Unaudited Interim Condensed Consolidated Financial Statements

Edcon Holdings Proprietary Limited (“Edcon”)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF EDCON HOLDINGS PROPRIETARY LIMITED

(Registration number 2006/036903/07)

FINANCIAL STATEMENTS
for the 26 weeks ended 29 September 2012

The following reports and statements are presented in accordance with International Financial Reporting Standards.

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The unaudited interim condensed consolidated financial statements were re-issued on 4 February 2013 to take account of the adjusting post balance sheet event (refer to note 6) as these reviewed interim condensed consolidated financial statements will be included in the Preliminary Offering Memorandum.

Unaudited Condensed Consolidated Statement of Financial Position

	2012 29 September Rm	2012 31 March Rm	2011 1 October Rm
ASSETS			
Non-current assets			
Properties, fixtures, equipment and vehicles	**2 469**	2 471	2 450
Intangible assets	**17 317**	17 481	17 816
Employee benefit asset	**154**	154	
Equity accounted investment in joint ventures	**23**	67	9
Derivative financial instruments	**1 306**	472	797
Deferred tax	**51**	1 030	1 500
Total non-current assets	**21 320**	21 675	22 572
Current assets			
Inventories	**3 252**	3 170	3 198
Trade, other receivables and prepayments	**333**	10 426	9 584
Derivative financial instruments	**5**		338
Cash and cash equivalents	**1 569**	1 083	1 287
	5 159	14 679	14 407
Assets of disposal group classified as held for sale	**9 914**		
Total current assets	**15 073**	14 679	14 407
Total assets	**36 393**	36 354	36 979
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Share capital and premium	**2 153**	2 153	2 148
Other reserves	**(712)**	(688)	(795)
Retained loss	**(9 766)**	(6 887)	(6 243)
Shareholder's loan – equity	**8 290**	8 290	
Total equity	**(35)**	2 868	(4 890)
Non-current liabilities – shareholder's loan			
Shareholder's loan	**750**	659	8 627
Total equity and shareholder's loan	**715**	3 527	3 737
Non-current liabilities – third parties			
Interest bearing debt	**22 438**	23 533	26 828
Finance lease liability	**294**	301	37
Lease equalisation	**416**	399	456
Derivative financial instruments	**39**	63	367
Employee benefit liability	**186**	182	134
Deferred tax	**987**		
	24 360	24 478	27 822
Total non-current liabilities	**25 110**	25 137	36 449
Current liabilities			
Interest-bearing debt	**5 276**	2 901	600
Finance lease liability	**38**	28	34
Current taxation	**11**	241	251
Deferred revenue	**201**	80	
Derivative financial instruments	**1 128**	797	583
Trade and other payables	**4 664**	4 302	3 952
Total current liabilities	**11 318**	8 349	5 420
Total equity and liabilities	**36 393**	36 354	36 979
Total managed capital per IAS 1	**28 761**	30 290	31 236

Unaudited Condensed Consolidated Quarterly Statement of Comprehensive Income

	Note	**2012** **13 weeks to** **29 September** **Rm**	2011 13 weeks to 1 October Rm
Continuing operations			
Total revenues		**5 846**	5 675
Revenue - retail sales		**5 531**	5 400
Cost of sales		**(3 578)**	(3 487)
Gross profit		**1 953**	1 913
Other income		**146**	142
Store costs		**(1 169)**	(1 094)
Other operating costs		**(956)**	(883)
Retail trading (loss)/profit		**(26)**	78
Income from joint ventures		**165**	116
Trading profit		**139**	194
Derivative (loss)/ gain		**(2)**	5
Foreign exchange loss		**(259)**	(985)
Foreign exchange loss on foreign notes		**(698)**	(2 254)
Foreign exchange gain on cash flow hedges		**439**	1 269
Loss before net financing costs		**(122)**	(786)
Interest received		**14**	18
Profit/(loss) before financing costs		**(108)**	(768)
Financing costs		**(899)**	(959)
Loss before taxation		**(1 007)**	(1 727)
Taxation	6	**(1 818)**	450
Loss for the period from continuing operations		**(2 825)**	(1 277)
Discontinued operations			
Profit for the period from discontinued operations, net of tax	4	**161**	169
LOSS FOR THE PERIOD		**(2 664)**	(1 108)
Attributable to:			
Owners of the parent		**(2 664)**	(1 108)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**(3)**	10
Cash flow hedges		**17**	(36)
Other comprehensive income for the period, net of tax		**14**	(26)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(2 650)**	(1 134)
Total comprehensive income attributable to:			
Owners of the parent		**(2 650)**	(1 134)

Unaudited Condensed Consolidated Half-year Statement of Comprehensive Income

	Note	**2012 26 weeks to 29 September Rm**	2011 26 weeks to 1 October Rm
Continuing operations			
Total revenues	3	**12 062**	11 772
Revenue - retail sales		**11 453**	11 216
Cost of sales		**(7 269)**	(7 092)
Gross profit		**4 184**	4 124
Other income		**433**	269
Store costs		**(2 352)**	(2 188)
Other operating costs		**(1 902)**	(1 719)
Retail trading profit		**363**	486
Income from joint ventures		**315**	249
Trading profit		**678**	735
Discount on repurchase of senior secured notes			36
Derivative loss		**(1)**	(3)
Foreign exchange loss		**(448)**	(1 147)
Foreign exchange loss on foreign notes		**(1 014)**	(2 703)
Foreign exchange gain on cash flow hedges		**566**	1 556
Profit/(loss) before net financing costs		**229**	(379)
Interest received		**25**	38
Profit/(loss) before financing costs		**254**	(341)
Financing costs		**(1 676)**	(1 772)
Loss before taxation		**(1 422)**	(2 113)
Taxation	6	**(1 694)**	567
Loss for the period from continuing operations		**(3 116)**	(1 546)
Discontinued operations			
Profit for the period from discontinued operations, net of tax	4	**237**	275
LOSS FOR THE PERIOD		**(2 879)**	(1 271)
Attributable to:			
Owners of the parent		**(2 879)**	(1 271)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**-**	8
Cash flow hedges		**(24)**	(203)
Other comprehensive income for the period, net of tax		**(24)**	(195)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(2 903)**	(1 466)
Attributable to:			
Owners of the parent		**(2 903)**	(1 466)

Unaudited Condensed Consolidated Statements of Changes in Equity

	Share capital and premium Rm	Foreign currency translation reserve Rm	Cash flow hedging reserve Rm	Revaluation surplus Rm	Retained loss Rm	Sharehol-der's loan Rm	Total equity Rm
26 weeks to 1 October 2011							
Balance at 2 April 2011	2 148	(35)	(568)	3	(4 972)		(3 424)
Total comprehensive income for the period		8	(203)		(1 271)		(1 466)
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)
26 weeks to 29 September 2012							
Balance at 31 March 2012	2 153	(30)	(661)	3	(6 887)	8 290	2 868
Total comprehensive income for the period		-	(24)		(2 879)		(2 903)
Loss for the period					(2 879)		(2 879)
Other comprehensive income for the period		-	(24)				(24)
Balance at 29 September 2012	**2 153**	**(30)**	**(685)**	**3**	**(9 766)**	**8 290**	**(35)**

Unaudited Condensed Consolidated Quarterly Statement of Cash Flows

	2012 13 weeks to 29 September Rm	2011 13 weeks to 1 October Rm
Cash retained from operating activities		
Loss before taxation from continuing operations	**(1 007)**	(1 727)
Profit before taxation from discontinued operations	**223**	234
Interest received	**(14)**	(18)
Financing costs	**899**	959
Depreciation	**182**	186
Amortisation	**77**	105
Foreign exchange loss	**259**	985
Derivative loss/(gain)	**2**	(5)
Other non-cash items	**57**	21
Operating cash inflow before changes in working capital	**678**	740
Working capital movement	**142**	(9)
Inventories	**(143)**	(534)
Trade accounts receivable	**181**	(41)
Other receivables and prepayments	**30**	30
Trade and other payables	**74**	536
Cash inflow from operating activities	**820**	731
Interest received	**14**	18
Financing costs paid	**(935)**	(975)
Taxation paid	**(39)**	(36)
Net cash outflow from operating activities	**(140)**	(262)
Cash utilised in investing activities		
Investment in fixtures, equipment and vehicles	**(171)**	(143)
Net cash outflow from investing activities	**(171)**	(143)
Cash effects of financing activities		
Increase in interest bearing debt	**766**	343
(Decrease)/increase in finance lease liability	**(1)**	71
Net cash inflow from financing activities	**765**	414
Increase in cash and cash equivalents	**454**	9
Cash and cash equivalents at the beginning of the period	**1 115**	1 248
Currency adjustments		30
Cash and cash equivalents at the end of the period	**1 569**	1 287

Unaudited Condensed Consolidated Half-year Statement of Cash Flows

	2012 26 weeks to 29 September Rm	2011 26 weeks to 1 October Rm
Cash retained from operating activities		
Loss before taxation from continuing operations	**(1 422)**	(2 113)
Profit before taxation from discontinued operations	**329**	382
Interest received	**(25)**	(38)
Financing costs	**1 676**	1 772
Depreciation	**366**	368
Amortisation	**164**	208
Foreign exchange loss	**448**	1 147
Derivative loss	**1**	3
Discount on repurchase of senior secured notes		(36)
Other non-cash items	**196**	18
Operating cash inflow before changes in working capital	**1 733**	1 711
Working capital movement	**495**	(984)
Inventories	**(82)**	(572)
Trade accounts receivable	**94**	(465)
Other receivables and prepayments	**84**	78
Trade and other payables	**399**	(25)
Cash inflow from operating activities	**2 228**	727
Interest received	**25**	38
Financing costs paid	**(1 572)**	(1 535)
Taxation paid	**(40)**	(67)
Net cash inflow/(outflow) from operating activities	**641**	(837)
Cash utilised in investing activities		
Investment in fixtures, equipment and vehicles	**(368)**	(353)
Investment in property		(226)
Net cash outflow from investing activities	**(368)**	(579)
Cash effects of financing activities		
Increase in interest bearing debt	**226**	600
Issue of super senior secured notes		1 010
Settlement of super senior secured term loan		(985)
(Decrease)/increase in finance lease liability	**(13)**	71
Buy back of senior secured notes		(338)
Net cash inflow from financing activities	**213**	358
Increase/(decrease) in cash and cash equivalents	**486**	(1 058)
Cash and cash equivalents at the beginning of the period	**1 083**	2 315
Currency adjustments		30
Cash and cash equivalents at the end of the period	**1 569**	1 287

Notes to the unaudited Condensed Consolidated Financial Statements

1. Basis of preparation

Basis of Accounting

Edcon Holdings Proprietary Limited's Consolidated Condensed 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 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 Audited Group Financial Statements of Edcon Holdings Proprietary Limited on 31 March 2012 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 31 March 2012 as included in the 2012 Audited Group Annual Financial Statements of Edcon Holdings Proprietary Limited.

Going concern

Edcon Holdings Proprietary Limited and its subsidiaries (the "Group") continues to generate losses after taxation as a result of its high level of indebtedness.

The Directors have prepared a cash flow forecast for a period in excess of 12 months and have conducted a fair valuation of the Group's assets and liabilities. Based on these calculations, the Group has sufficient working capital for its present purposes for at least 12 months and the assets exceed liabilities after taking into consideration the fair value of the business. The Directors have commenced a number of projects to refinance the Group's capital structure, commencing with the refinancing of €1,141 million aggregate principal amount of senior secured notes maturing 15 June 2014 (the "2014 Senior Secured Notes") and the extension of its R3,967 million revolving credit facility, R250 million of which matures 31 December 2013 with the balance of R3,717 million maturing 31 March 2014. The balance under the revolving credit facility as at 29 September 2012 is R976 million. The Group believes the refinancing process is significantly progressed and, based on this progress, feedback from potential lenders and input from the Group's financial advisors, the Directors reasonably expect the refinancing of the 2014 Senior Secured Notes and the extension of the maturity of the revolving credit facility will be achieved before their respective maturity dates. The Group has sufficient cash to complete the implementation of its business plan relating to the growth of its retail business. Accordingly, the Directors believe that they are taking appropriate action to ensure that the Group remains a going concern and that it is therefore appropriate to prepare the financial statements on a going concern basis

Despite the above, the Group may continue to incur losses after taxation until such time as its high level of indebtedness is reduced. This represents a material uncertainty, which if not addressed, may result in the Group not being able to realise its assets and settle its liabilities in the ordinary course of business.

1. Basis of preparation *(continued)*

Derivative assets and liabilities

The Group's net derivative balance moved from a liability of R388 million at 31 March 2012 to an asset of R144 million at 29 September 2012; resulting in a net favourable movement of R532 million. This is attributable to the following:

- The unwinding of a portion of the derivative liabilities balance due to the payment of coupons to which the hedges relate, i.e., swap and forward settlements;
- Favourable changes in foreign currency exchange rates resulting in a considerable increase in derivative assets; and
- Increase in derivative liabilities largely as a result of unfavourable movements in interest rates.

The favourable movements in foreign exchange rates relate to the depreciation of the ZAR against the USD and EUR over the period 1 April 2012 to 29 September 2012 (ZAR:EUR spot rate moved from 10.2 to 10.7; whilst ZAR:USD spot rate moved from 7.7 to 8.3). The unfavourable movement in interest rates is as a result of a decrease in the floating Euribor rates receivable on the interest rate swap and cross currency swaps.

The individual movements in derivative balances, particularly for non-current derivative financial instrument assets in the Statement of Financial Position, are larger that the net movement explained above due to the non-current balances predominantly reflecting the favourable foreign currency effect of the exchange of the notional amount of cross currency swap contracts at maturity (in March and June 2014), the passage of time, credit value adjustments and reclassification of balances (e.g., a movement in a particular valuation cash flow from non-current to current, or from asset to liability).

Interest-bearing debt – current

The current portion of the interest-bearing debt moved from a balance of R2.9bn as at 31 March 2012 to a balance of R5.3bn as at 29 September 2012 resulting in an increase of R2.4bn. This is primarily due to the early redemption of all the Class A and Class B notes in issue by OntheCards Investment II Proprietary Limited ("OtC") on 31 October 2012 in accordance with the terms and conditions of its R6.5bn Receivables Backed Domestic Medium Term Notes Programme (refer to note 6 for further details). The early redemption of the receivables-backed notes resulted in the reclassification of the non-current portion of this liability at 31 March 2012 to current interest bearing debt at 29 September 2012.

		2012 26 weeks to 29 September Rm	2011 26 weeks to 1 October Rm
2.	**SEGMENTAL RESULTS**		
2.1	**Revenues**		
	Edgars	**6 190**	5 983
	CNA	**869**	866
	Discount	**4 645**	4 596
	Manufacturing	**41**	40
	Financial Services	**314**	265
	Group Services	**3**	22
		12 062	11 772
2.2	**Retail sales**		
	Edgars	**6 053**	5 859
	CNA	**869**	866
	Discount	**4 531**	4 491
		11 453	11 216
2.3	**Number of stores**		
	Edgars	**359**	270
	CNA	**193**	203
	Discount	**621**	686
		1 173	1 159
2.4	**Operating profit/(loss)**		
	Edgars	**1 110**	1 229
	CNA	**11**	30
	Discount	**397**	461
	Manufacturing	**1**	(2)
	Financial Services	**644**	632
	Group Services[1]	**(1 605)**	(2 347)
		558	3
	Discontinued operations	**(329)**	(382)
	Profit/(loss) before net financing costs	**229**	(379)

[1] Included in the allocation to the Group Services segment is corporate overheads, derivative gain or loss, 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.

3.	**REVENUES**		
	Retail sales	**11 453**	11 216
	Club fees	**251**	229
	Income from joint ventures	**292**	249
	Interest received	**25**	38
	Manufacturing sales to third parties	**41**	40
		12 062	11 772

4. DISCONTINUED OPERATIONS

On 6 June 2012, Edcon announced the intended sale of its private label store card portfolio to Absa Bank Limited ("Absa") as well as the proposed implementation of a long term strategic agreement. In terms of the strategic agreement Absa will provide retail credit to Edcon customers, while Edcon continues to be responsible for all customer-facing activities, including sales and marketing, customer services and collections. Accordingly, the provision of credit by Edcon has been disclosed as a discontinued operation, the prior year numbers adjusted and receivables classified as assets held for sale (refer to note 5 for the portion of the discontinued operations reflected below that relate to OtC and to note 6 for further details on events after the reporting period).

The results of the discontinued operations are as follows:

	2012 13 weeks to 29 September Rm	2011 13 weeks to 1 October Rm
Total revenues	**537**	529
Income from credit	**537**	529
Expenses from credit	**(314)**	(295)
Trading profit and profit before taxation	**223**	234
Taxation	**(62)**	(65)
Profit from discontinued operations per statement of comprehensive income	**161**	169

	2012 26 weeks to 29 September Rm	2011 26 weeks to 1 October Rm
Total revenues	**1 086**	1 014
Income from credit	**1 086**	1 014
Expenses from credit	**(757)**	(632)
Trading profit and profit before taxation	**329**	382
Taxation	**(92)**	(107)
Profit from discontinued operations per statement of comprehensive income	**237**	275

	2012 13 weeks to 29 September Rm	2011 13 weeks to 1 October Rm
5. Consolidation of OntheCards Investments II Proprietary Limited		
Included in the Consolidated Condensed Statement of Comprehensive Income by line, are the following amounts:		
Quarterly Statement of Comprehensive Income		
Continuing operations		
Total revenues	**11**	9
Interest received[(a)]	**11**	9
Profit before financing costs	**11**	9
Financing costs	**(94)**	(88)
Loss before taxation	**(83)**	(79)
Taxation	**24**	23
Loss for the period from continuing operations	**(59)**	(56)
Discontinued operations		
Profit for the period from discontinued operations, net of tax	**91**	131
Profit for the period	**32**	75

	2012 26 weeks to 29 September Rm	2011 26 weeks to 1 October Rm
Half-year Statement of Comprehensive Income		
Continuing operations		
Total revenues	**21**	16
Interest received[(a)]	**21**	16
Profit before financing costs	**21**	16
Financing costs	**(182)**	(177)
Loss before taxation	**(161)**	(161)
Taxation	**45**	45
Loss for the period from continuing operations	**(116)**	(116)
Discontinued operations		
Profit for the period from discontinued operations, net of tax	**124**	195
Profit for the period	**8**	79

(a) Comprises of interest earned on cash balances

		2012 29 September Rm	2012 31 March Rm	2011 1 October Rm
5.	**Consolidation of OntheCards Investments II Proprietary Limited** *(continued)*			
	Included in the Consolidated 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)
	Loan – Edcon Proprietary Limited	**(2 062)**	(2 062)	(2 062)
	Deferred tax	**51**	53	88
	Total non-current assets	**(1 932)**	(1 930)	(1 973)
	Current assets			
	Held-to-maturity investments	**(78)**	(78)	
	Trade, other receivables and prepayments		5 708	5 500
	Cash and cash equivalents	**1 138**	818	914
		1 060	6 448	6 414
	Assets of disposal group classified as held for sale	**5 345**		
	Total current assets	**6 405**	6 448	6 414
	Total assets	**4 473**	4 518	4 441
	EQUITY AND LIABILITIES			
	Equity attributable to shareholders			
	Retained profit/(loss)	**41**	33	(13)
	Total equity	**41**	33	(13)
	Non-current liabilities – third parties			
	Interest-bearing debt		2 150	4 300
	Total non-current liabilities		2 150	4 300
	Current liabilities			
	Interest bearing debt	**4 300**	2 150	
	Trade and other payables	**132**	185	154
	Total current liabilities	**4 432**	2 335	154
	Total equity and liabilities	**4 473**	4 518	4 441
	Total managed capital per IAS 1	**4 341**	4 333	4 287

	2012 13 weeks to 29 September Rm	2011 13 weeks to 1 October Rm
5. Consolidation of OntheCards Investments II Proprietary Limited *(continued)*		
Included in the Consolidated Condensed Statement of Cash Flows by line, are the following amounts:		
Quarterly Statement of Cash Flows		
Loss before taxation from continuing operations	**(83)**	(79)
Profit before taxation from discontinued operations	**128**	184
Interest received	**(11)**	(9)
Financing costs	**94**	88
Operating cash inflow before changes in working capital	**128**	184
Working capital movement	**266**	144
Trade accounts receivable	**269**	158
Trade and other payables	**(3)**	(14)
Cash inflow from operating activities	**394**	328
Interest received	**11**	9
Financing costs paid	**(94)**	(89)
Increase in cash and cash equivalents	**311**	248
Cash and cash equivalents at the beginning of the period	**827**	666
Cash and cash equivalents at the end of the period	**1 138**	914

	2012 26 weeks to 29 September Rm	2011 26 weeks to 1 October Rm
5. Consolidation of OntheCards Investments II Proprietary Limited *(continued)*		
Included in the Consolidated Condensed Statement of Cash Flows by line, are the following amounts:		
Half-year Statement of Cash Flows		
Loss before taxation from continuing operations	**(161)**	(161)
Profit before taxation from discontinued operations	**172**	271
Interest received	**(21)**	(16)
Financing costs	**182**	177
Operating cash inflow before changes in working capital	**172**	271
Working capital movement	**309**	166
Trade accounts receivable	**363**	146
Trade and other payables	**(54)**	20
Cash inflow from operating activities	**481**	437
Interest received	**21**	16
Financing costs paid	**(182)**	(178)
Increase in cash and cash equivalents	**320**	275
Cash and cash equivalents at the beginning of the period	**818**	639
Cash and cash equivalents at the end of the period	**1 138**	914

6. Events after the reporting period

On 31 October 2012, OntheCards Investment II Proprietary Limited (“OtC”) completed an early redemption of all of its Class A and Class B notes in issue, in accordance with the terms and conditions of its R6.5 billion Receivables Backed Domestic Medium Term Note Programme. The notes redemption was necessary so that OtC’s receivable assets could be sold to Edcon Proprietary Limited, and as such facilitate the sale of the Edcon’s storecard receivable portfolio to Absa (refer to note 4 for further details on the discontinued operation).

On 1 November 2012 all conditions required for the first closing of the South African portion of the private label store card portfolio were satisfied and R8.8 billion of the South African book was sold to Absa. Simultaneously, the long term commitment to provide future retail credit to existing and new qualifying South African customers became effective (refer to note 4 for further details on the discontinued operation).

6. Events after the reporting period (*continued*)

On 31 August 2012, the South African Revenue Service ("SARS") notified us that it was considering the issuance of an Income Tax assessment primarily in connection with our tax treatment of interest payable on the financing of the acquisition of the Group by Bain Capital. We challenged SARS's position and we believe that we were in compliance with applicable South African tax laws and regulations. Nevertheless, we perceived it to be beneficial to engage in settlement discussions and we entered into a settlement agreement with SARS in relation to the matters in dispute on 14 December 2012 in order to avoid protracted litigation with SARS.

The agreement addresses the tax treatment of the issues in dispute for fiscal years since the acquisition of the Group by Bain Capital, being fiscal years 2008 through 2013, as well as future fiscal years. Pursuant to the settlement, no cash outflow in relation to tax payments due will be required until September 2014. However, as a result of the settlement, Edcon is likely to pay income tax earlier than was anticipated prior to the entering into of the settlement. We believe that our cash flows should allow us to satisfy the additional income tax payments that may result from the settlement.

The main terms of the settlement agreement are as follows:

- for fiscal year 2008 through fiscal year 2013, we agreed to reduce our tax losses carry forward by approximately R9.0 billion;
- for the period from the beginning of fiscal year 2014 until an initial public offering or an issuance of securities representing 20% or more of the Group's equity (if any), we agreed to limit the deduction for tax purposes of interest payable on the 2014 Senior Secured Notes and the 2015 Senior Notes or any refinancing thereof (the "Acquisition Indebtedness") to 50% of such interest, on an aggregate principal amount of indebtedness of approximately R14.625 billion or the equivalent thereof in Euro or U.S. dollars. Interest on the portion, if any, of the Acquisition Indebtedness exceeding such cap will not be deductible for tax purposes. As of 29 September 2012, after giving *pro forma* effect to the OtC Unwinding, the Receivables Sale, the offering of the Notes and the application of the proceeds thereof, we would have had R12.534 billion of Acquisition Indebtedness and therefore expect to be in compliance with this cap;
- for the period following an initial public offering or an issuance of securities representing 20% or more of the Group's equity (if any), we agreed that interest payable on the Acquisition Indebtedness would be fully deductible for tax purposes, up to an aggregate principal amount of indebtedness of approximately R8 billion or the equivalent thereof in Euro or U.S. dollars. Interest on the portion, if any, of the Acquisition Indebtedness exceeding approximately R8 billion or the equivalent thereof in Euro or U.S. dollars will not be deductible for tax purposes; and
- for the period from and following fiscal year 2014, interest payable on the Subordinated Shareholder Loan, if any, will not be deductible for tax purposes.

The settlement is without prejudice to future changes in applicable South African tax legislation and does not relate to any matter other than those in connection with the acquisition of the Group by Bain Capital. SARS has notified Edcon that it is reviewing certain other tax matters, none of which we believe are material to the Group.

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), MR Bower, U Ferndale

*USA **BELGIUM ***GERMANY

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