

23<sup>rd</sup> February 2012

This notice is important and requires your immediate attention.

**EDCON HOLDINGS (PROPRIETARY) LIMITED (“EDCON”)  
SUMMARY OF GROUP TRADING RESULTS FOR THE NINE-MONTH  
PERIOD ENDED 31 DECEMBER 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 1 January 2011 and the three-month period ended 31 December 2011. Unless the context requires otherwise, references in this notice to (i) “third quarter 2011” and “third quarter 2012” shall mean the 13-week period ended 1 January 2011 and the 13-week period ended 31 December 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.

	Third Quarter (in millions) (unaudited)		Year to date (in millions) (unaudited)	
	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>
<b>Comprehensive income data</b>				
Revenues	R 8 026	R 9 039	R 19 532	R 21 537
Retail sales	7 465	8 386	17 917	19 602
Cost of sales	(4 691)	(5 284)	(11 251)	(12 376)
Gross profit	2 774	3 102	6 666	7 226
Other income	136	151	361	420
Store costs	(1 201)	(1 316)	(3 249)	(3 504)
Other operating costs	(732)	(908)	(2 007)	(2 331)
Additional depreciation and amortisation <sup>(3)</sup>	(164)	(148)	(499)	(444)
Retail trading profit	813	881	1 272	1 367
Operating profit from credit	121	86	138	197
Equity accounted earnings of joint ventures	119	128	349	377
Trading profit	1 053	1 095	1 759	1 941
Fees incurred – securitisation	(2)		(10)	
Net fair value movement on notes and associated derivatives	(427)	229	(1 453)	(921)
Discount on repurchase of senior secured notes				36
Profit before financing costs	624	1 324	296	1 056
Net financing costs	(495)	(959)	(1 556)	(2 532)
Taxation	(13)	(166)	366	325
Profit/(loss) for the period	116	199	(894)	(1 151)
<b>Other financial data</b>				
Adjusted EBITDA <sup>(4)</sup>	1 365	1 546	2 663	3 025
Operating lease expense	382	375	1 119	1 168
Adjusted EBITDAR	1 747	1 921	3 782	4 193
Capital expenditure (excluding finance leases)	167	247	355	519
Depreciation and amortisation	304	297	920	873
<b>Select operating data</b>				
Number of stores	1 198	1 183	1 198	1 183
Same store sales growth (%)	5.4	10.5	6.0	7.9
Average retail space (in '000 sqm)	1 321	1 344	1 321	1 336
Number of customer credit accounts (in '000s)	3 804	3 888	3 804	3 888

	<b>Year to Date (in millions) (unaudited)</b>			
	2011 <sup>(1)</sup>		2012 <sup>(1)</sup>	
<b>Financial position data</b>				
Working capital	R	2 067	R	1 996
Total assets		30 636		34 294
Total debt at unhedged rates		13 446		22 197
Total net debt including cash and derivatives		18 383		20 497
Total shareholders' funds including shareholder's loan		5 870		4 253

	<b>Third Quarter (in millions) (unaudited)</b>		<b>Year to date (in millions) (unaudited)</b>	
	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>

### Cash flow data

Operating cash inflow before changes in working capital	R	1 347	R	1 373	R	2 635	R	2 813
Working capital movement		669		1 311		(247)		162
Cash generated by operating activities		2 016		2 684		2 388		2 975

- 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>Third Quarter (in millions) (unaudited)</b>					
	<b>2012</b>					
	<b>Including OtC</b>		<b>Consolidation adjustments for OtC</b>		<b>Excluding OtC</b>	
<b>Comprehensive income data</b>						
Revenues	R	9 182	R	143	R	9 039
Operating profit from credit		212		126		86

### Other financial data

Adjusted EBITDA	R	1 672	R	126	R	1 546
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### Cash flow data

Operating cash inflow before changes in working capital	R	1 499	R	126	R	1 373
Working capital movement		703		(608)		1 311

	Year to date (in millions) (unaudited)				
	2012				
	Including OtC		Consolidation adjustments for OtC		Excluding OtC
<b>Comprehensive income data</b>					
Revenues	R	21 968		431	R 21 537
Operating profit from credit		594		397	197
<b>Other financial data</b>					
Adjusted EBITDA	R	3 422	R	397	R 3 025
<b>Financial position data</b>					
Total debt at unhedged rates	R	26 497	R	4 300	R 22 197
Total net debt including cash and derivatives		24 441		3 944	20 497
<b>Cash flow data</b>					
Operating cash inflow before changes in working capital	R	3 210	R	397	R 2 813
Working capital movement		(281)		(443)	162
<b>Third Quarter (in millions) (unaudited)</b>					
2011					
	Including OtC		Consolidation adjustments for OtC		Excluding OtC
<b>Comprehensive income data</b>					
Revenues	R	8 172	R	146	R 8 026
Operating profit from credit		256		135	121
<b>Other financial data</b>					
Adjusted EBITDA	R	1 500	R	135	R 1 365
<b>Cash flow data</b>					
Operating cash inflow before changes in working capital	R	1 482	R	135	R 1 347
Working capital movement		125		(544)	669

	<b>Year to date (in millions) (unaudited)</b>					
	2011					
	Including OtC		Consolidation adjustments for OtC		Excluding OtC	
<b>Comprehensive income data</b>						
Revenues	R	20 054	R	522	R	19 532
Operating profit from credit		491		353		138
<b>Other financial data</b>						
Adjusted EBITDA	R	3 046	R	383	R	2 663
<b>Financial position data</b>						
Total debt at unhedged rates	R	17 746	R	4 300	R	13 446
Total net debt including cash and derivatives		22 590		4 207		18 383
<b>Cash flow data</b>						
Operating cash inflow before changes in working capital	R	3 018	R	383	R	2 635
Working capital movement		(421)		(174)		(247)

- 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 profit / (loss) to EBITDA and adjusted EBITDA.

	Third Quarter (in millions) (unaudited)		Year to date (in millions) (unaudited)	
	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>
Profit/(loss) for the period	116	<b>199</b>	(894)	<b>(1 151)</b>
Taxation	13	<b>166</b>	(366)	<b>(325)</b>
Net financing costs	495	<b>959</b>	1 556	<b>2 532</b>
Depreciation & amortisation	304	<b>297</b>	920	<b>873</b>
EBITDA	928	<b>1 621</b>	1 216	<b>1 929</b>
Net fair value movement on notes and associated derivatives <sup>(a)</sup>	427	<b>(229)</b>	1 453	<b>921</b>
Gain on sale of receivables to OtC II			(30)	
CEO transitional projects related expenditure <sup>(b)</sup>		<b>57</b>		<b>109</b>
Advisory fees in relation to debt issuance <sup>(c)</sup>		<b>92</b>		<b>92</b>
Fees incurred – OtC II	2		10	
Discount on repurchase of senior secured notes <sup>(d)</sup>				<b>(36)</b>
Net asset write-off <sup>(e)</sup>	8	<b>5</b>	14	<b>10</b>
Adjusted EBITDA	1 365	<b>1 546</b>	2 663	<b>3 025</b>

- 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) This relates to advisory fees paid in connection with the issuances in 2011 of the senior secured and super senior secured notes and related refinancing transactions, pursuant to the transaction services agreement among Edcon and Bain Capital Partners, LLC and its affiliates.
- d) 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.
- e) This adjustment relates to assets written off net of related proceeds.

## Management discussion and analysis of financial condition

### Overview

Key operating highlights for the third quarter 2012 include:

- ❖ Adjusted EBITDA up 13.3% to R1,546 million
- ❖ “Same store” sales increase by 10.5%
- ❖ Continued strong cash flow generation from operating activities of R2,684 million

Despite concerns about negative macroeconomic indicators and international credit markets, retail sales in South Africa have been resilient. Against this background, sales gained further momentum in the quarter with same stores rising a pleasing 10.5%. This was achieved by ensuring that stores were well stocked with key items and by cautiously offering credit to more credit worthy customers. We continue to close underperforming stores. Pleasingly, all our key credit metrics improved. There were 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 in the past two quarters, 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 availability of goods, as well as an analysis of operational processes. The costs to date are R109 million, but the full benefits from these initiatives are only expected next year. 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, inventory investments have been enhanced.

### *Retail sales*

Retail sales increased by R921 million, or 12.3%, from R7,465 million in the third quarter 2011 to R8,386 million in third quarter 2012.

In our Edgars department store division, retail sales in the third quarter 2012 increased by 13.0% from the third quarter 2011, primarily due to positive growth from cellular, footwear and children’s wear. CNA’s retail sales in the third quarter 2012 increased by 11.1% from the third quarter 2011, driven mainly by strong performances from cellular, digital and confectionary. Retail sales in the Discount Division increased by 11.7% from the third quarter 2011 to the third quarter 2012, due to positive growth in cellular, footwear and ladieswear.



Same store sales (sales from stores open for the full period in the current fiscal year and in the prior fiscal year) increased by 10.5% from the prior period. Following an increased marketing focus, credit sales accounted for 51% of total retail sales during the third quarter 2012, up from 49% achieved during third quarter 2011.

#### *Gross profit*

Gross profit increased by R328 million, or 11.8%, from R2,774 million in the third quarter 2011 to R3,102 million in the third quarter 2012. Gross profit as a percentage of retail sales was 37.0%, down slightly from the third quarter 2011 percentage of 37.2%. 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 as a percentage of retail sales from 42.2% in the third quarter 2011 to 41.1% in the third quarter 2012, due to a shift in sales mix and an increase in promotional activity. Gross profit as a percentage of retail sales in CNA decreased from 33.0% in the third quarter 2011 to 32.1% in the third quarter 2012 primarily because of a change in sales mix. In the Discount Division, gross profit margin increased from 31.5% in the third quarter 2011 to 32.7% in the third quarter 2012 due to a lower level of markdowns, an enhanced pricing strategy and a change in product mix.

#### *Store costs*

Store costs increased by R115 million, or 9.6%, from R1,201 million in the third quarter 2011 to R1,316 million in the third quarter 2012 principally as a result of (i) an increase of R18 million for electricity costs imposed by our utility provider, (ii) increases in remuneration and rent for existing stores, and (iii) costs for an additional 1.7% trading space.

#### *Other operating costs*

Other operating costs increased by R176 million, or 24.0%, from R732 million in the third quarter 2011 to R908 million in the third quarter 2012. This rise was primarily the result of (i) R109 million costs incurred for various CEO transitional projects, and (ii) the payment of advisory fees of R92 million in connection with the issuances in 2011 of the senior secured and super senior secured notes and related refinancing transactions, pursuant to the transaction services agreement among Edcon and Bain Capital Partners, LLC and its affiliates.

#### *Depreciation and amortisation*

Depreciation and amortisation decreased by R7 million from R304 million in the third quarter 2011 to R297 million in the third quarter 2012 due to certain items becoming fully depreciated.

### *Credit and financial services operating profit*

Credit and financial services operating profit decreased by R26 million from R240 million in the third quarter 2011 to R214 million in the third quarter 2012. This decrease was largely due to a reduction in the doubtful debt provision of R29 million in the third quarter 2012 compared with a reduction of R272 million in the third quarter 2011 following the significant improvement in the quality of the receivables book in fiscal 2011. Consolidated annualised net impairment of receivables as a percentage of average receivables decreased from 11.6% in the third quarter 2011 to 7.1% for third quarter 2012 due to ongoing improvements in the quality of the book and strong collection activity. The number of active accounts at the end of third quarter 2012 is 3.9 million, in comparison with the 3.8 million in fiscal 2011, following an increased credit marketing focus. Equity accounted earnings of insurance joint ventures after taxation increased by R9 million, or 7.6%, from R119 million in the third quarter 2011 to R128 million in the third quarter 2012.

### *Trading profit*

Trading profit increased by R42 million, or 4.0%, from R1,053 million in the third quarter 2011 to R1,095 million in the third quarter 2012.

Adjusted EBITDA increased by R181 million, or 13.3%, from R1,365 million in the third quarter 2011 to R1,546 million in the third quarter 2012.

### *Net financing costs*

Net financing costs increased by R464 million, from R495 million in the third quarter 2011 to R959 million in the third quarter 2012. This increase is primarily a result of (i) issuing 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 foreign 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 R26 million, or 1.9%, from R1,347 million in the third quarter 2011 to R1,373 million in the third quarter 2012, due to the higher trading profit in third quarter 2012.

Working capital decreased by R1,311 million in the third quarter 2012 compared with a decrease of R669 million for the third quarter 2011. This was principally due to (i) an increase in payables of R2,062 million in the third quarter 2012 compared to a increase of R1,315 million in the third quarter

2011 following the shift of approximately R500 million payables payments from December 2011 to January 2012 due to the timing of December 2011 month end, offset by (ii) an increase in receivables of R723 million in the third quarter 2012 compared with an increase of R542 million in the third quarter 2011, as a result of the stronger growth in credit sales, and (iii) an increase in inventory of R28 million in the third quarter 2012 compared with an increase of R104 million in the third quarter 2011.

Cash generated by operating activities increased by R668 million, or 33.1%, from R2,016 million in the third quarter 2011 to R2,684 million in the third quarter 2012 due to the lower investment in working capital.

Capital expenditure was R247 million in the third quarter 2012, up from R167 million in the third quarter 2011. During the third quarter 2012, we opened 57 new stores and closed 32 stores (largely non performing Discom units) which combined with store refurbishment, resulted in an investment in store fixtures of R162 million. In addition in the third quarter 2012 we invested R85 million in information systems infrastructure compared with R37 million in the third quarter 2011, primarily for the development of a new merchandise planning tool, and the purchase of new hardware.

#### *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 31 December 2011 our total net debt including cash and derivatives (excluding OtC) of R20,497 million consisted of (i) the fair value of Floating Rate Notes of R15,678 million, (ii) the fair value of Fixed Rate Notes of R5,173 million, (iii) super senior secured notes of R1,010 million, (iv) finance lease liability of R336 million, (v) net derivatives of R165 million, less (vi) cash and cash equivalents of R1,865 million. In addition, OtC's net debt of R3,944 million consisted of (i) Receivables-Backed Notes issued of R4,300 million, less (ii) cash and cash equivalents of R356 million.

At 31 December 2011, the total availability under the Senior Revolving Credit Facility was R3,117 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 third quarter 2012 the maximum utilisation of the revolving credit facility was R730 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**

### *Use of estimates and judgments and assumptions made in the preparation of the financial statements*

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, pension fund and employee obligations, 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 other operating costs.

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 31 December Rm	2011 2 April Rm	2011 1 January Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Properties, fixtures, equipment and vehicles	2 500	2 246	2 372
Intangible assets	17 712	18 024	18 129
Equity accounted investment in joint ventures	16	6	15
Derivative financial instruments	862	30	
Deferred tax	1 317	887	474
<b>Total non-current assets</b>	<b>22 407</b>	<b>21 193</b>	<b>20 990</b>
<b>Current assets</b>			
Cash and cash equivalents	2 221	2 315	1 332
Inventories	3 226	2 626	2 726
Trade, other receivables and prepayments	10 918	9 195	9 889
<b>Total current assets</b>	<b>16 365</b>	<b>14 136</b>	<b>13 947</b>
<b>Total assets</b>	<b>38 772</b>	<b>35 329</b>	<b>34 937</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders</b>			
Share capital and premium	2 148	2 148	2 148
Other reserves	(718)	(600)	(175)
Retained loss	(6 008)	(4 972)	(4 172)
<b>Total equity</b>	<b>(4 578)</b>	<b>(3 424)</b>	<b>(2 199)</b>
<b>Non-current liabilities – shareholder’s loan</b>			
Shareholder’s loan	8 854	8 184	7 980
<b>Total equity and shareholder’s loan</b>	<b>4 276</b>	<b>4 760</b>	<b>5 781</b>
<b>Non-current liabilities – third parties</b>			
Interest bearing debt	23 933	24 440	17 746
Finance lease liability	301		
Lease equalisation	401	392	390
Derivative financial instruments	62	308	5 697
Employee benefit liability	136	130	120
	24 833	25 270	23 953
<b>Total non-current liabilities</b>	<b>33 687</b>	<b>33 454</b>	<b>31 933</b>
<b>Current liabilities</b>			
Interest bearing debt	2 228		
Finance lease liability	35		
Derivative financial instruments	965	946	479
Current taxation	241	244	240
Trade and other payables	6 194	4 109	4 484
<b>Total current liabilities</b>	<b>9 663</b>	<b>5 299</b>	<b>5 203</b>
<b>Total equity and liabilities</b>	<b>38 772</b>	<b>35 329</b>	<b>34 937</b>
<b>Total managed capital per IAS 1</b>	<b>30 773</b>	<b>29 200</b>	<b>23 527</b>

## Group Condensed Quarterly Statement of Comprehensive Income (unaudited)

	2011 13 weeks to 31 December Rm	2011 13 weeks to 1 January Rm
<b>Total revenues</b>	<b>9 182</b>	<b>8 172</b>
<b>Revenue - retail sales</b>	<b>8 386</b>	7 465
Cost of sales	<b>(5 284)</b>	(4 691)
<b>Gross profit</b>	<b>3 102</b>	2 774
Other income	151	136
Store costs	<b>(1 316)</b>	(1 365)
Other operating costs	<b>(1 056)</b>	(732)
<b>Retail trading profit</b>	<b>881</b>	813
Income from credit	<b>500</b>	435
Expenses from credit	<b>(288)</b>	(179)
Equity accounted earnings of joint ventures	<b>128</b>	119
<b>Trading profit</b>	<b>1 221</b>	1 188
Fees incurred OtC		(2)
Derivative loss	<b>(6)</b>	(1 615)
Foreign exchange gain	<b>235</b>	1 188
Foreign exchange gain on foreign notes	<b>686</b>	1 188
Foreign exchange loss on cash flow hedges	<b>(451)</b>	
<b>Profit before net financing costs</b>	<b>1 450</b>	759
Interest received	<b>17</b>	17
<b>Profit before financing costs</b>	<b>1 467</b>	776
Financing costs	<b>(1 052)</b>	(600)
<b>Profit before taxation</b>	<b>415</b>	176
Taxation	<b>(180)</b>	(26)
<b>PROFIT FOR THE PERIOD</b>	<b>235</b>	150
<b>Other comprehensive income after tax:</b>		
Exchange differences on translating foreign operations	<b>(2)</b>	(17)
Cash flow hedges	<b>79</b>	96
<b>Other comprehensive income for the period, net of tax</b>	<b>77</b>	79
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>312</b>	229
<b>Profit attributable to:</b>		
Owners of the parent	<b>235</b>	150
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	<b>312</b>	229

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

	Note	2011 39 weeks to 31 December Rm	2011 39 weeks to 1 January Rm
<b>Total revenues</b>	3	<b>21 968</b>	20 054
<b>Revenue - retail sales</b>		<b>19 602</b>	17 917
Cost of sales		<b>(12 376)</b>	(11 251)
<b>Gross profit</b>		<b>7 226</b>	6 666
Other income		<b>420</b>	361
Store costs		<b>(3 504)</b>	(3 249)
Other operating costs		<b>(2 775)</b>	(2 506)
<b>Retail trading profit</b>		<b>1 367</b>	1 272
Income from credit	4.1	<b>1 514</b>	1 371
Expenses from credit	4.2	<b>(920)</b>	(880)
Equity accounted earnings of joint ventures		<b>377</b>	349
<b>Trading profit</b>		<b>2 338</b>	2 112
Fees incurred – OtC II			(10)
Discount on repurchase of senior secured notes		<b>36</b>	
Derivative loss		<b>(9)</b>	(3 062)
Foreign exchange (loss)/gain		<b>(912)</b>	1 609
Foreign exchange (loss)/gain on foreign notes		<b>(2 017)</b>	1 609
Foreign exchange gain on cash flow hedges		<b>1 105</b>	
<b>Profit before net financing costs</b>		<b>1 453</b>	649
Interest received		<b>55</b>	57
<b>Profit before financing costs</b>		<b>1 508</b>	706
Financing costs		<b>(2 824)</b>	(1 897)
<b>Loss before taxation</b>		<b>(1 316)</b>	(1 191)
Taxation		<b>280</b>	348
<b>LOSS FOR THE PERIOD</b>		<b>(1 036)</b>	(843)
<b>Other comprehensive income after tax:</b>			
Exchange differences on translating foreign operations		<b>6</b>	(28)
Cash flow hedges		<b>(124)</b>	261
<b>Other comprehensive income for the period, net of tax</b>		<b>(118)</b>	233
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(1 154)</b>	(610)
<b>Loss attributable to:</b>			
Owners of the parent		<b>(1 036)</b>	(843)
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		<b>(1 154)</b>	(610)

## 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 1 January 2011</b>						
Balance at 4 April 2010	2 148	(20)	(391)	3	(3 329)	(1 589)
Loss for the period					(843)	(843)
Other comprehensive income for the period		(28)	261			233
Balance at 1 January 2011	2 148	(48)	(130)	3	(4 172)	(2 199)
<b>AT 31 December 2011</b>						
Balance at 2 April 2011	2 148	(35)	(568)	3	(4 972)	(3 424)
Loss for the period					(1 036)	(1 036)
Other comprehensive income for the period		6	(124)			(118)
<b>Balance at 31 December 2011</b>	<b>2 148</b>	<b>(29)</b>	<b>(692)</b>	<b>3</b>	<b>(6 008)</b>	<b>(4 578)</b>

## Group Condensed Quarterly Statement of Cash Flows (unaudited)

	2011 13 weeks to 31 December Rm	2011 13 weeks to 1 January Rm
<b>Cash retained from operating activities</b>		
Profit before net financing costs	1 450	759
Depreciation	193	199
Amortisation	104	105
Derivative loss	6	1 615
Foreign exchange gain	(235)	(1 188)
Other non-cash items	(19)	(8)
<b>Operating cash inflow before changes in working capital</b>	<b>1 499</b>	<b>1 482</b>
Working capital movement	703	125
Inventories	(28)	(104)
Trade accounts receivable	(1 294)	(1 182)
Other receivables	(38)	70
Trade and other payables	2 063	1 341
<b>Cash generated from operating activities</b>	<b>2 202</b>	<b>1 607</b>
Interest received	17	14
Financing costs paid	(628)	(534)
Taxation paid	(36)	(8)
<b>Net cash generated</b>	<b>1 555</b>	<b>1 079</b>
<b>Cash utilised in investment activities</b>		
Net investment in fixtures, equipment and vehicles	(247)	(167)
<b>Net cash invested</b>	<b>(247)</b>	<b>(167)</b>
<b>Cash effects of financing activities</b>		
Decrease in interest bearing debt	(600)	(465)
Increase in finance lease liability	256	
<b>Net cash outflow from financing activities</b>	<b>(344)</b>	<b>(465)</b>
<b>Increase in cash and cash equivalents</b>	<b>964</b>	<b>447</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1 287</b>	<b>894</b>
Currency adjustments	(30)	(9)
<b>Cash and cash equivalents at the end of the period</b>	<b>2 221</b>	<b>1 332</b>



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

	2011 39 weeks to 31 December Rm	2011 39 weeks to 1 January Rm
<b>Cash retained from operating activities</b>		
Profit before net financing costs	1 453	649
Depreciation	561	606
Amortisation	312	314
Derivative loss	9	3 062
Foreign exchange loss/(gain)	912	(1 609)
Discount on repurchase of senior secured notes	(36)	
Other non-cash items	(1)	(4)
<b>Operating cash inflow before changes in working capital</b>	<b>3 210</b>	<b>3 018</b>
Working capital movement	(281)	(421)
Inventories	(600)	(326)
Trade accounts receivable	(1 759)	(851)
Other debtors	40	(65)
Trade and other payables	2 038	821
<b>Cash generated from operating activities</b>	<b>2 929</b>	<b>2 597</b>
Interest received	55	37
Financing costs paid	(2 163)	(1 634)
Taxation paid	(103)	(72)
<b>Net cash generated</b>	<b>718</b>	<b>928</b>
<b>Cash utilised in investment activities</b>		
Net investment in fixtures, equipment and vehicles	(519)	(355)
Net investment in property	-	
<b>Net cash invested</b>	<b>(519)</b>	<b>(355)</b>
<b>Cash effects of financing activities</b>		
Issue of super senior secured notes	1 010	
Settlement of super senior secured term loan	(985)	
Buy back of senior secured notes	(338)	
Decrease in interest bearing debt	-	(350)
Increase in finance lease liability	20	
<b>Net cash outflow from financing activities</b>	<b>(293)</b>	<b>(350)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(94)</b>	<b>223</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2 315</b>	<b>1 125</b>
Currency adjustments	-	(16)
<b>Cash and cash equivalents at the end of the period</b>	<b>2 221</b>	<b>1 332</b>

# Notes to the Financial Statements (unaudited)

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## 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. During the third quarter fiscal 2012 the sale and leaseback was completed and the Group received R270 million.

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

	2011 39 weeks to 31 December Rm	2011 39 weeks to 1 January Rm
<b>2. SEGMENTAL RESULTS</b>		
<b>2.1 Revenues</b>		
Edgars	10 421	9 499
CNA	1 517	1 392
Discount Division	8 021	7 347
Manufacturing	63	40
Credit and Financial Services	1 917	1 719
Group Services	29	57
	<b>21 968</b>	<b>20 054</b>
<b>2.2 Retail sales</b>		
Edgars	10 226	9 322
CNA	1 517	1 392
Discount Division	7 859	7 203
	<b>19 602</b>	<b>17 917</b>
<b>2.3 Number of stores</b>		
Edgars	303	265
CNA	200	202
Discount Division	680	731
	<b>1 183</b>	<b>1 198</b>
<b>2.4 Segment result - operating profit</b>		
Edgars	2 261	2 142
CNA	98	91
Discount Division	972	873
Manufacturing	-	(1)
Credit and Financial Services	971	839
Group Services <sup>1</sup>	(2 850)	(3 295)
	<b>1 452</b>	<b>649</b>
<b>3. REVENUES</b>		
Retail sales	19 602	17 917
Club fees	357	321
Finance charges on trade receivables	1 514	1 370
Earnings of joint ventures	377	349
Interest received	55	57
Manufacturing sales to third parties	63	40
	<b>21 968</b>	<b>20 054</b>

<sup>1</sup> 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*

	<b>2011</b>	2011
	<b>39 weeks to</b>	39 weeks to
	<b>31 December</b>	1 January
	<b>Rm</b>	<b>Rm</b>
<b>4. CREDIT INCOME AND EXPENSE</b>		
<b>4.1 Income from credit</b>		
Finance charges on trade receivables	<u>1 514</u>	1 371
	<u>1 514</u>	1 371
<b>4.2 Expenses from credit</b>		
Net impairment of receivables	<b>(460)</b>	(798)
Net (increase)/decrease in provision for impairments on receivables	<b>(30)</b>	317
Administration and other costs	<u><b>(430)</b></u>	<u>(399)</u>
	<u><b>(920)</b></u>	<u>(880)</u>
<b>4.3 Operating profit from credit</b>	<u><b>594</b></u>	<u>491</u>

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

	2011 13 weeks to 31 December Rm	2011 13 weeks to 1 January Rm
<b>5. Consolidation of OntheCards Investments II (Proprietary) Limited</b>		
Included in the Group Condensed Statement of Comprehensive Income by line, are the following amounts:		
<b>Third Quarter Statement of Comprehensive Income</b>		
<b>Total revenues</b>	<b>141</b>	<b>146</b>
Income from credit	131	139
Expenses from credit	(5)	(4)
<b>Trading profit and profit before financing costs</b>	<b>126</b>	<b>135</b>
Interest received	10	7
<b>Profit before financing costs</b>	<b>136</b>	<b>142</b>
Financing costs	(86)	(95)
<b>Profit before taxation</b>	<b>50</b>	<b>47</b>
Taxation	(14)	(13)
<b>Profit for the period</b>	<b>36</b>	<b>34</b>
	<b>2011</b>	<b>2011</b>
	<b>39 weeks to</b>	<b>39 weeks to</b>
	<b>31 December</b>	<b>1 January</b>
	<b>Rm</b>	<b>Rm</b>
<b>Year-to-date Statement of Comprehensive Income</b>		
<b>Total revenues</b>	<b>431</b>	<b>522</b>
Income from credit	405	497
Expenses from credit	(8)	(144)
<b>Trading profit and profit before financing costs</b>	<b>397</b>	<b>353</b>
Interest received	26	26
<b>Profit before financing costs</b>	<b>423</b>	<b>379</b>
Financing costs	(263)	(310)
<b>Profit before taxation</b>	<b>160</b>	<b>69</b>
Taxation	(45)	(18)
<b>Profit for the period</b>	<b>115</b>	<b>51</b>

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

	2011 31 December Rm	2011 2 April Rm	2011 1 January Rm
<b>5. Consolidation of OntheCards Investments II (Proprietary) Limited <i>(continued)</i></b>			
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	74	117	115
<b>Total non-current assets</b>	<b>(1 987)</b>	<b>(1 944)</b>	<b>(1 946)</b>
<b>Current assets</b>			
Trade, other receivables and prepayments	6 109	5 646	6 154
Cash and cash equivalents	356	639	93
<b>Total current assets</b>	<b>6 465</b>	<b>6 285</b>	<b>6 247</b>
<b>Total assets</b>	<b>4 478</b>	<b>4 341</b>	<b>4 301</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders</b>			
Retained profit/(loss)	23	(92)	(89)
<b>Total equity</b>	<b>23</b>	<b>(92)</b>	<b>(89)</b>
<b>Non-current liabilities – third parties</b>			
Interest bearing debt	2 072	4 300	4 300
<b>Total non-current liabilities</b>	<b>2 072</b>	<b>4 300</b>	<b>4 300</b>
<b>Current liabilities</b>			
Interest bearing debt	2 228		
Trade and other payables	155	133	90
<b>Total current liabilities</b>	<b>2 383</b>	<b>133</b>	<b>90</b>
<b>Total equity and liabilities</b>	<b>4 478</b>	<b>4 341</b>	<b>4 301</b>
<b>Total managed capital per IAS 1</b>	<b>4 323</b>	<b>4 208</b>	<b>4 211</b>

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

	2011 13 weeks to 31 December Rm	2011 13 weeks to 1 January Rm
<b>5. Consolidation of OntheCards Investments II (Proprietary) Limited (continued)</b>		
Included in the Group Condensed Statement of Cash Flows by line, are the following amounts:		
<b>Third quarter Statement of Cash Flows</b>		
<b>Profit before financing costs</b>	<b>126</b>	<b>135</b>
Working capital movement	<b>(608)</b>	<b>(544)</b>
Trade accounts receivable	<b>(609)</b>	<b>(570)</b>
Trade and other payables	<b>1</b>	<b>26</b>
<b>Cash utilised from operating activities</b>	<b>(482)</b>	<b>(409)</b>
Interest received	<b>10</b>	<b>7</b>
Financing costs paid	<b>(86)</b>	<b>(95)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(558)</b>	<b>(497)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>914</b>	<b>590</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>356</b>	<b>93</b>



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

	2011 39 weeks to 31 December Rm	2011 39 weeks to 1 January Rm
<b>5. Consolidation of OntheCards Investments II (Proprietary) Limited (continued)</b>		
Included in the Group Condensed Statement of Cash Flows by line, are the following amounts:		
<b>Year-to-date Statement of Cash Flows</b>		
<b>Trading profit and profit before financing costs</b>	<b>397</b>	353
Other non-cash items		30
<b>Operating cash inflow before changes in working capital</b>	<b>397</b>	383
Working capital movement	<b>(443)</b>	(174)
Trade accounts receivable	<b>(463)</b>	(200)
Trade and other payables	<b>20</b>	26
<b>Cash (utilised)/generated from operating activities</b>	<b>(46)</b>	209
Interest received	<b>26</b>	26
Financing costs paid	<b>(263)</b>	(310)
<b>Net cash utilised</b>	<b>(283)</b>	(75)
<b>Cash effects of financing activities</b>		
Purchase of receivables		(516)
<b>Net cash outflow from financing activities</b>		(516)
<b>Decrease in cash and cash equivalents</b>	<b>(283)</b>	(591)
<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>356</b>	93

## 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

### **Registered office**

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### **Postal address**

PO Box 100, Crown Mines, 2025

### **Auditors**

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52 Corlett Drive, Illovo 2196  
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