in the third quarter 2010 to R240 million in the third quarter 2011. This decrease was primarily due to (i) less accounts in Edcon following the sale of receivables to OtC over the past eighteen months (profits including OtC increased by 68%), (ii) lower interest income associated with a reduction in the prevailing interest rate charged to customers and (iii) lower reduction in provision for bad debts in the third quarter 2011 as the initiatives implemented during fiscal 2010 to restrict the growth of the debtors' book for higher risk customers annualise. The quality of the credit book continues to improve and consolidated annualised bad debts as a percentage of average debtors was 11.6% for the third quarter 2011, down from 12.7% for fiscal 2010. Equity accounted earnings of joint ventures after taxation increased by R6 million, or 5.3%, from R113 million in the third quarter 2010 to R119 million in the third quarter 2011. The number of active accounts decreased from 4.0 million accounts in the third quarter 2010 to 3.8 million in the third 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 decreased by R87 million, from R1,140 million in the third quarter 2010 to R1,053 million in the third quarter 2011.

Adjusted EBITDA increased by R25 million, or 1.8%, from R1,340 million in the third quarter 2010 to R1,365 million in the third quarter 2011.

Net financing costs

Net financing costs decreased by R145 million, from R640 million in the third quarter 2010 to R495 million in the third quarter 2011. This decrease is primarily a result of lower interest rates and lower average drawings under the revolving credit facility during the third quarter 2011 following strong cash generation over the past twelve months.

Cash flow

Operating cash inflow before changes in working capital in the third quarter 2011 was R1,347 million, in line with the R1,343 million achieved in the third quarter 2010.

Working capital decreased by R669 million in the third quarter 2011 compared with a decrease of R910 million for the third quarter 2010. This was primarily due to (i) an increase in payables of R1,315 million in the third quarter 2011 compared to an increase of R902 million in the third quarter 2010 due to higher merchandise purchases in the third quarter 2011, (ii) an increase in receivables of R542 million in the third quarter 2011 compared with an increase in receivables of R42 million in the third quarter 2010 following the credit tightening implemented in fiscal 2010 and (iii) an increase in inventory of R104 million in the third quarter 2011 compared to a decrease of R50 million in the third quarter 2010.

Cash generated by operating activities decreased by R237 million, from R2,253 million in the third quarter 2010 to R2,016 million in the third quarter 2011.

Capital expenditure was R167 million in the third quarter 2011, up from R132 million in the third quarter 2010 due to an accelerated store refurbishment program in Edgars and Jet stores. The store refurbishment program combined with the opening of 17 new stores resulted in an investment of R130 million. In addition, in the third quarter 2011 we invested R37 million in information technology infrastructure compared with R32 million in the third quarter 2010.

Liquidity and capital resources

At 1 January 2011 our total net debt including cash and derivatives (excluding OtC II) of R18,383 million consisted of (i) the fair value of the Floating Rate Notes of R13,446 million, (ii) net derivatives of R6,176 million, less (iii) cash and cash equivalents of R1,239 million. In addition, OtC II's net debt of R4,207 million consisted of (i) receivables-backed notes of R4,300 million, less (ii) cash and cash equivalents of R93 million.

At 1 January 2011, 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 third quarter 2011 the maximum utilisation of the revolving credit facility was R465 million, substantially lower than the R2,640 million during the third quarter 2010, as a consequence of the strong focus on cash generation and the successful implementation of the securitisation program. 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.

Management

In January 2011, Edcon announced that current Chief Executive Officer, Steve Ross, will retire in May 2012.

Following an exhaustive search, Mr Jürgen Schreiber has been appointed to take the reins as CEO of Edcon effective 1 April 2011. In conjunction with his planned retirement, Mr Ross will remain on the group's Board of Directors until May 2012 to ensure effective succession and handover to Mr Schreiber.

Mr Schreiber was until recently President and Chief Executive Officer of Canadian health and beauty retailer Shoppers Drug Mart Corp, a publicly traded company with 45,000 employees, sales of over C\$10 billion and a network of over 1,300 stores across Canada. Under his stewardship, the company strengthened its market position and achieved record sales and profitability.

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, and 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)

	2011 1 January Rm	2010 3 April Rm	2009 26 December Rm
ASSETS			
Non-current assets			
Properties, fixtures, equipment and vehicles	2 372	2 663	2 857
Intangible assets	18 129	18 442	18 684
Equity accounted investment in joint ventures	15	-	24
Deferred tax	474	153	1
Total non-current assets	20 990	21 258	21 566
Current assets			
Inventories	2 726	2 402	2 547
Trade, other receivables and prepayments	9 889	8 983	9 720
Cash and cash equivalents	1 332	1 125	1 542
Total current assets	13 947	12 510	13 809
Total assets	34 937	33 768	35 375
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Share capital and premium	2 148	2 148	2 148
Other reserves	(175)	(408)	(464)
Retained loss	(4 172)	(3 329)	(2 665)
Total equity	(2 199)	(1 589)	(981)
Non-current liabilities – shareholder’s loan			
Shareholder's loan	7 980	7 341	7 117
Total equity and shareholder’s loan	5 781	5 752	6 136
Non-current liabilities – third parties			
Floating rate notes issued	13 446	15 020	16 561
Notes issued – securitisation	4 300	3 855	3 855
Derivative financial instruments	5 697	3 093	1 487
Lease equalisation	390	386	365
Employee benefit liability	120	114	118
Total non-current liabilities	23 953	22 468	22 386
Total non-current liabilities	31 933	29 809	29 503
Current liabilities			
Interest-bearing debt	-	350	351
Notes issued – securitisation	-	445	445
Current taxation	240	236	281
Derivative financial instruments	479	817	688
Trade and other payables	4 484	3 700	5 088
Total current liabilities	5 203	5 548	6 853
Total equity and liabilities	34 937	33 768	35 375
Total managed capital per IAS 1	23 527	25 422	27 348

Group Condensed Quarterly Statement of Comprehensive Income (unaudited)

Note	2011 13 weeks to 1 January Rm	2009 13 weeks to 26 December Rm
Total revenues	8 172	7 781
Revenue - retail sales	7 465	7 045
Cost of sales	(4 691)	(4 338)
Gross profit	2 774	2 707
Other income	136	118
Store costs	(1 365)	(1 119)
Other operating costs	(732)	(819)
Retail trading profit	813	887
Income from credit	435	498
Expenses from credit	(179)	(343)
Equity accounted earnings of joint venture	119	113
Trading profit	1 188	1 155
Fees incurred funding facilities	(2)	(3)
Derivative expense	(1 615)	(353)
Foreign exchange gain	1 188	138
Profit before net financing costs	759	937
Interest received	17	7
Profit before financing costs	776	944
Financing costs	(600)	(732)
Profit before taxation	176	212
Taxation	(26)	(493)
PROFIT/(LOSS) FOR THE PERIOD	150	(281)
Other comprehensive income after tax:		
Exchange differences on translating foreign operations	(17)	(8)
Cash flow hedges	96	82
Other comprehensive income for the period, net of tax	79	74
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	229	(207)
Profit/(Loss) attributable to:		
Owners of the parent	150	(281)
Total comprehensive income attributable to:		
Owners of the parent	229	(207)

Group Condensed Year-to-date Statement of Comprehensive Income (unaudited)

		2011 39 weeks to 1 January Rm	2009 39 weeks to 26 December Rm
	Note		
Total revenues	3	20 054	19 066
Revenue - retail sales		17 917	16 813
Cost of sales		(11 251)	(10 590)
Gross profit		6 666	6 223
Other income		361	360
Store costs		(3 249)	(3 002)
Other operating costs		(2 506)	(2 317)
Retail trading profit		1 272	1 264
Income from credit	4.1	1 371	1 567
Expenses from credit	4.2	(880)	(1 377)
Equity accounted earnings of joint venture		349	309
Trading profit		2 112	1 763
Fees incurred funding facilities		(10)	(28)
Derivative expense		(3 062)	(3 139)
Foreign exchange gain		1 609	3 069
Profit before net financing costs		649	1 665
Interest received		57	17
Profit before financing costs		706	1 682
Financing costs		(1 897)	(2 240)
Loss before taxation		(1 191)	(558)
Taxation		348	187
LOSS FOR THE PERIOD		(843)	(371)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		(28)	(36)
Cash flow hedges		261	(148)
Other comprehensive income for the period, net of tax		233	(184)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(610)	(555)
Loss attributable to:			
Owners of the parent		(843)	(371)
Total comprehensive income attributable to:			
Owners of the parent		(610)	(555)

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 DECEMBER 2009						
Opening balance at 29 March 2009	2 143	28	(331)	23	(2 289)	(426)
Issue of share capital	5					5
Dividends					(5)	(5)
Loss for the period					(371)	(371)
Other comprehensive income for the period		(36)	(148)			(184)
Balance at 26 DECEMBER 2009	2 148	(8)	(479)	23	(2 665)	(981)
AT 1 JANUARY 2011						
Opening balance at 4 April 2010	2 148	(20)	(391)	3	(3 329)	(1 589)
Loss for the period					(843)	(843)
Other comprehensive income for the period		(28)	261			233
Balance at 1 JANUARY 2011	2 148	(48)	(130)	3	(4 172)	(2 199)

Group Condensed Quarterly Statement of Cash Flows (unaudited)

	2011 13 weeks to 1 January Rm	2009 13 weeks to 26 December Rm
Cash retained from operating activities		
Profit before net financing costs	759	937
Depreciation	199	204
Amortisation	105	104
Foreign exchange gain	(1 188)	(138)
Derivative expense	1 615	353
Other non-cash items	(8)	15
Operating cash inflow before changes in working capital	1 482	1 475
Working capital movement	125	737
Inventories	(104)	(128)
Trade accounts receivable	(1 182)	(779)
Other debtors	70	(54)
Accounts payable	1 341	1 698
Cash generated from operating activities	1 607	2 212
Interest received	14	5
Financing costs paid	(534)	(545)
Taxation paid	(8)	(43)
Net cash retained	1 079	1 629
Cash utilised in investment activities		
Net investment in fixtures, equipment and vehicles	(167)	(132)
Net cash invested	(167)	(132)
Cash effects of financing activities		
Notes issued and refinancing		3 300
Decrease in interest bearing debt	(465)	(3 941)
Net cash outflow from financing activities	(465)	(641)
Increase in cash and cash equivalents	447	856
Cash and cash equivalents at the beginning of the period	894	694
Currency adjustments	(9)	(8)
Cash and cash equivalents at the end of the period	1 332	1 542

Group Condensed Year-to-date Statement of Cash Flows (unaudited)

	2011 39 weeks to 1 January Rm	2009 39 weeks to 26 December Rm
Cash retained from operating activities		
Profit before net financing costs	649	1 665
Depreciation	606	606
Amortisation	314	313
Foreign exchange gain	(1 609)	(3 069)
Derivative expense	3 062	3 139
Other non-cash items	(4)	23
Operating cash inflow before changes in working capital	3 018	2 677
Working capital movement	(421)	1 482
Inventories	(326)	(6)
Trade accounts receivable	(851)	(25)
Other debtors	(65)	(12)
Accounts payable	821	1 525
Cash generated from operating activities	2 597	4 159
Interest received	37	15
Financing costs paid	(1 634)	(1 666)
Taxation paid	(72)	(320)
Net cash retained	928	2 188
Cash utilised in investment activities		
Net investment in fixtures, equipment and vehicles	(355)	(345)
Net cash invested	(355)	(345)
Cash effects of financing activities		
Notes issued and refinancing	-	4 300
Decrease in interest bearing debt	(350)	(4 949)
Net cash outflow from financing activities	(350)	(649)
Increase in cash and cash equivalents	223	1 194
Cash and cash equivalents at the beginning of the period	1 125	379
Currency adjustments	(16)	(31)
Cash and cash equivalents at the end of the period	1 332	1 542

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*

	2011 39 weeks to 1 January Rm	2009 39 weeks to 26 December Rm
2. SEGMENTAL RESULTS		
2.1 Revenues		
Edgars	9 499	8 817
CNA	1 392	1 325
Discount Division	7 347	7 001
Manufacturing	40	30
Credit and Financial Services	1 719	1 876
Group Services	57	17
	20 054	19 066
2.2 Retail sales		
Edgars	9 322	8 658
CNA	1 392	1 325
Discount Division	7 203	6 830
	17 917	16 813
2.3 Number of stores		
Edgars	265	274
CNA	202	206
Discount Division	731	770
	1 198	1 250
2.4 Segment result - operating profit		
Edgars	2 142	1 987
CNA	91	91
Discount Division	873	862
Manufacturing	(1)	(7)
Credit and Financial Services	839	499
Group Services ¹	(3 295)	(1 767)
	649	1 665
3. REVENUES		
Retail sales	17 917	16 813
Club fees	321	330
Finance charges on trade receivables	1 370	1 567
Equity accounted earnings of joint ventures	349	309
Interest received	57	17
Manufacturing sales to third parties	40	30
	20 054	19 066

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.

Notes to the Financial Statements (unaudited) *continued*

	2011 39 weeks to 1 January Rm	2009 39 weeks to 26 December Rm
4. CREDIT INCOME AND EXPENSE		
4.1 Income from credit		
Finance charges on trade receivables	1 371	1 567
	<u>1 371</u>	<u>1 567</u>
4.2 Expenses from credit		
Net bad debt	(798)	(897)
Net decrease/(increase) in doubtful debt provision	317	(81)
Administration costs	(399)	(399)
	<u>(880)</u>	<u>(1 377)</u>
4.3 Net credit income	<u>491</u>	<u>190</u>

Notes to the Financial Statements (unaudited) *continued*

	2011 13 weeks to 1 January Rm	2009 13 weeks to 26 December 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:		
Third quarter Statement of Comprehensive Income		
Total revenues	146	168
Income from credit	139	162
Expenses from credit	(4)	(147)
Trading profit and profit before financing costs	135	15
Interest received	7	6
Profit before financing costs	142	21
Financing costs	(95)	(81)
Profit/(loss) before taxation	47	(60)
Taxation	(13)	14
Profit/(loss) for the period	34	(46)

	2011 39 weeks to 1 January Rm	2009 39 weeks to 26 December Rm
Consolidation of OntheCards Investments Limited and OntheCards Investments II (Proprietary) Limited		
Year-to-date Statement of Comprehensive Income		
Total revenues	522	454
Income from credit	497	442
Expenses from credit	(144)	(343)
Trading profit and profit before financing costs	353	99
Interest received	26	12
Profit before financing costs	379	111
Financing costs	(310)	(231)
Profit/(loss) before taxation	69	(120)
Taxation	(18)	31
Profit/(loss) for the period	51	(89)

Notes to the Financial Statements (unaudited) *continued*

	2011 1 January Rm	2010 3 April Rm	2009 26 December 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)	(78)
Loan – Edcon (Proprietary) Limited	(2 062)	(2 062)	(2 062)
Deferred tax	115	133	145
Total non-current assets	(1 946)	(1 928)	(1 916)
Current assets			
Trade, other receivables and prepayments	6 154	5 468	5 798
Cash and cash equivalents	93	684	371
Total current assets	6 247	6 152	6 169
Total assets	4 301	4 224	4 253
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Retained loss	(89)	(140)	(141)
Total equity	(89)	(140)	(141)
Non-current liabilities – third parties			
Notes issued – securitisation	4 300	3 855	3 855
Total non-current liabilities	4 300	3 855	3 855
Current liabilities			
Notes issued – securitisation		445	445
Current taxation	-	-	23
Trade and other payables	90	64	71
Total current liabilities	90	509	539
Total equity and liabilities	4 301	4 224	4 253
Total managed capital per IAS 1	4 211	4 160	4 159

Notes to the Financial Statements (unaudited) *continued*

	2011 13 weeks to 1 January Rm	2009 13 weeks to 26 December Rm
5. Consolidation of OntheCards Investments Limited and OntheCards Investments II (Proprietary) Limited <i>(continued)</i>		
Included in the Group Condensed Statement of Cash Flows by line, are the following amounts:		
Third quarter Statement of Cash Flows		
Profit before financing costs	135	15
Other non-cash items		117
Operating cash inflow before changes in working capital	135	132
Working capital movement	(544)	(305)
Trade accounts receivable	(570)	(354)
Other debtors		(18)
Accounts payable	26	67
Cash generated from operating activities	(409)	(173)
Interest received	7	6
Financing costs paid	(95)	(63)
Taxation paid	-	-
Net cash utilised	(497)	(230)
Cash effects of financing activities		
Purchase of receivables		(1 546)
Loan – Edcon (Proprietary) Limited		447
Increase in held-to-maturity investments		78
Notes issued and refinancing		3 300
Decrease in interest bearing debt		(1 846)
Net cash outflow from financing activities		433
(Decrease)/increase in cash and cash equivalents	(497)	203
Cash and cash equivalents at the beginning of the period	590	168
Cash and cash equivalents at the end of the period	93	371

Notes to the Financial Statements (unaudited) *continued*

	2011 39 weeks to 1 January Rm	2009 39 weeks to 26 December Rm
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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:

Year-to-date Statement of Cash Flows

Trading profit and profit before financing costs	353	99
Other non-cash items	30	129
Operating cash inflow before changes in working capital	383	228
Working capital movement	(174)	42
Trade accounts receivable	(200)	23
Other debtors	-	(19)
Accounts payable	26	38
Cash generated from operating activities	209	270
Interest received	26	11
Financing costs paid	(310)	(199)
Net cash (utilised)/generated	(75)	82
Cash effects of financing activities		
Purchase of receivables	(516)	(2 042)
Loan – Edcon (Proprietary) Limited		612
Increase in held-to-maturity investments		78
Notes issued and refinancing	-	4 300
Decrease in interest bearing debt		(2 659)
Net cash (outflow)/inflow from financing activities	(516)	289
(Decrease)/increase in cash and cash equivalents	(591)	371
Cash and cash equivalents at the beginning of the period	684	-
Cash and cash equivalents at the end of the period	93	371

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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