

30th November 2011

This notice is important and requires your immediate attention.

EDCON HOLDINGS (PROPRIETARY) LIMITED (“EDCON”)

SUMMARY OF GROUP TRADING RESULTS FOR THE SIX-MONTH PERIOD

ENDED 1 OCTOBER 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 2 October 2010 and the three-month period ended 1 October 2011. Unless the context requires otherwise, references in this notice to (i) “second quarter 2011” and “second quarter 2012” shall mean the 13-week period ended 2 October 2010 and the 13-week period ended 1 October 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.

	Second Quarter (in millions) (unaudited)		Year to date (in millions) (unaudited)	
	2011 ⁽¹⁾	2012 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽¹⁾
Comprehensive income data				
Revenues	R 5 563	R 6 050	R 11 506	R 12 498
Retail sales	5 034	5 400	10 452	11 216
Cost of sales	(3 215)	(3 487)	(6 560)	(7 092)
Gross profit	1 819	1 913	3 892	4 124
Other income	110	142	225	269
Store costs	(1 023)	(1 094)	(2 048)	(2 188)
Other operating costs	(640)	(734)	(1 275)	(1 423)
Additional depreciation and amortisation ⁽³⁾	(166)	(149)	(335)	(296)
Retail trading profit	100	78	459	486
Operating (loss)/profit from credit	(6)	50	17	111
Equity accounted earnings of joint ventures	114	116	230	249
Trading profit	208	244	706	846
Fees incurred – securitisation	(8)		(8)	
Net fair value movement on notes and associated derivatives	(589)	(980)	(1 026)	(1 150)
Discount on repurchase of senior secured notes				36
Loss before financing costs	(389)	(736)	(328)	(268)
Net financing costs	(552)	(862)	(1 061)	(1 573)
Taxation	271	415	379	491
Loss for the period	(670)	(1 183)	(1 010)	(1 350)

Other financial data

Adjusted EBITDA ⁽⁴⁾	490	571	1 298	1 479
Operating lease expense	365	401	737	793
Adjusted EBITDAR	855	972	2 035	2 272
Capital expenditure	88	143	188	579
Depreciation and amortisation	307	291	616	576

Second Quarter (unaudited)		Year to date (unaudited)	
2011	2012	2011	2012

Select operating data

Number of stores	1 195	1 159	1 195	1 159
Same store sales growth (%)	13.3	6.2	6.4	6.2
Average retail space (in '000 sqm)	1 315	1 331	1 320	1 331
Number of customer credit accounts (in '000s)	3 836	3 792	3 836	3 792

	Year to Date (in millions) (unaudited)			
	2011 ⁽¹⁾		2012 ⁽¹⁾	
Financial position data				
Working capital	R	2 731	R	3 484
Total assets		29 240		32 538
Total debt at unhedged rates		15 088		23 199
Total net debt including cash and derivatives		19 630		22 641
Total shareholders' funds including shareholder's loan		5 466		3 750

	Second Quarter (in millions) (unaudited)		Year to date (in millions) (unaudited)	
	2011 ⁽¹⁾	2012 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽¹⁾

Cash flow data

Operating cash inflow before changes in working capital	R	491	R	556	R	1 288	R	1 440
Working capital movement		82		(153)		(916)		(1 150)
Cash generated by operating activities		573		403		372		290

- 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.

	Second Quarter (in millions) (unaudited)					
	2012					
	Including OtC		Consolidation adjustments for OtC		Excluding OtC	
Comprehensive income data						
Revenues	R	6 204	R	154	R	6 050
Operating profit from credit		234		184		50
Other financial data						
Adjusted EBITDA	R	755	R	184	R	571

Cash flow data

Operating cash inflow before changes in working capital	R	740	R	184	R	556
Working capital movement		(9)		144		(153)

	Year to date (in millions) (unaudited)				
	2012				
	Including OtC	Consolidation adjustments for OtC		Excluding OtC	
Comprehensive income data					
Revenues	12 786	288	R	12 498	
Operating profit from credit	382	271		111	
Other financial data					
Adjusted EBITDA	R 1 750	R 271	R	1 479	
Financial position data					
Total debt at unhedged rates	R 27 499	R 4 300	R	23 199	
Total net debt including cash and derivatives	26 027	3 386		22 641	
Cash flow data					
Operating cash inflow before changes in working capital	R 1 711	R 271	R	1 440	
Working capital movement	(984)	166		(1 150)	
Second Quarter (in millions) (unaudited)					
2011					
	Including OtC	Consolidation adjustments for OtC		Excluding OtC	
Comprehensive income data					
Revenues	R 5 734	R 171	R	5 563	
Operating profit from credit	99	105		(6)	
Other financial data					
Adjusted EBITDA	R 625	R 135	R	490	
Cash flow data					
Operating cash inflow before changes in working capital	R 626	R 135	R	491	
Working capital movement	330	248		82	

	Year to date (in millions) (unaudited)					
	2011					
	Including OtC		Consolidation adjustments for OtC		Excluding OtC	
Comprehensive income data						
Revenues	R	11 882	R	376	R	11 506
Operating profit from credit		235		218		17
Other financial data						
Adjusted EBITDA	R	1 546	R	248	R	1 298
Financial position data						
Total debt at unhedged rates	R	19 388	R	4 300	R	15 088
Total net debt including cash and derivatives		23 340		3 710		19 630
Cash flow data						
Operating cash inflow before changes in working capital	R	1 536	R	248	R	1 288
Working capital movement		(546)		370		(916)

- 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 loss to EBITDA and adjusted EBITDA.

	Second Quarter (in millions) (unaudited)		Year to date (in millions) (unaudited)	
	2011 ⁽¹⁾	2012 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽¹⁾
Loss for the period	(670)	(1 183)	(1 010)	(1 350)
Taxation	(271)	(415)	(379)	(491)
Net financing costs	552	862	1 061	1 573
Depreciation & amortisation	307	291	616	576
EBITDA	(82)	(445)	288	308
Net fair value movement on notes and associated derivatives ^(a)	589	980	1 026	1 150
Gain on sale of receivables to OtC II	(30)		(30)	
CEO transitional projects related expenditure ^(b)		34		52
Fees incurred – OtC II	8		8	
Discount on repurchase of senior secured notes ^(c)				(36)
Net asset write-off ^(d)	5	2	6	5
Adjusted EBITDA	490	571	1 298	1 479

- 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 of financial condition

Overview

Key operating highlights for the second quarter 2012 include:

- ❖ Adjusted EBITDA up 16.5% to R571 million
- ❖ “Same store” sales increase by 6.2%
- ❖ Credit and financial services activities delivering a 54% increase in operating profit

Despite concerns about negative macroeconomic indicators and international credit markets, retail sales in South Africa have been resilient. Against this background, Edcon achieved growth in spite of the company maintaining a conservative stance in our credit activities with the debtor’s book continuing to be tightly managed, and we continue to close underperforming stores. Pleasingly, all of our key credit metrics improved. There are some pressures on gross profit margins due to rising input prices but the company is pursuing a variety of initiatives to overcome the challenge.

As discussed last quarter, we have commenced a number of CEO 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 R52 million, but the benefits from these initiatives are only expected later in fiscal 2012 and thereafter. All strategic initiatives are progressing well and contributing towards the long term growth plan.

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, however, to ensure that stores remain in stock of key items over the Christmas period, inventory investments have been enhanced.

Retail sales

Retail sales increased by R366 million, or 7.3%, from R5,034 million in the second quarter 2011 to R5,400 million in second quarter 2012.

In our Edgars department store division, retail sales in the second quarter 2012 increased by 6.9% from the second quarter 2011, primarily due to positive growth from cellular, cosmetics and footwear. CNA’s retail sales in the second quarter 2012 increased by 11.7% from the second quarter 2011, driven mainly by strong performance from cellular, entertainment & digital. Retail sales in the Discount Division increased by 6.9% from the second quarter 2011 to the second quarter 2012, due to positive growth in cellular and childrenswear.

Same store sales (sales from stores open for the full period in the current fiscal year and in the prior fiscal year) increased by 6.2% from the prior period. Following an increased marketing focus, credit sales accounted for 51% of total retail sales during the second quarter 2012, up from 48% achieved during second quarter 2011.

Gross profit

Gross profit increased by R94 million, or 5.2%, from R1,819 million in the second quarter 2011 to R1,913 million in the second quarter 2012. Gross profit as a percentage of retail sales was 35.4%, down from the second quarter 2011 percentage of 36.1%. This is a direct result of input price inflation combined with a higher contribution of lower margin cellular and digital to the product mix.

Edgars gross profit decreased slightly as a percentage of retail sales from 40.4% in the second quarter 2011 to 40.3% in the second quarter 2012, due to a shift in sales mix. Gross profit as a percentage of retail sales in CNA decreased from 33.1% in the second quarter 2011 to 31.0% in the second quarter 2012 primarily because of a change in sales mix. In the Discount Division, gross profit margin decreased from 31.1% in the second quarter 2011 to 29.8% in the second quarter 2012 due to a larger contribution from cellular product and higher input prices.

Store costs

Store costs increased by R71 million, or 6.9%, from R1,023 million in the second quarter 2011 to R1,094 million in the second quarter 2012 principally as a result of an increase of R30 million for electricity costs imposed by our utility provider, and increases in remuneration and rent.

Other operating costs

Other operating costs increased by R94 million, or 14.7%, from R640 million in the second quarter 2011 to R734 million in the second quarter 2012. This rise was primarily the result of salary increases in the corporate areas of approximately 6% and R34 million costs incurred for various CEO transitional projects.

Depreciation and amortisation

Depreciation and amortisation decreased by R16 million from R307 million in the second quarter 2011 to R291 million in the second quarter 2012 due to certain items becoming fully depreciated.

Credit and financial services operating profit

Credit and financial services operating profit increased by R58 million, or 53.7%, from R108 million in the second quarter 2011 to R166 million in the second quarter 2012. This increase was largely due to a decrease in net impairment of receivables and higher interest received from customers following the rise in receivables. Consolidated annualised net impairment of receivables as a percentage of average receivables decreased from 11.8% in the second quarter 2011 to 8.9% for second quarter 2012 due to the improved quality of the book and strong collection activity. The number of active accounts at the end of second quarter 2012 is 3.8 million, in line with the account base in fiscal 2011.

Trading profit

Trading profit increased by R36 million, or 17.3%, from R208 million in the second quarter 2011 to R244 million in the second quarter 2012.

Adjusted EBITDA increased by R81 million, or 16.5%, from R490 million in the second quarter 2011 to R571 million in the second quarter 2012.

Net financing costs

Net financing costs increased by R310 million, from R552 million in the second quarter 2011 to R862 million in the second 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 utilising cross currency swaps and all the associated coupon payments through to March 2014.

Cash flow

Operating cash inflow before changes in working capital increased by R65 million, or 13.2%, from R491 million in the second quarter 2011 to R556 million in the second quarter 2012, due to the higher trading profit in second quarter 2012.

Working capital increased by R153 million in the second quarter 2012 compared with a decrease of R82 million for the second quarter 2011. This was principally due to (i) an increase in inventory of R534 million in the second quarter 2012 compared with an increase of R266 million in the second quarter 2011 to ensure chains are well stocked in key replenishment items for the Christmas period in fiscal 2012 and (ii) an increase in receivables of R169 million in the second quarter 2012 compared with an increase of R78 million in the second quarter 2011, as a result of the stronger

growth in credit sales, offset by (iii) an increase in payables of R550 million in the second quarter 2012 compared to a increase of R426 million in the second quarter 2011, following the higher purchases of inventory.

Cash generated by operating activities decreased by R170 million, from R573 million in the second quarter 2011 to R403 million in the second quarter 2012 due to the higher investment in receivables.

Capital expenditure was R143 million in the second quarter 2012, up from R88 million in the second quarter 2011. During the second quarter 2012, we opened 16 new stores and closed 48 stores (largely non performing Discom) which, combined with store refurbishment, resulted in investments in store fixtures of R81 million. In addition, in the second quarter 2012 we invested R62 million in information systems infrastructure compared with R8 million in the second quarter 2011 primarily for the development of a new merchandise planning tool.

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 payments 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 1 October 2011 our total net debt including cash and derivatives (excluding OtC) of R22,641 million consisted of (i) the fair value of Floating Rate Notes of R16,227 million, (ii) the fair value of Fixed Rate Notes of R5,291 million, (iii) super senior secured notes of R1,010 million, (iv) borrowings under the revolving credit facility of R600 million, (v) finance lease liability of R71 million less (vi) net derivatives of R185 million and (vii) cash and cash equivalents of R373 million. In addition, OtC's net debt of R3,386 million consisted of (i) Receivables-Backed Notes issued of R4,300 million, less (ii) cash and cash equivalents of R914 million.

At 1 October 2011, the total availability under the Senior Revolving Credit Facility was R2,517 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 second quarter 2012 the maximum utilisation of the revolving credit facility was R600 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 servicing 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 1 October Rm	2011 2 April Rm	2010 2 October Rm
ASSETS			
Non-current assets			
Properties, fixtures, equipment and vehicles	2 450	2 246	2 413
Intangible assets	17 816	18 024	18 234
Equity accounted investment in joint ventures	9	6	1
Derivative financial instruments	797	30	
Deferred tax	1 500	887	533
Total non-current assets	22 572	21 193	21 181
Current assets			
Cash and cash equivalents	1 287	2 315	894
Inventories	3 198	2 626	2 623
Trade, other receivables and prepayments	9 584	9 195	8 783
Derivative financial instruments	338		
Total current assets	14 407	14 136	12 300
Total assets	36 979	35 329	33 481
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Share capital and premium	2 148	2 148	2 148
Other reserves	(795)	(600)	(255)
Retained loss	(6 243)	(4 972)	(4 322)
Total equity	(4 890)	(3 424)	(2 429)
Non-current liabilities – shareholder’s loan			
Shareholder’s loan	8 627	8 184	7 772
Total equity and shareholder’s loan	3 737	4 760	5 343
Non-current liabilities – third parties			
Interest bearing debt	26 828	24 440	18 923
Finance lease liability	37		
Lease equalisation	456	392	388
Derivative financial instruments	367	308	4 195
Employee benefit liability	134	130	118
	27 822	25 270	23 624
Total non-current liabilities	36 449	33 454	31 396
Current liabilities			
Interest-bearing debt	600		465
Finance lease liability	34		
Current taxation	251	244	243
Derivative financial instruments	583	946	651
Trade and other payables	3 952	4 109	3 155
Total current liabilities	5 420	5 299	4 514
Total equity and liabilities	36 979	35 329	33 481
Total managed capital per IAS 1	31 236	29 200	24 731

Group Condensed Quarterly Statement of Comprehensive Income (unaudited)

	2011 13 weeks to 1 October Rm	2010 13 weeks to 2 October Rm
Note		
Total revenues	6 204	5 734
Revenue - retail sales	5 400	5 034
Cost of sales	(3 487)	(3 215)
Gross profit	1 913	1 819
Other income	142	110
Store costs	(1 094)	(1 023)
Other operating costs	(883)	(806)
Retail trading profit	78	100
Income from credit	529	448
Expenses from credit	(295)	(349)
Equity accounted earnings of joint ventures	116	114
Trading profit	428	313
Fees incurred OtC		(8)
Derivative gain/(loss)	5	(806)
Foreign exchange (loss)/gain	(985)	217
Foreign exchange (loss)/gain on foreign notes	(2 254)	217
Foreign exchange gain on cash flow hedge	1 269	
Profit before net financing costs	(552)	(284)
Interest received	18	13
Profit before financing costs	(534)	(271)
Financing costs	(959)	(661)
Loss before taxation	(1 493)	(932)
Taxation	385	250
LOSS FOR THE PERIOD	(1 108)	(682)
Other comprehensive income after tax:		
Exchange differences on translating foreign operations	10	(14)
Cash flow hedges	(36)	90
Other comprehensive income for the period, net of tax	(26)	76
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1 134)	(606)
Loss attributable to:		
Owners of the parent	(1 108)	(682)
Total comprehensive income attributable to:		
Owners of the parent	(1 134)	(606)

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

	Note	2011 26 weeks to 1 October Rm	2010 26 weeks to 2 October Rm
Total revenues	3	12 786	11 882
Revenue - retail sales		11 216	10 452
Cost of sales		(7 092)	(6 560)
Gross profit		4 124	3 892
Other income		269	225
Store costs		(2 188)	(2 048)
Other operating costs		(1 719)	(1 610)
Retail trading profit		486	459
Income from credit	4.1	1 014	935
Expenses from credit	4.2	(632)	(700)
Equity accounted earnings of joint ventures		249	230
Trading profit		1 117	924
Fees incurred – OtC II			(8)
Discount on repurchase of senior secured notes		36	
Derivative loss		(3)	(1 447)
Foreign exchange (loss)/gain		(1 147)	421
Foreign exchange (loss)/gain on foreign notes		(2 703)	421
Foreign exchange gain on cash flow hedge		1 556	
Profit/(loss) before net financing costs		3	(110)
Interest received		38	40
Profit/(loss) before financing costs		41	(70)
Financing costs		(1 772)	(1 297)
Loss before taxation		(1 731)	(1 367)
Taxation		460	374
LOSS FOR THE PERIOD		(1 271)	(993)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		8	(11)
Cash flow hedges		(203)	164
Other comprehensive income for the period, net of tax		(195)	153
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(1 466)	(840)
Loss attributable to:			
Owners of the parent		(1 271)	(993)
Total comprehensive income attributable to:			
Owners of the parent		(1 466)	(840)

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
AT 2 October 2010						
Balance at 4 April 2010	2 148	(20)	(391)	3	(3 329)	(1 589)
Loss for the period					(993)	(993)
Other comprehensive income for the period		(11)	164			153
Balance at 2 October 2010	2148	(31)	(227)	3	(4 322)	(2 429)
AT 1 October 2011						
Balance at 2 April 2011	2 148	(35)	(568)	3	(4 972)	(3 424)
Loss for the period					(1 271)	(1 271)
Other comprehensive income for the period		8	(203)			(195)
Balance at 1 October 2011	2 148	(27)	(771)	3	(6 243)	(4 890)

Group Condensed Quarterly Statement of Cash Flows (unaudited)

	2011 13 weeks to 1 October Rm	2010 13 weeks to 2 October Rm
Cash retained from operating activities		
Loss before net financing costs	(552)	(284)
Depreciation	186	202
Amortisation	105	105
Derivative (gain)/loss	(5)	806
Foreign exchange loss/(gain)	985	(217)
Other non-cash items	21	14
Operating cash inflow before changes in working capital	740	626
Working capital movement	(9)	330
Inventories	(534)	(266)
Trade accounts receivable	(41)	300
Other receivables	30	(115)
Trade and other payables	536	411
Cash generated from operating activities	731	956
Interest received	18	13
Financing costs paid	(975)	(558)
Taxation paid	(36)	(43)
Net cash (utilised)/generated	(262)	368
Cash utilised in investment activities		
Net investment in fixtures, equipment and vehicles	(143)	(88)
Net cash invested	(143)	(88)
Cash effects of financing activities		
Increase/(decrease) in interest bearing debt	343	(507)
Increase in finance lease	71	
Net cash inflow/(outflow) from financing activities	414	(507)
Increase/(decrease) in cash and cash equivalents	9	(227)
Cash and cash equivalents at the beginning of the period	1 248	1 133
Currency adjustments	30	(12)
Cash and cash equivalents at the end of the period	1 287	894

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

	2011 26 weeks to 1 October Rm	2010 26 weeks to 2 October Rm
Cash retained from operating activities		
Profit/(loss) before net financing costs	3	(110)
Depreciation	368	407
Amortisation	208	209
Derivative loss	3	1 447
Foreign exchange loss/(gain)	1 147	(421)
Discount on repurchase of senior secured notes	(36)	
Other non-cash items	18	4
Operating cash inflow before changes in working capital	1 711	1 536
Working capital movement	(984)	(546)
Inventories	(572)	(222)
Trade accounts receivable	(465)	331
Other debtors	78	(135)
Trade and other payables	(25)	(520)
Cash generated from operating activities	727	990
Interest received	38	23
Financing costs paid	(1 535)	(1 100)
Taxation paid	(67)	(64)
Net cash utilised	(837)	(151)
Cash utilised in investment activities		
Net investment in property	(226)	
Net investment in fixtures, equipment and vehicles	(353)	(188)
Net cash invested	(579)	(188)
Cash effects of financing activities		
Issue of super senior secured notes	1 010	
Settlement of super senior secured term loan	(985)	
Buy back of senior secured notes	(338)	
Increase in finance liability	71	
Increase in interest bearing debt	600	115
Net cash inflow from financing activities	358	115
Decrease in cash and cash equivalents	(1 057)	(224)
Cash and cash equivalents at the beginning of the period	2 315	1 125
Currency adjustments	29	(7)
Cash and cash equivalents at the end of the period	1 287	894

Notes to the Financial Statements (unaudited)

1. Basis of preparation

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 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.

1. Basis of preparation *(continued)*

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 second quarter fiscal 2012 the first leg of the purchase was completed, with the second leg related to the sale and leaseback being completed in October 2012 when the transfer has been registered.

Notes to the Financial Statements (unaudited) *continued*

	2011 26 weeks to 1 October Rm	2010 26 weeks to 2 October Rm
2. SEGMENTAL RESULTS		
2.1 Revenues		
Edgars	5 983	5 571
CNA	866	807
Discount Division	4 596	4 283
Manufacturing	39	16
Credit and Financial Services	1 280	1 165
Group Services	22	40
	12 786	11 882
2.2 Retail sales		
Edgars	5 859	5 458
CNA	866	807
Discount Division	4 491	4 187
	11 216	10 452
2.3 Number of stores		
Edgars	270	261
CNA	203	202
Discount Division	686	732
	1 159	1 195
2.4 Segment result - operating profit		
Edgars	1 229	1 163
CNA	30	27
Discount Division	461	457
Manufacturing	(2)	(1)
Credit and Financial Services	632	465
Group Services ¹	(2 347)	(2 221)
	3	(110)
3. REVENUES		
Retail sales	11 216	10 452
Club fees	229	209
Finance charges on trade receivables	1 015	935
Earnings of joint ventures	249	230
Interest received	38	40
Manufacturing sales to third parties	39	16
	12 786	11 882

¹ Included in the allocation to the Group Services segment is corporate overheads, derivative expense gain or loss, CEO transitional projects related expenses, discount on notes buy back, foreign exchange gain or loss 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	2010
	26 weeks to	26 weeks to
	1 October	2 October
	Rm	Rm
4. CREDIT INCOME AND EXPENSE		
4.1 Income from credit		
Finance charges on trade receivables	1 014	935
	1 014	935
4.2 Expenses from credit		
Net impairment of receivables	(289)	(482)
Net (increase)/decrease in provision for impairments on receivables	(59)	46
Administration and other costs	(284)	(264)
	(632)	(700)
4.3 Operating profit from credit	382	235

Notes to the Financial Statements (unaudited) *continued*

	2011 13 weeks to 1 October Rm	2010 13 weeks to 2 October Rm
5. Consolidation of OntheCards Investments II (Proprietary) Limited		
Included in the Group Condensed Statement of Comprehensive Income by line, are the following amounts:		
Second Quarter Statement of Comprehensive Income		
Total revenues	154	171
Income from credit	145	162
Expenses from credit	39	(57)
Trading profit and profit before financing costs	184	105
Interest received	9	9
Profit before financing costs	193	114
Financing costs	(88)	(105)
Profit before taxation	105	9
Taxation	(30)	(21)
Profit/(loss) for the period	75	(12)
	2011 26 weeks to 1 October Rm	2010 26 weeks to 2 October Rm
Half-year Statement of Comprehensive Income		
Total revenues	288	376
Income from credit	272	357
Expenses from credit	(1)	(139)
Trading profit and profit before financing costs	271	218
Interest received	16	19
Profit before financing costs	287	237
Financing costs	(177)	(215)
Profit before taxation	110	22
Taxation	(31)	(5)
Profit for the period	79	17

Notes to the Financial Statements (unaudited) *continued*

	2011 1 October Rm	2011 2 April Rm	2010 2 October Rm
5. Consolidation of OntheCards Investments II (Proprietary) Limited <i>(continued)</i>			
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	88	117	128
Total non-current assets	(1 973)	(1 944)	(1 933)
Current assets			
Trade, other receivables and prepayments	5 500	5 646	5 584
Cash and cash equivalents	914	639	590
Total current assets	6 414	6 285	6 174
Total assets	4 441	4 341	4 241
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Retained loss	(13)	(92)	(123)
Total equity	(13)	(92)	(123)
Non-current liabilities – third parties			
Interest-bearing debt	4 300	4 300	4 300
Total non-current liabilities	4 300	4 300	4 300
Current liabilities			
Trade and other payables	154	133	64
Total current liabilities	154	133	64
Total equity and liabilities	4 441	4 341	4 241
Total managed capital per IAS 1	4 287	4 208	4 177

Notes to the Financial Statements (unaudited) *continued*

	2011 13 weeks to 1 October Rm	2010 13 weeks to 2 October Rm
5. Consolidation of OntheCards Investments II (Proprietary) Limited (continued)		
Included in the Group Condensed Statement of Cash Flows by line, are the following amounts:		
Second quarter Statement of Cash Flows		
Profit before financing costs	184	105
Other non-cash items		30
Operating cash inflow before changes in working capital	184	135
Working capital movement	144	248
Trade accounts receivable	158	263
Trade and other payables	(14)	(15)
Cash generated from operating activities	328	383
Interest received	9	9
Financing costs paid	(89)	(110)
Net cash generated	248	282
Cash effects of financing activities		
Purchase of receivables		(516)
Net cash outflow from financing activities		(516)
Increase/(Decrease) in cash and cash equivalents	248	(234)
Cash and cash equivalents at the beginning of the period	666	824
Cash and cash equivalents at the end of the period	914	590

Notes to the Financial Statements (unaudited) *continued*

	2011 26 weeks to 1 October Rm	2010 26 weeks to 2 October 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:		
Half-year Statement of Cash Flows		
Trading profit and profit before financing costs	271	218
Other non-cash items		30
Operating cash inflow before changes in working capital	271	248
Working capital movement	166	370
Trade accounts receivable	146	370
Trade and other payables	20	-
Cash generated from operating activities	437	618
Interest received	16	19
Financing costs paid	(178)	(215)
Net cash generated	275	422
Cash effects of financing activities		
Purchase of receivables		(516)
Net cash outflow from financing activities		(516)
Increase/(decrease) in cash and cash equivalents	275	(94)
Cash and cash equivalents at the beginning of the period	639	684
Cash and cash equivalents at the end of the period	914	590

Corporate Information

Edcon Holdings (Proprietary) Limited

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

Non-executive directors

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

Executive directors

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

*USA ** BELGIUM ***GERMAN

Group Secretary

CM Vikisi

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