

23 August 2011

This notice is important and requires your immediate attention.

**EDCON HOLDINGS (PROPRIETARY) LIMITED (“EDCON”)  
SUMMARY OF GROUP TRADING RESULTS FOR THE THREE-MONTH  
PERIOD ENDED 2 JULY 2011**

## **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 3 July 2010 and the three-month period ended 2 July 2011. Unless the context requires otherwise, references in this notice to (i) “first quarter 2011” and “first quarter 2012” shall mean the 13-week period ended 3 July 2010 and the 13-week period ended 2 July 2011, respectively, and (ii) “fiscal 2011” and “fiscal 2012” shall mean the 52-week period ended 2 April 2011 and the 52-week period ending 31 March 2012, respectively.

	<b>First Quarter (in millions) (unaudited)</b>			
	2011 <sup>(1)</sup>		2012 <sup>(1)</sup>	
<b>Comprehensive income data</b>				
Revenues	R	5 943	R	6 448
Retail sales		5 418		5 816
Cost of sales		(3 345)		(3 605)
Gross profit		2 073		2 211
Other income		115		127
Store costs		(1 025)		(1 094)
Other operating costs		(635)		(689)
Additional depreciation and amortisation <sup>(3)</sup>		(169)		(147)
Retail trading profit		359		408
Operating profit from credit		23		61
Equity accounted earnings of joint ventures		116		133
Trading profit		498		602
Net fair value movement on notes and associated derivatives		(437)		(170)
Discount on repurchase of senior secured notes				36
Profit before financing costs		61		468
Net financing costs		(509)		(711)
Taxation		108		76
Loss for the period	R	(340)	R	(167)
		2011 <sup>(1)</sup>		2012 <sup>(1)</sup>
<b>Other financial data</b>				
Adjusted EBITDA <sup>(4)</sup>		808		908
Operating lease expense		372		392
Adjusted EBITDAR		1 180		1 300
Capital expenditure		100		436
Depreciation and amortisation		309		285
		2011 <sup>(1)</sup>		2012 <sup>(1)</sup>
<b>Select operating data</b>				
Number of stores		1 224		1 191
Same store sales growth (%)		0.7		6.0
Average retail space (in '000 sqm)		1 325		1 333
Number of customer credit accounts (in '000s)		3 895		3 740

	<b>First Quarter (in millions) (unaudited)</b>			
	2011 <sup>(1)</sup>		2012 <sup>(1)</sup>	
<b>Financial position data</b>				
Working capital	R	3 315	R	<b>3 025</b>
Total assets		29 397		<b>30 598</b>
Total debt at unhedged rates		15 799		<b>20 513</b>
Total net debt including cash and derivatives		19 803		<b>20 973</b>
Total shareholders' funds including shareholder's loan		5 840		<b>4 733</b>

#### **Cash flow data**

Operating cash inflow before changes in working capital	R	797	R	<b>884</b>
Working capital movement		(998)		<b>(997)</b>
Cash utilised by operating activities		(201)		<b>(113)</b>

- 1) All figures presented in the summary financial statements above exclude the impact of consolidating OntheCards Investments II (Proprietary) Limited ("OtC"). Refer to note 2 below for a reconciliation of key line items.
- 2) The following tables reconcile financial information which is presented in the Group Financial Statements attached hereto which consolidate OtC, 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.

	<b>First Quarter (in millions) (unaudited)</b>					
	2012		Consolidation adjustments for OtC		Excluding OtC	
	Including OtC					
<b>Comprehensive income data</b>						
Revenues	R	6 582	R	134	R	<b>6 448</b>
Operating profit from credit		148		87		<b>61</b>
<b>Other financial data</b>						
Adjusted EBITDA	R	995	R	87	R	<b>908</b>
<b>Financial position data</b>						
Total debt at unhedged rates	R	24 814	R	4 300	R	<b>20 514</b>
Total net debt including cash and derivatives		24 608		3 634		<b>20 974</b>
<b>Cash flow data</b>						
Operating cash inflow before changes in working capital	R	971	R	87	R	<b>884</b>
Working capital movement		(975)		22		<b>(997)</b>

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

- 3) This additional depreciation and amortisation relates to the amortisation of intangibles and the incremental depreciation arising from the fair value adjustments in relation to the private equity transaction. These figures are included in "Other operating costs" in the Group Financial Statements attached hereto.
- 4) The following table reconciles net loss to EBITDA and adjusted EBITDA.

	<b>First Quarter (in millions) (unaudited)</b>			
	2011 <sup>(1)</sup>		2012 <sup>(1)</sup>	
Loss for the period	R	(340)	R	(167)
Taxation		(108)		(76)
Net financing costs		509		711
Depreciation & amortisation		309		285
EBITDA	R	370	R	753
Net fair value movement on notes and associated derivatives <sup>(a)</sup>		437		170
CEO transitional projects related expenditure <sup>(b)</sup>				18
Discount on repurchase of senior secured notes <sup>(c)</sup>				(36)
Net asset write-off <sup>(d)</sup>		1		3
Adjusted EBITDA	R	808	R	908

- a) We have executed currency and interest rate derivatives to hedge the repayment of the interest and principal on the respective floating and fixed rate notes. This adjustment relates to the revaluation of the notes to the spot exchange rate and change in the fair value of these derivatives.
- b) This relates to costs incurred for various CEO transitional projects.
- c) During May 2011, the Group completed a repurchase of a portion of the senior secured floating rate notes with a nominal value of €39 million for €35 million, being 90% of the face value. As a result of the buy-back, the Group recognised a gain, net of associated fees, of R36 million.
- d) This adjustment relates to assets written off net of related proceeds.

## Management discussion and analysis

### Overview

Key operating highlights for the first quarter 2012 include:

- ❖ Adjusted EBITDA up 12.4% to R908 million
- ❖ “Same store” sales increase by 6.0%
- ❖ Credit activities delivering a 39.6% increase in operating profit
- ❖ Continued improved cash generation even as the business resumes its growth trajectory

Management believes that the South African economy is sound, and the outlook remains positive despite international economic concerns and some short-term local challenges such as unemployment and rising administered prices. Against this background, Edcon's growth was achieved in spite of the company maintaining a conservative stance in our credit activities with the debtors book continuing to be tightly managed, and store openings being limited. Pleasingly all key credit metrics improved.

The new chief executive officer, Jürgen Schreiber, assumed his role in April 2011. He has commenced a number of transitional projects across the business including the development of a real estate strategy to support growth, a review of merchandise ranges and the flow of goods, as well as an analysis of operational processes. The costs to date are R18 million but the benefits from these initiatives are only expected later in fiscal 2012.

Store operating expenses continued to be stringently controlled, and management was encouraged by the results of targeted spending to enhance new account growth. Working capital also continued to be tightly managed.

During the first quarter 2012 the super senior secured term loan was settled and the settlement proceeds were funded through the issue of super senior secured notes in the local South African market. The group also repurchased €39m senior secured floating rate notes. These transactions complete the refinancing of the short term hedging liabilities that arose from the original hedging structure implemented in 2007.

### *Retail sales*

Retail sales increased by R398 million, or 7.3%, from R5,418 million in the first quarter 2011 to R5,816 million in first quarter 2012.

In Edgars, retail sales in the first quarter 2012 increased by 7.8% from the first quarter 2011 primarily due to positive growth from cellular, ladieswear and footwear. CNA's retail sales in the first quarter 2012 increased 3.2% from the first quarter 2011, driven mainly by positive growth in cellular. Retail sales in the discount division increased by 7.6% from the first quarter 2011 to the first quarter 2012 due to positive growth in cellular, childrenswear and ladieswear.

Same store sales increased by 6.0% from the prior period. Our credit sales accounted for 52% of total retail sales during the first quarter 2012, up from 50% achieved during first quarter 2011. The impact from the credit tightening we implemented in fiscal 2010 is now in the base.

### *Gross profit*

Gross profit increased by R138 million, or 6.7%, from R2,073 million in the first quarter 2011 to R2,211 million in the first quarter 2012. Gross profit as a percentage of retail sales was 38.0%, marginally down on the first quarter 2011 at 38.3%. This is a direct result of input price inflation combined with a higher contribution of lower margin cellular to the product mix.

Edgars gross profit decreased slightly as a percentage of retail sales from 42.6% in the first quarter 2011 to 42.5% in the first quarter 2012, due to a shift in sales mix. Gross profit as a percentage of retail sales in CNA increased from 30.6% in the first quarter 2011 to 33.3% in the first quarter 2012 primarily because of less clearance activity. In the discount division, gross profit margin decreased from 34.2% in the first quarter 2011 to 33.2% in the first quarter 2012 due to higher contribution of cellular product and higher input prices.

### *Store costs*

Store costs increased by R69 million, or 6.7%, from R1,025 million in the first quarter 2011 to R1,094 million in the first quarter 2012 principally as a result of increases in electricity prices imposed by the utility provider, and increases for wages and rent.

### *Other operating costs*

Other operating costs increased by R54 million, or 8.5%, from R635 million in the first quarter 2011 to R689 million in the first quarter 2012. This increase was principally the result of salary increases in the corporate areas and costs incurred for various CEO transitional projects.



### *Depreciation and amortisation*

Depreciation and amortisation decreased by R23 million from R309 million in the first quarter 2011 to R285 million in the first quarter 2012 due to certain items becoming fully depreciated.

### *Credit and financial services operating profit*

Credit and financial services operating profit increased by R55 million, or 39.6%, from R139 million in the first quarter 2011 to R194 million in the first quarter 2012. This increase was primarily due to a decrease in net impairment of receivables and 14.7% higher profits from the insurance joint ventures following increased insurance sales and lower claims. Consolidated annualised net impairment of receivables as a percentage of average receivables decreased to 10.0% for first quarter 2012 from 12.4% in the first quarter 2011 due to the improved quality of the book and strong collection activity. The number of active accounts decreased from 3.9 million accounts in the first quarter 2011 to 3.7 million in the first quarter 2012 due to our tightened credit standards throughout fiscal 2011.

### *Trading profit*

Trading profit increased by R104 million, or 20.9%, from R498 million in the first quarter 2011 to R602 million in the first quarter 2012.

Adjusted EBITDA increased by R100 million, or 12.4%, from R808 million in the first quarter 2011 to R908 million in the first quarter 2012.

### *Net financing costs*

Net financing costs increased by R202 million, from R509 million in the first quarter 2011 to R711 million in the first quarter 2012. This increase is primarily a result of (i) the issue of the senior secured fixed rate notes in March 2011, (ii) the issue of the super senior secured notes in April 2011, and (iii) the new hedging strategy, to hedge approximately 60% of the principal of the Euro denominated notes and all the associated coupon payments through to March 2014.

### *Cash flow*

Operating cash inflow before changes in working capital increased by R87 million, or 10.9%, from R797 million in the first quarter 2011 to R884 million in the first quarter 2012, due to the higher trading profit in first quarter 2012.

Working capital increased by R997 million in the first quarter 2012 compared with an increase of R998 million for the first quarter 2011. This was principally due to (i) an increase in receivables of R364 million in the first quarter 2012 compared with an increase of R96 million in the first quarter 2011 as a result of the stronger growth in credit sales, (ii) an increase in inventory of R38 million in the first quarter 2012 compared to a decrease of R44 million in the first quarter 2011, and (iii) a decrease in payables of R595 million in the first quarter 2012 compared to a decrease of R946 million in the first quarter 2011 due to improved payment terms compared to first quarter 2011.

Cash utilised by operating activities decreased by R88 million, from R201 million in the first quarter 2011 to R113 million in the first quarter 2012 primarily because of the higher operating cash inflow.

Capital expenditure was R436 million in the first quarter 2012, up from R100 million in the first quarter 2011. During to the first quarter 2012 the Group entered into two agreements relating to its head office administration building whereby it purchased the building from the landlord for R226 million and simultaneously entered into a sale and leaseback agreement with a bank. At the end of the first quarter 2012 the first leg of the purchase was completed, with the second leg related to the sale and leaseback expected to be completed in the second quarter of fiscal 2012 when the transfer has been registered. During the first quarter 2012, we opened 18 new stores and closed 8 stores which, combined with store refurbishment, resulted in investments in store fixtures of R93 million. In addition, in the first quarter 2012 we invested R117 million in information systems infrastructure compared with R69 million in the first quarter 2011.

During May 2011, the Group completed a repurchase of a portion of the senior secured floating rate notes with a nominal value of €39 million for €35 million (R338 million) being 90% of the face value. As a result of the buy-back, the Group recognised a gain, net of associated fees, of R36 million.

On 4 April 2011, the Group issued R1.010 billion in super senior secured notes on the Johannesburg Securities Exchange. The notes were issued at an interest rate of 6.25% over the three-month Johannesburg Interbank Agreed Rate and have a final maturity date of 4 April 2016. The proceeds were used to fully refinance the R985 million super senior secured term loan, that was due 31 March 2014.

#### *Liquidity and capital resources*

Our primary source of short-term liquidity is cash on hand, our revolving credit facility and the receivables backed notes issued by OtC. The amount of cash on hand and the outstanding balance of

our revolving credit facility are influenced by a number of factors, including retail sales, working capital levels, supplier payment terms, timing of payment for capital expenditure projects, and tax payment requirements.

Our working capital requirements fluctuate during the month, depending on when we pay our suppliers and collect receivables, and throughout the year depending on the seasonal build-up of inventory and accounts receivable. We fund peaks in the working capital cycle with cash flows from operations and drawings under our revolving credit facility.

At 2 July 2011 our total net debt including cash and derivatives (excluding OtC) of R20,973 million consisted of (i) the fair value of Floating Rate Notes of R14,627 million, (ii) the fair value of Fixed Rate Notes of R4,618 million (iii) super senior secured notes of R1,010 million (iv) borrowings under the revolving credit facility of R258 million, (v) net derivatives of R1,042 million, less (vi) cash and cash equivalents of R582 million. In addition, OtC's net debt of R3,634 million consisted of (i) Receivables-Backed Notes issued of R4,300 million, less (ii) cash and cash equivalents of R666 million.

At 2 July 2011, the total availability under the Senior Revolving Credit Facility was R2,859 million which matures between June 2012 and March 2014. The OtC Receivables-Backed Notes issued by OtC consist of R4,300 million notes due between July 2012 and April 2017. During the first quarter 2012 the maximum utilisation of the revolving credit facility was R258 million. We believe that operating cash flows and amounts available under the Senior Revolving Credit Facility and the OtC Receivables-Backed Notes will be sufficient to fund our debt service obligations and operations, including capital expenditure and contractual commitments, through to 31 March 2012.

## CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

In preparing our group financial statements, our management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Actual results in the future could differ from these estimates, and this may be material to our group financial statements. Significant estimates and judgments made relate to credit risk valuation adjustments in determining the fair value of derivative instruments to reflect non-performance risk, a provision for impairment of receivables, allowances for slow-moving inventory, residual values, useful lives and depreciation methods for property, plant and equipment and intangible asset impairment tests. Other judgments made relate to classifying financial assets and liabilities into categories.

### *Revenue recognition*

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

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

### *Trade and other receivables*

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

whether significant or not, the receivable is included in a group of receivables with similar credit risk characteristics and that group of receivables is collectively assessed for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised, are not included in a collective assessment of impairment.

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

### *Leases*

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

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

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

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

### *Inventory*

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

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

### *Financial instruments*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## *Business Combinations and Goodwill*

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

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

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

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

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

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

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

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



this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### *Other intangible assets*

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

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

**Group Financial Statements**  
**Edcon Holdings (Proprietary) Limited**

## Group Condensed Statement of Financial Position (unaudited)

	2011 2 July Rm	2011 2 April Rm	2010 3 July Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Properties, fixtures, equipment and vehicles	2 497	2 246	2 543
Intangible assets	17 920	18 024	18 338
Equity accounted investment in joint ventures	21	6	14
Derivative financial instruments	68	30	
Deferred tax	1 049	887	310
<b>Total non-current assets</b>	<b>21 555</b>	<b>21 193</b>	<b>21 205</b>
<b>Current assets</b>			
Inventories	2 664	2 626	2 359
Trade, other receivables and prepayments	9 571	9 195	8 973
Cash and cash equivalents	1 248	2 315	1 133
<b>Total current assets</b>	<b>13 483</b>	<b>14 136</b>	<b>12 465</b>
<b>Total assets</b>	<b>35 038</b>	<b>35 329</b>	<b>33 670</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders</b>			
Share capital and premium	2 148	2 148	2 148
Other reserves	(769)	(600)	(331)
Retained loss	(5 134)	(4 972)	(3 640)
<b>Total equity</b>	<b>(3 755)</b>	<b>(3 424)</b>	<b>(1 823)</b>
<b>Non-current liabilities – shareholder’s loan</b>			
Shareholder’s loan	8 400	8 184	7 552
<b>Total equity and shareholder’s loan</b>	<b>4 645</b>	<b>4 760</b>	<b>5 729</b>
<b>Non-current liabilities – third parties</b>			
Interest bearing debt	24 555	24 440	18 682
Lease equalisation	422	392	395
Derivative financial instruments	199	308	3 483
Employee benefit liability	131	130	116
<b>Total non-current liabilities</b>	<b>25 307</b>	<b>25 270</b>	<b>22 676</b>
<b>Current liabilities</b>			
Interest-bearing debt	258		1 417
Current taxation	237	244	278
Derivative financial instruments	911	946	830
Trade and other payables	3 680	4 109	2 740
<b>Total current liabilities</b>	<b>5 086</b>	<b>5 299</b>	<b>5 265</b>
<b>Total equity and liabilities</b>	<b>35 038</b>	<b>35 329</b>	<b>33 670</b>
<b>Total managed capital per IAS 1</b>	<b>29 458</b>	<b>29 200</b>	<b>25 828</b>

## Group Condensed Statement of Comprehensive Income (unaudited)

	Note	2011 2 July Rm	2010 3 July Rm
<b>Total revenues</b>	3	<b>6 582</b>	6 148
<b>Revenue - retail sales</b>		<b>5 816</b>	5 418
Cost of sales		<b>(3 605)</b>	(3 345)
<b>Gross profit</b>		<b>2 211</b>	2 073
Other income		<b>127</b>	115
Store costs		<b>(1 094)</b>	(1 025)
Other operating costs		<b>(836)</b>	(804)
<b>Retail trading profit</b>		<b>408</b>	359
Income from credit	4.1	<b>485</b>	473
Expenses from credit	4.2	<b>(337)</b>	(337)
Equity accounted earnings of joint ventures		<b>133</b>	116
<b>Trading profit</b>		<b>689</b>	611
Discount on repurchase of senior secured notes		<b>36</b>	
Derivative gain/(loss)		<b>279</b>	(641)
Foreign exchange (loss)/gain		<b>(449)</b>	204
<b>Profit before net financing costs</b>		<b>555</b>	174
Interest received		<b>20</b>	27
<b>Profit before financing costs</b>		<b>575</b>	201
Financing costs		<b>(812)</b>	(636)
<b>Loss before taxation</b>		<b>(237)</b>	(435)
Taxation		<b>75</b>	124
<b>LOSS FOR THE PERIOD</b>		<b>(162)</b>	(311)
<b>Other comprehensive income after tax:</b>			
Exchange differences on translating foreign operations		<b>(3)</b>	3
Cash flow hedges		<b>(166)</b>	74
<b>Other comprehensive income for the period, net of tax</b>		<b>(169)</b>	77
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(331)</b>	(234)
<b>Loss attributable to:</b>			
Owners of the parent		<b>(162)</b>	(311)
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		<b>(331)</b>	(234)

## Group Condensed Statements of Changes in Equity (unaudited)

	Share capital and premium Rm	Foreign currency translation reserve Rm	Cash flow hedging reserve Rm	Revaluation surplus Rm	Retained loss Rm	Total equity Rm
<b>AT 3 JULY 2010</b>						
Balance at 4 April 2010	2 148	(20)	(391)	3	(3 329)	(1 589)
Loss for the period					(311)	(311)
Other comprehensive income for the period		3	74			77
Balance at 3 July 2010	2148	(17)	(317)	3	(3 640)	(1 823)
<b>AT 2 JULY 2011</b>						
Balance at 2 April 2011	2 148	(35)	(568)	3	(4 972)	(3 424)
Loss for the period					(162)	(162)
Other comprehensive income for the period		(3)	(166)			(169)
<b>Balance at 2 July 2011</b>	<b>2 148</b>	<b>(38)</b>	<b>(734)</b>	<b>3</b>	<b>(5 134)</b>	<b>(3 755)</b>

## Group Condensed Statement of Cash Flows (unaudited)

	2011 2 July Rm	2010 3 July Rm
<b>Cash retained from operating activities</b>		
Profit before net financing costs	555	174
Depreciation	182	205
Amortisation	104	104
Foreign exchange loss/(gain)	449	(204)
Derivative (gain)/loss	(279)	641
Discount on repurchase of senior secured notes	(36)	
Other non-cash items	(4)	(10)
<b>Operating cash inflow before changes in working capital</b>	<b>971</b>	<b>910</b>
Working capital movement	(975)	(876)
Inventories	(38)	44
Trade accounts receivable	(424)	31
Other receivables	48	(20)
Trade and other payables	(561)	(931)
<b>Cash generated from operating activities</b>	<b>(4)</b>	<b>34</b>
Interest received	20	10
Financing costs paid	(560)	(542)
Taxation paid	(31)	(21)
<b>Net cash utilised</b>	<b>(575)</b>	<b>(519)</b>
<b>Cash utilised in investment activities</b>		
Net investment in fixtures, equipment and vehicles	(210)	(100)
Net investment in property	(226)	
<b>Net cash invested</b>	<b>(436)</b>	<b>(100)</b>
<b>Cash effects of financing activities</b>		
Increase in interest bearing debt	258	622
Issue of super senior secured notes	1 010	
Settlement of super senior secured term loan	(985)	
Buy back of senior secured notes	(338)	
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(55)</b>	<b>622</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(1 066)</b>	<b>3</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2 315</b>	<b>1 125</b>
Currency adjustments	(1)	5
<b>Cash and cash equivalents at the end of the period</b>	<b>1 248</b>	<b>1 133</b>

# Notes to the Financial Statements (unaudited)

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## **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 2 April 2011 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 2 April 2011 as included in the 2011 audited Group Annual Financial Statements of Edcon Holdings (Proprietary) Limited.

## **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 is subordinated to the claims of all of the creditors of the Group.

## **Buy-back of senior secured floating rate notes**

During May 2011, the Group completed a repurchase of a portion of the senior secured floating rate notes with a nominal value of €39 million for €35 million (R338 million) being 90% of the face value. As a result of the buy-back, the Group recognised a gain, net of associated fees, of R36 million.

## **Issuance of super senior secured notes**

On 4 April 2011, the Group issued R1.010 billion in super senior secured notes on the Johannesburg Securities Exchange. The notes were issued at an interest rate of 6.25% over the three-month

Johannesburg Interbank Agreed Rate and have a final maturity date of 4 April 2016. The proceeds were used to fully refinance the R985 million super senior secured term loan, that was due 31 March 2014.

### **Capital Expenditure**

The Group entered into two agreements relating to its head office administration building whereby it purchased the building from the landlord for R226 million and simultaneously entered into a sale and leaseback agreement with a bank. At the end of the first quarter fiscal 2012 the first leg of the purchase was completed, with the second leg related to the sale and leaseback expected to be completed in the second quarter of fiscal 2012 when the transfer has been registered.



## Notes to the Financial Statements (unaudited) *continued*

	2011 2 July Rm	2010 3 July Rm
<b>2. SEGMENTAL RESULTS</b>		
<b>2.1 Revenues</b>		
Edgars	3 089	2 865
CNA	418	405
Discount Division	2 422	2 253
Manufacturing	15	9
Credit and Financial Services	625	589
Group Services	13	27
	<b>6 582</b>	6 148
<b>2.2 Retail sales</b>		
Edgars	3 027	2 809
CNA	418	405
Discount Division	2 371	2 204
	<b>5 816</b>	5 418
<b>2.3 Number of stores</b>		
Edgars	267	265
CNA	203	203
Discount Division	721	756
	<b>1 191</b>	1 224
<b>2.4 Segment result - operating profit</b>		
Edgars	683	644
CNA	17	12
Discount Division	316	300
Manufacturing	1	(1)
Credit and Financial Services	281	252
Group Services <sup>1</sup>	(743)	(1 033)
	<b>555</b>	174
<b>3. REVENUES</b>		
Retail sales	5 816	5 418
Club fees	113	105
Finance charges on trade receivables	485	473
Earnings of joint ventures	133	116
Interest received	20	27
Manufacturing sales to third parties	15	9
	<b>6 582</b>	6 148

<sup>1</sup> Included in the allocation to the Group Services segment is corporate overheads, derivative expense, CEO transitional projects related expenses, discount on notes buy back, foreign exchange gain and amortisation of intangible assets and additional depreciation as a result of the private equity transaction in 2007.

## Notes to the Financial Statements (unaudited) *continued*

	2011 2 July Rm	2010 3 July Rm
<b>4. CREDIT INCOME AND EXPENSE</b>		
<b>4.1 Income from credit</b>		
Finance charges on trade receivables	485	473
	<b>485</b>	<b>473</b>
<b>4.2 Expenses from credit</b>		
Net impairment of receivables	(132)	(231)
Net (increase)/decrease in provision for impairments on receivables	(65)	10
Administration and other costs	(140)	(116)
	<b>(337)</b>	<b>(337)</b>
<b>4.3 Operating profit from credit</b>	<b>148</b>	<b>136</b>

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

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

#### First Quarter Statement of Comprehensive Income

<b>Total revenues</b>	<b>134</b>	<b>205</b>
Income from credit	127	195
Expenses from credit	(40)	(82)
<b>Trading profit and profit before financing costs</b>	<b>87</b>	<b>113</b>
Interest received	7	10
<b>Profit before financing costs</b>	<b>94</b>	<b>123</b>
Financing costs	(89)	(110)
<b>Profit before taxation</b>	<b>5</b>	<b>13</b>
Taxation	(1)	16
<b>Profit for the period</b>	<b>4</b>	<b>29</b>

## Notes to the Financial Statements (unaudited) *continued*

	2011 2 July Rm	2011 2 April Rm	2010 3 July Rm
<b>5. Consolidation of OntheCards Investments II (Proprietary) Limited</b> <i>(continued)</i>			
Included in the Group Condensed Statement of Financial Position by line, are the following balances:			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	79	79	79
Held-to-maturity investments	(78)	(78)	(78)
Loan – Edcon (Proprietary) Limited	(2 062)	(2 062)	(2 062)
Deferred tax	109	117	149
<b>Total non-current assets</b>	<b>(1 952)</b>	<b>(1 944)</b>	<b>(1 912)</b>
<b>Current assets</b>			
Trade, other receivables and prepayments	5 658	5 646	5 361
Cash and cash equivalents	666	639	824
<b>Total current assets</b>	<b>6 324</b>	<b>6 285</b>	<b>6 185</b>
<b>Total assets</b>	<b>4 372</b>	<b>4 341</b>	<b>4 273</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders</b>			
Retained loss	(88)	(92)	(111)
<b>Total equity</b>	<b>(88)</b>	<b>(92)</b>	<b>(111)</b>
<b>Non-current liabilities – third parties</b>			
Interest-bearing debt	4 300	4 300	3 855
<b>Total non-current liabilities</b>	<b>4 300</b>	<b>4 300</b>	<b>3 855</b>
<b>Current liabilities</b>			
Interest-bearing debt			445
Trade and other payables	160	133	84
<b>Total current liabilities</b>	<b>160</b>	<b>133</b>	<b>529</b>
<b>Total equity and liabilities</b>	<b>4 372</b>	<b>4 341</b>	<b>4 273</b>
<b>Total managed capital per IAS 1</b>	<b>4 212</b>	<b>4 208</b>	<b>4 189</b>

## Notes to the Financial Statements (unaudited) *continued*

	2011 2 July Rm	2010 3 July Rm
<b>5. Consolidation of OntheCards Investments II (Proprietary) Limited</b> <i>(continued)</i>		
Included in the Group Condensed Statement of Cash Flows by line, are the following amounts:		
<b>First quarter Statement of Cash Flows</b>		
<b>Trading profit and profit before financing costs</b>	<b>87</b>	113
<b>Operating cash inflow before changes in working capital</b>	<b>87</b>	113
Working capital movement	<b>22</b>	122
Trade accounts receivable	<b>(12)</b>	107
Trade and other payables	<b>34</b>	15
<b>Cash generated from operating activities</b>	<b>109</b>	235
Interest received	<b>7</b>	10
Financing costs paid	<b>(89)</b>	(105)
<b>Increase in cash and cash equivalents</b>	<b>27</b>	140
<b>Cash and cash equivalents at the beginning of the period</b>	<b>639</b>	684
<b>Cash and cash equivalents at the end of the period</b>	<b>666</b>	824

## Corporate Information

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### **Edcon Holdings (Proprietary) Limited**

Incorporated in the Republic of South Africa  
Registration number 2006/036903/07

### **Non-executive directors**

DM Poler\* (Chairman), EB Berk\*, M Levin\*, ZB Ebrahim,  
MMV Valentiny\*\*

### **Executive directors**

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

\*USA \*\* BELGIUM \*\*\*GERMAN

### **Group Secretary**

CM Vikisi

### **Registered office**

Edgardale, Press Avenue  
Crown Mines, Johannesburg, 2092  
Telephone: +27 11 495-6000  
Fax: +27 11 837-5019

### **Postal address**

PO Box 100, Crown Mines, 2025

### **Auditors**

Ernst & Young Inc.  
Wanderers Office Park  
52 Corlett Drive, Illovo 2196  
Private Bag X14, Northlands, 2116  
Telephone: +27 11 772-3000  
Fax: +27 11 772-4000

### **Trustee, Transfer Agent and Principal Paying Agent**

The Bank of New York Mellon Limited  
1 Canada Square  
London E14 5AL  
United Kingdom

### **Listing Agent & Irish Paying Agent**

The Bank of New York Mellon (Ireland) Limited  
Hanover Building,  
Windmill Lane, Dublin 2,  
Republic of Ireland  
Telephone: + 353 1 900 6991