IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR (2) OUTSIDE THE UNITED STATES (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, A QUALIFIED INVESTOR).

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this notice, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation of your representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities described herein, investors must be either (1) qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act ("QIBs") or (2) outside the United States; provided that investors resident in a Member State of the European Economic Area must be a qualified investor (within the meaning of Article 2(1)(e) of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the relevant Member State) and any relevant implementing measure in each Member State of the European Economic Area). The offering memorandum is being sent at your request. By accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to us that:

(1) you consent to delivery of such offering memorandum by electronic transmission, and

(2) either you and any customers you represent are:

  (a) QIBs; or

  (b) outside the United States and the e-mail address that you gave us and to which the e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia (and if you are resident in a Member State of the European Economic Area, you are a qualified investor).

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act pursuant to Rule 144A under the U.S. Securities Act.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the offering memorandum to any other person.

The materials relating to the Offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of us in such jurisdiction.

Under no circumstances shall the offering memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

This offering memorandum has not been approved by an authorised person in the United Kingdom and is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the FSMA does not apply to us.

The offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the initial purchasers, or any person who controls any initial purchaser, or any of their respective directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you from the initial purchasers upon your request.

Offering Memorandum

For Listing Purposes Only
Not for General Circulation
in the United States

Edcon Holdings Limited

Guaranteed on a senior subordinated basis by Edcon Limited and certain of its wholly-owned subsidiaries.

€425,000,000 13 $^{3}/_{8}$% Senior Notes due 2019

Interest payable 30 June and 31 December

Issue Price: 100%

Edcon Holdings Limited (the "Issuer"), a company organised under the laws of South Africa is offering (the "Offering") €425 million aggregate principal amount of its 13 $^{3}/_{8}$% Senior Notes due 30 June 2019 (the "Senior Notes"). The Issuer is a member of Edcon, the leading clothing and footwear retailing group in South Africa. We intend to use the net proceeds from this Offering to repurchase the Senior Notes due 2015 (the "2015 Senior Notes") tendered pursuant to the Tender Offer (as defined herein) and to fund the 2015 Senior Notes Redemption (as defined herein). We will deposit any proceeds from the Offering not used to purchase 2015 Senior Notes pursuant to the Tender Offer (the "Escrowed Proceeds") in an escrow account pledged in favour of the Trustee. The Escrowed Proceeds, if any, will be released from escrow to settle the redemption price payable pursuant to the 2015 Senior Notes Redemption on or about the 30th day after the Issue Date. See "Use of Proceeds".

We will pay interest on the Senior Notes semi-annually, in cash, in arrears on 30 June and on 31 December, commencing on 30 June 2014 at an interest rate of 13 $^{3}/_{8}$% per annum.

We may redeem the Senior Notes in whole or in part at any time prior to 30 June 2015 at 100% of their principal amount plus a make-whole premium and accrued and unpaid interest, as described herein. We may redeem the Senior Notes in whole or in part at any time on or after 30 June 2015 at the respective redemption prices set out herein. We may redeem the Senior Notes in whole or in part prior to 30 June 2015 with the proceeds from certain equity offerings at the price set out herein. We may redeem all, but not a portion, of the Senior Notes upon the occurrence of certain tax events. If we sell certain assets or experience certain kinds of changes in control, we must, unless certain conditions are met, offer to repurchase the Senior Notes at the prices set out herein.

The Senior Notes will be senior obligations of the Issuer and will rank *pari passu* with all of the Issuer's existing and future indebtedness that is not subordinated to the Senior Notes, senior to all of the Issuer's indebtedness that is subordinated to the Senior Notes, effectively senior to all of the Issuer's existing and future indebtedness that is unsecured, and structurally subordinated to all debt and liabilities of the Issuer's subsidiaries that do not guarantee the Senior Notes. The Senior Notes will be guaranteed (the "Senior Notes Guarantees"), fully and unconditionally, on a senior subordinated basis by Edcon Limited, Edcon Acquisition Proprietary Limited ("BidCo") and Edgars Consolidated Stores Limited ("ECSL"), each of which are wholly-owned director or indirect subsidiaries of the Issuer.

Application has been made to the Irish Stock Exchange to approve this this offering memorandum (this "Offering Memorandum") and admit the Senior Notes to to listing on the Official List of the Irish Stock Exchange and to trading on its Global Exchange Market in accordance with the rules and regulations of the Irish Stock Exchange. This Offering Memorandum constitutes "Listing Particulars" and does not constitute "a Prospectus" for such an application.

You should be aware that investing in the Senior Notes involves risks. See "Risk Factors" beginning on page 23.

The Senior Notes and the Senior Notes Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States or of any other jurisdiction and may not be offered, sold or delivered in the United States unless registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available. In the United States, this Offering is being made only to "qualified institutional buyers" in reliance on Rule 144A under the U.S. Securities Act ("Rule 144A"). Prospective purchasers that are qualified institutional buyers are hereby notified that the Initial Purchasers of the Senior Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside the United States, this Offering is being made in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). See "Notice to U.S. Investors" and "Notice to Non-U.S. Investors" for additional information about eligible offerees and transfer restrictions. The Senior Notes will be issued in registered form in minimum denominations of € 100,000 and integral multiples of €1,000 in excess thereof. The Senior Notes will be represented on issue by one or more global notes, which are expected to be delivered to investors in book-entry form through the facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream") on or about 14 November 2013 (the "Issue Date").

Joint Global Coordinators and Physical Bookrunners

J.P. Morgan **BofA Merrill Lynch**

Joint Bookrunners

Barclays **Goldman Sachs International** **RMB | Morgan Stanley**

16 January 2014

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GENERAL

Stabilisation

In connection with this Offering, J.P. Morgan Securities plc (the “Stabilisation Manager”), or any person acting for it may over-allot Senior Notes or effect transactions with a view to supporting the market price of the Senior Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on the Stabilisation Manager or any person acting for it to undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Senior Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Senior Notes.

Responsibility statement

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Issuer, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Memorandum contains summaries with respect to certain terms of certain documents, but reference is made to the actual documents, including the indenture governing the Senior Notes (the “Senior Notes Indenture”), copies of which we will make available to prospective purchasers upon request, for complete information with respect thereto. See “Available Information”.

Offering and transfer restrictions

The Senior Notes and the Senior Notes Guarantees have not been and will not be registered under the U.S. Securities Act, or any securities law of any state of the United States. Unless so registered, the Senior Notes and the Senior Notes Guarantees may not be offered or sold within the United States except in a transaction that is exempt from, or not subject to, the registration requirements of the U.S. Securities Act. As a result, the Senior Notes are only being offered (a) to qualified institutional buyers (as defined in Rule 144A) in compliance with Rule 144A and (b) pursuant to offers and sales to non-U.S. persons outside the United States in compliance with Regulation S. Prospective purchasers of the Senior Notes are hereby notified that the sellers of the Senior Notes may be relying on the exemption from the provisions of the U.S. Securities Act provided by Rule 144A or Regulation S. See “Notice to U.S. Investors”.

The Senior Notes offered hereby have not been approved or disapproved by the U.S. Securities and Exchange Commission (the “SEC”) or any other securities commission or other regulatory authority, nor have the foregoing authorities approved this Offering Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Offering Memorandum. Any representation to the contrary is unlawful.

We have prepared this Offering Memorandum solely for use in connection with the offer of the Senior Notes to qualified institutional buyers under Rule 144A and to non-U.S. persons outside the United States under Regulation S. You agree that you will hold the information contained in this Offering Memorandum and the transactions contemplated hereby in confidence. You may not distribute this Offering Memorandum to any person, other than a person retained to advise you in connection with the purchase of the Senior Notes.

We have applied for the Senior Notes to be listed on the Official List of the Irish Stock Exchange and to be admitted to trading on the Global Exchange Market thereof. However, we cannot assure you that the Senior Notes will be listed on any exchange at the time the Senior Notes are delivered to J.P. Morgan Securities plc, Merrill Lynch International, Barclays Bank PLC, Goldman Sachs International and Morgan Stanely & Co. International plc (collectively, the “Initial Purchasers”) or at any other time.

The Senior Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and other applicable laws. Prospective purchasers of the Senior Notes should be aware that they may be required to bear the entire financial risk of the investment for an indefinite period of time.

No South African residents or other offshore subsidiary may subscribe for or purchase any of the Senior Notes or beneficially own or hold any or the Senior Notes unless such subscription, purchase or beneficial holding or ownership is otherwise permitted under the South African exchange control regulations or the rulings promulgated thereunder or specific approval has been obtained from the Financial Surveillance Department of the

South African Reserve Bank (the "SARB"). Senior Notes will not be advertised to, or offers for subscription or sale solicited from, investors in South Africa.

This Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

We reserve the right to withdraw this Offering of the Senior Notes at any time, and we and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Senior Notes in whole or in part and to allot to you less than the full amount of Senior Notes subscribed for by you.

Prospective purchasers of the Senior Notes must comply with all applicable laws

The distribution of this Offering Memorandum and the offer and sale of the Senior Notes in certain jurisdictions may be restricted by law. This Offering Memorandum does not constitute an offer of, or an invitation to purchase, any of the Senior Notes in any jurisdiction in which, or to any person to whom, such offer or invitation would be unlawful.

Persons into whose possession this Offering Memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on the offer and sale of the Senior Notes, see "Plan of Distribution", "Notice to U.S. Investors" and "Notice to Non-U.S. Investors".

This Offering Memorandum is only as at its date

Prospective purchasers should rely only on the information contained in this Offering Memorandum. Neither the Issuer nor the Initial Purchasers have authorised anyone to provide prospective purchasers with information different from that contained in this Offering Memorandum. If anyone provides prospective purchasers with different or inconsistent information, prospective purchasers should not rely on it. The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of information set out herein, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers.

This Offering Memorandum and the information contained herein are subject to completion or amendment without notice.

No investment, legal or tax advice

In making an investment decision, you must rely upon your own examination of the Issuer, the Senior Notes Guarantors and their subsidiaries, the terms of this Offering, and our financial information. You are not to construe the contents of this Offering Memorandum as investment, legal or tax advice. You should consult your own advisers as to those matters. The Issuer is not, and the Initial Purchasers are not, making any representation to you regarding the legality of an investment in the Senior Notes by you under applicable investment or similar laws.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET OUT HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE SENIOR NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

PRESENTATION OF INFORMATION

General

References to “we”, “us”, “our”, “Edcon”, “the Group” and other similar terms refer to ECSL and its consolidated subsidiaries in respect of periods prior to the acquisition by BidCo on 14 May 2007 of the ordinary and preference shares of ECSL (the “Share Acquisition”) and refer to the Issuer and its consolidated subsidiaries in respect of periods after the Share Acquisition, except where the context requires otherwise.

Definitions

In this Offering Memorandum:

“2015 Senior Indenture” means the indenture governing the 2015 Senior Notes;

“2015 Senior Notes” means the € 630,000,000 senior floating rate notes due 2015 issued by the Issuer. As of the date of this Offering Memorandum, €378.0 million aggregate principal amount of 2015 Senior Notes was outstanding;

“2015 Senior Notes Redemption” means the redemption of any outstanding 2015 Senior Notes with the proceeds of this Offering after the closing date of the Tender Offer;

“2016 Indenture” means the indenture governing the 2016 Super Senior Secured ZAR Notes;

“2016 Super Senior Secured Guarantees” means the super senior secured guarantees of the 2016 Super Senior Secured ZAR Notes by the 2016 Super Senior Secured Notes Guarantors;

“2016 Super Senior Secured Notes Guarantors” means the Issuer, BidCo and ECSL;

“2016 Super Senior Secured ZAR Notes” means the R1,010,000,000 super senior secured floating rate notes due 2016 issued by Edcon Limited;

“2018 EUR Senior Secured Notes” means the € 317,000,000 senior secured fixed rate notes due 2018 issued by Edcon Limited on 1 March 2011 and the €300,000,000 senior secured fixed rate notes due 2018 issued on 8 February 2013;

“2018 Senior Secured Guarantees” means the senior secured guarantees of the 2018 Senior Secured Notes by the 2018 Senior Secured Notes Guarantors;

“2018 Senior Secured Notes Guarantors” means the Issuer, BidCo and ECSL;

“2018 Senior Secured Notes” means, collectively, the 2018 EUR Senior Secured Notes and the 2018 USD Senior Secured Notes;

“2018 USD Senior Secured Notes” means the $250,000,000 senior secured fixed rate notes due 2018 issued by Edcon Limited;

“Absa” means Absa Bank Limited;

"Adjusted Corporate EBITDA" means Adjusted EBITDA excluding the impact of consolidating OtC;

"Adjusted EBITDA" means EBITDA as adjusted for non-recurring or non-cash items. For a reconciliation of EBITDA to Adjusted EBITDA, see note 10 under "Summary—Summary Historical Consolidated Financial Information and Other Data";

"Adjusted EBITDAR" means EBITDAR as adjusted for non-recurring or non-cash items. For a reconciliation of Adjusted EBITDA to Adjusted EBITDAR, see note 10 under "Summary—Summary Historical Consolidated Financial Information and Other Data";

"Bain Capital" means Bain Capital, LLC;

"BidCo" means Edcon Acquisition Proprietary Limited;

"Board" means the board of directors of the Issuer;

"C&F" means clothing and footwear;

"cash sales" means all sales other than credit sales as defined below;

"credit sales" means sales generated from the private label store card notwithstanding the fact that the private label store card receivable portfolio was sold to Absa;

"CAGR" means compound annual growth rate;

"CaymanCo" means Edgars Holdings Limited, a Cayman Islands exempted limited company;

"Code" means the United States Internal Revenue Code of 1986, as amended;

"EBITDA" means earnings before interest, taxation, depreciation and amortisation charges;

"EBITDAR" means earnings before interest, taxation, depreciation and amortisation charges and operating lease expenses;

"ECSL" means Edgars Consolidated Stores Limited;

"Edgars Zimbabwe" means Edgars Stores Limited;

"Empowerment Trust" means the Edcon Staff Empowerment Trust, which is a shareholder of the Issuer;

"EU" means the European Union;

"EUR", "€" and "euro" mean the single currency of the participating member states in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;

"Existing Hedging Arrangements" means those hedging arrangements currently in place for the Group related to currency and interest rate risk from the 2015 Senior Notes and the 2018 Senior Secured Notes;

"first quarter 2013" means the 13-week period ended 30 June 2012;

"first quarter 2014" means the 13-week period ended 29 June 2013;

"first quarter 2014 financial statements" means the unaudited interim condensed consolidated financial statements for the thirteen weeks ended 29 June 2013;

"Fiscal year", when used in relation to any year, means the fiscal year ended on the Saturday of that year closest to 31 March;

"Founder Investor Trusts" means The Elephant Acquisition Primary Founder Investor Trust, The Elephant Acquisition Primary Founder Investor Trust 2, The Elephant Acquisition Secondary Founder Investor Trust, The Elephant Acquisition Secondary Founder Investor Trust 2, The Elephant Acquisition Secondary Founder Investor Trust 3, The Elephant Acquisition Tertiary Founder Investor Trust 1, The Elephant Acquisition Tertiary Founder Investor Trust 2 and The Elephant Acquisition Tertiary Founder Investor Trust 3;

"GDP" means gross domestic product;

"Hollard Insurance" means Hollard Insurance Company Limited and Hollard Life Assurance Company Limited;

"IFRS" means International Financial Reporting Standards;

"Initial Purchasers" means J.P. Morgan Securities plc, Merrill Lynch International, Barclays Bank PLC, Goldman Sachs International and Morgan Stanely & Co. International plc;

"Intercreditor Agreement" means the intercreditor deed between, among others, the Issuer, Edcon Limited, the trustee for the Senior Notes (upon accession), the trustee for the 2018 Senior Secured Notes, the trustee for the 2016 Super Senior Secured ZAR Notes, the lenders under the ZAR Term Loan and the agent for the Super Senior Revolving Credit Facility, as amended from time to time;

"Investors" means funds advised by affiliates of Bain Capital and certain other investors;

"IRS" means the U.S. Internal Revenue Service;

"Issue Date" means 14 November 2013;

"Issuer" means Edcon Holdings Limited;

"IT" means information technology;

"JIBAR" means the Johannesburg Interbank Agreed Rate;

"LTM 2012" means the 52 weeks ended 30 June 2012;

"LTM 2013" means the 52 weeks ended 29 June 2013;

"LuxCo" means Edcon (BC) S.à r.l.;

"OtC" means OtC I until August 2010 and OtC II thereafter, as applicable;

"OtC I" means On the Cards Investments Limited;

"OtC II" means On the Cards Investments II Proprietary Limited;

"OtC Securitisation Programme" means our securitisation programme pursuant to which we sold certain of our receivables to OtC I (until August 2010) and OtC II (between September 2010 and October 2012) on a non-recourse basis. We unwound the OTC Securitisation Programme with effect from 31 October 2012;

"Pro Forma Adjusted EBITDA" means Adjusted EBITDA, as further adjusted to give pro forma effect to the Pro Forma Transactions;

"Pro Forma Financial Information" means our unaudited pro forma condensed consolidated financial information included in this Offering Memorandum that has been derived, as applicable, from our audited consolidated financial statements as at and for fiscal year 2013 and our unaudited interim condensed consolidated financial statements as at and for first quarter 2014, each included elsewhere in this Offering Memorandum, as adjusted to give effect to the Pro Forma Transactions (as defined herein);

"Pro Forma Transactions" means (a) (i) the entry into our new strategic relationship with Absa, which was completed on 1 November 2012, pursuant to which, from such date, Absa provides credit to our private label store card customers; (ii) the sale of R8.7 billion in receivables under our private label store card programme, which was completed on 1 November 2012 and the repayment in full of the R4.3 billion receivables-backed notes issued by OtC to finance our OtC Securitisation Programme; (iii) the sale of R461 million and R126 million (finalised at R114 million) of receivables under our private label store card programme completed on 30 April 2013 and 30 June 2013, respectively; (iv) the anticipated sale of the remainder of our private label store card receivables portfolio, in an aggregate amount of R689 million as at 30 June 2013 (R803 million as at the date of our first quarter 2014 financial statements), which we expect to complete in fiscal year 2014; and (v) the winding down of the remaining unsold portion of the South African private label store card portfolio not sold to Absa (R23 million as at the date of our first quarter 2014 financial statements); and (b) cost savings for (i) corporate and operational overhead reductions of R85 million, which represents the actual payroll costs incurred for LTM 2013 in respect of the restructuring; and (ii) renegotiation of pricing on marketing contracts; IT consulting contracts; telecommunication rates, as well as changes in our profit share with our Hollard Insurance joint operation, amounting to aggregate expected cost savings of R141 million;

"Purchase Agreement" means the agreement between the Issuer, the Senior Notes Guarantors and the Initial Purchasers, whereby the Issuer agrees to sell and each Initial Purchaser agrees, severally and not jointly, to purchase all of the Senior Notes;

"QIB" means "qualified institutional buyer" within the meaning of Rule 144A;

"rand", "South African rand" and "R" mean the currency of the Republic of South Africa;

"Receivables Sale" means the termination of our OtC Securitisation Programme and the sale of our private label credit card receivables to Absa;

"Refinancing Transactions" means this Offering and the repurchase of the 2015 Senior Notes pursuant to the Tender Offer and the 2015 Senior Notes Redemption;

"Regulation S" means Regulation S under the U.S. Securities Act;

"Restricted Subsidiary" means, at any time, any subsidiary of the Issuer that is not then an Unrestricted Subsidiary under the Senior Notes Indenture; *provided*, *however*, that upon the occurrence of an Unrestricted Subsidiary ceasing to be an Unrestricted Subsidiary, such subsidiary will be included in the definition of Restricted Subsidiary;

"RLC" means the South African Retailers' Liaison Committee;

"Rule 144A" means Rule 144A under the U.S. Securities Act;

"SARB" means the South African Reserve Bank;

"SARS" means the South African Revenue Service;

"Senior Notes" means the €425.0 million notes due 30 June 2019 offered hereby;

"Senior Notes Guarantees" means the subordinated guarantees of the Senior Notes granted by the Senior Notes Guarantors;

"Senior Notes Guarantors" means Edcon Limited, BidCo and ECSL;

"Senior Notes Indenture" means the indenture governing the Senior Notes as described in "Description of the Senior Notes";

"South Africa" means the Republic of South Africa;

"southern Africa" means Botswana, Lesotho, Mozambique, Namibia, South Africa, Swaziland Zambia and Zimbabwe;

"SPV Guarantee" means the guarantee provided on a limited recourse basis by the SPV Guarantor of the obligations of the Issuer under the Senior Notes issued hereby, the obligations of Edcon Limited under the 2018 Senior Secured Notes and the 2016 Super Senior Secured ZAR Notes, the obligations of the Senior Notes Guarantors under the Senior Notes Guarantees, the 2018 Senior Secured Notes Guarantors under the 2018 Senior Secured Guarantees, the obligations of the 2016 Super Senior Notes Guarantors under the 2016 Super Senior Secured Guarantees, the obligations of the borrowers under the Super Senior Revolving Credit Facility and the obligations of the hedging counterparties under the Existing Hedging Arrangements and certain hedging arrangements that may be entered into in respect of the Senior Notes, described in "Description of the Senior Notes—Pledge of Proceeds Loan";

"SPV Guarantor" means Elephant On the Cards Proprietary Limited, the special purpose vehicle formed in connection with the security structure established to support the obligations of the Issuer under the Senior Notes issued hereby, the obligations of Edcon Limited under the 2018 Senior Secured Notes, the obligations of the 2018 Senior Secured Notes Guarantors under the 2018 Senior Secured Guarantees, the obligations of the 2016 Super

Senior Notes Guarantors under the 2016 Super Senior Secured Guarantees, the obligations of the borrowers under the Super Senior Revolving Credit Facility and the obligations of the hedging counterparties under the Existing Hedging Arrangements and certain hedging arrangements that may be entered into in respect of the Senior Notes, described in "Description of the Senior Notes—Security—SPV Guarantor and the SPV Guarantee";

"sqm" means square metres;

"Stabilisation Manager" means J.P. Morgan Securities plc;

"Subordinated Matching Loan" means the loan of the proceeds from the Subordinated Shareholder Loan from the Issuer to Edcon Limited described in "Related Party Transactions—Subordinated Matching Loan";

"Subordinated Proceeds Loan" means the loan of the proceeds from the 2015 Senior Notes from the Issuer to Edcon Limited described in "Related Party Transactions—Subordinated Proceeds Loan";

"Subordinated Shareholder Loan" means the Subordinated Shareholder Loan advanced by LuxCo to the Issuer described in "Related Party Transactions—Subordinated Shareholder Loan";

"Super Senior Revolving Credit Facility" means our super senior revolving credit facility described in "Description of Certain Other Indebtedness—The Super Senior Revolving Credit Facility", as amended from time to time;

"Tender Offer" means the tender offer launched by the Issuer to purchase 2015 Senior Notes described under "Summary—Tender offer for the 2015 Senior Notes";

"U.K." means the United Kingdom of Great Britain and Northern Ireland;

"United States" or "U.S." means the United States of America;

"Unrestricted Subsidiary" means (i) any subsidiary of the Issuer designated as an Unrestricted Subsidiary under the Senior Notes Indenture by the Board under the circumstances described in "Description of the Senior Notes—Certain Definitions—Unrestricted Subsidiary" and (ii) any subsidiary of an Unrestricted Subsidiary;

"U.S. dollar", "U.S. $" or "$" means the single currency of the United States of America; and

"ZAR Term Loan" means the R4,120 million senior secured term loan facility by and between Edcon Limited as borrower, the Issuer, as guarantor, certain other guarantors, Absa as agent, and the lenders party thereto from time to time on the terms set out in "Description of Certain Other Indebtedness—ZAR Term Loan".

Market data

We rely on data provided by the South African Retailers' Liaison Committee (the "RLC") to estimate the size of the South African C&F market and the market share of individual C&F retailers. Unless otherwise specified, C&F market data provided in this Offering Memorandum refer to RLC data. The RLC collects and publishes sales and related data from RLC member companies, which are medium-sized and large-sized retailers operating in the C&F market. Members of the RLC change over time and therefore RLC data for different years may include different member companies.

We also use data published by the SARB. The SARB receives all of its data from Statistics South Africa ("Stats SA"), which was established under legal mandate from the Statistics Act (No. 6 of 1999). Stats SA collects statistics on the C&F market through a monthly survey of South African retailers in the clothing, footwear, textiles and leather goods industry. Questionnaires are sent to a sample of approximately 2,500 retailers from a population of approximately 28,000 retailers. All medium-sized and large-sized retailers are included within the survey, and random sampling is applied to small and very small companies.

In addition to RLC and SARB data included in this Offering Memorandum, we include information based on our knowledge of our sales and markets and on our own calculations based on such information. In some cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, thus requiring us to rely on internally developed estimates.

We believe that the market data contained in this Offering Memorandum provide fair and adequate estimates of the size of our markets and fairly reflect our competitive position within these markets. However, neither we nor the Initial Purchasers have independently verified the externally sourced market or other industry data, including third-party or industry or general publications, which have been included in this Offering Memorandum. We cannot assure you of the accuracy and completeness of, and take no responsibility for, such data, and we cannot guarantee that a third party using different methods to assemble, analyse or compute market size and market share information would obtain or generate the same results. Similarly, while we believe our internal estimates to be reasonable, they have not been verified by any independent sources, and we cannot assure you as to their accuracy. In addition, third parties, including our competitors, may define our markets differently than we do.

Financial data

We present in this Offering Memorandum financial statements for the Issuer on a consolidated basis for fiscal years 2011, 2012 and 2013, which have been audited by Ernst & Young Inc., South Africa. When used in this Offering Memorandum in relation to any year, “fiscal year”, means the fiscal year ended on the Saturday of that year closest to 31 March of that year. In addition, we present the Issuer’s unaudited interim condensed consolidated financial statements as at and for the 13-week periods ended 30 June 2012 and 29 June 2013. Our financial statements have been prepared in accordance with IFRS. Notwithstanding the fact that our liabilities exceed our assets in accordance with IFRS, our condensed consolidated financial statements have been prepared on the going-concern basis as the Group’s assets at fair value (including unrecognised fair value of intangible assets) exceed the liabilities. Our directors have every reason to believe that the Group has adequate resources to continue in operation for the foreseeable future and is considered both solvent and liquid.

The Group financial statements for fiscal years 2011, 2012 and 2013 incorporate the results of the Issuer and its consolidated subsidiaries for the 52 weeks ended on 2 April 2011, 31 March 2012 and 30 March 2013 respectively.

We present our financial statements in South African rand. Unless otherwise specified, we have translated, for your convenience, rand amounts relating to income statement data, cash flow data and other financial data into euro at an exchange rate of R11.58 = €1.0, which represents the average Bloomberg Composite Rate for the 12 months ended 29 June 2013. Unless otherwise specified, we have translated rand amounts relating to financial position data into euro at an exchange rate of R12.86 = € 1.0, which represents the exchange rate used in our financial statements as at 29 June 2013. We have also translated euro and rand amounts related to the proceeds from this Offering and the application of such proceeds based on an exchange rate of €1.00 = R13.55, the Bloomberg Composite Rate as at 30 October 2013. You should not view those conversions as a representation that the euro or rand amounts represent actual euro or rand amounts, or could be or could have been converted into euro or rand at the rate indicated or at any other rate. See “Exchange Rate Information”.

Certain amounts set out in this Offering Memorandum have been rounded and, as a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

Non-IFRS financial measures

Certain ratios presented in this Offering Memorandum are supplemental measures of our performance that are not required by, or presented in accordance with, IFRS. In addition, we present EBITDA, EBITDAR, Adjusted EBITDA, Adjusted Corporate EBITDA, Adjusted EBITDAR and Pro Forma Adjusted EBITDA. We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate Edcon. We believe that EBITDAR is a common measure in the retail industry because it allows comparability across the sector for operations regardless of whether a retailer leases or owns its properties. We believe that Adjusted EBITDA, Adjusted Corporate EBITDA, Adjusted EBITDAR and Pro Forma Adjusted EBITDA are relevant measures for assessing our performance because they are adjusted for certain items which, we believe, are not indicative of our underlying operating performance and thus aid in an understanding of EBITDA and EBITDAR, respectively.

EBITDA, EBITDAR, Adjusted EBITDA, Adjusted Corporate EBITDA, Adjusted EBITDAR, Pro Forma Adjusted EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA, EBITDAR, Adjusted EBITDA, Adjusted Corporate EBITDA, Adjusted EBITDAR and Pro Forma Adjusted EBITDA, as reported by us, to EBITDA, EBITDAR, Adjusted EBITDA, Adjusted Corporate EBITDA, Adjusted EBITDAR and Pro Forma Adjusted EBITDA of other companies. EBITDA as presented herein differs from the definition of “Consolidated EBITDA” contained in the indenture governing the Senior Notes. None of EBITDA, EBITDAR, Adjusted EBITDA, Adjusted Corporate EBITDA, Adjusted EBITDAR and Pro Forma Adjusted EBITDA is a measurement of performance under IFRS and you should not consider EBITDA, EBITDAR, Adjusted EBITDA, Adjusted Corporate EBITDA, Adjusted EBITDAR and Pro Forma Adjusted EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under IFRS. EBITDA, EBITDAR, Adjusted EBITDA, Adjusted Corporate EBITDA, Adjusted EBITDAR and Pro Forma Adjusted EBITDA have further limitations as an analytical tool, and you should not consider this item in isolation from, or as a substitute for an analysis of, our operating results, as reported under IFRS. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and none of EBITDA, EBITDAR, Adjusted EBITDA, Adjusted Corporate EBITDA, Adjusted EBITDAR and Pro Forma Adjusted EBITDA reflect any cash requirements for such replacements;
- they are not adjusted for any non-cash income or expense items that are reflected in our statements of cash flows; and
- other companies in our industry may calculate EBITDA, EBITDAR, Adjusted EBITDA, Adjusted Corporate EBITDA, Adjusted EBITDAR or Pro Forma Adjusted EBITDA figures differently than we do, limiting their usefulness as comparative measures.

Due to these limitations, none of EBITDA, EBITDAR, Adjusted EBITDA, Adjusted Corporate EBITDA, Adjusted EBITDAR or Pro Forma Adjusted EBITDA figures should be considered as a measure of discretionary cash available to us. We rely primarily on our IFRS results of operations, using EBITDA, EBITDAR, Adjusted EBITDA, Adjusted Corporate EBITDA, Adjusted EBITDAR and Pro Forma Adjusted EBITDA figures only as supplemental performance measures. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

We terminated our OtC Securitisation Programme on 31 October 2012 and on 1 November 2012 sold R8.7 billion aggregate amount of receivables, representing 88% of the related net receivables to Absa. No receivables remain in OtC from fiscal year 2013 and any outstanding receivables under the OtC Securitisation Programme have been transferred to Edcon as at 1 November 2012 and any outstanding debt repaid with proceeds from fiscal year 2013. See “Presentation of Information—Non-IFRS financial measures”. The assets, liabilities and results of OtC I and OtC II, the entities that purchased our receivables pursuant to the OtC Securitisation Programme, are fully consolidated into our consolidated financial statements for fiscal years 2011, 2012 and 2013, respectively, because we are deemed to control OtC I and OtC II within the meaning of IFRS. Because we sold our receivables under our OtC Securitisation Programme on a non-recourse basis, we retained no rights to such receivables. In addition, no creditors of either OtC I or OtC II have any recourse against us or any of our other consolidated subsidiaries. Further, neither OtC I nor OtC II has any recourse against any of our consolidated subsidiaries pursuant to the terms of our OtC Securitisation Programme.

Unaudited pro forma condensed consolidated financial information

The unaudited pro forma condensed consolidated financial information gives effect to the following transactions (together, the “Pro Forma Transactions”):

- the entry into our new strategic relationship with Absa, which was completed on 1 November 2012, pursuant to which, from such date, Absa provides credit to our private label store card customers;
- the sale of R8.7 billion in receivables under our private label store card programme, which was completed on 1 November 2012 and the repayment in full of the R4.3 billion receivables-backed notes issued by OtC to finance our OtC Securitisation Programme;
- the sale of R461 million and R126 million (finalised at R114 million) of receivables under our private label store card programme completed on 30 April 2013 and 30 June 2013, respectively;

- the anticipated sale of the remainder of our private label store card receivables portfolio, in an aggregate amount of R689 million as at 30 June 2013 (R803 million as at the date of our first quarter 2014 financial statements), which we expect to complete in fiscal year 2014;
- the winding down of the remaining unsold portion of the South African private label store card portfolio not sold to Absa (R23 million as at the date of our first quarter 2014 financial statements); and
- cost savings for (a) corporate and operational overhead reductions of R85 million, which represents the actual payroll costs incurred for LTM 2013 in respect of the restructuring; and (b) renegotiation of pricing on marketing contracts; IT consulting contracts; telecommunication rates, as well as changes in our profit share with our Hollard Insurance joint operation, amounting to aggregate expected cost savings of R141 million.

It does not give effect to the Refinancing Transactions.

The Pro Forma Financial Information is published solely for illustrative purposes and has not been audited or reviewed. It is not intended to represent or to be indicative of the consolidated results of operations or financial position that we would have reported had the Pro Forma Transactions been completed as at the dates set out in the Pro Forma Financial Information and should not be taken as indicative of our future consolidated results of operations or financial position. The actual results may differ significantly from those reflected in the Pro Forma Financial Information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the Pro Forma Financial Information and actual amounts. As a result, the Pro Forma Financial Information does not purport to be indicative of what the financial condition or results of operations of the Issuer would have been had the Pro Forma Transactions been completed on the applicable date of the Pro Forma Financial Information. The unaudited pro forma adjustments are based upon currently available information and certain assumptions that we believe to be reasonable. See ''Unaudited Pro Forma Condensed Consolidated Financial Information''.

We present from time to time in this Offering Memorandum certain financial information, primarily in connection with our indebtedness, which gives pro forma effect to the Pro Forma Transactions and the Refinancing Transactions. Such information differs from the Pro Forma Financial Information presented under ''Unaudited Pro Forma Condensed Consolidated Financial Information'', primarily because the Pro Forma Financial Information does not give effect to the Refinancing Transactions.

Other

The financial information included in this Offering Memorandum is not intended to comply with U.S. Securities and Exchange Commission requirements.

Certain amounts and percentages included in this Offering Memorandum have been rounded. Accordingly, in certain instances, the sum of the numbers in a column of a table may not exactly equal the total figure for that column.

The content of and information set out on any of our websites is not to be deemed to be incorporated into any portion of this Offering Memorandum.

The board of directors of the Issuer authorised the issuance of the Senior Notes pursuant to a resolution passed on 24 October 2013.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements within the meaning of U.S. securities laws. All statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals, targets and future developments in the markets in which we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “forecast”, “aim”, “intend”, “will”, “may”, “plan”, “should” or similar expressions or the negative thereof, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, amongst others:

- macroeconomic and political conditions in South Africa;
- lower customer demand due to economic downturn;
- disruptions to our facilities or IT system;
- any negative impact on our reputation or our brand names;
- fluctuations in the value of the rand;
- interest rate fluctuations;
- the loss of customers to competitors and price pressure as a result of competition;
- the inability to organise sufficient capital to fund our business plans;
- the inability to predict customer preferences and demand;
- a reduction in capital available under our private label store card programme or an adverse change to its terms;
- disruptions in our supply chain;
- changes in regulatory requirements, including Broad Based Black Economic Empowerment (“BBBEE”) legislation and our ability to comply with them;
- the loss of qualified management or personnel; and
- labour disputes and work stoppages.

These and other factors are discussed in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and elsewhere in this Offering Memorandum.

Because the risk factors referred to in this Offering Memorandum, and other factors, could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this Offering Memorandum by us or on our behalf, you should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as at the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for us to predict which factors they will be. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

EXCHANGE RATE INFORMATION

South African rand—euro

The following table sets out, for the period from 1 January 2008 through 30 October 2013, the Bloomberg Composite Rate expressed as rand per €1.00. The Bloomberg Composite Rate is a "best market" calculation. At any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications. The ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate.

	Average(1)	Low	High	Period End
	(South African rand per euro)			
Year				
2008	12.06	9.99	14.98	13.28
2009	11.66	10.58	13.53	10.58
2010	9.70	8.76	10.81	8.87
2011	10.10	8.81	11.40	10.47
2012	10.55	9.83	11.66	11.21
2013 (through 30 October 2013)	12.59	11.15	13.94	13.55

(1) The average rate for a year means the average of the closing Bloomberg Composite Rate on each business day during a year. The average rate for a month, or for any shorter period, means the average of the closing Bloomberg Composite Rate of each business day during that month, or during any shorter period, as the case may be.

The Bloomberg Composite Rate of the euro on 30 October 2013 was R13.55 = € 1.00.

South African rand—U.S. dollar

The following table sets out, for the period from 1 January 2008 through 29 June 2013, the Bloomberg Composite Rate expressed as rand per U.S. $1.00. The Bloomberg Composite Rate is a "best market" calculation. At any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications. The ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate.

	Average(1)	Low	High	Period End
	(South African rand per U.S. dollar)			
Year				
2008	8.27	6.74	11.57	9.53
2009	8.40	7.24	10.64	7.40
2010	7.32	6.63	7.96	6.63
2011	7.26	6.58	8.54	8.08
2012	8.21	7.41	9.01	8.48
2013 (through 30 October 2013)	9.52	8.46	10.41	9.87

(1) The average rate for a year means the average of the closing Bloomberg Composite Rate on each business day during a year. The average rate for a month, or for any shorter period, means the average of the closing Bloomberg Composite Rate of each business day during that month, or during any shorter period, as the case may be.

The Bloomberg Composite Rate of the U.S. dollar on 30 October 2013 was R9.87 = U.S. $1.00.

Our inclusion of these exchange rates is not meant to suggest that the U.S. dollar or euro amounts actually represent such South African rand amounts or that such amounts could have been converted into South African rand at any particular rate, if at all.

SUMMARY

This summary highlights information from this Offering Memorandum. It is not complete and does not contain all of the information that you should consider before investing in the Senior Notes. You should read this Offering Memorandum carefully in its entirety, including the "Risk Factors", our financial statements and the notes to those financial statements.

Overview

We are the largest non-food retailer in South Africa, with a 25% market share of the South African C&F market by revenue as at June 2013. We have been in operation for more than 80 years and have expanded our footprint to include 1,301 stores, including 145 in countries outside of South Africa. For first quarter 2014, we had an average retail trading space of 1,459,000 sqm, compared to a range of total retail trading space for our key listed peers of 294,000 to 608,000 for their fiscal year. We operated under three principal divisions comprising nine key store chains, as well as mono-branded stores throughout southern Africa:

- Our *Edgars* division, which consists of department stores targeted at middle- to upper-income customers, includes store chains such as *Edgars*, *Edgars Active*, *Edgars Shoe Gallery*, *Boardmans* and *Red Square* as well as our mono-branded stores, and accounted for 52.7% our total retail sales in LTM 2013. As at 29 June 2013, we had 405 stores in our *Edgars* division and for first quarter 2014 we had an average retail space of 739,600 sqm.
- Our Discount division, which consists of our discount stores selling value merchandise targeted at lower- to middle-income customers, includes the *Jet*, *Legit* and *Jet Mart* store chains, and accounted for 39.1% of our total retail sales in LTM 2013. As at 29 June 2013, we had 658 stores in our Discount division and for first quarter 2014 we had an average retail space of 595,500 sqm.
- We also are a leading retailer of books and magazines in South Africa under our *CNA* division, which accounted for 8.2% of our total retail sales in LTM 2013. As at 29 June 2013, we had 195 stores in our *CNA* division and for first quarter 2014 we had an average trading space of 89,600 sqm.

We also sell mobile phones, related accessories and airtime across all of our divisions, which accounted for 9.8% of our total retail sales in LTM 2013. Our popular retail store chains allow us to serve a wide cross-section of South African society. We are the number one or number two retailer in the majority of our product lines including clothing, footwear, cosmetics, mobile phones, stationery and books. We also offer credit and insurance products to the Group's customers via our strategic partnerships.

We recently secured exclusive rights to a number of international brands in South Africa, including *Topshop*, *TM Lewin*, *Lucky Brand*, *Tom Tailor* and *Gosh*. Most of these brands are new to South Africa and are available on an exclusive basis in our Edgars stores as well as being rolled out in mono-branded stores. We opened our first mono-branded store in November 2012 and as at 29 June 2013, we had three mono-branded stores with another three having opened between the end of the first quarter 2014 and the end of the second quarter 2014. We completed the acquisition of a controlling stake in the company that has the exclusive right to *Accessorize*, *La Senza* and *Inglot* in South Africa effective 1 September 2013, through which we acquired 43 stand-alone stores. We had 49 mono-branded stores in total as at 28 September 2013.

The chart below illustrates the current organisation of our business operations under three divisions and nine key store chains.

	Store chains	Product mix	# Stores[1]	Ave size[1]	Retail mix: Retail Sales[2]	Retail mix: GP[2]	Target customers: LSM
Edgars division	Edgars	CFT, Cosmetics, Mobile	186	3,461	53%	57%	6-10
	Edgars active	C&F, Activewear, Mobile	137	407			4-7
	Shoe Gallery	Shoes	5	336			5-10
	boardmans	Housewares Appliances, Textiles	34	1,099			7-10
	Red Square	Beauty, Cosmetics, Skin Care	39	150			5-10
	Monobrands[3]	Topshop Topman	3	1,021			7-10
Discount division	Jet	CFT, Mobile	346	914	39%	36%	4-7
	Jet Mart	CFT, DIY, Appliances, Beauty, Textiles	124	1,870			4-7
	LEGiT	Youth Fashion Ladieswear	186	267			5-8
CNA	CNA	Stationery, Books, Toys, Digital, Mobile	195	459	8%	7%	7-10
Other	Financial services	Store credit, funded by Absa Insurance products, with Hollard Insurance	Edcon Financial Services		Edgars Financial Services		Jet Financial Services
	Manufacturing	Celrose					

Note:LSM: defined as "Living Standard Measure" established by SAARF. LSM 1,2 and 3 earn less than €82/month, LSM 4-7 earn €82-840/month and LSM 8-10 earn more than €840/month

1. *As at 29 June 2013, excluding the following stores: 2 Temptations, 2 Prato and 2 Jet Shoes and 40 stores in Zimbabwe*
2. *LTM 2013, excluding Zimbabwe*
3. *Since 29 June 2013 we have also acquired or opened the following standalone stores: Accessorize, Dune London, La Senza, Inglot, MAC and Tom Tailor*

We provide private label store cards to approximately 3.8 million active customers through a partnership with Absa, an affiliate of Barclays Bank PLC. Historically, we financed a portion of our private label store card programme through an asset-backed domestic securitisation programme. On 31 October 2012, we unwound our securitisation programme, and on 1 November 2012, we closed the sale of R8.7 billion aggregate amount of receivables to Absa. Since then we have sold a further R461 million on 30 April 2013 and R114 million on 30 June 2013. We expect to complete the sale of the remaining R689 million aggregate amount of receivables under our private label store card programme to Absa during fiscal year 2014. We also introduced our *"Thank U"* loyalty programme to our customers in February 2012, and had over 10 million members as at 29 June 2013. Loyalty customers spent more on average than customers not part of the *"Thank U"* programme for the 12 months ended 29 June 2013 and *"Thank U"* members using a non-private label credit card increased their spend by 30% as compared to non-*"Thank U"* customers. Between February 2012 and June 2013, approximately 68% of our total retail sales earned *"Thank U"* loyalty points.

Our primary operations are in South Africa, where we generated 90% of our retail sales in LTM 2013. The balance of our operations are in neighbouring Namibia, Botswana, Lesotho, Swaziland, Mozambique, Zimbabwe and Zambia, in which we operate out of 145 retail outlets. We experienced 20.7% growth in retail sales outside of South Africa (including Zimbabwe) in first quarter 2014 as compared to first quarter 2013. Edgars Zimbabwe is managed independently and disclosed separately. Our operations outside of South Africa are being expanded and we recently secured retail premises in Ghana.

In LTM 2013, we generated revenues of R27,534 million (€2,378 million), including retail sales of R25,862 million (€2,233 million). In LTM 2013, we would have generated, pro forma for the OtC Unwinding, the Receivables Sale, the entry into our new strategic relationship with Absa and certain cost savings adjustments, a Pro Forma Adjusted EBITDA of R3,044 million (€263 million).

Competitive strengths

We believe that we benefit from a number of key strengths, including the following:

Significant economies of scale and unrivalled footprint

We are the largest non-food retailer in South Africa as measured by a number of key operating metrics. We operate South Africa's largest non-food retail store network, with a total of 1,301 stores as at 29 June 2013, and maintain the industry's largest amount of average trading space, amounting to 1,459,000 sqm for first quarter 2014. For LTM 2013, revenue totalled R27,534 million. Almost 50% of our sales are made using our approximately 3.8 million private label store credit cards. Our loyalty programme, used by over 10 million customers, is the largest in the country and speaks to the depth of our customer engagement. It also has enabled us to build a sophisticated customer database to track consumer shopping behaviour and preferences and more accurately enable us to tailor our product offering to all our various customer groups.

Our size provides us with significant economies of scale, allowing us to secure high-quality supply at competitive prices, alongside other benefits in real estate, IT development, infrastructure and advertising. For example, the strength of our brands has enabled us to secure prime real estate locations, as our store chains, *Edgars* and *Jet*, usually serve as anchor tenants in malls and shopping centres. Prime retail locations further enhance our visibility and drive high foot traffic to our stores. During the two-year period ended March 2013, we invested in new retail software developed by Oracle to upgrade our financial planning, replenishment and merchandising system which supported all of our store chains.

Diversity of formats, customers and categories served

Our retail business is organised under three divisions and operates through nine key store chains, which have a diversified portfolio of private label and branded products including clothing, footwear, cosmetics, homewares, mobile phones, stationery and books. In our *Edgars* stores we sell our own well-known private label brands such as *Kelso*, *JX* and *New Wave*, alongside high-end South African apparel brands such as *Jo Borkett*, *Marion and Lindie*, as well as a number of well-known, affordable and international apparel brands, such as *Nike*, *Adidas*, *Guess*, *Levis, Mango, TM Lewin, Topshop* and *Topman*, and cosmetic brands such as *Chanel*, *Bobbi Brown*, *Mac* and *Estee Lauder*. We have exclusive distribution rights in South Africa for certain of these brands, some of which we also retail through our mono-branded stores. In our *Jet*, *Jet Mart* and *Legit* stores, we sell our own private labels such as Massumi, Enzo and Pace. We believe that the diversity of our products and this mix of proprietary, local and international brands substantially increases our appeal across the majority of the South African socioeconomic customer spectrum, including the rapidly expanding middle class, even as their spending patterns evolve, which reduces our exposure to adverse developments in any one product line or market segment. In addition, while we provide new and attractive assortments to our customers, a large proportion of the items sold in our stores are basic in nature and entail lower fashion risk. We rationalised our store chain portfolio over the last two years, discontinuing some of our under-performing store chains such as *Discom*, converting them into *Edgars Active* or *Legit* branded stores in the most attractive store locations. Leveraging the strength of our *Edgars* brand, we have also introduced new specialty stores, such as *Edgars Shoe Gallery*, to tap the potential of the activewear and footwear segments. We continue to grow our mono-brand store portfolio both organically and through acquisitions, mainly to ensure brand exclusivity and a sound pipeline of brands for our Edgars stores.

Market-leading store chains with appealing product proposition

Edgars and *Jet* are the number one and number three retail brands in their respective customer segments, measured by sales and total retail space. During calendar year 2013, Edgars was voted the number one retailer for ladieswear and menswear and also the third best retailer overall in the Retail Awards given annually and based on a survey commissioned by the Sunday Times and Sowetan (newspapers in circulation in South Africa). We are also the market leader in cosmetics, through our *Edgars* (47.3% market share) and Discount (4.1% market share) divisions.

We complement our strong private label brand offering with an expanding range of attractive local and international third-party brands that we are able to provide to South African consumers. Our recent introduction of brands such as *Mango*, *TM Lewin*, *Dune London*, *Lipsy* and *Tom Tailor* demonstrates our ability to secure the rights to sell top international brands, most often on an exclusive basis. These brands increase the breadth of our product offering and help us reach out to a broad audience of customers. In addition, private label brands such as

Kelso, *Merien Hall*, *JX* and *Stone Harbour*, are well recognised and respected among our consumer base and we are committed to further improving these offerings.

Strong financial services offering and loyalty programmes

We instituted South Africa's first customer credit programme over 80 years ago and currently have approximately 3.8 million active private label store cards. On 1 November 2012, we entered into a long-term strategic relationship with Absa, an affiliate of Barclays Bank PLC. While Absa is responsible for the credit underwriting and funding of the book, we retain all customer facing functions, including new account processing, customer service and collections.

We also offer insurance products to our credit customers, an important element of our overall financial services offering, which we provide together with our joint operation partner Hollard Insurance.

In February 2012, we introduced our *"Thank U"* loyalty programme, which had over 10 million customers as at 29 June 2013. This programme provides us with data on the spending habits of our customers that are essential for targeted marketing and promotional purposes. Over 68% of our retail sales have earned loyalty points since the inception of the programme.

Our private label store card customers also have access to our *Edgars* and *Jet* clubs, which have a combined membership of approximately 2 million, with each member paying a small (R20 to R45) monthly fee. These clubs entitle members to a range of benefits, including reduced prices on travel and entertainment, as well as subscriptions to the *Edgars* and *Jet* magazines, respectively. *Jet* magazine is the most widely read lifestyle magazine in South Africa. We believe that our private label cards, loyalty programme and membership clubs generate increased customer spending and repeat visits, and strengthen our customer relationships.

Improved supply chain and cost reductions are driving margins

We began centralising procurement across the Group in 2008 to capture scale efficiencies, move to a more direct sourcing model and consolidate our vendor base and relations. We have offices in Shanghai and Dhaka to facilitate direct sourcing from our foreign suppliers. We intend to continue optimising our supply chains by reducing costs and lead times for the delivery of imported merchandise. We are also actively working to increase the proportion of merchandise that we source through regional suppliers. We have decreased the number of our suppliers for our retail business, which has decreased complexity and increased efficiency in our supply chain, helping us focus on improving the amount of direct sourcing and quick response appropriate for the various chains within the organisation, while allowing our buying teams to drive top line sales and reduce mark downs. Our initiatives have had a positive impact on profit margins as retail trading profit as a percentage of retail sales increased from 5.1% to 5.5% for the 13 weeks ended 29 June 2013 as compared to the 13 weeks ended 30 June 2012.

We have also initiated development of quick response systems to customer demands and trends. This entails working with local and regional vendors to develop their capability to support quick response manufacturing, as well as aligning internal merchandising processes to leverage the short lead terms of local and regional vendors to provide in-season responses to customer demands.

We believe that these initiatives will have a positive impact on working capital and enable us to increase sales by reacting more quickly to customer demands, improving product availability and reducing markdowns. Moreover, we believe that we will successfully apply the sales-focused optimisation strategy implemented in the Discount division to our main *Edgars* division, improving efficiencies. We also recently renegotiated key head office contracts, which we expect will deliver meaningful cost-savings benefit. We remain vigilant to managing and improving these cost initiatives as non-recurring restructuring costs come to an end.

Experienced management team and strong equity sponsorship

Our senior leadership team combines strong international experience and long-term service within Edcon. For the last two years, we have been led by our CEO, Mr. Jürgen Schreiber, who was previously the CEO of a leading Canadian health and beauty retailer for 10 years. Mr. Mark R. Bower, our deputy CEO and CFO, has more than 22 years of experience within Edcon. We have also benefited from the market expertise, business relationships, knowledge, investments and experience of our sponsor, Bain Capital. Our executive management team, comprising our CEO and CFO, together with our COO Dr. Urin Ferndale, Chief Executive of the Discount division Mr. Christo Claassen and our recently-appointed Chief Executive of Department Stores, Ms. Birgitt Gebauer, are responsible for implementing our business strategy, as set out below.

Our Business Strategy

We intend to pursue the following key elements of our current business strategy:

Leverage lessons learned across our large and diverse existing network of stores to grow our same store sales

Following the rationalisation of our retail store chain portfolio, the introduction of new specialty stores such as *Edgars Active* and *Edgars Shoe Gallery*, as well as the introduction of mono-branded stores such as *Topshop*, we believe we are well placed to leverage our network of stores, which is the largest in South Africa, to grow our same store sales. We have commenced, and intend to continue, the following operational initiatives to grow our existing business:

- We continue to rigorously assess and monitor evolving customer preferences to better identify and promote new merchandise brands and assortments in our stores to offer our customers a mix of range, choice and value as a part of our merchandising strategy within our various store chains. We have, for instance, introduced several popular international brands such as *Forever New*, *Mango*, *Accessorize*, *Steven Madden*, *Gosh!* and *Chanel* beauty in our *Edgars* stores and plan to continue to offer our customers greater variety through a pipeline of other popular international brands. In parallel with our new brand acquisition strategy, we are redeveloping our private label offering within *Edgars* as this remains key to our proposition. We have already made significant progress with our private label brands in our Discount division, such as *Jet* and *Legit*, establishing new merchandising teams and refining our pricing and marketing strategies. We believe that these efforts have contributed to market share gains for our Discount division;
- We continue to remodel and refurbish our stores to offer our customers a refreshed, consistent and compelling in-store experience, which, we believe will help us increase same-store revenues and sales per square metre. Overall, we have committed R527 million (consisting of R317 million for store refurbishment and R210 million for expansion) to the transformation of 72 of our leading *Edgars* format stores within our *Edgars* division. These 72 stores represented 72% of the *Edgars* format retail sales for June 2013, 39% of the 186 *Edgars* format stores and 60% of total *Edgars* format space as at 29 June 2013. We invested approximately R62 million in the first phase of this project, which we initiated in April 2012 and completed in November 2012. The refurbishment of the majority of *Jet* stores took place in the 2013 fiscal year; and
- We have been successful in leveraging our *"Thank U"* loyalty programme through selective direct marketing to our customers. We have also recently expanded our marketing programmes, which at present include, among others, private in-store events and special magazine issues, in an effort to maintain continued interest in our products and brands. Our loyalty programme offers our customers the ability to accumulate points that can be redeemed against qualifying purchases. We believe our loyalty programmes help us attract new customers as well as increase cross-selling to existing ones by raising brand awareness and promoting the full breadth of our merchandise. We believe the success of the loyalty programme has been evidenced by the expected 17% to 17.5% growth in cash sales during the 13-week period ended 28 September 2013 as compared with the prior comparable period. See "—Recent Developments".

Focus on improving our operating margins

We plan to enhance operating margins by continuing to: (i) improve our retail price management; (ii) leverage our sourcing capabilities and input price management while reducing markdowns; (iii) optimise our store operations to improve merchandise availability and effectively organise promotional schemes; and (iv) improve the efficiency of our support functions.

We have extended our quality assurance and control functions to Shanghai and Dhaka to reduce our dependence on, and the costs associated with, intermediaries and to strengthen our contact with low-cost suppliers. Our quick response strategy allows us to source stock in smaller, more customised orders, thereby allowing us to gauge consumer interest in our merchandise. Our emphasis on ensuring availability of high-demand products on our retail floors has enabled us to respond to customer demands and is directly linked to topline enhancements. We also believe that this approach will allow us to reduce the risk and amount of markdowns based on our demand forecasting system. We believe that these initiatives will enable us to respond more quickly to sales and fashion trends, identify when and where new stock should be delivered and selectively replenish our merchandise stock. We expect that the combination of these programmes will allow us to increase sales while significantly reducing permanent markdowns, therefore improving our margins.

To date, we have made most of the investments required to upgrade our merchandising systems, some of which are still being implemented together with better processes to improve our stock availability and conversion, which we expect will increase sales and reduce permanent markdowns. We also plan to continue to invest in our distribution facilities, support functions and IT. We believe that our investments in logistics will allow us to respond rapidly to changes in sales trends and customer demands while enhancing our inventory management and improving our profitability and cash flow.

Finally, we remain focused on ensuring ongoing improvements to the efficiency of our support functions. As evidence of this, we recently renegotiated key contracts, which we expect to deliver meaningful cost savings.

Strategically invest in new stores

We plan to continue our disciplined investment programme, targeting on a long-term basis an average annual square metre growth of over 5%. Despite the impact of our rationalisation programme, we have increased the total number of our stores over the past six years, from 909 stores at the beginning of fiscal year 2007 to 1,301 stores at 29 June 2013. During the first quarter 2014, we opened 19 new stores in the *Edgars* division (comprising 13 *Edgars Active*, 3 *Edgars*, 2 *Shoe Gallery* and 1 *TopShop* stores) and 16 news stores in the *Discount* division (comprising 8 *Jet*, 2 *Jetmart* and 6 *Legit* stores). We plan to grow our offering by:

- continuing to selectively add new stores with a focus on our specialty offerings such as *Edgars Active*, *Legit* and *Edgars Shoe Gallery* and also promote our mono-brand offerings, such as *Topshop* and *Tom Tailor*, which we believe will help us build brand aspiration and promote demand amongst the fast-growing urban youth and middle class in South Africa. As we roll out our mono-brand offerings and they gain momentum within the South African market, we are introducing them on a wider scale in certain of our *Edgars* stores;
- continuing to add new space to our existing stores to broaden the range of our offering, notably by introducing a "store in store" format dedicated to international brands such as *Topshop* and *Tom Tailor*; and
- exploring growth opportunities within the rest of Africa, which we believe represents a large, aspirational and under-serviced market for which our *Jet*, *Jet Mart* and *Edgars Active* store chains are well suited.

During the remainder of fiscal year 2014, we intend to open an additional net 12 *Edgars* and 47 *Jet* stores. During the same period, we also plan to open an additional net 45 *Edgars Active* and 19 *Legit* stores. During this same period, we also intend to invest approximately R546 million, which represents approximately 50% of our total capital expenditure budget for the fiscal year, to acquire and develop new space. While not completely discretionary, our intended capital expenditures with respect to new store establishment affords us important planning flexibility, allowing us to temporarily delay capital outlays to respond to changing market conditions.

Increase our sales by leveraging our private label store card programme

We expect the recent sale of our receivables to Absa and our resultant strategic relationship will allow us to better focus on our core retail operations. It will also increase our cash flow by changing our business to a cash business, reducing our reliance on trade receivables but, as a result of the robust credit card spend of our loyalty customers and Absa's credit underwriting services, without materially impacting our credit sales. We have been focused for several years on improving the performance and attractiveness of our private store card programme, which has approximately 3.8 million active accounts and extensive customer reach across southern Africa. Absa, supported by Barclays Bank PLC, brings both global and local expertise in credit management, along with world-class technology, a strong balance sheet, and the ability to offer a wide range of financial services products and services to our customers.

We expect that this ready access to credit will ultimately draw customers to our stores and help us grow our customer base as we work with our partner, Absa, within the more cautious South African credit environment. Initiatives well under way include improved credit management through best in class analytics and driving long-term opportunities such as cross-leveraging store networks and payment ecosystems.

Maximise our cash flow and reduce our financial leverage

We expect to be in a position to reduce our financial leverage on a multiple basis, in terms of the ratio of debt to EBITDA, as well as on an absolute basis by increasing our EBITDA. We believe that growing our existing business is key to facilitating an EBITDA increase and leverage reduction. The sale of our credit book to Absa meaningfully improved our cash generation and enabled us to invest in future EBITDA growth, which will ultimately help us reduce our financial leverage.

Recent Developments

- *Retail sales up 4.7% to 6.5%*
- *Pro forma adjusted EBITDA up 9.0% to 9.5%*
- *Edgars' transformation on track*
- *Discount division continues to perform well*

Preliminary results for the 13-week period ended 28 September 2013

We are in the process of finalising financial results for the 13-week period ended 28 September 2013 ("second quarter 2014"). Total retail sales for the second quarter 2014 are expected to be between R5,950 million and R6,050 million, compared to R5,683 million for the 13-week period ended 29 September 2012 ("second quarter 2013"). The increase in retail sales is primarily due to a healthy trading performance from the Discount division as well as a more positive trading performance in the Edgars division, despite the temporary disruptions caused by the refurbishment and other transformation initiatives ongoing in that division, but nearing conclusion. On a same-store basis, retail sales are expected to be higher by 1.0% to 1.5% compared to the second quarter 2013, primarily due to the trading performance of the Discount division.

Edgars division retail sales are expected to be between R3,050 million and R3,100 million for the second quarter 2014, compared to R2,970 million for the second quarter 2013. The expected increase is primarily due to the continued opening of *Edgars Active* stores and promotional campaigns. However, we expect same-store sales to be lower by 1.5% to 2.0% compared to the second quarter 2013 as the temporary disruptions from the transformation initiatives continued across *Edgars* stores in the quarter. The transformation programme consists of three key elements; a refurbishment of 72 of the 186 stores as well as an optimisation and people support programme. An improved product offering, including the ongoing introduction of new brands is a key element of the refreshed proposition. The refurbishment element of the transformation project in *Edgars* has progressed to schedule. As at the end of the second quarter 2014, 61 of the 72 stores were completed and we remain on track to complete all but one of the stores before the start of the Christmas trading period. Trading in the first 16 stores—as previously disclosed—continues to trade up between 250-500bps 13 weeks post refurbishment when compared to the 19 weeks prior to refurbishment taking place. Results to date are before the benefit of the "New Look" marketing campaign, launched in October 2013 to create heightened awareness of the changes in *Edgars*, as the majority of the stores had been completed and multiple new brands were in the process of being introduced.

Discount division retail sales are expected to be between R2,300 million and R2,350 million for the second quarter 2014, compared to R2,118 million for the second quarter 2013. The expected increase is primarily due to a strong performance in ladies and menswear areas and built on the turnaround measures implemented in the division some 12-24 months ago, including many initiatives which are similar to the ones now being applied in the *Edgars* division. We expect same-store sales to be higher by 5.0% to 5.5% in the second quarter 2014 compared to the second quarter 2013.

CNA retail sales are expected to be between R450 million and R460 million for the second quarter 2014, compared to R443 million for the second quarter 2013, primarily due to the continued sales of digital merchandise. Same-store retail sales remained generally stable in the second quarter 2014 compared to the second quarter 2013.

We expect the group gross profit margin to be relatively consistent with the second quarter 2013, due to improved margins in the Discount division, as the benefits of the change in product mix and improved pricing and sourcing initiatives are realised, being offset by marginally lower margins in the *Edgars* division.

The growth in other operating costs benefitted positively from the costs initiatives, although store costs were negatively affected by the various transformation initiatives in Edgars.

Cash sales continued to grow strongly and are expected to report an increase of between 17.0% to 17.5% over the prior comparable period, a positive sign for both our in-store and "*Thank U* " loyalty offerings. However, credit sales are still lacklustre as the credit environment in South Africa remains tight, with credit sales reducing between 4.0% to 4.5% over the prior comparative period, as new account openings remained low. As part of ongoing credit initiatives, Edcon, together with Absa, have begun launching new and enhanced credit products in October 2013.

Restatement of Pro Forma Adjusted EBITDA for sale of "100% of the book"

To provide a more consistent and comparable analysis, we are changing the methodology for our pro forma adjusted EBITDA as it relates to the sale of the trade receivables book from adjusting for the "percentage of the book actually sold"—which requires a constant restatement of comparatives—to adjusting for "100% of the book", ensuring reported numbers remain comparable in the future. We have currently sold 93.1% of our private label store card programme to Absa and have a high level of confidence that the remaining portion of the book will be sold or collected subject only to outstanding regulatory approval in various jurisdictions. We therefore believe that using a 100% adjustment to pro forma adjusted EBITDA is appropriate. We expect that our pro forma adjusted EBITDA for the second quarter 2014, after giving pro forma effect to the sale of 100% of the book, will be between 9.0% and 9.5% higher than the prior comparable period, mainly due to a stronger operational performance. If the pro forma adjusted EBITDA for the 13-week period ended 29 June 2013 ("first quarter 2014") was reported on the same "100% of book sold" basis it would have been 8.7% higher than first quarter 2013 (a 6.0% increase was previously reported on a "book actually sold to date" basis). Pro forma adjusted EBITDA has not been adjusted for lost sales due to the refurbishment and other transformation initiatives ongoing in the *Edgars* division.

This information is based on our internal management accounts that may not be fully comparable with our audited consolidated financial statements or unaudited interim condensed consolidated financial statements. Such information has been prepared by, and is the responsibility of, our management, and has not been audited, reviewed or verified, nor have any procedures been completed by our auditors with respect thereto, and you should not place undue reliance thereon. It is subject to confirmation in our unaudited interim condensed consolidated financial statements and quarterly report for the 26-week period ended 28 September 2013, which is expected to be announced on 21 November 2013.

Tender offer for the 2015 Senior Notes

On 6 November 2013, the Issuer launched a tender offer (the "Tender Offer") to purchase any and all of its outstanding 2015 Senior Notes. The Tender Offer is expected to expire on 13 November 2013, and settle on or about the closing date for this Offering. The Issuer intends to use the net proceeds from this Offering to repurchase the 2015 Senior Notes tendered pursuant to the Tender Offer. The purchase price for the 2015 Senior Notes will be 100.25% of the aggregate principal amount thereof plus accrued and unpaid interest to the date of purchase. Completion of the Tender Offer will be conditioned upon the completion of this Offering. J.P. Morgan Securities plc and Merrill Lynch International are the dealer managers for the Tender Offer.

If the sum of the net proceeds of the Senior Notes exceeds the amount of 2015 Senior Notes tendered pursuant to the Tender Offer, then the Issuer shall, on or about the Issue Date, (x) give irrevocable notice in accordance with the 2015 Senior Indenture to redeem the 2015 Senior Notes in an amount not less than such excess and (y) fund the proceeds of the issuance of the Senior Notes not used to purchase 2015 Senior Notes tendered in the Tender Offer into an escrow account, which proceeds shall be released only on the redemption date for the 2015 Senior Notes Redemption.

The Tender Offer is not being made, and will not be made, directly or indirectly in or into, or by the use of the mails of, or by any means or instrumentality of interstate or foreign commerce of or of any facilities of a national securities exchange of the United States. The 2015 Senior Notes may not be tendered in the Tender Offer by any such use, means, instrumentality or facility from or within the United States or by persons located or resident in the United States. Any purported tender of 2015 Senior Notes in the Tender Offer resulting directly or indirectly from a violation of these restrictions will be invalid. This Offering Memorandum does not constitute an offer to purchase the 2015 Senior Notes.

Equity sponsor

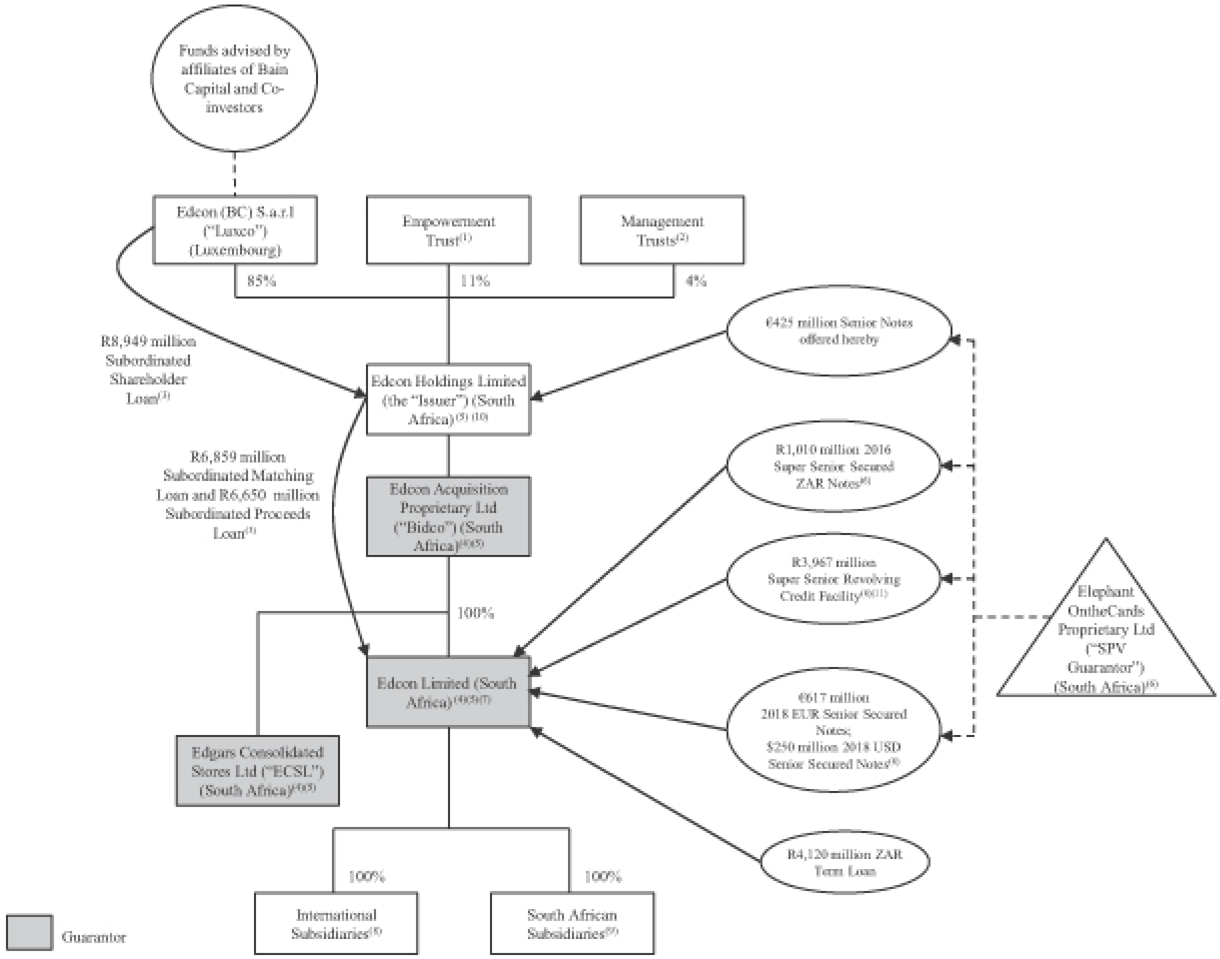
Bain Capital is a leading global private investment firm, whose affiliates advise or manage several pools of capital, including private equity, venture capital, public equity, global macro and leveraged debt assets. Since its inception in 1984, Bain Capital has completed over 370 transactions in a broad set of industries, including such leading retailers and consumer companies as *Toys "R" Us, Gymboree, Burger King, Staples, Burlington Coat Factory, Michaels, Brookstone, Domino's Pizza, Dollarama, Sealy Corp., Sports Authority* and *Duane Reade*. Headquartered in Boston, Bain Capital has offices in New York, Palo Alto, London, Munich, Luxembourg, Mumbai, Hong Kong, Shanghai and Tokyo. Funds advised by affiliates of Bain Capital beneficially hold economic interests in 85% of the Issuer.

Corporate information

Edcon Holdings Limited is a company incorporated under the laws of South Africa on 27 February 2006 under Registration No. 2006/036903/06. Our headquarters are located at Edgardale, 1 Press Avenue, Crown Mines, Johannesburg, 2092, Republic of South Africa. Our telephone number is +27 11 495 6000. Our website address is www.edcon.co.za. The information on our website does not constitute part of this Offering Memorandum, and you should rely only on the information contained in this Offering Memorandum when making a decision as to whether to invest in the Senior Notes.

Summary Corporate and Financing Structure

The diagram below illustrates our corporate and financing structure after giving effect to the Refinancing Transactions. See “Use of Proceeds”, “Description of Certain Other Indebtedness” and “Description of the Senior Notes”.



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(1) The Empowerment Trust was created in July 2005 as part of our BBBEE programme and its beneficiaries are predominantly black employees. See “Principal Shareholders and Share Capital”.

(2) The beneficiaries of the management trusts are predominantly managers and directors of Edcon. See “Principal Shareholders and Share Capital”.

(3) The Issuer has advanced to Edcon Limited the funds the Issuer received as the borrower under the Subordinated Shareholder Loan pursuant to the Subordinated Matching Loan and the proceeds the Issuer received from the 2015 Senior Notes pursuant to the Subordinated Proceeds Loan. As at 29 June 2013, the outstanding balances under the Subordinated Shareholder Loan, the Subordinated Matching Loan and the Subordinated Proceeds Loan were R8,949 million, R6,859 million and R6,650 million respectively, including, where applicable, capitalised and accrued interest.

(4) Edcon Limited, BidCo and ECSL will guarantee the Senior Notes on a subordinated basis pursuant to the Senior Notes Guarantees.

(5) Edcon Limited, BidCo, the Issuer and ECSL have provided secured counter-indemnities in favour of the SPV Guarantor in relation to the SPV Guarantor’s obligations under the SPV Guarantee.

(6) The SPV Guarantor provided the SPV Guarantee to the lenders under the Super Senior Revolving Credit Facility and ZAR Term Loan, the trustee for the holders of the 2016 Super Senior Secured ZAR Notes, the trustee for the holders of the 2018 Senior Secured Notes and the hedging providers under the Existing Hedging Arrangements, and will extend the benefit of the SPV Guarantee to the Senior Notes, and certain hedging arrangements that may be entered into in respect of the Senior Notes.

(7) Edcon Limited may draw up to R3,967 million of revolving credit under the Super Senior Revolving Credit Facility to fund working capital requirements from time to time. As at 29 June 2013, R510 million of our Super Senior Revolving Credit Facility was drawn.

(8) For IFRS accounting purposes, the Issuer beneficially controls 16 subsidiaries located outside of South Africa, including in Angola, Botswana, China, Ghana, Hong Kong, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Singapore, Swaziland, Zambia, Zimbabwe and Guernsey. None of these subsidiaries will be guarantors of the Senior Notes because none of them are Material Subsidiaries within the meaning of the Senior Notes Indenture.

(9) The Issuer beneficially controlled 13 South African subsidiaries as at 29 June 2013. Other than Edcon Limited, ECSL and BidCo, the South African subsidiaries will not be guarantors of the Senior Notes.

(10) The Issuer guarantees Edcon Limited’s obligations under the ZAR Term Loan.

SUMMARY OF THE OFFERING OF THE SENIOR NOTES

The summary below describes the principal terms of the Senior Notes and the Senior Notes Guarantees. It is not intended to be complete and is subject to important limitations and exceptions. For a more complete understanding of the Senior Notes and the Senior Notes Guarantees, including certain definitions of terms used in this summary, see "Description of the Senior Notes".

Issuer

Edcon Holdings Limited.

Senior Notes Offered

€425.0 million in aggregate principal amount of senior notes due 2019 (the "Senior Notes").

Issue Price

100%.

Maturity

30 June 2019.

Interest

13 $^{3}/_{8}$% *per annum* payable semi-annually in cash in arrears on each 30 June and 31 December commencing on 30 June 2014. Interest on the Senior Notes will accrue from the issue date.

Ranking of the Senior Notes

The Senior Notes will be senior obligations of the Issuer and will:

- rank *pari passu* in right of payment with all existing and future indebtedness of Issuer that is not subordinated to the Senior Notes;
- rank senior in right of payment to any existing and future indebtedness of the Issuer that is subordinated in right of payment to the Senior Notes;
- be effectively subordinated in right of payment to all existing and future secured indebtedness of the Issuer to the extent of assets securing such indebtedness; and
- be structurally subordinated to all existing and future indebtedness of Issuer's subsidiaries, including the 2018 Senior Secured Notes, the ZAR Term Loan, the 2016 Super Senior Secured ZAR Notes and indebtedness under the Super Senior Revolving Credit Facility.

Senior Notes Guarantees

The Senior Notes will be guaranteed on a senior subordinated basis (the "Senior Notes Guarantees") by Edcon Limited, Edcon Acquisition Proprietary Limited ("Bidco") and Edgars Consolidated Stores Limited ("ECSL") (the "Senior Notes Guarantors").

The Senior Notes Guarantees may be released in certain circumstances including upon the sale of a Senior Notes Guarantor. See "Description of the Senior Notes—The Guarantees—Release of a Guarantor's Guarantee".

Ranking of the Senior Notes Guarantees

The Senior Notes Guarantee of each Senior Notes Guarantor will be a senior subordinated obligation of such Senior Notes Guarantor and will:

- rank *pari passu* in right of payment with all existing and future indebtedness of such Senior Notes Guarantor that is not subordinated in right of payment to such Senior Notes Guarantee;
- rank senior in right of payment to any existing and future indebtedness of such Senior Notes Guarantor that is subordinated in right of payment to such Senior Notes Guarantee;
- rank junior to all existing and future senior indebtedness of such Senior Notes Guarantor, including the 2018 Senior Secured Notes, the 2018 Senior Secured Guarantees and any guarantees under

the Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes; and

- be effectively subordinated in right of payment to all existing and future secured indebtedness of such Senior Notes Guarantor to the extent of the assets securing such indebtedness.

The terms of the Intercreditor Agreement provide that no payments in respect of the Senior Notes Guarantees may be made if a payment default has occurred and is continuing under the Super Senior Revolving Credit Facility, the 2018 Senior Secured Notes or the hedging arrangements or during the continuation of a payment blockage period. Enforcement actions in respect of the Senior Notes Guarantees are also subject to a standstill period imposed by the terms of the Intercreditor Agreement. See “Description of Certain Other Indebtedness—Intercreditor Agreement”.

Security

The Senior Notes will be secured by a third ranking pledge of the Subordinated Proceeds Loan. The security will be granted through the SPV Guarantor as described above.

Optional Redemption

The Issuer may redeem the Senior Notes in whole or in part at any time prior to 30 June 2015 at 100% of their principal amount plus a make-whole premium and accrued and unpaid interest.

The Issuer may redeem the Senior Notes in whole or in part at any time on or after 30 June 2015 at the redemption prices as set forth herein, plus accrued and unpaid interest.

The Issuer may redeem the Senior Notes in whole or in part prior to 30 June 2015 with the proceeds of certain equity offerings at a redemption price of 113.375% of their principal amount plus accrued and unpaid interest.

The Issuer may, but is not obliged to, redeem all, but not a portion, of the Senior Notes upon the occurrence of certain tax events.

Mandatory Offers

Upon a change of control, the Issuer will be required to offer to purchase the Senior Notes. The purchase price will be equal to 101% of the principal amount of the Senior Notes, plus accrued and unpaid interest.

In certain circumstances, the Issuer will be required to offer to purchase the Senior Notes with the net cash proceeds from asset sales. The purchase price will be equal to 100% of the principal amount of the Senior Notes, plus accrued and unpaid interest.

Certain Covenants

The indenture governing the Senior Notes (the “Senior Notes Indenture”) will contain covenants that, among other things, will limit the ability of the Issuer and its subsidiaries to:

- incur or guarantee additional indebtedness;
- create liens;
- make dividend distributions or certain other investments;
- transfer or sell assets and shares in subsidiaries;
- enter into certain business activities;
- enter into sale and leaseback transactions;
- merge, consolidate, amalgamate or combine with other entities;

- enter into transactions with affiliates;
- impose restrictions on the ability of restricted subsidiaries to pay dividends or make other distributions; and
- incur any subordinated indebtedness unless such subordinated indebtedness is subordinated in right of payment to the Senior Notes.

These limitations will be subject to a number of important qualifications and exceptions. In addition, the Senior Notes Indenture will allow the Issuer and its Restricted Subsidiaries to designate all or any portion of the credit and financial services business as an Unrestricted Subsidiary if certain conditions are met. For more details see "Description of the Senior Notes—Certain Covenants" and "Risk Factors—Changes in our credit card arrangements could adversely affect our business or result in the designation of our credit and financial services business as an Unrestricted Subsidiary".

Other Provisions of the Senior Notes

Form of Senior Notes	The Senior Notes will initially be issued in the form of global notes and will be deposited with, and registered in the name of, a common depositary for Euroclear and Clearstream. Ownership of interests in the global notes ("Book-Entry Interests") will be available only to participants in Euroclear and Clearstream or persons that hold interests through those participants. Book-Entry Interests in the Senior Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.
Denominations	The Senior Notes will have a minimum denomination of €100,000 and any integral multiple of € 1,000 in excess thereof.
Use of Proceeds	The proceeds from the issuance of the Senior Notes are expected to be approximately €425,000,000 before deducting fees and expenses associated with the offering and are intended to be used to repurchase the 2015 Senior Notes tendered pursuant to the Tender Offer and/or to fund the 2015 Senior Notes Redemption. If the sum of the net proceeds of the Senior Notes exceeds the amount of 2015 Senior Notes tendered pursuant to the Tender Offer, then the Issuer shall, on or about the Issue Date, (x) give irrevocable notice in accordance with the 2015 Senior Indenture to redeem the 2015 Senior Notes in an amount not less than such excess and (y) fund the proceeds of the issuance of the Senior Notes not used to purchase 2015 Senior Notes tendered in the Tender Offer into an escrow account, which proceeds shall be released only on the redemption date for the 2015 Senior Notes Redemption.
Transfer Restrictions	The Senior Notes and the Senior Guarantees have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States or of any other jurisdiction and may not be offered, sold or delivered except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with all other applicable laws.
Governing Law	The Senior Notes Indenture, the Senior Notes and the Senior Guarantees will be governed by and construed in accordance with the laws of the State of New York. The security agreements will be

	governed by and construed in accordance with the laws of South Africa. The Intercreditor Agreement is governed by and will be construed in accordance with the laws of England and Wales.
Listing	Application has been made to the Irish Stock Exchange to approve this this Offering Memorandum and admit the Senior Notes to to listing on the Official List of the Irish Stock Exchange and to trading on its Global Exchange Market in accordance with the rules and regulations of the Irish Stock Exchange. This Offering Memorandum constitutes “Listing Particulars” and does not constitute “a Prospectus” for such an application.
Taxation	For a discussion of certain tax consequences of an investment in the Senior Notes, see the section entitled “Certain Tax Considerations”.
Risk Factors	See the section entitled “Risk Factors” for a discussion of certain factors that prospective purchasers of the Senior Notes should carefully read and consider before investing in the Senior Notes.
	For additional information regarding the Senior Notes, see, respectively, the section entitled “Description of the Senior Notes”.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following tables present summary historical consolidated financial information and other data for the Issuer for the periods ended and as at the dates indicated therein.

Our summary historical financial information as at and for fiscal years 2011, 2012 and 2013, unless otherwise specified, has been derived from the Issuer's audited historical consolidated financial statements as at and for fiscal years 2011, 2012 and 2013 included elsewhere in this Offering Memorandum. Those financial statements have been audited by Ernst & Young Inc., South Africa, as stated in their reports thereon also included elsewhere in this Offering Memorandum. When used in this Offering Memorandum in relation to any year, "fiscal year" means the fiscal year ended on the Saturday of that year closest to 31 March of that year.

Our summary historical financial information as at and for first quarter 2013 and first quarter 2014 has been derived from the Issuer's unaudited interim condensed consolidated financial statements for first quarter 2014. "First quarter 2013" and "first quarter 2014", when used in this Offering Memorandum, mean the first quarter periods ended 30 June 2012 and 29 June 2013, respectively.

Our summary historical financial information as at and for the 52 weeks ended 29 June 2013 has been derived by adding the unaudited historical financial information for first quarter 2014 to the unaudited historical financial information for fiscal year 2013, adjusted for the consolidation of Edgars Zimbabwe, and subtracting our unaudited historical financial information for first quarter 2013. This information has been prepared for illustrative purposes only and is not prepared in the ordinary course of our financial reporting. Such compilation has not been audited or reviewed.

Consistent with IFRS 10 (consolidated financial statements), which became effective for financial periods beginning on or after 1 January 2013, we began consolidating the results of Edgars Zimbabwe, a 39%-owned company, beginning with the 13 weeks ended 29 June 2013 (i.e., first quarter 2014). Our consolidated financial statements for first quarter 2014 restate our results for the 13 weeks ended 30 June 2012 (i.e., first quarter 2013) to include the results of Edgars Zimbabwe. In addition, our results for the 12 months ended 29 June 2013 (i.e., LTM 2013) include the results of Edgars Zimbabwe. Edgars Zimbabwe contributes less than 5% of our Adjusted EBITDA and comprises less than 5% of total Group assets on a consolidated basis. Accordingly, in light of the negligible impact of our consolidation of Edgars Zimbabwe, we have not made adjustments to our historical consolidated financial information for fiscal year 2011, 2012 and 2013.

You should read the summary historical consolidated financial information and other data presented below in conjunction with the information contained in "Presentation of Information—Financial data", "Risk Factors", "Capitalisation", "Selected Historical Consolidated Financial Information and Other Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, including the related notes, included elsewhere in this Offering Memorandum. Historical results are not indicative of future expected results. In addition, our results for first quarter 2014 should not be regarded as indicative of our expected results for fiscal year 2014.

OntheCards Investments II Proprietary Limited and OntheCards Investments Limited

We terminated our OtC Securitisation Programme on 31 October 2012 and on 1 November 2012 sold R8.7 billion aggregate amount of receivables, representing 88% of the related net receivables to Absa. No receivables remain in OtC from fiscal year 2013 and any outstanding receivables under the OtC Securitisation Programme have been transferred to Edcon as at 1 November 2012 and any outstanding debt repaid with proceeds from fiscal year 2013. See "Presentation of Information—Non-IFRS financial measures". The assets, liabilities and results of OtC I and OtC II, the entities that purchased our receivables pursuant to the OtC Securitisation Programme, are fully consolidated into our consolidated financial statements for fiscal years 2011, 2012 and 2013, respectively, because we are deemed to control OtC I and OtC II within the meaning of IFRS. Because we sold our receivables under our OtC Securitisation Programme on a non-recourse basis, we retained no rights to such receivables. In addition, no creditors of either OtC I or OtC II have any recourse against us or any of our other consolidated subsidiaries. Further, neither OtC I nor OtC II has any recourse against any of our consolidated subsidiaries pursuant to the terms of our OtC Securitisation Programme.

	Re-presented*						
	52 weeks ended 2 April 2011	52 weeks ended 31 March 2012	52 weeks ended 30 March 2013	13 weeks ended 30 June 2012[(3)]	13 weeks ended 29 June 2013[(3)]	52 weeks ended 29 June 2013[(3)]	52 weeks ended 29 June 2013[(2)]
				(in millions)			
Income statement data[(1)]							
Revenues	R 23,844	R 25,925	R 26,719	R 6,320	R 6,615	R 27,534	€ 2,378
Retail sales[(4)]	*22,716*	*24,664*	*25,169*	*6,013*	*6,205*	*25,862*	*2,233*
Cost of sales	(14,332)	(15,642)	(15,985)	(3,735)	(3,793)	(16,297)	(1,407)
Gross profit	**R 8,384**	**R 9,022**	**R 9,184**	**R 2,278**	**R 2,412**	**R 9,565**	**€ 826**
Other income[(5)]	581	719	774	158	243	877	76
Store costs	(4,348)	(4,622)	(4,990)	(1,207)	(1,295)	(5,164)	(446)
Other operating costs[(6)]	(3,229)	(3,830)	(4,271)	(821)	(1,138)	(4,699)	(406)
Income from joint operations	487	541	666	150	174	690	60
Trading profit	**R 1,875**	**R 1,830**	**R 1,363**	**R 558**	**R 396**	**R 1,269**	**€ 110**
Derivative (loss)/gains	(2,343)	(10)	(897)	1	323	(575)	(50)
Foreign exchange gains/(loss)	230	(680)	(1,108)	(189)	(999)	(1,918)	(166)
Discount on repurchase of senior secured notes	—	36	—	—	—	—	—
Fees incurred on funding facilities	(10)	—	—	—	—	—	—
Impairment of brands and goodwill	—	(126)	(465)	—	—	(465)	(40)
(Loss)/profit before net financing costs	**R (248)**	**R 1,050**	**R (1,107)**	**R 370**	**R (280)**	**R (1,689)**	**€ (146)**
Finance Income	60	68	114	11	6	110	9
(Loss)/profit before financing costs	**R (188)**	**R 1,118**	**R (993)**	**R 381**	**R (274)**	**R (1,579)**	**€ (137)**
Financing costs	(2,557)	(3,756)	(3,127)	(783)	(619)	(2,980)	(257)
Loss before taxation	**R (2,745)**	**R (2,638)**	**R (4,120)**	**R (402)**	**R (893)**	**R (4,559)**	**€ (394)**
Taxation	713	176	(1,107)	121	192	(1,050)	(91)
Loss for the period from continuing operations	**R (2,032)**	**R (2,462)**	**R (5,227)**	**R (281)**	**R (701)**	**R (5,609)**	**€ (485)**
Discontinued operations							
Profit/(loss) after tax for the period from discontinued operations[(7)]	389	463	199	68	(11)	120	10
Loss for the period	**R (1,643)**	**R (1,999)**	**R (5,028)**	**R (213)**	**R (712)**	**R (5,489)**	**€ (475)**

* The summary historical financial information has been derived from the comparative period in the Issuer's audited consolidated financial statements as at and for the fiscal year 2013, where such comparative numbers have been re-presented to take into account the discontinued operation for the trade accounts receivable classified as held-for-sale in the Issuer's consolidated statement of financial position for fiscal year 2013.

	Re-presented* 52 weeks ended 2 April 2011	Re-presented* 52 weeks ended 31 March 2012	52 weeks ended 30 March 2013	13 weeks ended 30 June 2012[3]	13 weeks ended 29 June 2013[3]	52 weeks ended 29 June 2013[3]	52 weeks ended 29 June 2013[2]
				(in millions)			
Cash flow data[1]							
Operating cash inflow before changes in working capital .	R 3,622	R 3,691	R 2,907	R 1,064	R 698	R 2,633	€ 227
Working capital movement	(69)	(1,603)	8,447	355	497	8,559	739
Cash inflow from operating activities	3,553	2,088	11,354	1,419	1,195	11,192	966
Net cash outflow from investing activities	(374)	(694)	(769)	(198)	(248)	(836)	(72)
Net cash inflow/(outflow) from financing activities	250	447	(8,120)	(546)	(978)	(8,510)	(735)
Increase/(decrease) in cash and cash equivalents..........	1,201	(1,232)	(415)	39	(235)	(640)	(55)

* The summary historical financial information has been derived from the comparative period in the Issuer's audited consolidated financial statements as at and for the fiscal year 2013, where such comparative numbers have been re-presented to take into account the discontinued operation for the trade accounts receivable classified as held-for-sale in the Issuer's consolidated statement of financial position for fiscal year 2013.

	At 2 April 2011	At 31 March 2012	At 30 March 2013	At 29 June 2013	At 29 June 2013[2]
			(in millions)		
Financial position data[1]					
Cash and cash equivalents	R 2,315	R 1,083	R 669	R 480	€ 37
Working capital	7,712	9,294	724	83	6
Total assets	35,329	36,354	26,696	26,849	2,088
Total debt at unhedged rates................................	24,440	26,763	20,906	20,844	1,621
Total net debt including cash and derivatives	23,349	26,068	19,514	19,553	1,520
Total equity and shareholder's loan.......................	4,760	3,527	(715)	(1,169)	(91)

	At and for the 52 weeks ended 2 April 2011	At and for the 52 weeks ended 31 March 2012	At and for the 52 weeks ended 30 March 2013	At and for the 13 weeks ended 29 June 2013[3]
Select operating data (unaudited)[1]				
Number of stores	1,181	1,167	1,233	1,301
Edgars..	261	308	392	408
Discount	718	665	646	658
CNA..	202	194	195	195
Edgars Zimbabwe				40
Same store sales growth[8]	5.3%	7.4%	0.4%	(0.3)%
Average retail space (in '000 sqm)	1,321	1,340	1,386	1,459
Trading density[9]	17,194	18,404	18,164	17,723
Number of customer credit accounts (in '000s)..................	3,713	3,831	3,776	3,765
Credit sales as percentage of total sales............................	49%	51%	51%	50%

	At and for the						
	52 weeks ended 2 April 2011	52 weeks ended 31 March 2012	52 weeks ended 30 March 2013	13 weeks ended 30 June 2012[(3)]	13 weeks ended 29 June 2013[(3)]	52 weeks ended 29 June 2013[(3)]	52 weeks ended 29 June 2013[(2)]
				(in millions) (unaudited)			
Other financial data[(a)(1)]							
EBITDA[(10)]	R 1,509	R 2,865	R 219	R 737	R (27)	R (470)	€ (41)
Adjusted EBITDA[(10)]	3,624	4,041	3,256	852	715	3,194	275
Adjusted Corporate EBITDA[(11)]	3,160	3,548	2,916	798	715	2,908	251
Operating lease expenses[(12)]	1,488	1,566	1,786	422	475	1,870	161
Adjusted EBITDAR[(10)]	5,112	5,607	5,042	1,274	1,190	5,064	436
Capital expenditure[(13)]	474	710	819	198	315	951	82
Depreciation and amortisation[(14)]	1,216	1,172	1,049	272	268	1,052	91

(a) Except as otherwise indicated, "Other financial data" includes the impact of consolidating OtC.

	52 weeks ended 29 June 2013[(2)]	
	(in millions, except ratios) (unaudited)	
Pro forma data[(15)]		
Pro forma cash and cash equivalents[(20)]	R2,700	€ 210
Pro forma net senior secured debt[(17)]	R13,410	€ 1,043
Pro forma total net debt[(16)]	R19,051	€ 1,481
Pro forma net interest expense[(18)]	R2,408	€ 208
Pro forma Adjusted EBITDA[(10)]	R3,044	€ 263
Ration of pro forma Adjusted EBITDA to pro forma net interest expense[(10)(18)]	1.3x	
Ratio of pro forma net senior secured debt to pro forma Adjusted EBITDA[(10)(17)]	4.4x	
Ratio of pro forma total net debt to pro forma Adjusted EBITDA[(10)(16)]	6.3x	

(1) Except as otherwise indicated, figures presented in the summary financial information above include the impact of consolidating OtC.

(2) For your convenience, rand amounts relating to income statement data, cash flow data and other financial data have been translated into euro at an exchange rate of R11.58 = €1.00, which represents the average Bloomberg Composite Rate for the 12 months ended 29 June 2013. Rand amounts relating to financial position data have been translated into euro at an exchange rate of R12.86 = €1.00, which represents the exchange rate used in our financial statements as at 29 June 2013.

(3) Consistent with IFRS 10 (consolidated financial statements), which became effective for financial periods beginning on or after 1 January 2013, we began consolidating the results of Edgars Zimbabwe, a 39%-owned company, beginning with the 13 weeks ended 29 June 2013 (i.e., first quarter 2014). Our consolidated financial statements for first quarter 2014 restate our results for the 13 weeks ended 30 June 2012 (i.e., first quarter 2013) to include the results of Edgars Zimbabwe. In addition, our results for the 12 months ended 29 June 2013 (i.e., LTM 2013) include the results of Edgars Zimbabwe. Edgars Zimbabwe contributes less than 5% of our Adjusted EBITDA and comprises less than 5% of total Group assets on a consolidated basis. Accordingly, in light of the negligible impact of our consolidation of Edgars Zimbabwe, we have not made adjustments to our historical consolidated financial information for fiscal year 2011, 2012 and 2013.

(4) "Retail sales" reflect total revenues less club fees, income from joint operations, finance charges, finance income, and manufacturing sales.

(5) "Other income" comprises administration fees, fees from our *Edgars* and *Jet* clubs, manufacturing sales and finance income.

(6) "Other operating costs" includes amortisation of trademarks, auditors' remuneration, depreciation of properties, fixtures, equipment and vehicles, fees payable, lease-related expenses and cost of inventories expensed.

(7) Under IFRS, our credit business was treated as a discontinued operation for first quarter 2014. For consistency, we re-present our income and expenses from credit under "profit/(loss) after tax for the period from discontinued operations" for the 52 weeks ended 29 June 2013.

(8) "Same store sales growth" represents the change in retail sales from our stores that have been open for at least two years. For the purpose of same store sales growth calculations, a store will be included if it was open for trade at the beginning of the 52-week period preceding the 52-week period and at the end of that period for which same store growth information is presented.

(9) "Trading density" represents retail sales per average square metre of store space.

(10) We present EBITDA, Adjusted EBITDA, Adjusted EBITDAR and pro forma Adjusted EBITDA because we believe they are frequently used by securities analysts, investors and other interested parties in evaluating similar issuers and as a supplemental measure of our ability to service our debt. Nevertheless, EBITDA, Adjusted EBITDA, Adjusted EBITDAR and pro forma Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for, an analysis of our operating results as reported under IFRS. Pro Forma Adjusted EBITDA gives pro forma effect to the Pro Forma Transactions. See "Presentation of Information—Non-IFRS financial measures".

The following table reconciles loss for the period to EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA for each of the periods indicated.

	Re-presented*						
	52 weeks ended 2 April 2011	52 weeks ended 31 March 2012	52 weeks ended 30 March 2013	13 weeks ended 30 June 2012[3]	13 weeks ended 29 June 2013[3]	52 weeks ended 29 June 2013[3]	52 weeks ended 29 June 2013[2]
	(in millions) (unaudited)						
Loss for the period[7]	R(1,643)	R(1,999)	R(5,028)	R(213)	R(712)	R(5,489)	€ (475)
Taxation	(561)	4	1,185	(94)	(196)	1,097	95
Net financing costs	2,497	3,688	3,013	772	613	2,870	248
Depreciation and amortisation	1,216	1,172	1,049	272	268	1,052	91
EBITDA.............................	**R1,509**	**R2,865**	**R219**	**R737**	**R(27)**	**R(470)**	**€(41)**
Net fair value movement on notes and associated derivatives including foreign exchange gains and losses[a]	2,113	690	2,005	188	676	2,493	215
Discount on repurchase of senior secured notes[b].	—	(36)	—	—	—	—	—
Impairment of intangible assets[c]	—	126	465	—	—	465	40
Net asset write-off[d]	(8)	22	22	14	—	8	1
Transitional projects related expenditure[e] ...	—	278	599	56	66	609	52
Advisory fees related to refinancing transactions[f]	—	96	87	—	—	87	8
Advisory fees on sale of receivables to OtC[g].....	10	—	—	—	—	—	—
MasterCard termination receipt[h]......................	—	—	(141)	(143)	—	2	—
Adjusted EBITDA	**R3,624**	**R4,041**	**R3,256**	**R852**	**R715**	**R3,194**	**€275**
Net income from previous card programme[i]	(1,040)	(1,197)	(738)	(245)	3	(490)	(42)
Net income from new card programme[j]	314	227	167	62	9	114	10
Permanent adjustments[k] ..						226	20
Pro Forma Adjusted EBITDA[19]...................	**2,898**	**3,071**	**2,685**	**669**	**727**	**3,044**	**263**

* The summary historical financial information has been derived from the comparative period in the Issuer's audited consolidated financial statements as at and for the fiscal year 2013, where such comparative numbers have been re-presented to take into account the discontinued operation for the trade accounts receivable classified as held-for-sale in the Issuer's consolidated statement of financial position for fiscal year 2013.

(a) We have executed currency and interest rate derivatives to hedge the repayment of the interest on the 2015 Senior Notes and the 2018 Senior Secured Notes and a portion of the 2015 Senior Notes to March 2014. This adjustment relates to the revaluation of the 2015 Senior Notes and the 2018 Senior Secured Notes to the spot exchange rate and change in the fair value of these derivatives including other foreign exchange gains and losses.

(b) In May 2011, we completed a repurchase of a portion of the 2014 Senior Secured Notes with a nominal value of €39 million for €35 million. As a result of the buyback, we recognised a gain of R36 million (net of associated fees).

(c) Relates to the impairment of goodwill and other intangible assets.

(d) Relates to assets written off in connection with the closure of stores, net of related proceeds.

(e) Relates to consulting and set-up costs incurred for various transitional projects, including the OtC Unwinding and the establishment of our strategic relationship with Absa, our merchandising transformation programme (which aims to ensure that our product offering is in line with market trends), the establishment of our "Thank U" loyalty programme and retrenchment costs.

(f) Relates to advisory fees paid pursuant to our transaction services agreement with Bain Capital in connection with various refinancing transactions, including the issuance of the 2018 Senior Secured Notes, the 2016 Super Senior Secured ZAR Notes and the refinancing of the senior secured notes due 2014.

(g) Relates to advisory fees paid pursuant to the OtC Securitisation Programme.

(h) Reflects the settlement payment received from Standard Bank Group Limited as a result of the termination of our Master Card agreement with them on 5 April 2012.

(i) Net income derived from 100% of our trade receivables book, including financing charges revenue, bad debts and provisions.

(j) Pro forma fee earned by Edcon under the new arrangement with Absa, based on sale of 100% of trade receivables book.

(k) Relates to the cost savings for (a) corporate and operational overhead reductions of R85 million, which represents the actual payroll costs incurred for LTM 2013 in respect of the restructuring and (b) renegotiation of pricing on marketing contracts; IT consulting contracts; telecommunication rates, as well as changes in our profit share with our Hollard Insurance joint operation, amounting to aggregate expected cost savings of R141 million.

The following table reconciles Adjusted EBITDA to Adjusted EBITDAR for each of the periods indicated.

	Re-presented*						
	52 weeks ended 2 April 2011	52 weeks ended 31 March 2012	52 weeks ended 30 March 2013	13 weeks ended 30 June 2012(3)	13 weeks ended 29 June 2013(3)	52 weeks ended 29 June 2013(3)	52 weeks ended 29 June 2013(2)
				(in millions) (unaudited)			
Adjusted EBITDA	**R3,624**	**R4,041**	**R3,256**	**R852**	**R715**	**R3,194**	**€275**
Operating lease adjustment	1,488	1,566	1,786	422	475	1,870	161
Adjusted EBITDAR	**5,112**	**5,607**	**5,042**	**1,274**	**1,190**	**5,064**	**436**

* The summary historical financial information has been derived from the comparative period in the Issuer's audited consolidated financial statements as at and for the fiscal year 2013, where such comparative numbers have been re-presented to take into account the discontinued operation for the trade accounts receivable classified as held-for-sale in the Issuer's consolidated statement of financial position for fiscal year 2013.

Historical Quarterly Pro Forma Financial Information

The following table reconciles loss for the period to Adjusted EBITDA and Pro Forma Adjusted EBITDA for each of the quarters indicated. Such information includes the contribution from our operations in Zimbabwe. The sum of the information presented for each such quarters is not equal to the corresponding information for the 52 weeks ended 30 March 2013, which does not include the contribution from our operations in Zimbabwe.

	13 weeks ended 30 June 2012(3)	13 weeks ended 29 September 2012	13 weeks ended 29 December 2012	13 weeks ended 30 March 2013	13 weeks ended 29 June 2013(3)
			(in millions) (unaudited)		
Loss for the period(7)	R (213)	R (2,657)	R (819)	R (1,301)	R (712)
Taxation	(94)	1,884	(38)	(553)	(196)
Net financing costs	772	892	779	586	613
Depreciation and amortisation	272	261	259	264	268
EBITDA	**R 737**	**R 380**	**R 181**	**R (1,004)**	**R (27)**
Net fair value movement on notes and associated derivatives including foreign exchange gains and losses(a)	188	261	530	1,026	676
Discount on repurchase of senior secured notes(b)	—	—	—	—	—
Impairment of intangible assets(c)	—	—	79	386	—
Net asset write-off(d)	14	2	5	1	—
Transitional projects related expenditure(e)	56	83	566	(106)	66
Advisory fees related to refinancing transactions(f)	—	—	—	87	—
Advisory fees on sale of receivables to OtC(g)	—	—	—	—	—
MasterCard termination receipt(h)	(143)	2	—	—	—
Adjusted EBITDA	**R 852**	**R 728**	**R 1,361**	**R 390**	**R 715**
Net income from previous card programme(i)	(245)	(364)	(93)	(36)	3
Net income from new card programme(j)	62	76	15	14	9
Pro Forma Adjusted EBITDA(19)	**669**	**440**	**1,283**	**368**	**727**

(a) We have executed currency and interest rate derivatives to hedge the repayment of the interest on the 2015 Senior Notes and the 2018 Senior Secured Notes and a portion of the 2015 Senior Notes to March 2014. This adjustment relates to the revaluation of the 2015 Senior Notes and the 2018 Senior Secured Notes to the spot exchange rate and change in the fair value of these derivatives including other foreign exchange gains and losses.

(b) In May 2011, we completed a repurchase of a portion of the 2014 Senior Secured Notes with a nominal value of €39 million for €35 million. As a result of the buyback, we recognised a gain of R36 million (net of associated fees).

(c) Relates to the impairment of goodwill and other intangible assets.

(d) Relates to assets written off in connection with the closure of stores, net of related proceeds.

(e) Relates to consulting and set-up costs incurred for various transitional projects, including the OtC Unwinding and the establishment of our strategic relationship with Absa, our merchandising transformation programme (which aims to ensure that our product offering is in line with market trends), the establishment of our "Thank U" loyalty programme and retrenchment costs.

(f) Relates to advisory fees paid pursuant to our transaction services agreement with Bain Capital in connection with various refinancing transactions, including the issuance of the 2018 Senior Secured Notes, the 2016 Super Senior Secured ZAR Notes and the refinancing of the senior secured notes due 2014.

(g) Relates to advisory fees paid pursuant to the OtC Securitisation Programme.

(h) Reflects the settlement payment received from Standard Bank Group Limited as a result of the termination of our Master Card agreement with them on 5 April 2012.

(i) Net income derived from 100% of our trade receivables book, including financing charges revenue, bad debts and provisions.

(j) Pro forma fee earned by Edcon under the new arrangement with Absa, based on sale of 100% of trade receivables book.

(11) "Adjusted Corporate EBITDA" excludes the impact of consolidating OtC for the periods prior to 1 November 2012.

(12) "Operating lease expenses" primarily include rent for our stores and our head office premises.

(13) "Capital expenditure" excludes finance leases.

(14) "Depreciation and amortisation" relates to the amortisation of intangibles and the incremental depreciation arising from the fair value adjustments in relation to the Share Acquisition. These figures are included in "Other operating costs" in our historical consolidated financial statements included elsewhere in this Offering Memorandum.

(15) Pro forma data in this table give effect to the Pro Forma Transactions and the Refinancing Transactions. See "Unaudited Pro Forma Condensed Consolidated Financial Information" and "Use of Proceeds".

(16) Pro forma total net debt corresponds to pro forma total debt, net of pro forma cash and cash equivalents.

(17) Pro forma net senior secured debt corresponds to pro forma senior secured debt net of pro forma cash and cash equivalents.

(18) "Pro forma net interest expense" reflects the estimated net interest expense that would have been payable on third-party debt during LTM 2013, as adjusted to give effect to the Pro Forma Transactions and the Refinancing Transactions as if they had occurred at the beginning of such period. Does not reflect potential hedging costs on Senior Notes issued hereby and excludes commitment fees on undrawn amounts.

(19) For a reconciliation of Corporate EBITDA to Pro Forma Adjusted EBITDA, please see Note 5 under "Unaudited Pro Forma Condensed Consolidated Financial Information".

(20) Represents actual cash and cash equivalents (R480 million), as adjusted for the sale of the portion of the receivables book held as of 29 June 2013 (R803 million), the position of our South Africa book that is included in trade receivables (R23 million) and the mark-to-market value of derivatives as at 29 June 2013 (R1,394 million).

RISK FACTORS

An investment in the Senior Notes involves a high degree of risk. You should carefully consider the following risks, together with other information provided to you in this Offering Memorandum, in deciding whether to invest in the Senior Notes. The occurrence of any of the events discussed below could harm us. If these events occur, the trading price of the Senior Notes could decline, we may not be able to pay all or part of the interest or principal on the Senior Notes, and you may lose all or part of your investment. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This Offering Memorandum contains "forward-looking" statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such differences include those discussed below. See "Forward-Looking Statements".

Risks related to our business and industry

Unfavourable macroeconomic factors may decrease consumer demand for our retail goods.

Macroeconomic factors such as interest rates, consumer indebtedness and employment levels affect consumer demand for our goods. As a response to the global economic downturn, the South African Reserve Bank reduced its repurchasing rate to 5% in July 2012, a 30-year low and has kept rates at that level since. Despite such historically low interest rates, South African households are still considered to be financially fragile, exacerbated by the recent slow down in unsecured lending, following strong growth in the recent past. The ratio of total household debt to disposable income was 75.8% in the second quarter of calendar year 2013. Moreover, South Africans at the lower end of the socioeconomic spectrum have felt the impact of the economic downturn more severely and have experienced low disposable income growth mainly due to low employment growth and a rising tax burden, coupled with significant increases in electricity, food, fuel and property rates and taxes in South Africa. Consumer demand has been supported in part by increasing social grants since 2002. The expansion of the provision of social grants is expected to stabilise, however, which could have an adverse impact on consumer spending. Higher interest rates, increased consumer indebtedness, rising unemployment, strike action, a levelling off of social grants and lower consumer confidence could have a material adverse effect on our retail sales and results of operations.

Our results are also impacted by other macroeconomic factors, such as the prevailing economic climate, levels of unemployment, real disposable income, salaries and wage rates, including any increase as a result of payroll cost inflation or governmental action to increase minimum wages or contributions to pension provisions, the availability of consumer credit and consumer perception of economic conditions. In January 2013, rating agency Fitch downgraded South Africa's sovereign rating to BBB from BBB+. Fitch joins S&P, which downgraded the country's rating in October 2012, also to BBB, and Moody's which in September 2012 downgraded the country's rating from A3 to Baa1 and reaffirmed the rating in July 2013. Economic growth performance and prospects have deteriorated in South Africa over the past 12 to 18 months, affecting public finances and exacerbating social and political tensions. The national government debt has risen to 40% of GDP at the end of 2012 up from 27% at end of 2008. 90% of our retail sales were derived from South Africa in LTM 2013 and therefore a general slowdown in South African GDP growth or an uncertain economic outlook may adversely affect consumer spending habits, which may reduce our retail sales and adversely impact our results of operations.

Moreover, many of the items we sell, particularly higher margin fashion and homeware products, represent discretionary purchases, meaning that we may experience a decline in retail sales that is proportionally greater than the level of general economic decline. Therefore, an economic downturn in South Africa could have a material adverse effect on our financial condition and results of operations.

Our business could be adversely affected by disruptions in our supply chain.

Any significant disruption or other adverse event affecting our relationship with any of our major suppliers could have a material adverse effect on the results of our financial condition and our operations. If we need to replace any of our major suppliers, we may face risks and costs associated with a transfer of operations. In addition, a failure to replace any of our major suppliers on commercially reasonable terms, or at all, could have a material adverse effect on our financial condition and results of our operations.

The concentration of our suppliers will increase as we proceed with our ongoing strategy to reduce the number of our suppliers. Our ongoing strategy to expand our supplier base in markets such as Mauritius, Bangladesh, Madagascar and various countries in sub-Saharan Africa, places us at risk if merchandise is in short supply in those locations. In addition, such suppliers may be unwilling to provide us with merchandise if we do not place orders at an internationally competitive order level or at a level competitive with large-volume customers. In the event that one or more of our major suppliers chooses to cease providing us with merchandise or experiences operational difficulties, and we are unable to secure alternative sources in a timely manner or on commercially beneficial terms, we may experience inventory shortages or other adverse effects on our business. If our suppliers are unable or unwilling to continue providing us with merchandise under our presently agreed terms, including as a result of our significantly increased leverage, or if we are unable to obtain goods from our suppliers at prices that will allow our merchandise to be competitively priced, there could be a material adverse effect on our retail sales, results of operations and liquidity.

The cost and availability of our supplies are dependent on many factors, including:

- the base price of raw material costs, such as cotton and wool, as well as the cost of individual product components;
- freight costs; and
- rebates and discounts earned from suppliers.

Moreover, we purchase a portion of our products in markets outside of South Africa, principally in Asia, and the number of our foreign suppliers may increase as we proceed with our strategy to partner with suppliers in low-cost countries. We face a variety of risks generally associated with doing business in foreign markets and importing merchandise from these regions, including:

- currency risks;
- political instability;
- increased security requirements applicable to foreign goods;
- the imposition of duties and taxes, other charges and restrictions on imports;
- risks related to our suppliers' labour practices, environmental matters or other issues in the foreign countries or factories in which our merchandise is manufactured;
- delays in shipping; and
- increased costs of transportation.

In addition, the ongoing challenging economic environment could have a number of adverse effects on our supply chain. The inability of suppliers to access liquidity, or the insolvency of suppliers, could lead to delivery delays or failures.

Any of these risks, in isolation or in combination, could adversely affect our reputation, financial condition and results of operations. New initiatives may be proposed that may have an impact on the trading status of certain countries and may include retaliatory duties or other trade sanctions which, if enacted, could increase the cost of products purchased from suppliers in such countries or restrict the importation of products from such countries. The future performance of our business will partly depend on our foreign suppliers and may be adversely affected by the factors listed above, all of which are beyond our control.

Our business is affected by foreign currency fluctuations.

We realise a majority of our revenue, and incur a significant portion of our costs and expenses, in rand. We purchase approximately 11% of our products directly from markets outside of South Africa denominated in a foreign currency**,** principally in Asia, and the number of our foreign suppliers may increase as we proceed with our strategy to partner with suppliers in countries with low production costs. A part of our costs are incurred through indirect suppliers, who denominate their costs in rand but are exposed to foreign currency fluctuation. The cost of foreign-sourced products is affected by the fluctuation of the relevant local currency against the rand or, if priced in other currencies, the price of the merchandise in currencies other than the rand. Although we hedge 80% to 100% of all committed orders, changes in the value of the rand relative to foreign currencies may increase our cost of goods sold and, if we are unable to pass such cost increases on to our customers, decrease our gross margins and ultimately our earnings.

In addition a substantial portion of our indebtedness, including the 2018 EUR Senior Secured Notes and the Senior Notes offered hereby, is denominated in euro, and the 2018 USD Senior Secured Notes are denominated in U.S. dollars. In recent years, the value of the rand as measured against the euro and the U.S. dollar has fluctuated considerably. Although we manage hedging on these notes on an ongoing basis, foreign currency fluctuations in the future may affect our ability to service our foreign currency denominated indebtedness, including payments in euro on the 2018 EUR Senior Secured Notes and the Senior Notes offered hereby and payments in U.S. dollars on the 2018 USD Senior Secured Notes.

Over the past 9 months, the value of the rand has declined in relation to the U.S. dollar and the euro, as has that of several emerging market currencies. The rand has fallen from an exchange rate of R9.16 to the U.S. dollar and R11.78 to the euro on 30 March 2013 to R10.02 to the U.S. dollar and R13.60 to the euro on 30 September 2013. Further weakness of the rand may adversely affect our profitability as we purchase significant quantities of merchandise denominated in foreign currency.

We cannot assure you that we will be able to manage our currency risks effectively or that any volatility in currency exchange rates will not have a material adverse effect on our financial condition or results of operations or on our ability to make principal and interest payments on our indebtedness, including the Senior Notes.

We use hedges as part of our hedging strategy.

As part of the hedging strategy that we implemented for the 2015 Senior Notes and the 2018 Senior Secured Notes, we elected to hedge our interest rate and currency risk from such notes with credit-based hedges. In connection with the Refinancing Transactions, we intend to terminate the hedging arrangements we implemented for the 2015 Senior Notes. In addition, we intend to hedge some or all of our interest rate and currency risk under the Senior Notes. Such hedges to the extent that they hedge such risks from the 2015 Senior Notes, the 2018 Senior Secured Notes or the Senior Notes (if applicable) rank *pari passu* in right of recovery and benefit from the same security as the Senior Notes. If we were to default in making payments under the 2015 Senior Notes, the 2018 Senior Secured Notes or the Senior Notes, or if certain other credit events were to occur in relation to us and a credit-linked hedge of interest rate or currency risk in respect of such notes were to terminate or be closed out as a result, then, in relation to the mark-to-market value ("MTM") which would normally be payable by one party to the other on a termination or close-out of an equivalent hedge that was not credit-linked, either (a) we will be limited, where such MTM would otherwise be payable to us, in claiming against our hedge counterparty in respect of such termination or close-out to an amount equal to the product of (i) such MTM and (ii) the credit recovery rate for holders of the 2018 Senior Secured Notes or the Senior Notes (if applicable), such credit recovery rate being determined within a reasonable period after such termination or close-out by reference to a market auction process or market quotations for such notes, or (b) no MTM payment in respect of such termination or close-out will be due from either party, depending on the particular type of credit-linked hedge into which we enter.

If we are unable to renew or replace our store leases or enter into leases for new stores on favourable terms, or if any of our current leases are terminated prior to the expiry of its stated term and we cannot find suitable alternate locations, our growth and profitability could be harmed.

We lease all of our store locations. We typically occupy our stores under operating leases with terms of between five and 10 years, with options to renew for additional multi-year periods thereafter. In the future, we may not be able to negotiate favourable lease terms. In addition, many of our lease agreements have defined escalating rent provisions over the initial term and any extensions. Our inability to renew the lease agreements in relation to our stores or to meet the requirement for higher rental payments may cause our occupancy costs to be higher in future years or may force us to close stores in desirable locations. Some of our leases have early cancellation clauses, which permit the lease to be terminated by us or the landlord if certain sales levels are not met in specific periods or if the shopping centre in which the relevant store is located does not meet specified occupancy standards. In addition to future minimum lease payments, some of our store leases provide for additional rental payments based on a percentage of net sales, or percentage of rent, if sales at the respective stores exceed specified levels, as well as the payment of common area maintenance charges, real property insurance and real estate taxes. As we expand our store base, our lease expense and our cash outlays for rent under the lease terms will increase. An adverse change in the terms of our store lease agreement or our inability to satisfy the requirements under these agreements may have a material adverse effect on the results of our operations, profitability and financial condition. In addition, if we are unable to renew existing leases or lease suitable alternative locations, or enter into leases for new stores on favourable terms, our growth and our profitability may be significantly harmed.

We depend on cash flow from operations to pay our lease expenses. If our business does not generate sufficient cash flow from operating activities to fund these expenses, we may not be able to service our lease expenses, which could materially harm our business. If an existing or future store is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, amongst other things, paying the base rent for the balance of the lease term. Moreover, even if a lease has an early cancellation clause, we may not satisfy the contractual requirements for early cancellation under that lease. Our inability to enter into new leases or renew existing leases on terms acceptable to us or be released from our obligations under leases for stores that we close could materially adversely affect us.

Our results may be adversely affected by increases in energy costs.

Energy costs have increased dramatically in the past. These fluctuations may result in an increase in our transportation costs for distribution, utility costs for our retail stores and costs to purchase products from our suppliers. For example, electricity prices in South Africa increased an average of 22.3% per year since 2008, and are expected to continue to increase in the near future. A continual rise in energy costs could adversely affect consumer spending and demand for our products and could increase our operating costs, both of which could have a material adverse effect on our financial condition and results of operations.

We depend heavily on our IT systems to operate our business.

We rely to a significant degree on the efficient and uninterrupted operation of our various computer and communications systems to operate and monitor all aspects of our retail business and our credit and financial services business, including, in respect of our retail business, sales, warehousing, distribution, purchasing, inventory control, and merchandise planning and replenishment. Any significant breakdown or other significant disruption to the operations of our primary sites for all of our computer and communications systems could significantly affect our ability to manage our IT systems, which in turn could have a material adverse effect on our financial condition and results of operations. Although the pace of investment has reduced in the current year, we expect to spend over R80 million in fiscal year 2014 on our IT projects to, amongst others, upgrade and develop our marketing and sales websites. If we cannot generate sufficient cash to fund our upgrade plans, we may be required to delay or discontinue the implementation of our plans, which could have a material adverse effect on our financial condition and results of operations.

Any negative impact on the reputation of, and value associated with, our brand names could adversely affect our business.

Our brand names represent an important asset of our business. Maintaining the reputation of, and value associated with, our brand names are essential to the success of our business. Significant negative publicity, widespread product recalls or other events could also cause damage to our brand names. We rely on marketing to strengthen our brand names, but our marketing initiatives may prove to be ineffective. Substantial erosion in the reputation of, or value associated with, our brand names could have a material adverse effect on our financial condition and results of operations.

Our business could suffer as a result of weak retail sales during peak selling seasons.

Our business is subject to seasonal peaks. Historically, our most important trading periods in terms of retail sales, operating results and cash flow have been the Easter and Christmas seasons, with 34% of our retail sales occurring in April, November and December combined, for our fiscal year 2013. We incur significant additional expenses in advance of the Easter and Christmas seasons in anticipation of higher retail sales during those periods, including the cost of additional inventory, advertising and hiring additional employees. In previous years, our investment in working capital has peaked in early to middle March, October and November and has fallen significantly in April and January. If, for any reason, retail sales during our peak seasons are significantly lower than we expect, we may be unable to adjust our expenses in a timely fashion and may be left with a substantial amount of unsold inventory, especially in seasonal merchandise that is difficult to liquidate. In that event, we may be forced to rely on significant markdowns or promotional sales to dispose of excess inventory, which could have a material adverse effect on our financial condition and results of operations. At the same time, if we fail to purchase a sufficient quantity of merchandise, we may not have an adequate supply of products to meet consumer demand, which may cause us to lose retail sales.

Our business can be adversely affected by unseasonal weather conditions.

Our results are affected by periods of abnormal or unseasonal weather conditions. For example, periods of warm weather in the winter could render a portion of our inventory incompatible with such unseasonal conditions. Adverse weather conditions early in the season could lead to a slowdown in retail sales at full margin, followed by more extensive markdowns at the end of the season. Prolonged unseasonal weather conditions during one of our peak trading seasons could adversely affect our turnover and, in turn, our financial condition and results of operations. In addition, extreme weather conditions, such as floods, may make it difficult for our employees and customers to travel to our stores.

The sector in which our business operates is highly competitive.

The retail market is highly competitive, particularly with respect to product selection and quality, store location and design, price, customer service, credit availability and advertising. We compete at the national and local levels with a wide variety of retailers of varying sizes and covering different product lines across all geographic markets in which we operate. For example, in the *Edgars* division, we compete directly with *Woolworths*, *Truworths* and *Foschini*. In the Discount division, we compete with *Mr Price*, *Ackermans* and *PEP*. In addition, the South African retail sector has experienced a consolidation of market formats as retail companies diversify in other sectors of the retail market. Our credit and financial services business faces competition from other retail companies, such as *Truworths* and *Foschini*, which offer financial services to their customers. Increased competition from our existing competitors or new entrants to the market could result in lower prices and margins or a decrease in our market share, any of which could have a material adverse effect on our financial condition and results of operations. In addition, international competitors have entered our market, creating increased competition, as in the case of *Cotton On*, *Zara* and, through its acquisition of a stake in *Massmart*, *Wal-Mart*.

We face a variety of competitive challenges including:

- anticipating and quickly responding to changing consumer demands;
- maintaining favourable brand recognition and effectively marketing our products to consumers in several diverse market segments;
- developing innovative fashion products in styles that appeal to consumers of varying age groups and tastes;
- sourcing and distributing merchandise efficiently;
- competitively pricing our products; and
- responding to changes in consumer behaviour resulting from changes in the economic conditions and consumer spending patterns.

Actions taken by our competitors, as well as actions taken by us to maintain our competitiveness and reputation, can place and will continue to place pressure on our pricing strategy, margins and profitability, and could have a material adverse effect on our financial condition and results of operations. Some of our competitors may have greater financial resources, greater purchasing economies of scale and/or lower cost bases, any of which may give them a competitive advantage over us. Our competitors also may merge or form strategic partnerships, which could cause significant additional competition for us.

We may not be able to obtain the capital required to implement our business plan, which may force us to limit the scope of our operations and adversely impact our revenues.

In connection with implementing our business plans, including those that we have identified under our "Edgars Transformation" store refurbishment initiative, we will experience increased capital needs. For a description of our Edgars Transformation initiative, see "Business—Sales and Marketing". We may not have sufficient capital to fund our future operations without additional capital investments. Our capital needs will depend on numerous factors, including our profitability, our ability to secure financing, our ability to generate revenues and our ability to attract and retain customers. We cannot assure you that we will be able to obtain capital in the future to meet our needs. If we cannot obtain additional funding, we may be required to limit our ability to implement our business plan, limit our marketing efforts and decrease or eliminate our intended capital expenditures. Even if we do find a source of additional capital, we may not be able to negotiate terms and conditions for receiving the additional capital that are acceptable to us, all of which may force us to limit the scope of our operations and adversely impact our revenues.

We currently are implementing a major restructuring plan, the execution of which involves risks to our business and financial results.

We are currently implementing a major restructuring plan, designed to lower our cost base. This programme requires changes across a broad spectrum of our operations, which may involve significant risks to our business, including the following: adverse impact on our ability to provide customers with satisfactory service, both during and after the restructuring; loss of intellectual capital through layoffs and other functions or the normal fallout from a restructuring; underestimation of cost or overestimation of benefit. We cannot assure you that we will be able to successfully manage these changes or that the changes will achieve the desired effect of streamlining our operations and reducing our cost base. If the restructuring is not successful for any reason, including because the attendant costs are higher or benefits are lower than estimated, it could have a material adverse impact on our competiveness, financial condition, results of operations and cash flows.

We may not be able to predict accurately or fulfil customer preferences or demand.

A portion of our sales are from fashion-related products, which are subject to volatile and rapidly changing customer tastes. The availability of new products and changes in customer preferences have made it more difficult to predict sales demand accurately. As a multi-product retailer, our success depends, in part, on our ability to effectively predict and respond to quickly changing consumer demands and preferences and to translate market trends into attractive product offerings. Our ability to anticipate and effectively respond to changing customer preferences and tastes depends, in part, on our ability to attract and retain key personnel in our buying, design, merchandising, marketing and other functions. Competition for such personnel is intense, and we may not be able to attract and retain a sufficient number of qualified personnel in future periods.

Furthermore, some of our products are manufactured offshore. Accordingly, in some instances we must enter into contracts for the purchase and manufacture of merchandise well in advance of the applicable selling season. The long lead times between ordering and delivery make it more important to accurately predict, and more difficult to fulfil, the demand for items.

There can be no assurance that our orders will match actual demand. If we are unable to successfully predict or respond to sales demand or to changing styles or trends, our sales will be lower and we may be forced to rely on additional markdowns or promotional sales to dispose of excess or slow-moving inventory or we may experience inventory shortfalls on popular products, any of which could have a material adverse effect on our financial condition and results of operations. In addition, a number of other factors, including changes in personnel in the buying and merchandising function, could adversely affect product availability.

Failure to maintain adequate levels of inventory in order to meet customers' needs or to accurately forecast demand for our products could result in excess inventories, non-cancellable purchase obligations or supply shortages.

We attempt to purchase and maintain adequate levels of inventory in order to meet customer needs on a timely basis. The C&F market is subject to rapid changes in fashion trends, consumer preferences, new and enhanced product specification requirements, and evolving industry standards. These changes may cause inventory on hand to decline substantially in value or to rapidly fall out of favour. If we are unable to manage the inventory on hand with a high degree of precision, we may have either insufficient or excess inventory, resulting in either lost sales or inventory write-downs, which may lower our gross margins and cause us to record inventory write-downs and harm our business, financial position and operating results. Our ability to obtain and provide products and merchandise required to satisfy our customers' needs on a timely basis is critical to our success. We may occasionally experience a supply shortage of some products as a result of strong demand or problems experienced by our suppliers. If shortages or delays persist, the price of those products may increase, or the products may not be available at all. Accordingly, if we are not able to secure and maintain an adequate supply of products to fulfil our customers' needs on a timely basis, our business, financial position and results of operations may be adversely affected.

Our growth depends in part on our ability to open and operate new stores profitably.

One of our business strategies is to expand our base of retail stores. For fiscal year 2013, a total capital expenditure budget of approximately R581 million was spent to maintain and increase our store footprint. In addition to ongoing store openings in South Africa, we opened our first stores in Zambia in November 2011 and, in December 2012, in Mozambique. We have recently secured store sites in Ghana with an anticipated opening in calendar year 2015. Should we be unable to implement this strategy, our ability to increase our sales, profitability and cash flow could be impaired. To the extent that we are unable to open and operate new stores profitably, our sales growth would come only from increases in same-store sales. We may be unable to implement our strategy if we cannot identify suitable sites for additional stores, negotiate acceptable leases, access sufficient capital to support store growth, or hire and train a sufficient number of qualified employees.

We rely on our key personnel and we face strong competition to attract and retain qualified managers and employees.

We are highly dependent on our key personnel who have extensive experience in, and knowledge of, our industry. In addition, our business faces significant and increasing competition for qualified management and skilled employees. We have instituted a number of programmes to improve the recruitment and retention of managers and employees, and we invest substantially in their training and professional development. However, these programmes may prove unsuccessful and, in conditions of constrained supply of skilled employees, there is a risk that our well-trained managers and employees will accept employment with our competitors. The loss of the service of our key personnel or our failure to recruit, train and retain skilled managers and employees could have a material adverse effect on our retail sales, results of operations and liquidity.

A reduction in the availability of credit under our existing consumer credit programmes or changes in the terms of our private label store card programme, including any future regulatory requirements, could have an adverse effect on our operations.

We maintain *Edgars* and *Jet* private label store card programmes, and through an arrangement with Absa, Absa extends credit to our customers. See "Business—Our operations—Credit and financial services business". Absa issues our private label store cards to our customers and we receive a net fee for providing certain IT and administrative services with respect to the programme. In fiscal year 2013, purchases completed with our private label store cards accounted for approximately 51% of our retail sales. The inability or unwillingness of Absa to provide support for our private label store card programme may result in a decrease in store card sales to our customers, which could negatively impact our overall sales given customers' reduced purchasing capacity. See "Description of the Senior Notes—Certain Covenants—Restrictions Relating to the Investment of the Credit and Financial Services Business". As the credit provider with the ultimate exposure to the credit risks of our cardholders, Absa has discretion to turn down store card applicants upon an assessment of each applicant's credit risks and in light of Absa's screening and credit requirements. While our arrangements with Absa reserve our right to extend credit to any customers that Absa turns down, we would bear the default risk for any such credit extended. Furthermore, changes in local regulation governing store card business practices, including marketing, underwriting, pricing and billing that may go into effect in the future or tightening of credit from a deterioration of the economic situation in South Africa, could place additional restrictions on consumer credit programmes, including limiting the types of promotional credit offerings that may be offered to consumers. These changes could make it more difficult for Absa to extend credit to our customers, which could also have a material adverse effect on our results of operations.

Failure to maintain the full functionality and integrity of our IT systems that are used to manage our private label store card programme underwritten by Absa could have an adverse effect on our financial condition and results of operations.

Our IT and telecommunications systems are used to manage our private label store card programme underwritten by Absa. The failure of these systems, or the termination of a third-party software licence or service agreement on which any of these systems is based, could interrupt the operation of our private label store card programme. Because our IT and telecommunications systems interface depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If sustained or repeated, system failures or service denials could result in a deterioration of Absa's ability to process new credit applications, collect payments and provide customer service, thereby compromising our ability to support our private label store card programme effectively, which may result in damage to our reputation and/or result in a loss of customer business, any of which could have a material adverse effect on our financial condition and results of operations.

We are indirectly owned and controlled by investment funds advised by Bain Capital, and their interests as equity holders may conflict with yours as a creditor.

We are indirectly owned and controlled by investment funds advised by Bain Capital. The interests of our equity holders may not in all cases be aligned with your interests. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of our equity holders might conflict with those of the holders of the Senior Notes. In addition, our equity holders may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgement, could enhance their equity investments, even though such transactions might involve risks to holders of the Senior Notes. Furthermore, such investment funds or their affiliates may in the future own businesses that directly or indirectly compete with us.

They also may pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us.

We could experience labour disputes that could disrupt our business.

As at 29 June 2013, approximately 11,427 of our employees were represented by collective bargaining and are covered by collective bargaining or similar agreements that are subject to periodic renegotiation, which is currently in process. Although we negotiated a new a two-year collective bargaining agreement in April 2013 with the South African Commercial, Catering and Allied Workers Union (the "SACCAWU"), the biggest trade union active amongst our employees, future collective bargaining negotiations may not prove successful and result in the disruption of our operations. Such future collective bargaining negotiations may result in an increase in our labour costs. In addition, our employees could join in national labour strikes, boycotts or other collective actions. Any work stoppages and labour disruptions or any increase in our labour costs could materially adversely affect our retail sales, results of operations and financial condition.

Labour disputes and other workforce-related issues have been prevalent in certain industries in South Africa. Labour disputes affecting our suppliers or social unrest in South Africa generally may also negatively impact our business, by disrupting our supply chain or causing a reduction in the spending capacity of our customers.

We are subject to complaints, claims and legal actions that could affect us.

We are party to various complaints, claims and legal actions in the ordinary course of our business. These complaints, claims and legal actions, even if successfully disposed of without direct adverse financial effect, could have a material adverse effect on our reputation and divert our financial and management resources from more beneficial use. If we were to be found liable under any such claims, our results of operations could be adversely affected. See "Business—Legal and Regulatory Proceedings".

Compliance with privacy and information laws and requirements could be costly, and a breach of information security or privacy could adversely affect our business.

We are subject to privacy and information laws and requirements governing our use of identifiable data of customers, employees and others. At present, data protection in South Africa is regulated under the broader concept of the right to privacy. The right to privacy is a fundamental right that is protected both in terms of South Africa's common law and under section 14 of the Constitution of the Republic of South Africa, which provides individuals with the right to have their private or personal information protected against disclosure by other persons. In order to give effect to the constitutional right to privacy, the South African Law Reform Commission has prepared and published the Protection of Personal Information Bill (the "POPI Bill"). The parliamentary process in respect of the POPI Bill was completed on 21 August 2013, and the POPI Bill has been referred to the President for assent. Once signed by the President, the POPI Bill will become law. This is likely to occur in the coming months.

The POPI Bill aims to bring South Africa in line with international data protection law, including that of the European Union, by introducing measures to ensure that the processing of personal information (of both natural and juristic persons) is safeguarded. The POPI Bill introduces eight "Information Protection Conditions" which regulate the processing (both automated and non-automated) of personal information, which includes the collection, receipt, recording, organisation, collation, storage, updating or modification, retrieval, alteration, consultation or use, the dissemination by means of transmission, distribution or making available in any other form, and the merging, linking, as well as the restriction, degradation, erasure or destruction of information. The POPI Bill also regulates the transfer and storage of information outside of South Africa as well as the use of personal information for direct marketing.

The POPI Bill establishes an information regulator which is empowered to monitor and enforce compliance with the provisions of the POPI Bill. A failure to comply with the POPI Bill, once enacted, will be an offence and may attract certain penalties.

Compliance with such laws and requirements may require us to make necessary systems changes and implement new administrative processes. If a data security breach occurs, our reputation could be damaged and we could experience lost sales, fines or lawsuits.

We may be unable to protect our trademarks and other intellectual property or may otherwise have our brand names harmed.

We believe that our registered trademarks and other intellectual property have significant value and are important to the marketing of our products and business. While we intend to take appropriate action to protect our intellectual property rights, we may not be able to sufficiently prevent third parties from using our intellectual property without our authorisation. The use of our intellectual property by others could reduce or eliminate any competitive advantage we have developed, causing us to lose sales or otherwise harm the reputation of our brands names. See “Business—Intellectual property”.

Maintenance of our competitive position is partially dependent on our ability to license well-recognised international apparel brands.

Although we own many of our own private-label brands, we also rely on our ability to attract, retain and maintain good relationships with apparel brand licensors that have strong, well-recognised brands and trademarks, such as *Nike*, *Adidas*, *Guess*, *Playtex*, *Puma*, *Levis*, *Mango*, *Forever New*, *Tom Tailor*, *Lipsy*, *TM Lewin*, *Topshop* and *Topman*. Our license agreements are generally for an initial term of five years, subject to renewal, and there can be no assurance that we will be able to renew these licenses. Furthermore, many of our license agreements require minimum royalty payments, and if we are unable to generate sufficient sales and profitability to cover these minimum royalty requirements, we may be required to make additional payments to the licensors that could have a material adverse effect on our business and results of operations. In addition, because certain of our license agreements are non-exclusive, new or existing competitors may obtain licenses with overlapping product or geographic terms, resulting in increased competition for a particular market.

The growth of our business is in part dependent on our relationships with Absa as well as with Hollard Insurance, our insurance joint operation partner. If we were to lose these relationships, or the benefits we derive from these relationships were to diminish, our growth rates and our business would be harmed.

We rely on certain commercial and corporate partners to help drive our net revenues and profitability growth rates. In November 2012, for example, we entered into a long-term strategic relationship with Absa to continue to provide our customers access to credit under our private label store card programme. Absa provides critical services, such as credit underwriting and funding of the book, and we earn an administration fee for our front-facing services and maintenance of the credit book. In addition, we offer our customers *Edgars* and *Jet* branded insurance products through our joint operation formed with Hollard Insurance. Hollard Insurance underwrites all insurance products and provides the joint operation with actuarial and compliance support. We also earn a joint operation fee for use of our brands in marketing the insurance products. If our relationships with either of these partners were to be damaged or lost, or the benefits we derive from these relationships were to be diminished, whether by our own actions, actions of one or more governmental entities, actions of our competitor or actions of Absa or Hollard Insurance themselves, our growth rates and our business would be harmed. Furthermore, if either of these partners were unable to continue their operations or perform their obligations under their respective contractual arrangements with us, we may be required to identify new commercial and corporate partners which may divert management resources from other matters and otherwise interrupt our sales cycle. Moreover, we may be unsuccessful in finding replacement partners, which could have a material adverse effect on our profitability and operations.

Conditions in the countries where we source our merchandise and international trade conditions could adversely affect us.

We have a considerable amount of our merchandise manufactured overseas, including in China and Bangladesh, and delivered to us by our vendors as finished goods. As a result, political instability, labour strikes, changes in rates of inflation, natural disasters or other events resulting in the disruption of trade or transportation from other countries or the imposition of additional regulations relating to duties upon imports could cause significant delays or interruptions in the supply of our merchandise or increase our costs, either of which could have an adverse effect on our business. If we are forced to source merchandise from other countries, those goods might be more expensive or of a different or inferior quality from the ones we now sell. If we were unable to adequately replace the merchandise we currently source with merchandise produced elsewhere, our business could be adversely affected.

We are dependent upon certain major suppliers for our private-label merchandise.

We do not manufacture our own merchandise but instead work closely with a number of suppliers. During fiscal year 2013, our largest supplier of our private-label apparel accounted for approximately 8.5% of our total purchases, and our largest five suppliers accounted for approximately 23.7% of such purchases. We depend on our suppliers to ship merchandise on time and within our quality standards. The loss of one or more of our major suppliers, particularly at critical times during the year, could have a material adverse effect on our results of operations or financial condition.

Risks related to South Africa

An adverse change in economic, political and social conditions in South Africa or regionally may adversely affect economic conditions generally and demand for our products specifically, and cause our revenue, profitability and cash flow to decline.

We generated 90% of our retail sales in South Africa in LTM 2013. Economic, political and social conditions in South Africa have a significant direct impact on our business. South Africa has relatively high levels of unemployment, poverty and crime, and a relatively low level of education. These problems, in part, have hindered investments in South Africa, prompted the emigration of skilled workers and negatively affected economic growth. Although it is difficult to predict the effect of these problems on South African businesses or the South African government's efforts to solve them, these problems, or the policy prescriptions enacted, such as the BBBEE legislation, may adversely affect economic conditions generally and demand for our products specifically. Government policies aimed at alleviating and redressing the lack of services and disadvantages suffered by the majority of citizens under previous South African governments may also have an adverse effect on economic conditions and our operations. There has also been economic, political and social instability in the countries surrounding South Africa, which may negatively affect South African economic, political or social conditions. An adverse change in the economic, political or social conditions in South Africa as well as regional instability may have a material adverse effect on our profitability, financial condition and results of operations.

There are risks associated with an investment in emerging markets such as South Africa, including:

- adverse changes in economic and governmental policy;
- relatively low levels of disposable consumer income;
- relatively high levels of crime, including the risk of robberies of cash in transit;
- unpredictable changes in the legal and regulatory environment;
- relatively high levels of corruption;
- the inconsistent application of existing laws and regulations; and
- relatively slow or insufficient legal remedies.

Since 1999, during the years of GDP growth, the SARB has focused on controlling inflation as its primary monetary policy. As the global economic outlook has deteriorated since 2008, with the return to recession in the eurozone in 2011, growth in South Africa as well as globally slowed considerably. As a result, the SARB adjusted its focus on inflation in favour of growth-oriented monetary policies. Year-on-year inflation currently is just above target range as the South African currency weakened by 14%, compared with the U.S. dollar, between January and June 2013. Although inflation is anticipated to reduce to within target range in the short term, there is a risk that the inflation outlook in South Africa may become negative and may destabilise South Africa's macroeconomic performance.

An adverse change in economic, political or social conditions in South Africa or neighbouring countries or emerging markets generally may adversely affect the value of the rand, economic conditions in South Africa generally or demand for our products specifically, which may have a material adverse effect on our profitability, financial condition and results of operations. In addition, any such adverse change may negatively affect investor sentiment towards South Africa or emerging markets generally, which may have a material adverse effect on the market value and liquidity of the Senior Notes.

Disruptions or breakdowns in South African infrastructure could disrupt our business.

Our operations rely on the continued ability of South African infrastructure to support our business activities. Disruptions in the provision of basic services such as transport, water and electricity impact our ability to reach our customers and our customers' ability to shop in our stores. For example, the strikes at Transnet (the rail and port infrastructure provider) in May 2010, as well as the strike in the transport sector in October 2012, delayed the transportation of merchandise. The recent rapid growth of the population and economy of South Africa has placed pressure on the existing infrastructure of the country. Any failure on the part of the South African government to invest in adequate infrastructure could adversely affect our retail sales, financial condition and results of operations.

South African exchange control restrictions could hinder our ability to procure and/or repay foreign-denominated financings.

South Africa's exchange control regulations restrict business transactions between residents of the Common Monetary Area on the one hand, which consists of South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland (the "Common Monetary Area"), and non-residents of the Common Monetary Area, on the other hand. In particular, South African companies are:

- generally not permitted to export capital from South Africa, hold foreign currency in excess of certain limits or incur indebtedness denominated in foreign currencies without the approval of the South African exchange control authorities;
- prohibited from using transfer pricing and excessive interest rates on foreign loans as a means of expatriating currency; and
- generally not permitted to acquire an interest in a foreign venture without the approval of the South African exchange control authorities and are subject to compliance with the investment criteria of the South African exchange control authorities.

These restrictions could hinder our ability to procure non-rand denominated financings in the future. While the South African government has relaxed exchange controls in recent years, it is difficult to predict what action, if any, the government may take in the future with respect to exchange controls. The government may continue to relax or abolish exchange controls in the future. However, if the government were to tighten exchange controls, these restrictions could further hinder our ability to procure foreign-denominated financings in the future and could adversely impact our liquidity and results of operations.

The issuance of the Senior Notes and our ability to make scheduled interest payments and pay principal at maturity under the Senior Notes require the approval of the South African exchange control authorities, which we have obtained. To repurchase or redeem Senior Notes prior to their stated maturity, however, including upon a change of control, upon a tax withholding event or with the proceeds from asset sales, we would need to obtain additional approvals from the South African exchange control authorities, which may take a significant amount of time to obtain, if we can obtain them at all. If we could not obtain that consent (and, therefore, did not offer to repurchase or redeem the Senior Notes following a change of control, tax event or asset sale offer, as the case may be), an event of default would occur, requiring us to repay the Senior Notes at par plus accrued interest.

The high rates of HIV infection in South Africa could cause us to lose skilled employees, incur additional costs or adversely affect economic conditions generally or demand for our products specifically, each of which could cause our retail sales, liquidity and results of operations to decline.

South Africa has one of the highest reported HIV infection rates in the world. The exact impact of increased mortality rates due to AIDS-related deaths on the cost of doing business in South Africa and the potential growth rate of the economy is unclear at this time. We may lose employees with valuable skills due to AIDS-related deaths, and our results of operations and financial condition could be materially adversely affected if we lose such employees. In addition, we may incur education and prevention costs. Our results of operations and liquidity could be materially adversely affected if our employee health-related expenses increase. Moreover, increased mortality rates due to AIDS-related deaths may slow the population growth rate, cause the South African population to decline or increase significantly the overall cost of doing business in South Africa, which may affect economic conditions generally and demand for our products specifically. The effect of HIV infection on both our employees and on the South African market may have a material adverse effect on profitability, financial condition and results of our operations.

Compliance requirements related to new South African laws could impact our cost structures and growth, which could have an adverse effect on our retail sales, liquidity and results of operations.

The National Credit Act (the "NCA") has been in effect since 1 June 2007. The NCA requires that before granting credit to a prospective customer, a credit provider must undertake an affordability assessment in respect of a customer's ability to service his or her potential debt obligations by taking into consideration the customer's financial means, obligations and prospects as well as the customer's debt repayment history and his or her understanding of the risks and costs of the proposed credit. Other than at inception, an affordability assessment must be conducted during the term of the agreement should the credit limit be increased temporarily or permanently, by agreement with the customer. Failure to conduct such an assessment will result in the agreement being considered reckless and a court could set it aside. Although the NCA makes provision for unilateral, automatic increases to the credit limit by the credit provider in limited circumstances, when an affordability assessment is not required, the NCA limits the number of automatic credit limit increases to one per year. The restrictions imposed by the NCA could have a negative impact on our or on Absa's ability to attract new store card customers or to offer higher credit limits or additional credit products to existing store card customers. As a consequence, the NCA could have a material adverse effect on our sales, liquidity and results of operations.

Most of the provisions of the Consumer Protection Act (the "CPA") came into effect on 31 March 2011. The CPA seeks to advance the social and economic welfare of consumers in South Africa by providing a range of new statutory rights and safeguards. The CPA applies, amongst others, to all transactions concluded by a supplier in the ordinary course of business for consideration. There are certain exceptions where various provisions of the CPA will not apply (for example, in circumstances where the consumer is a juristic person with asset value or annual turnover exceeding a threshold prescribed by the minister responsible for consumer protection matters). Where applicable, the CPA regulates various activities and obligations of suppliers and entrenches several consumer rights. These rights include, amongst others, the right to equality; the right to fair, just and reasonable terms and conditions; the right to privacy; the right to disclosure and information; the right to fair and responsible marketing; the right to fair and honest dealing; and the right to fair value, good quality and safety. The CPA sets out numerous provisions, rights and obligations which embody and underlie such rights. For example only and without being exhaustive, issues related to direct marketing are regulated within the right to privacy and implied warranties are included within the scope of the right to fair value, good quality and safety. Although the CPA represented a significant departure from the laws that were applicable prior to its inception, our experience to date is that the CPA has not had a major negative impact on our business operations. The CPA does contain provisions regulating its enforcement and the investigation and resolution of complaints and prohibited conduct. The CPA also provides various powers to the courts and other agencies to enforce its provisions and impose sanctions. The National Consumer Commission and the National Consumer Tribunal are primarily responsible for enforcing the CPA. In the case of the National Consumer Commission, this includes (amongst others) considering and investigating complaints and monitoring the consumer market to ensure that prohibited conduct and offences are prevented or detected and prosecuted. Noncompliance with the CPA can lead to severe sanctions and/or the inability in certain cases to enforce contract terms and conditions that contravene the CPA, which in turn may have a significant adverse effect on our sales, liquidity and results of operations.

There has also been an increase in the anticompetitive behaviour investigations by the South African competition commission (the "Competition Commission") which, pursuant to the South African Competition Amendment Act, has led to significant fines having been imposed by the Competition Commission on a number of companies. If an investigation were to find Edcon guilty of anticompetitive behaviour, we could be subject to fines, required to dispose of assets or prevented from making further acquisitions.

Risks related to the Senior Notes

We must use a significant portion of our cash flow to service our indebtedness, which could have important consequences for us. Any failure in our ability to generate sufficient cash in the future could force us to take certain actions that could have a material adverse effect on our retail sales, liquidity and results of operations.

As at 29 June 2013, on a pro forma basis after giving effect to the Pro Forma Transactions and the Refinancing Transactions, we had outstanding total corporate debt of R21,751 million (equal to €1,691 million). See "Capitalisation". Our substantial indebtedness could have important consequences for us, including:

- requiring us to dedicate a significant portion of our cash flow from operations to make payments on our indebtedness, thereby reducing the portion of our cash flow available to fund our working capital and capital expenditure needs and for other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- limiting our ability to make strategic acquisitions or engage in other corporate transactions;

- placing us at a competitive disadvantage compared to our competitors that have less indebtedness; and
- limiting our ability to borrow additional funds or raise equity capital in the future and increasing the cost of any such financings.

Our ability to make payments on and repay or refinance our indebtedness, including the Senior Notes, and to fund our working capital requirements and capital expenditures, will depend on our future operating performance and ability to generate cash, which in turn will depend, to some extent, on general economic, financial, competitive, market and other factors, many of which are beyond our control. Furthermore, we may incur additional indebtedness in the future that may contain financial or other covenants more restrictive than those contained in the Senior Notes Indenture.

Although we currently believe that our future cash flows, together with available borrowings, will be adequate to service our indebtedness and fund our working capital and capital expenditure needs, we cannot assure you that our business will generate sufficient cash or that future borrowings will be available to us for such purposes. If our future cash flows and available borrowings are insufficient to service our debt and fund our liquidity needs, we may be forced to take certain actions which could have a material adverse effect on our retail sales, results of operations and liquidity, including:

- reducing or delaying capital expenditures;
- selling assets;
- obtaining additional indebtedness;
- restructuring or refinancing all or a portion of our indebtedness, including the Senior Notes, on or before maturity; or
- foregoing opportunities such as strategic joint ventures and acquisitions of other businesses.

In the worst case, an actual or impending inability to pay our debts as they become due and payable could result in our business being liquidated, or being placed under business rescue supervision.

Despite our current levels of indebtedness, we and our subsidiaries may still be able to incur substantially more debt.

The terms of the Senior Notes Indenture, the 2016 Indenture, the ZAR Term Loan Facility and our Super Senior Revolving Credit Facility will limit, but not prohibit, us or our subsidiaries from incurring additional indebtedness, including additional secured indebtedness. Consequently, were funding available, we and our subsidiaries may incur substantial additional indebtedness in the future. Any such incurrence of additional indebtedness could exacerbate the leverage-related risks that we now face.

Fluctuations in the value of the rand versus the euro or U.S. dollar may have an impact on our ability to borrow under the fixed charge coverage ratio in the Senior Notes Indenture.

The Senior Notes Indenture permits us to incur indebtedness if we meet, on a pro forma basis, an agreed ratio of consolidated EBITDA (as defined in the Senior Notes Indenture) to fixed charges (as defined in the Senior Notes Indenture). Because a significant portion of our fixed charges are, and will continue to be, payable in euro and U.S. dollars, an increase in the value of the rand compared to the euro or U.S. dollar would make it more likely that we could meet the agreed ratio without any change in the underlying performance of our businesses or our ability to generate cash flow, to the extent that we do not economically hedge such charges. A decrease in the value of the rand versus the euro or the U.S. dollar would have an inverse effect. Accordingly, the protection afforded to holders of the Senior Notes by the fixed charge coverage ratio test may be weakened (or strengthened) by future currency exchange rates, to the extent not hedged.

The Senior Notes Guarantees are contractually subordinated, and the Senior Notes are structurally subordinated, to the Senior Secured Notes and indebtedness incurred under the Super Senior Revolving Credit Facility and the ZAR Term Loan Facility.

The Senior Notes Guarantees are contractually subordinated to the 2018 Senior Secured Notes, the 2018 Senior Secured Guarantees, the 2016 Super Senior Secured ZAR Notes, the 2016 Super Senior Secured Guarantees and indebtedness incurred under the Super Senior Revolving Credit Facility and the ZAR Term Loan Facility. In the event of bankruptcy, liquidation, insolvency or default, holders of the Senior Notes may not be able to recover the full, or any, amount in respect of the Senior Notes if the amount of the Senior Notes Guarantees does not meet all obligations under the Senior Notes. In such event, holders of the Senior Notes may receive less, ratably, than holders of the 2018 Senior Secured Notes or 2016 Super Senior Secured ZAR Notes, or nothing.

In addition, the Senior Notes are structurally subordinated to the 2018 Senior Secured Notes, the 2016 Super Senior Secured ZAR Notes and indebtedness incurred under the Super Senior Revolving Credit Facility and the ZAR Term Loan Facility. Generally, creditors of a parent company will have no direct claim against the assets of any subsidiary of that parent company. Therefore, in the event of bankruptcy or insolvency of the Issuer, or of any of the Issuer's subsidiaries, if the claims of holders of the Senior Notes are not met in full by the Senior Notes Guarantees, the remaining claims of holders of the Senior Notes will be structurally subordinated to the claims of the other creditors of the Issuer or any of the Issuer's subsidiaries and will only be satisfied to the extent that the Issuer receives a distribution from the Issuer's or such subsidiary's insolvent estate for the shares held by it in the Issuer or such subsidiary.

Restrictions in the Senior Notes Indenture and other instruments governing our indebtedness may limit our ability to operate our business.

Restrictions contained in the Senior Notes Indenture, the 2016 Indenture, the ZAR Term Loan Facility, our Super Senior Revolving Credit Facility and/or our other indebtedness may limit our ability to, among other things:

- incur more debt;
- create liens;
- pay dividends and make distributions or repurchase shares;
- make investments or certain other restricted payments;
- sell assets;
- enter into new businesses;
- enter into sale-leaseback transactions;
- merge, consolidate or transfer and sell substantially all of our assets; and
- engage in transactions with affiliates.

Such restrictions could affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they may arise.

Interest payments on the Senior Notes may be subject to a withholding tax in South Africa.

Under current law, no South African withholding tax will be levied on payments of interest on the Senior Notes. A 15% withholding tax on interest, which will be subject to tax treaty reductions, is to be introduced in South Africa with effect from 1 January 2015. An exemption from the withholding tax applies to debt instruments listed on a recognised exchange. The Senior Notes constitute debt instruments, and the Irish Stock Exchange, with which we intend to file a listing application, qualifies as a recognised exchange. Consequently, interest paid on the Senior Notes should not be subject to the withholding tax. However, we cannot assure you that the Senior Notes will be, or will remain, listed on the Irish Stock Exchange or any other recognised exchange. If the Senior Notes are no longer listed on a recognised exchange, interest payments on the Senior Notes may be subject to a withholding tax in South Africa. In addition, the legislation relating to the withholding tax may be subject to further amendments before and after its expected implementation on 1 January 2015 and we cannot assure you that any such amendment will not be detrimental to you.

Payments on the Senior Notes are subject to the EU Savings Directive.

Under EC Council Directive 2003/48/EC on the taxation of savings income, each member state is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident or certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements related to information exchange with certain other countries). A number of non-EU countries and territories have adopted similar measures.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any other person would be obligated to pay additional amounts with respect to any Senior Note as a result of the imposition of such withholding tax.

Enforcing your rights as a holder of the Senior Notes or under the Senior Notes Guarantees across multiple jurisdictions may be difficult.

The Senior Notes will be issued by the Issuer and guaranteed by the Senior Notes Guarantors. Each of the Issuer and the Senior Notes Guarantors is organised under the laws of South Africa. In the event of bankruptcy, liquidation, insolvency or a similar event, proceedings could be initiated in South Africa or in the jurisdiction of incorporation or organisation (if other than South Africa) of a future Senior Notes Guarantor. Your rights under the Senior Notes and the Senior Notes Guarantees may thus be subject to the laws of multiple jurisdictions, and there can be no assurance that you will be able to effectively enforce your rights (including, but not limited to, obtaining repayment of your investment) in multiple bankruptcy, liquidation, insolvency or other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of your rights.

In addition, the bankruptcy, winding-up, insolvency, administrative and other laws of such jurisdictions of organisation may be materially different from, or in conflict with, one another and those in the United States or other jurisdictions with which you may be familiar in certain areas, including creditors’ rights, the priority of creditors, the ability to obtain payment of your claim and interest due to you and the duration of the insolvency proceedings. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction’s law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Senior Notes and Senior Notes Guarantees.

The laws of the jurisdiction in which the Issuer and the Senior Notes Guarantors are organised also limit their ability to provide financial assistance (as that term is contemplated in the South African Companies Act, No. 71 of 2008, as amended (the “New Companies Act”) without, amongst other things, the prior consent of the shareholders of the Issuer and the relevant Senior Notes Guarantor in the form of a special resolution. These limitations arise under sections 44 and 45 of the New Companies Act. If these limitations were not observed, the relevant agreement providing such financial assistance would be void. However, the Issuer and the relevant Senior Notes Guarantors have complied with the requirements of sections 44 and/or 45 (as the case may be) of the New Companies Act including, amongst other things, obtaining the requisite prior shareholder approval of respective shareholders to provide financial assistance (as that term is contemplated in the New Companies Act). Furthermore, although we have no reason to believe such financial assistance is not enforceable, there can be no assurance that a third-party creditor would not challenge such financial assistance and prevail in court.

The insolvency laws of South Africa may not be as favourable to you as the insolvency laws of other jurisdictions with which you may be familiar.

Ranking of claims

We are incorporated in South Africa and substantially all of our assets are located in South Africa. In the event of our liquidation, the claims of holders of Senior Notes would be subject to the insolvency laws of South Africa. The insolvency laws of South Africa may not be as favourable to you as the laws of other jurisdictions with which you may be familiar.

Under South African law, there are generally three types of creditors:

- secured creditors;
- preferred creditors; and
- concurrent creditors.

Secured creditors hold security for their claims against the debtor in the form of a special mortgage, landlord’s lien, pledge or right of retention. A secured creditor will be entitled to be paid out of the proceeds of its collateral subject to its security, after payment of costs, expenses and of any secured claim that ranks higher. If the proceeds from the encumbered property are insufficient to cover the secured creditor’s claim against a debtor entity such as the Issuer, the secured creditor will have a concurrent claim for the balance from the free residue in the estate of the debtor entity (i.e. that portion of the debtor’s estate which is not subject to a security interest or preferences), if any.

Preferred creditors are entitled to payment out of the free residue of a debtor's estate before concurrent creditors. The Insolvency Act, 1936 of South Africa (the "SA Insolvency Act") stipulates preferences in ranking of certain claims of preferred creditors, including, *inter alia*, salaries or remuneration of employees; statutory obligations, including workmen's compensation, customs and excise, unemployment insurance and value-added tax; income tax; and proved preferential claims arising from bonds that afford preferences but not security.

Concurrent creditors do not enjoy any advantage over other creditors of a debtor. Instead, they are paid out of the free residue of the debtor's estate after any preferred creditors have been paid. Concurrent creditors all rank equally. Should the free residue be insufficient to meet their claims each receives a pro rata portion of its claim by way of a cash dividend.

Insolvency procedures and reorganisations

The procedures available to wind up or reorganise companies under South African law are:

- winding-up;
- compromise with creditors; and
- business rescue.

Winding-up is discussed below. For a discussion on "compromise with creditors" and "business rescue", see "—The New Companies Act in South Africa has brought about significant changes to the corporate law of South Africa, including introducing a new regime of 'business rescue' for financially distressed companies, which affect the rights of creditors".

Winding-up

The Companies Act, no 61 of 1973 (as amended) (the "Old Companies Act"), the New Companies Act and the SA Insolvency Act govern the winding-up of companies in South Africa. Any creditor that has an unpaid claim of more than R100 or the debtor itself may present an application for winding up to the court if the debtor is deemed unable, or is actually unable to pay its debts as and when they become due. A company is deemed unable to pay its debts in certain specified instances, such as the failure by a debtor to pay a judgement debt.

Appointment of the liquidator. After the court has issued a winding-up order, a liquidator takes control of the debtor instead of its directors, who, in turn, are relieved of their powers to act as directors. The liquidator may be removed if he or she does not act in the best interests of the general body of creditors (he or she would, however, have to act with reckless disregard for the interests of the general body of creditors) or has acted in a dishonest manner, such as having misappropriated funds. The liquidator has certain primary functions. For example, the liquidator investigates the affairs of the debtor. The liquidator also takes control and possession of the assets of the debtor. Then the liquidator realises the assets of the debtor in order to pay creditors of the debtor from the proceeds received from the sale of such assets. The liquidator administers the debtor's affairs in order to finally wind up its affairs.

General procedure and realisation of secured assets. In general, upon the commencement of winding-up proceedings all creditors, including secured creditors, may not institute legal action to recover claims from the debtor. They must instead seek to prove a claim against the debtor. If the claim is proved and the liquidator accepts the claim then the creditor will share in the proceeds from the sale of assets (in accordance with the ranking referred to above). If not, the creditor would have to either institute or continue legal action, substituting the liquidator as a party in the litigation. Provided that the liquidator has not elected to take possession of the assets forming the subject matter of a creditor's security (as more fully described below), a secured creditor is entitled, prior to the date of the second creditors' meeting, to realise its security provided that all proceeds from such realisation will have to be paid over to the liquidator and such creditor will still be obligated to prove its claim, which will be paid to the extent of the realisation and following final liquidation, in the ordinary course (after deduction from such proceeds of those of the costs of sequestration for which the creditor concerned is responsible). Where the creditor has not realised its security prior to the second meeting of creditors, he or she is obligated to deliver the property to the liquidator who will realise the security, usually through a public auction of the entire business or parts of the business, taking into account the best interests of the secured creditor. There can be no assurance that a liquidator's realisation will be the same as that which a secured creditor might achieve on its own.

"Take over" of collateral by the liquidator. As an alternative to realisation of a secured creditor's collateral, the liquidator may, by agreement with the creditor, take possession and control of the property from the secured

creditor at a value agreed upon between the liquidator and the secured creditor or at the full amount of the creditor's claim.

Ongoing operations during liquidation. Regardless of whether the liquidator intends to take over the collateral of one or more creditors, it is possible for the liquidator to continue operating the debtor's business in order to facilitate a sale of the debtor or its assets as a going concern. A liquidator may arrange interim funding for the debtor that is paid as part of the costs of the execution process, provided that the liquidator is reasonably confident the sale process will yield sufficient proceeds at relevant times to repay such funding. Court approval is required for any secured borrowings by the debtor. Typically, a liquidator will require indemnification from creditors during the continuation of the debtor's business.

In addition to these court-driven procedures, debtors and their creditors are free to enter into a contractually sanctioned reorganisation of claims against the debtor if the creditors and the debtors agree.

Avoidance of claims. Under South African law, a number of pre-insolvency transactions, including granting security, can be set aside by a court. For example, a court may set aside certain dispositions of a debtor's property made prior to the commencement of winding-up proceedings.

Transactions not made for value. A court will set aside a disposition of the debtor's property if it was not made for value (as defined in the Insolvency Act), and if:

- the disposition was made within two years of the date of the provisional liquidation order and the petitioning party proves that, immediately after the disposition was made, the liabilities of the debtor exceeded its assets; or
- the disposition was made two years before the date of the provisional liquidation order and the person who benefited from the disposition is unable to prove that, immediately after the disposition was made, the assets of the debtor exceeded its liabilities.

It is not necessary to establish whether or not the insolvent party intended to prejudice creditors by making the disposition.

Preferences. South African law also makes provision for setting aside a disposition of the debtor's property if such disposition is made not more than six months before the date of the provisional liquidation order, such disposition has the effect of preferring one creditor over another and, if immediately after the making of such disposition, the liabilities of the debtor exceed the value of its assets. However, if the person in whose favour the disposition was made proves that the disposition was made in the ordinary course of business, being a disposition which would normally be entered into by solvent entities, and that the transaction was not intended to prefer one creditor above another, then such disposition may not be set aside.

South African law also provides that if a debtor makes a disposition of its property at any time when its liabilities exceed its assets, with the intention of preferring one of its creditors above another, and it is thereafter liquidated, the court may set aside the disposition.

In addition, South African law provides that any disposition by a debtor made prior to the date of a provisional liquidation order, in collusion with another person and in a manner that has the effect of prejudicing its creditors or of preferring one creditor over another, may be set aside. However, there is legal authority that states that in order for any transaction to be set aside under this provision, the transaction must have been concluded with a fraudulent intention.

Under South African common law, a disposition may be set aside where the creditors of the insolvent estate can prove that:

- the disposition reduces the assets of the company;
- the company and the entity in favour of whom the disposition was made had a common intention to defraud or prejudice the creditors of the insolvent party; and
- the prejudice to the insolvent party's creditors was caused by the fraud referred to above.

Dispositions without notice. South African law provides that if a company transfers a business belonging to it or the goodwill of that business or any goods or property forming part thereof (save in the ordinary course of business or for the purpose of securing the payment of a debt) and such company has not published a notice of the intended transfer in the Government Gazette within a period of not less than 30 and not more than 60 days prior to the date of such transfer, the transfer will be void as against the creditors of the seller for a period of six months after such transfer and, in addition, will be void against the trustee if the estate of the seller is liquidated within that time period.

If the Issuer were to experience financial difficulties, it is impossible to predict whether claims under the Senior Notes would be paid in full or at all, how long payments under the Senior Notes could be delayed and whether or to what extent holders of the Senior Notes would be compensated for any delay in payment under the Senior Notes. The ultimate recovery (if any) by holders of Senior Notes will depend on the value and nature of the assets and liabilities of the company in liquidation and numerous other factors, including those described above.

Fraudulent conveyance statutes under South African law may limit your rights as a holder of the Senior Notes to enforce the guarantees provided by the Senior Notes Guarantors.

Our obligations under the Senior Notes are guaranteed by the Senior Notes Guarantors, and the Senior Notes Guarantees may be subject to review under the "impeachable transactions" provisions of the laws of South Africa, where we conduct our operations.

If a company is wound up, it is possible that creditors of the Senior Notes Guarantors may challenge the Senior Notes Guarantees and intercompany obligations as impeachable transactions. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of such Senior Notes Guarantor's obligations under the Senior Notes Guarantees;
- direct that holders of the Senior Notes return any amounts paid under the Senior Notes Guarantees to such Senior Notes Guarantor or to a fund for the benefit of its creditors; or
- take other action that is detrimental to you.

If we cannot satisfy our obligations under the Senior Notes and the Senior Notes Guarantees are found to represent an impeachable transaction, we cannot assure you that we will ever be able to repay in full any amounts outstanding under the Senior Notes. In addition, the liability of any Senior Notes Guarantor under its Senior Notes Guarantee of the Senior Notes will be limited to the amount that will result in its Senior Notes Guarantee not constituting an impeachable transaction and there can be no assurance as to what standard a court would apply in making a determination of the maximum liability of such Senior Notes Guarantor under its Senior Notes Guarantee of the Senior Notes. For a description of certain impeachable transactions, see "—Enforcing your rights as a holder of the Senior Notes or under the Senior Notes Guarantees across multiple jurisdictions may be difficult".

The New Companies Act in South Africa has brought about significant changes to the corporate law of South Africa, including introducing a new regime of "business rescue" for financially distressed companies, which affects the rights of creditors.

The New Companies Act became effective on 1 May 2011. The New Companies Act repealed the Old Companies Act, with the exception of the provisions that deal with the winding-up and liquidation of insolvent companies (which will remain in effect until new insolvency legislation is enacted). The New Companies Act introduced significant changes to the corporate law of South Africa, to corporate actions, and to the responsibilities of directors.

Compromise with creditors

A compulsory compromise of claims between the debtor and its creditors (once approved by creditors as referred to below) is contemplated in section 155 of the New Companies Act. A compromise with creditors under the New Companies Act may be proposed by the board of directors or, if the company is being wound-up, by the liquidator. This differs from the position under section 311 of the Old Companies Act, which enabled a creditor or a shareholder, in addition to the board of directors or the liquidator, to propose a compromise with creditors. To become effective, the proposed compromise with creditors must be supported by a majority in number, representing at least 75% in value, of the creditors (or each relevant class of creditor) present and voting in person or by proxy, at a meeting called for that purpose.

A proposal or a compromise with creditors adopted in accordance with the provisions of section 155 of the New Companies Act may be submitted to the court by the company for an order approving the proposal. A court may sanction the compromise as set out in such proposal if it considers it "just and equitable to do so" having consideration to the facts (including the number of creditors present and voting) set out in the New Companies Act.

Since the New Companies Act does not place an obligation on a company to obtain court approval of the proposal, a view exists that it may be, possible that all dissenting creditors may be bound by the compromise notwithstanding the absence of a court order sanctioning the proposal. In terms of this view, provided that a majority in number representing 75% in value of the creditors approves the proposed compromise, the compromise will be binding on all dissenting minority creditors without any court scrutiny to ensure that the proposal is just and equitable. The contrary view is that the compromise can only be binding upon dissenting creditors if the compromise has been sanctioned by the court. Neither of these contrary propositions has yet been tested in court.

Business rescue

The New Companies Act introduced the concept of "business rescue", a concept similar to Chapter 11 bankruptcy proceedings in the United States. Business rescue allows a company that is "financially distressed" (defined as occurring where it seems reasonably unlikely that the company will be able to pay all of its debts as they become due and payable during the immediately ensuing six months or it seems reasonably likely that the company will become insolvent in the immediately ensuing six months) and which appears to have a "reasonable prospect" of rescue to avoid liquidation by implementing a business rescue plan. Business rescue proceedings may be instituted by the board of directors of the company (by way of a company resolution to that effect) or by any affected person (including a shareholder or creditor, registered trade union or employee), on application to court or by the court of its own accord at any time during the course of any liquidation proceedings or proceedings to enforce any security against the company.

After initiating business rescue proceedings, the board of directors or the court, as the case may be, must appoint a business rescue practitioner who will assume full management control of the company in substitution for its board and pre-existing management. The Companies and Intellectual Property Commission (the "Commission") appoints each business rescue practitioner upon application by the board of directors or by an application to the court by an affected person. However, directors are obligated to continue to exercise their functions, subject to the authority of the practitioner. The practitioner, after consultation with the creditors, other affected persons and the management of the company must prepare a business rescue plan for consideration and possible adoption at a meeting of creditors convened in accordance with the provisions of the New Companies Act listing, amongst other things, all details of the plan envisaged to rescue the company.

The company must publish a notice of the appointment of a practitioner to each affected person. The business rescue plan must be approved by creditors and, if the plan alters the rights of the holders of the company's securities, such holders must also approve the proposed business rescue plan. If not approved, the appointed business rescue practitioner may be required to revise the plan.

During a company's business rescue proceedings, the business rescue practitioner is empowered to suspend entirely, partially or conditionally any provision of an agreement to which the company is a party (other than an employment contract or an agreement to which section 35A or 35B of the Insolvency Act applies) at the commencement of the business rescue period.

A provision of an agreement relating to security granted by a company would, notwithstanding suspension of same by a practitioner, continue to apply for the purposes of the disposal of the asset forming the subject matter of such security in respect of any proposed disposal of property by the company.

These powers have significant implications for claims of, and security held by, creditors. A practitioner may, for example, have the power to suspend provisions relating to creditors' rights, while maintaining provisions relating to creditors' performance obligations; however, any cancellation of such provision of an agreement shall be subject to creditor and court approval.

During business rescue proceedings, a general moratorium is placed on legal proceedings against the company, and no legal action, including enforcement action, against the company, or in relation to property of the company, may be commenced except with, amongst other things, the written approval of the practitioner or the leave of the court. The only recourse provided for the affected creditor in the New Companies Act whose agreement with the company, or any provision thereof, has been suspended either entirely, partially or conditionally during the course of business rescue proceedings is to institute a claim for damages against the company.

The New Companies Act provides a degree of protection of property interests of a party that has security over, or title interest in, property held by the company. It states that if the company wishes to dispose of any property in which another person has any security over, or title interest in, the company (via the business rescue practitioner) must obtain the prior consent of that other person, unless the proceeds from the disposal would be sufficient to fully discharge the indebtedness protected by that person's security or the title interest and, following the disposal, either promptly pay to that person the sale proceeds attributable to that property up to the amount of the company's indebtedness to that other person or provide security for the amount of those proceeds, to the reasonable satisfaction of that other person.

Once under business rescue, claims against the company will rank as follows: (a) the practitioner's remuneration and expenses; (b) amounts due and payable to employees during business rescue proceedings; (c) post-commencement financing that is secured (in the order of preference in which they were incurred); (d) post-commencement financing that is unsecured (in the order of preference in which they were incurred); (e) secured financing that was incurred prior to the commencement of business rescue proceedings; (f) employees for any remuneration which became due and payable prior to the commencement of business rescue proceedings; (g) unsecured financing incurred prior to the commencement of business rescue proceedings; (h) all other unsecured claims against the company; and (i) shareholder claims against the company. No mention is made of secured claims prior to the commencement of the business rescue proceedings in this section of the New Companies Act. However, the New Companies Act does state that to the extent that the practitioner's remuneration and expenses are not fully paid, the practitioner's claim for those amounts will rank in priority before the claims of all other secured and unsecured creditors.

The business rescue regime is an entirely new regime and significant interpretive questions remain unanswered. Many of the important concepts remain untested and, as such, it is difficult to predict the ultimate impact of the regime.

Reckless trading

Under section 22 of the New Companies Act, a company is prohibited from carrying on its business recklessly, with gross negligence, with intent to defraud any person or for any fraudulent purpose or to trade under insolvent circumstances. Directors who allow their companies to trade under such circumstances may be held personally liable for any loss or damages sustained by the company as a consequence of allowing the company to trade recklessly or under insolvent circumstances. The Commission may issue a notice to a company where the Commission has reasonable grounds to believe that the company is carrying on its business in a reckless manner or under insolvent circumstances to show cause why the company should be permitted to continue carrying on its business. If the company to which the notice has been issued fails, within 20 business days, to satisfy the Commission that it is not engaging in reckless trading, the Commission is empowered to issue a compliance notice to the company requiring it to cease carrying on its business or trading.

Creditors under the Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes are entitled to be repaid from the proceeds of Collateral sold in any enforcement sale in priority to the holders of the Senior Notes and the value of such Collateral may not be sufficient to satisfy our obligations under the Senior Notes.

The SPV Guarantee in favour of the trustee and the hedging providers in respect of the hedging counterparties' obligations that may be entered into in respect of the Senior Notes will be supported, with respect to the same collateral, on an equal and rateable basis by the secured counter-indemnities provided by the Issuer and the Senior Notes Guarantors, and on a junior basis to the secured counter-indemnities that benefit the SPV Guarantee in favour of the lenders under the Super Senior Revolving Credit Facility and the holders of the 2016 Super Senior Secured ZAR Notes in respect of certain receivables and related asset security only. In the event of a foreclosure on the liens securing the counter-indemnities, any proceeds received from the sale of the Collateral would be distributed first to satisfy debt and obligations incurred under the Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes and thereafter to repay the obligations of the Issuer and the Senior Notes Guarantors under the Senior Notes and the Senior Notes Guarantees, respectively, as well as any other debt ranking on an equal and rateable basis in right of payment upon enforcement of the Collateral with the Senior Notes and the Senior Notes Guarantees, including the 2018 Senior Secured Notes, the ZAR Term Loan and the hedging providers under the Existing Hedging Arrangements.

No appraisals of the Collateral have been prepared by or on behalf of us in connection with the issuance of the Senior Notes. The amount of proceeds realised upon the enforcement of the Collateral will depend upon many factors including, amongst others, whether or not our business is sold as a going concern, the jurisdiction in which the enforcement action or sale is completed, the ability to readily liquidate the Collateral, the availability of buyers, the condition of the Collateral and exchange rates. Furthermore, there may not be any buyer willing and able to purchase our business as a going concern, or willing to buy a significant portion of our assets in the event of an enforcement action. Each of these factors could reduce the proceeds realised upon enforcement of the Collateral. Consequently there can be no assurance that the proceeds from the sale of the Collateral securing the Senior Notes and the Senior Notes Guarantees will be sufficient to satisfy the obligations of the Issuer and the Senior Notes Guarantors under the Senior Notes and the Senior Notes Guarantees, respectively. In addition, there can be no assurance that the Collateral could be sold in timely manner, if at all. See "Description of the Senior Notes—Pledge of Proceeds Loan".

The Collateral will not be granted directly to the holders of the Senior Notes.

The security interests in the Collateral will not be granted directly to holders of the Senior Notes. Instead, they will be granted to the SPV Guarantor (which will issue a limited recourse guarantee of the Senior Notes) as security for the Issuer's and the Senior Notes Guarantors' obligations under their counter-indemnities to the SPV Guarantor. The SPV Guarantor is described in "Description of the Senior Notes—Security—SPV Guarantor and the SPV Guarantee".

As a result, neither the trustee nor the holders of the Senior Notes will have the right to realise the collateral directly, but instead must, acting in accordance with the Intercreditor Agreement, instruct the SPV Guarantor (which must take any such action to realise the security). This indirect claim over the Collateral could delay or make more costly any realisation of the Collateral. Furthermore, because the Senior Notes Indenture and the Senior Notes will be governed by New York law and the SPV Guarantor, the guarantee and security arrangements will be governed by South African law, realisation may be further delayed by court proceedings in multiple jurisdictions or interpretation of foreign laws in a South African court proceeding. See "—The insolvency laws of South Africa may not be as favourable to you as the insolvency laws of other jurisdictions with which you may be familiar".

It may be difficult to realise the value of the Collateral securing the Senior Notes.

The collateral securing the Senior Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Senior Secured Indenture, the 2016 Indenture, the ZAR Term Loan Facility, the Super Senior Revolving Credit Facility and the Intercreditor Agreement. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the Senior Notes, as well as the ability of the SPV Guarantor to realise such collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, amongst others, the timely satisfaction of perfection requirements, statutory liens or recharacterisation under the laws of certain jurisdictions. The security interests will be subject to practical problems generally associated with the realisation of security interests in collateral. The SPV Guarantor may also need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the SPV Guarantor will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the SPV Guarantor may not have the ability to foreclose upon those assets, and the value of the collateral may decline significantly.

We may not be able to obtain enough funds to repurchase the Senior Notes if a change of control takes place.

A "change of control" is an event defined in the Senior Notes Indenture and includes certain changes in ownership or voting rights with respect to us. If a change of control occurs, holders of the Senior Notes may require us to purchase any or all of the Senior Notes at 101% of their principal amount together with accrued and unpaid interest. See "Description of the Senior Notes—Purchase of Senior Notes upon a Change of Control". We may not have enough money, however, to purchase the Senior Notes upon a change of control and may not be able to raise the money to do so. Furthermore, any such purchase by us will require the approval of South African exchange control authorities, which may not be obtained. Additionally, a change of control would be a prepayment event under the 2016 Super Senior Secured ZAR Notes, the ZAR Term Loan Facility and the Super Senior Revolving Credit Facility. If this results in an event of default under such facilities, the lenders under such facilities may accelerate such debt, which could also cause an event of default under the Senior Notes Indenture. Restrictions contained in the Senior Notes Indenture on a change of control may make it more difficult for others to obtain control over us. The change of control provisions may not protect you in a transaction in which we incur a large amount of debt, including a reorganisation, restructuring, merger or other similar transaction, because that kind of transaction may not involve any shift in voting power or beneficial ownership, or may not involve a shift large enough to trigger a change of control.

Our ability to continue as a going concern is dependent on the refinancing of a significant portion of our indebtedness and our future operating performance and ability to generate cash.

Management believe that our expected cash flows, together with the proceeds from this Offering, will be adequate to meet our expected financing needs. However, no assurance can be given that we will generate sufficient cash flow from operations, or that future borrowings will be available in an amount sufficient to enable us to service our indebtedness, including the Senior Notes, when due, to fund other capital requirements or any operating losses or to continue as a going concern. If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to reduce or delay our business activities and capital expenditure; sell assets; obtain additional indebtedness or equity capital; restructure or refinance all or a portion of our indebtedness, including the Senior Notes, on or before maturity; or forego opportunities such as acquisitions of other businesses.

The type, timing and terms of any of these alternatives depends on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that any future financing will be available to us at any given time or as to the reasonableness of the terms on which any future financing may be available. We cannot assure you that our current expectations of cash flow from operations (which will depend on numerous future factors and conditions, many of which are outside of our control) will be accurate. Such cash flow projections are merely estimates of future events and actual events will probably vary from current estimates, possibly materially. We cannot assure you that any additional financing will be available to us on commercially reasonable terms or at all.

In addition, although our condensed consolidated financial statements have been prepared on a going-concern basis in light of our assets, at fair value, exceeding our liabilities, pursuant to IFRS accounting principles, the Group’s liabilities exceed its assets.

The Issuer is a holding company and is dependent on payments from its subsidiaries, in order to be able to make payments on the Senior Notes.

The Issuer of the Senior Notes, is a holding company with no independent operations. All of its operations are conducted by its subsidiaries. As a result, the Issuer’s cashflow and its ability to service its indebtedness, including the ability to pay the principal and interest amount of the Senior Notes when due, will depend on the performance of its subsidiaries and the ability of those subsidiaries to distribute funds to the Issuer.

Transfers of the Senior Notes will be subject to certain restrictions.

We have not registered the Senior Notes under the U.S. Securities Act or any other securities laws. Therefore, you may not offer or sell the Senior Notes in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with all other securities laws. You should read the discussion under the headings “Notice to U.S. Investors” and “Notice to Non-U.S. Investors” for further information about the transfer restrictions that apply to the Senior Notes. It is your obligation to ensure that your offers and sales of Senior Notes within the United States and other countries comply with all applicable securities laws.

Investors in the Senior Notes may have difficulty bringing actions, and enforcing judgements, against us, our directors and our executive officers based on the civil liabilities provisions of the U.S. federal securities laws or other laws of the United States or any state thereof or the securities laws or other laws of other jurisdictions, as the case may be, in South Africa.

We are incorporated in South Africa. All of our senior managers reside in South Africa. Substantially all of our assets and the assets of these persons are located in South Africa. Although we will submit to the jurisdiction of New York courts in connection with this Offering, it may not be possible for investors to effect service of process within the United States upon us or upon our directors and officers, or to enforce against us any judgements obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States to the extent U.S. legal concepts do not have a corresponding concept under South African law (class action certification, for example). In addition, there is doubt as to the enforceability in South Africa in original actions of civil liabilities predicated solely upon the federal securities laws of the United States. See “Service of Process and Enforcement of Liabilities”.

The Senior Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until definitive registered Senior Notes are issued in exchange for book-entry interests in the Senior Notes, owners of the book-entry interests will not be considered owners or holders of the Senior Notes. Instead, the common depositary for Euroclear and Clearstream, or its nominee, will be the sole holder of the Senior Notes. Payments of principal, interest and other amounts owing on or in respect of the Senior Notes in global form will be made to The Bank of New York Mellon (as Principal Paying Agent for the Senior Notes), which will make payments to the common depositary, which will in turn distribute payments to Euroclear and Clearstream. Thereafter, payments will be made by Euroclear and Clearstream to participants in these systems and then by such participants to indirect participants. After payment to the common depositary, neither we, the trustee nor the paying agent will have any responsibility or liability for any aspect of the records relating to, or payments of, interest, principal or other amounts to Euroclear and Clearstream, or to owners of book-entry interests.

Unlike holders of the Senior Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations, consents or requests for waivers or other actions from holders of the Senior Notes that we may choose to make in the future. Rather, owners of book-entry interests will be permitted to act only to the extent that they have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any such solicitations or requests for actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Senior Notes Indenture, owners of book-entry interests will be restricted to acting through Euroclear and Clearstream. We cannot assure you that the procedures to be implemented through Euroclear and Clearstream will be adequate to ensure the timely exercise of rights under the Senior Notes. See “Description of Book-Entry System”.

You may face foreign exchange risks or tax consequences by investing in the Senior Notes.

The Senior Notes are denominated and payable in euro. If you are a U.S. investor, an investment in the Senior Notes will entail foreign exchange-related risks due to, amongst other factors, possible significant changes in the value of the euro relative to the U.S. dollar owing to economic, political and other factors over which we have no control. Depreciation of the euro against the U.S. dollar could cause a decrease in the effective yield of the Senior Notes below their stated coupon rates and could result in a loss to you on a U.S. dollar basis. Investment in the Senior Notes by U.S. holders (as defined in “Certain Tax Considerations—Certain U.S. Federal Income Tax Consequences to U.S. Holders”) may also have important tax consequences. See “Certain Tax Considerations—Certain U.S. Federal Income Tax Consequences to U.S. Holders”.

Holders will not be paid additional amounts with respect to any withholding taxes under FATCA.

The Foreign Account Tax Compliance Act (generally referred to as “FATCA”), when applicable, will impose a U.S. federal withholding tax of 30% on certain payments, including “pass-thru” payments to certain persons if the payments are attributable to assets that give rise to U.S. source income or gain, unless such person complies with certain certification and information reporting requirements. FATCA, as enacted, generally applies to debt instruments issued after 18 March 2012. Official guidance extends the grandfathering date and provide that FATCA generally will not apply to debt instruments that are outstanding on 1 July 2014, including the Senior Notes, unless such instruments are subject to a “significant modification” after that date. Accordingly, FATCA should only apply to the Senior Notes in the event of a significant modification of the Senior Notes for U.S. federal income tax purposes. If withholding is required, we (and any paying agent) will not be required to pay additional amounts with respect to the amounts so withheld.

The application of FATCA to interest, principal or other amounts paid with respect to the Senior Notes and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions have entered into, or have announced their intention to enter into, intergovernmental agreements (or similar mutual understandings) with the United States, which modify the way in which FATCA applies in their jurisdictions. The full impact of such agreements (and the laws implementing such agreements in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with applicable law in their jurisdiction. It is not yet certain how the United States and the jurisdictions which enter into intergovernmental agreements will address withholding on “foreign passthru payments” (which may include payments on the Senior Notes) or if such withholding will be required at all.

Investors should consult their own advisors about the application of FATCA.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Senior Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Senior Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgement, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Senior Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financing and could adversely affect the value and trading of the Senior Notes.

An active liquid trading market for the Senior Notes may not develop.

The Senior Notes are a new class of securities that have never been traded. We have applied for the listing of the Senior Notes on the Official List of the Irish Stock Exchange to be admitted to trading on its Global Exchange Market. However, we cannot assure you that the Senior Notes will be listed on any exchange at the time the Senior Notes are delivered to the Initial Purchasers or at any other time. The Initial Purchasers have informed us that they intend to make a market in the Senior Notes. However, they are not obligated to do so, and may discontinue such market-making at any time without notice. There can be no assurance that an active trading market for the Senior Notes will develop, or if one does develop, that it will be sustained.

Historically, the market for non-investment grade debt has been highly volatile in terms of price. It is possible that the market for the Senior Notes will also be volatile. This volatility in price or other factors may affect your ability to resell your Senior Notes or the timing of their sale.

USE OF PROCEEDS

We expect the gross cash proceeds from this Offering of the Senior Notes to be approximately €425 million. We intend to use the net proceeds from this Offering to repurchase the 2015 Senior Notes tendered pursuant to the Tender Offer and/or to fund the 2015 Senior Notes Redemption. We will deposit any proceeds from the Offering not used to repurchase 2015 Senior Notes pursuant to the Tender Offer (the "Escrowed Proceeds") in an escrow account pledged in favour of the Trustee. The Escrowed Proceeds, if any, will be released from escrow to settle the redemption price payable pursuant to the 2015 Senior Notes Redemption on or about the 30th day after the Issue Date. The following table sets out our expected sources and uses of funds in connection with the transactions:

Sources of Funds	Rand(1)	Euro(1)	Uses of Funds	Rand(1)	Euro(1)
	(in millions)			(in millions)	
Senior Notes offered hereby.........	5,759	425	2015 Senior Notes Refinancing(2) .	5,122	378
			Repayment of Super Senior Revolving Credit Facility...........	339	25
			Accrued interest and tender premium	55	4
			Estimated fees and expenses(3)	243	18
Total sources	**R5,759**	**€425**	**Total uses...................................**	**R5,759**	**€ 425**

(1) We have translated euro and rand amounts relating to the proceeds from this Offering and the application of such proceeds based on an exchange rate of € 1 = R13.55, the Bloomberg Composite Rate as at 30 October 2013.

(2) Assumes all of the 2015 Senior Notes are repurchased pursuant to the Tender Offer or redeemed pursuant to the 2015 Senior Notes Redemption. Completion of the Tender Offer is conditioned upon the completion of this Offering. If applicable, we intend to notify the 2015 Senior Notes Redemption to the trustee for the 2015 Senior Notes on or about the Issue Date. If the sum of the net proceeds of the Senior Notes exceeds the amount of 2015 Senior Notes tendered pursuant to the Tender Offer, then the Issuer shall, on or about the Issue Date, (x) give irrevocable notice in accordance with the 2015 Senior Indenture to redeem the 2015 Senior Notes in an amount not less than such excess and (y) fund the proceeds of the issuance of the Senior Notes not used to purchase 2015 Senior Notes tendered in the Tender Offer into an escrow account, which proceeds shall be released only on the redemption date for the 2015 Senior Notes Redemption.

(3) Reflects our estimate of fees and expenses in connection with this Offering and the Tender Offer.

You should read "Capitalisation", "Description of Certain Other Indebtedness" and "Description of the Senior Notes" for a more detailed description of our capitalisation and financing arrangements.

CAPITALISATION

The following table sets out the cash and cash equivalents and capitalisation as at 29 June 2013 on a consolidated basis:

- on an actual basis, derived from our historical financial information included elsewhere in this Offering Memorandum; and
- as adjusted to give effect to the Pro Forma Transactions and the Refinancing Transactions.

You should read this table together with “Use of Proceeds”, “Management’s Discussion and Analysis of Financial Condition and Results of Operation”, “Description of Certain Other Indebtedness”, “Selected Historical Consolidated Financial Information and Other Data” and our audited historical financial statements on a consolidated basis, including the related notes, included elsewhere in this Offering Memorandum.

	As at 29 June 2013[1]			
	Actual	**Adjustments**	**As adjusted for Refinancing Transactions**	
			(in millions) (unaudited)	
Corporate cash and cash equivalents	**R 480**		**R 480**	**€ 37**
Debt (net of capitalised issuance costs):				
Super Senior Revolving Credit Facility[2]	R 510	R (322)	R 189	€ 15
2016 Super Senior Secured ZAR Notes	1,010		1,010	79
2018 Senior Secured Notes	10,038		10,038	781
Deferred Option Premium[3]	583		583	45
Finance leases	304		304	24
ZAR Term Loan	3,986		3,986	310
Total senior secured corporate debt[6]	**16,431**		**16,110**	**1,253**
2015 Senior Notes[4]	4,820	(4,820)	—	—
Senior Notes offered hereby[5]	—	5,466	5,466	425
Zimbabwe Term Loans	176		176	14
Total corporate debt[6]	**21,427**		**21,751**	**1,691**
Total equity and Subordinated Shareholder Loan[7]	**(1,169)**		**(1,169)**	**(91)**
Total capitalisation	**R 20,258**		**R 20,582**	**€ 1,600**

(1) We have translated euro and rand amounts in this table based on an exchange rate of €1 = R12.86, the exchange rate used in our unaudited interim condensed consolidated financial statements as at 29 June 2013.

(2) As at 28 September 2013, R1,406 million of our Super Senior Revolving Credit Facility was drawn.

(3) Represents the net present value of the fees payable in connection with certain hedging instruments.

(4) Net of R41 million (€3 million) of capitalised issuance costs. Assumes all of the 2015 Senior Notes are repurchased pursuant to the Tender Offer or redeemed pursuant to the 2015 Senior Notes Redemption. See “Use of Proceeds”. Completion of the Tender Offer is conditioned upon the completion of this Offering.

(5) Represents € 425 million principal amount and does not reflect any capitalised issuance costs.

(6) Total senior secured corporate debt and total corporate debt excludes the impact of net derivative positions. As at 29 June 2013, Edcon had a net derivative asset of R1,394 million.

(7) As at 29 June 2013, the Subordinated Shareholder Loan from LuxCo to the Issuer had a principal outstanding amount of R8,949 million (696 million). Total equity and Subordinated Shareholder Loan is not adjusted for costs and expenses relating to the Pro Forma Transactions or the Refinancing Transactions. See “Related Party Transactions—Subordinated Shareholder Loan”.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information gives effect to the following transactions (together, the "Pro Forma Transactions"):

- the entry into our new strategic relationship with Absa, which was completed on 1 November 2012, pursuant to which, from such date, Absa provides credit to our private label store card customers;
- the sale of R8.7 billion in receivables under our private label store card programme, which was completed on 1 November 2012 and the repayment in full of the R4.3 billion receivables-backed notes issued by OtC to finance our OtC Securitisation Programme;
- the sale of R461 million and R126 million (finalised at R114 million) of receivables under our private label store card programme completed on 30 April 2013 and 30 June 2013, respectively;
- the anticipated sale of the remainder of our private label store card receivables portfolio, in an aggregate amount of R689 million as at 30 June 2013 (R803 million as at the date of our first quarter 2014 financial statements), which we expect to complete in fiscal year 2014;
- the winding down of the remaining unsold portion of the South African private label store card portfolio not sold to Absa (R23 million as at the date of our first quarter 2014 financial statements); and
- cost savings for (a) corporate and operational overhead reductions of R85 million, which represents the actual payroll costs incurred for LTM 2013 in respect of the restructuring; and (b) renegotiation of pricing on marketing contracts; IT consulting contracts; telecommunication rates, as well as changes in our profit share with our Hollard Insurance joint operation, amounting to aggregate expected cost savings of R141 million.

It does not give effect to the Refinancing Transactions.

As described below, the unaudited pro forma condensed consolidated financial information is presented based on historical financial information of the Issuer included elsewhere in this Offering Memorandum and prepared in accordance with the basis of preparation described in "—Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information". The unaudited pro forma condensed consolidated statement of comprehensive income for fiscal year 2013 have been derived from the audited consolidated financial statements of the Issuer as at and for fiscal year 2013, included elsewhere in this Offering Memorandum. Such financial statements were prepared in accordance with IFRS. The unaudited pro forma condensed consolidated statement of comprehensive income for first quarter 2014 and the unaudited pro forma consolidated statement of financial position as at 29 June 2013 have been derived from the unaudited consolidated interim financial statements of the Issuer as at and for first quarter 2014, included elsewhere in this Offering Memorandum. Such financial statements were prepared in accordance with IFRS.

The unaudited pro forma condensed consolidated statement of comprehensive income information gives effect to the Pro Forma Transactions as if each had occurred on 31 March 2013. The unaudited pro forma condensed consolidated statement of financial position information gives effect to the Pro Forma Transactions as if each had occurred on 29 June 2013. The unaudited pro forma condensed consolidated financial information has not been prepared in accordance with the requirements of the Prospectus Directive or any generally accepted accounting standards. The unaudited pro forma condensed consolidated financial information has been prepared in accordance with the basis of preparation described in ''—Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information". The pro forma disposal and financing adjustments described in notes 3 and 4 are based on available information and certain assumptions made by our management believed to be reasonable under the circumstances.

The unaudited pro forma condensed consolidated financial information is for informational purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial position that the Issuer would have reported had the Pro Forma Transactions been completed as at 31 March 2013 or 29 June 2013, as applicable, and should not be taken as indicative of the Issuer's future consolidated results of operations or financial position. The actual results may differ significantly from those reflected in the unaudited pro forma condensed consolidated financial information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the unaudited pro forma condensed consolidated financial information and actual amounts. While the unaudited pro forma condensed consolidated financial information has been derived from historical financial information prepared in accordance with IFRS, the unaudited pro forma condensed consolidated financial information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act") or IFRS.

Neither the unaudited adjustments nor the resulting unaudited pro forma financial information have been prepared in accordance with IFRS. In evaluating the pro forma financial information, you should carefully consider our audited historical consolidated financial statements included elsewhere in this Offering Memorandum.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with the information contained in “Use of Proceeds”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical financial statements of the Issuer included elsewhere in this Offering Memorandum.

Edcon Holdings Limited

Unaudited Pro Forma Condensed Consolidated Statement of Comprehensive Income for the Fiscal Year 2013

	Historical (Note 2)	Adjustments	Note 3	Pro Forma	Pro Forma
			(in millions)		
Revenue	**R26,719**	**R135**	**(a)**	**R26,854**	**€2,451**
Retail sales	25,169			25,169	2,297
Cost of sales	(15,985)			(15,985)	(1,459)
Gross profit	**9,184**			**9,184**	**838**
Trading profit	**1,363**	**(293)**	**(b)**	**1,070**	**98**
Loss before net financing costs	**(1,107)**	**(293)**	**(b)**	**(1,400)**	**(128)**
Net financing costs	(3,013)			(3,013)	(275)
Loss before taxation	**(4,120)**	**(293)**	**(b)**	**(4,413)**	**(403)**
Taxation	(1,107)	82	(c)	(1,025)	(93)
Loss for the period from continuing operations	**(5,227)**	**(211)**		**(5,438)**	**(496)**
Profit for the period from discontinued operations	**199**	**(199)**			
Profit before tax	277	(277)	(d)	—	—
Taxation	(78)	78	(c)	—	—
Loss for the period	**R(5,028)**	**R(410)**		**R(5,438)**	**€(496)**

See "—Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information". For convenience purposes, amounts in rand have been converted into euro at the rate of R10.9567 = €1.00, which represents the average Bloomberg Composite Rate for the 52-weeks ended 30 March 2013.

Edcon Holdings Limited

Unaudited Pro Forma Condensed Consolidated Statement of Comprehensive Income for the first quarter 2014

	Historical (Note 2)	Adjustments	Note 3	Pro Forma	Pro Forma
			(in millions)		
Revenue	**R6,615**	**R7**	**(a)**	**6,622**	**535**
Retail sales	6,205			6,205	502
Cost of sales	(3,793)			(3,793)	(307)
Gross profit	**2,412**			**2,412**	**195**
Trading profit	**396**	**(3)**	**(b)**	**393**	**32**
Loss before net financing costs	**(280)**	**(3)**	**(b)**	**(283)**	**(23)**
Net financing costs	(613)			(613)	(50)
Loss before taxation	**(893)**	**(3)**	**(b)**	**(896)**	**(73)**
Taxation	192	1	(c)	193	16
Loss for the period from continuing operations	**(701)**	**(2)**		**(703)**	**(57)**
Loss after taxation for the period from discontinued operations	**(11)**	**11**		**—**	**—**
Loss before tax	(15)	15	(d)	—	—
Taxation	4	(4)	(c)	—	—
Loss for the period	**R(712)**	**R9**		**R(703)**	**€(57)**

Historical (Note 2)	Adjustments	Note 3	Pro Forma	Pro Forma
		(in millions)		

See "—Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information". For convenience purposes, amounts in rand have been converted into euro at the rate of R12.3685 = €1.00, which represents the average Bloomberg Composite Rate for the 13 weeks ended 29 June 2013.

Edcon Holdings Limited

Unaudited Pro Forma Condensed Statement of Financial Position
As at 29 June 2013

	Historical (Note 2)	Adjustments	Note 4	Pro Forma	Pro Forma
			(in millions)		
ASSETS					
Non-current assets					
Properties, fixtures, equipment and vehicles	R2,745			R2,745	€ 213
Intangible assets	16,622			16,622	1,293
Employee benefit asset	129			129	10
Derivative financial instruments	734			734	57
Deferred tax	11			11	1
Total non-current assets	**20,241**			**20,241**	**1,574**
Current assets					
Inventories	3,852			3,852	300
Trade receivables	215	(23)	(a)	191	15
Other receivables and prepayments	458			458	36
Derivative financial instruments	800			800	62
Cash and cash equivalents	480	826	(b)	1,307	102
Asset classified as held for sale	803	(803)	(c)	—	—
Total current assets	**6,608**	**—**		**6,608**	**515**
TOTAL ASSETS	**R26,849**	**R —**		**R26,849**	**€ 2,089**
EQUITY & LIABILITIES					
Equity attributable to shareholders					
Total equity	(1,991)			(1,991)	(155)
Shareholder loan	822			822	64
Total equity and shareholder's loan	**(1,169)**			**(1,169)**	**(91)**
Non-current liabilities—third parties					
Interest bearing debt	19,990			19,990	1,554
Deferred option premium	274			274	21
Finance lease liability	270			270	21
Lease equalisation	446			446	35
Derivative financial instruments	—			—	—
Employee benefit liability	187			187	15
Deferred tax	345			345	27
Deferred revenue	86			86	7
Total non-current liabilities excluding shareholder loan	**21,598**			**21,598**	**1,680**
Current liabilities					
Interest bearing debt	550			550	43
Deferred option premium	309			309	24
Finance lease liability	34			34	3
Current taxation	34			34	3
Deferred Revenue	108			108	8
Derivative financial instruments	140			140	11
Trade & other payables	5,245			5,245	408
Total current liabilities	**6,420**	**—**		**6,420**	**500**
TOTAL EQUITY & LIABILITIES	**R26,849**	**R —**		**R26,849**	**€ 2,089**

See "—Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information". For convenience purposes, amounts in rand have been converted into euro at the rate of R12.86 = €1.00, which represents the exchange rate used in our financial statements as at 29 June 2013.

Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information
Edcon Holdings Limited

Note 1—Basis of pro forma presentation

Assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the pro forma financial information.

The unaudited pro forma adjustments are based on available information and certain assumptions that we believe are reasonable. The following adjustments give pro forma effect to events that are: (1) directly attributable to the Pro Forma Transactions; (2) factually supportable; and (3) with respect to the statement of comprehensive income, expected to have a continuing impact on our results.

Note 2—Historical Financial Information of Edcon Holdings Limited

The historical financial information has been derived from:

(a) the audited consolidated financial statements of the Issuer as at and for fiscal year 2013, prepared in accordance with IFRS, included elsewhere in this Offering Memorandum.

(b) the unaudited condensed consolidated financial statements of the Issuer as at and for first quarter 2014, prepared in accordance with IFRS, included elsewhere in this Offering Memorandum.

Note 3—Pro Forma Adjustments to the Statement of Comprehensive Income

(a) Corresponds to the elimination of finance charges on trade receivables recorded by Edcon in connection with our private label store card programme over the respective periods that is attributable to receivables that had not yet been sold at the end of first quarter 2014 plus the addition of an estimated net administrative fee chargeable by us to Absa under our new strategic relationship equal to the amount we would have earned if 100% of the remaining receivables had been sold to Absa.

(b) Corresponds to the elimination of the net profit earned on the trade receivables that had not yet been sold at the end of first quarter 2014 plus the addition of an estimated net administrative fee chargeable by us to Absa under our new strategic relationship equal to the amount we would have earned if 100% of the remaining receivables had been sold to Absa. As the winding up of our OtC Securitisation Programme was completed on 1 November 2012, there is also an adjustment for any OtC related amounts in fiscal year 2013.

(c) Corresponds to the net tax impact of each of the Pro Forma Transactions.

(d) Corresponds to the reversal of the discontinued operation profit/loss for the sale of 100% of our trade receivables to Absa and reversal of any remaining amounts relating to OtC for fiscal year 2013.

Note 4—Pro Forma Adjustments to the Statement of Financial Position

(a) Corresponds to the winding down of the remaining unsold portion of the South African private label store card portfolio not sold to Absa in the trade receivables.

(b) Corresponds to the total cash proceeds from the sale of our private label store card portfolio not sold to Absa in trade receivables.

(c) Corresponds to the sale of the remainder of our private label store card receivables portfolio in assets classified as held-for-sale.

Note 5—EBITDA and Adjusted EBITDA Reconciliation

The following table reconciles operating loss after tax (excluding OtC) to pro forma EBITDA and pro forma Adjusted EBITDA.

	52 weeks ended 30 March 2013	13 weeks ended 29 June 2013	52 weeks ended 29 June 2013[(1)]
Operating loss after tax	**R(5,128)**	**R(712)**	**R(5,613)**
Taxation	1,138	(196)	1,040
Net financing costs	2,820	613	2,755
Depreciation and amortisation	1,049	268	1,052
Corporate EBITDA	**(121)**	**(27)**	**(766)**
Net fair value movement on notes and associated derivatives	2,005	676	2,493
Impairment of intangible assets	386	—	386
Net asset write-off	22	—	8
Transitional projects-related expenditure	599	66	609
Advisory fees relating to refinancing transactions	87	—	87
MasterCard termination receipt	(141)	—	2
Adjusted Corporate EBITDA	**2,837**	**715**	**2,819**
Consolidation adjustments for OtC	419	—	375
Adjusted EBITDA	**3,256**	**715**	**3,194**
Net income from previous card programme	(738)	3	(490)
Net income from new card programme	167	9	114
Permanent Adjustments			226
Pro Forma Adjusted EBITDA	**R2,685**	**R727**	**R3,044**

(1) Consistent with IFRS 10 (consolidated financial statements), which became effective for financial periods beginning on or after 1 January 2013, we began consolidating the results of Edgars Zimbabwe, a 39%-owned company, beginning with the 13 weeks ended 29 June 2013 (i.e., first quarter 2014). Our consolidated financial statements for first quarter 2014 restate our results for the 13 weeks ended 30 June 2012 (i.e., first quarter 2013) to include the results of Edgars Zimbabwe. In addition, our results for the 12 months ended 29 June 2013 (i.e., LTM 2013) include the results of Edgars Zimbabwe. Edgars Zimbabwe contributes less than 5% of our Adjusted EBITDA and comprises less than 5% of total Group assets on a consolidated basis. Accordingly, in light of the negligible impact of our consolidation of Edgars Zimbabwe, we have not made adjustments to our historical consolidated financial information for fiscal year 2011, 2012 and 2013.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following tables present selected historical consolidated financial information and other data for the Issuer for the periods ended and as at the dates indicated therein.

Our selected historical financial information as at and for fiscal years 2011, 2012 and 2013, unless otherwise specified, has been derived from the Issuer's audited historical consolidated financial statements as at and for fiscal years 2011, 2012 and 2013 included elsewhere in this Offering Memorandum. Those financial statements have been audited by Ernst & Young Inc., South Africa, as stated in their reports thereon also included elsewhere in this Offering Memorandum. When used in this Offering Memorandum in relation to any year, "fiscal year" means the fiscal year ended on the Saturday of that year closest to 31 March of that year.

Our selected historical financial information as at and for first quarter 2013 and first quarter 2014 has been derived from the Issuer's unaudited interim condensed consolidated financial statements for first quarter 2014 in a meaningful way. "first quarter 2013" and "first quarter 2014", when used in this Offering Memorandum, mean the first quarter periods ended 30 June 2012 and 29 June 2013, respectively.

Our selected historical financial information as at and for the 52 weeks ended 29 June 2013 has been derived by adding the unaudited historical financial information for first quarter 2014 to the unaudited historical financial information for fiscal year 2013, adjusted for the consolidation of Edgars Zimbabwe, and subtracting our unaudited historical financial information for first quarter 2013. These data have been prepared for illustrative purposes only and are not prepared in the ordinary course of our financial reporting. Such compilation has not been audited or reviewed.

Consistent with IFRS 10 (consolidated financial statements), which became effective for financial periods beginning on or after 1 January 2013, we began consolidating the results of Edgars Zimbabwe, a 39%-owned company, beginning with the 13 weeks ended 29 June 2013 (i.e., first quarter 2014). Our consolidated financial statements for first quarter 2014 restate our results for the 13 weeks ended 30 June 2012 (i.e., first quarter 2013) to include the results of Edgars Zimbabwe. In addition, our results for the 12 months ended 29 June 2013 (i.e., LTM 2013) include the results of Edgars Zimbabwe. Edgars Zimbabwe contributes less than 5% of our Adjusted EBITDA and comprises less than 5% of total Group assets on a consolidated basis. Accordingly, in light of the negligible impact of our consolidation of Edgars Zimbabwe, we have not made adjustments to our historical consolidated financial information for fiscal year 2011, 2012 and 2013.

You should read the selected historical consolidated financial information and other data presented below in conjunction with the information contained in "Presentation of Information—Financial data", "Risk Factors", "Capitalisation", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, including the related notes, included elsewhere in this Offering Memorandum. Historical results are not indicative of future expected results. In addition, our results for first quarter 2014 should not be regarded as indicative of our expected results for fiscal year 2014.

OntheCards Investments II Proprietary Limited and OntheCards Investments Limited

We terminated our OtC Securitisation Programme on 31 October 2012 and on 1 November 2012 sold R8.7 billion aggregate amount of receivables, representing 88% of the related net receivables to Absa. No receivables remain in OtC from fiscal year 2013 and any outstanding receivables under the OtC Securitisation Programme have been transferred to Edcon as at 1 November 2012 and any outstanding debt repaid with proceeds from fiscal year 2013. See "Presentation of Information—Non-IFRS financial measures". The assets, liabilities and results of OtC I and OtC II, the entities that purchased our receivables pursuant to the OtC Securitisation Programme, are fully consolidated into our consolidated financial statements for fiscal years 2011, 2012 and 2013, respectively, because we are deemed to control OtC I and OtC II within the meaning of IFRS. Because we sold our receivables under our OtC Securitisation Programme on a non-recourse basis, we retained no rights to such receivables. In addition, no creditors of either OtC I or OtC II have any recourse against us or any of our other consolidated subsidiaries. Further, neither OtC I nor OtC II has any recourse against any of our consolidated subsidiaries pursuant to the terms of our OtC Securitisation Programme.

	Re-presented*						
	52 weeks ended 2 April 2011	**52 weeks ended 31 March 2012**	**52 weeks ended 30 March 2013**	**13 weeks ended 30 June 2012(3)**	**13 weeks ended 29 June 2013(3)**	**52 weeks ended 29 June 2013(3)**	**52 weeks ended 29 June 2013(2)**
				(in millions)			
Income statement data(1)							
Revenues	R 23,844	R 25,925	R 26,719	R 6,320	R 6,615	R 27,534	€ 2,378
Retail sales(4)	22,716	24,664	25,169	6,013	6,205	25,862	2,233
Cost of sales	(14,332)	(15,642)	(15,985)	(3,735)	(3,793)	(16,297)	(1,407)
Gross profit	**R 8,384**	**R 9,022**	**R 9,184**	**R 2,278**	**R 2,412**	**R 9,565**	**€826**
Other income(5)	581	719	774	158	243	877	76
Store costs	(4,348)	(4,622)	(4,990)	(1,207)	(1,295)	(5,164)	(446)
Other operating costs(6)	(3,229)	(3,830)	(4,271)	(821)	(1,138)	(4,699)	(406)
Income from joint operations	487	541	666	150	174	690	60
Trading profit	**R 1,875**	**R 1,830**	**R 1,363**	**R 558**	**R 396**	**R 1,269**	**€110**
Derivative (loss)/gain	(2,343)	(10)	(897)	1	323	(575)	(50)
Foreign exchange gain/(loss)	230	(680)	(1,108)	(189)	(999)	(1,918)	(166)
Discount on repurchase of senior secured notes	—	36	—	—	—	—	—
Fees incurred on funding facilities	(10)	—	—	—	—	—	—
Impairment of brands and goodwill	—	(126)	(465)	—	—	(465)	(40)
Profit/(loss) before financing costs	**R (248)**	**R 1,050**	**R (1,107)**	**R 370**	**R (280)**	**R (1,689)**	**€(146)**
Finance income	60	68	114	11	6	110	9
Profit before financing costs	**R (188)**	**R 1,118**	**R (993)**	**R 381**	**R (274)**	**R (1,579)**	**€(137)**
Financing costs	(2,557)	(3,756)	(3,127)	(783)	(619)	(2,980)	(257)
Loss before taxation	**R (2,745)**	**R (2,638)**	**R (4,120)**	**R (402)**	**R (893)**	**R (4,559)**	**€(394)**
Taxation	713	176	(1,107)	121	192	(1,050)	(91)
Loss for the period from continuing operations	**R (2,032)**	**R (2,462)**	**R (5,227)**	**R (281)**	**R (701)**	**R (5,609)**	**€(485)**
Discontinued operations							
Profit (loss) after tax for the period from discontinued operations	389	463	199	68	(11)	120	10
Loss for the period	**R (1,643)**	**R (1,999)**	**R (5,028)**	**R (213)**	**R (712)**	**R (5,489)**	**€(475)**
Cash flow data(1)(7)							
Operating cash inflow before changes in working capital	R 3,622	R 3,691	R 2,907	R 1,064	R 698	R 2,633	€ 227
Working capital movement	(69)	(1,603)	8,447	355	497	8,559	739
Cash inflow from operating activities	3,553	2,088	11,354	1,419	1,195	11,192	966
Net cash outflow from investing activities	(374)	(694)	(769)	(198)	(248)	(836)	(72)
Net cash (outflow)/inflow from financing activities	250	447	(8,120)	(546)	(978)	(8,510)	(735)
Increase/(decrease) in cash and cash equivalents	1,201	(1,232)	(415)	39	(235)	(640)	(55)

	At 2 April 2011	**At 31 March 2012**	**At 30 March 2013**	**At 29 June 2013**	**At 29 June 2013(2)**
			(in millions)		
Financial position data(1)					
Cash and cash equivalents	R 2,315	R 1,083	R 669	R 480	€ 37
Working capital	7,712	9,294	724	83	6
Total assets	35,329	36,354	26,696	26,849	2,088
Total debt at unhedged rates	22,440	26,763	20,906	20,844	1,621
Total net debt including cash and derivatives	23,349	26,068	19,514	19,553	1,520
Total equity and shareholder's loan	4,760	3,527	(715)	(1,169)	(91)

* The selected historical financial information has been derived from the comparative period in the Issuer's audited consolidated financial statements as at and for the fiscal year 2013, where such comparative numbers have been re-presented to take into account the discontinued operation for the trade accounts receivable classified as held-for-sale in the Issuer's consolidated statement of financial position for fiscal year 2013.

(1) Except as otherwise indicated, figures presented in the summary financial statements above include the impact of consolidating OtC.

(2) For your convenience, rand amounts relating to income statement data and cash flow data have been translated into euro at an exchange rate of R11.58= € 1.00, which represents the average Bloomberg Composite Rate for the 12 months ended 29 June 2013. Rand amounts relating to financial position data have been translated into euro at an exchange rate of R12.86= € 1.00, which represents the exchange rate used in our financial statements as at 29 June 2013.

(3) Consistent with IFRS 10 (consolidated financial statements), which became effective for financial periods beginning on or after 1 January 2013, we began consolidating the results of Edgars Zimbabwe, a 39%-owned company, beginning with the 13 weeks ended 29 June 2013 (i.e., first quarter 2014). Our consolidated financial statements for first quarter 2014 restate our results for the 13 weeks ended 30 June 2012 (i.e., first quarter 2013) to include the results of Edgars Zimbabwe. In addition, our results for the 12 months ended 29 June 2013 (i.e., LTM 2013) include the results of Edgars Zimbabwe. Edgars Zimbabwe contributes less than 5% of our Adjusted EBITDA and comprises less than 5% of total Group assets on a consolidated basis. Accordingly, in light of the negligible impact of our consolidation of Edgars Zimbabwe, we have not made adjustments to our historical consolidated financial information for fiscal year 2011, 2012 and 2013.

(4) "Retail sales" reflects total revenues less club fees, income from joint operations, finance income, finance income, administration fees and manufacturing sales.

(5) "Other income" comprises administration fees, fees from our *Edgars* and *Jet* clubs, manufacturing sales and finance income.

(6) "Other operating costs" includes amortisation of trademarks, auditors' remuneration, depreciation of properties, fixtures, equipment and vehicles, fees payable, lease-related expenses and cost of inventories expensed.

(7) "Cash flow data" was not re-presented for the 52-week periods ended 2 April 2011 and 31 March 2012, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements and the related notes thereto included in this Offering Memorandum. When used in this Offering Memorandum in relation to any year, "fiscal year" means fiscal year ended on the Saturday of that year closest to 31 March of that year. "first quarter 2013", "first quarter 2014" and "LTM 2013", when used in this Offering Memorandum, mean the 13-week periods ended 30 June 2012 and 29 June 2013 and the 52 weeks ended 29 June 2013, respectively. The following discussion should also be read in conjunction with "Selected Historical Consolidated Financial Information and Other Data". The discussions in this section contain forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed below. See "Forward-Looking Statements" and "Risk Factors".

Overview

We are the largest non-food retailer in South Africa, with a 25% market share of the South African C&F market by revenue as at June 2013. We have been in operation for more than 80 years and have expanded our footprint to include 1,301 stores, including 145 in countries outside of South Africa. For first quarter 2014, we had an average retail trading space of 1,459,000 sqm, compared to a range of total retail trading space for our key listed peers of 294,000 to 608,000 for their fiscal year. We operated under three principal divisions comprising nine key store chains, as well as mono-branded stores throughout southern Africa:

- Our *Edgars* division, which consists of department stores targeted at middle- to upper-income customers, includes store chains such as *Edgars*, *Edgars Active*, *Edgars Shoe Gallery*, *Boardmans* and *Red Square* as well as our mono-branded stores, and accounted for 52.7% our total retail sales in LTM 2013. As at 29 June 2013, we had 405 stores in our *Edgars* division and for first quarter 2014 we had an average retail space of 739,600 sqm.
- Our Discount division, which consists of our discount stores selling value merchandise targeted at lower- to middle-income customers, includes the *Jet*, *Legit* and *Jet Mart* store chains, and accounted for 39.1% of our total retail sales in LTM 2013. As at 29 June 2013, we had 658 stores in our Discount division and for first quarter 2014 we had an average retail space of 595,500 sqm.
- We also are a leading retailer of books and magazines in South Africa under our *CNA* division, which accounted for 8.2% of our total retail sales in LTM 2013. As at 29 June 2013, we had 195 stores in our *CNA* division and for first quarter 2014 we had an average trading space of 89,600 sqm.

We also sell mobile phones, related accessories and airtime across all of our divisions, which accounted for 9.8% of our total retail sales in LTM 2013. Our popular retail store chains allow us to serve a wide cross-section of South African society. We are the number one or number two retailer in the majority of our product lines including clothing, footwear, cosmetics, mobile phones, stationery and books. We also offer credit and insurance products to the Group's customers via our strategic partnerships.

We recently secured exclusive rights to a number of international brands in South Africa, including *Topshop*, *TM Lewin*, *Lucky Brand*, *Tom Tailor* and *Gosh*. Most of these brands are new to South Africa and are available on an exclusive basis in our Edgars stores as well as being rolled out in mono-branded stores. We opened our first mono-branded store in November 2012 and as at 29 June 2013, we had three mono-branded stores with another three having opened between the end of the first quarter 2014 and the end of the second quarter 2014. We completed the acquisition of a controlling stake in the company that has the exclusive right to *Accessorize*, *La Senza* and *Inglot* in South Africa effective 1 September 2013, through which we acquired 43 stand-alone stores. We had 49 mono-branded stores in total as at 28 September 2013.

The chart below illustrates the current organisation of our business operations under three divisions and nine key store chains.

Division	Store chains	Product mix	# Stores[1]	Ave size[1]	Retail mix: Retail Sales[2]	Retail mix: GP[2]	Target customers: LSM
Edgars division	Edgars	CFT, Cosmetics, Mobile	186	3,461	53%	57%	6-10
	Edgars active	C&F, Activewear, Mobile	137	407			4-7
	Shoe Gallery	Shoes	5	336			5-10
	boardmans	Housewares Appliances, Textiles	34	1,099			7-10
	Red Square	Beauty, Cosmetics, Skin Care	39	150			5-10
	Monobrands[3]	Topshop Topman	3	1,021			7-10
Discount division	Jet	CFT, Mobile	346	914	39%	36%	4-7
	Jet Mart	CFT, DIY, Appliances, Beauty, Textiles	124	1,870			4-7
	LEGiT	Youth Fashion Ladieswear	186	267			5-8
CNA	CNA	Stationery, Books, Toys, Digital, Mobile	195	459	8%	7%	7-10
Other	Financial services	Store credit, funded by Absa Insurance products, with Hollard Insurance	Edcon Financial Services	Edgars Financial Services	Jet Financial Services		
	Manufacturing	Celrose					

Note: LSM: defined as "Living Standard Measure" established by SAARF. LSM 1,2 and 3 earn less than €82/month, LSM 4-7 earn €82-840/month and LSM 8-10 earn more than €840/month

1. *As at 29 June 2013, excluding the following stores: 2 Temptations, 2 Prato and 2 Jet Shoes and 40 stores in Zimbabwe*
2. *LTM 2013, excluding Zimbabwe*
3. *Since 29 June 2013 we have also acquired or opened the following standalone stores: Accessorize, Dune London, La Senza, Inglot, MAC and Tom Tailor*

We provide private label store cards to approximately 3.8 million active customers through a partnership with Absa, an affiliate of Barclays Bank PLC. Historically, we financed a portion of our private label store card programme through an asset-backed domestic securitisation programme. On 31 October 2012, we unwound our securitisation programme, and on 1 November 2012, we closed the sale of R8.7 billion aggregate amount of receivables to Absa. Since then we have sold a further R461 million on 30 April 2013 and R114 million on 30 June 2013. We expect to complete the sale of the remaining R689 million aggregate amount of receivables under our private label store card programme to Absa during fiscal year 2014. We also introduced our *"Thank U"* loyalty programme to our customers in February 2012, and had over 10 million members as at 29 June 2013. Loyalty customers spent more on average than customers not part of the *"Thank U"* programme for the 12 months ended 29 June 2013 and *"Thank U"* members using a non-private label credit card increased their spend by 30% as compared to non-*"Thank U"* customers. Between February 2012 and June 2013, approximately 68% of our total retail sales earned *"Thank U"* loyalty points.

Our primary operations are in South Africa, where we generated 90% of our retail sales in LTM 2013. The balance of our operations are in neighbouring Namibia, Botswana, Lesotho, Swaziland, Mozambique, Zimbabwe and Zambia, in which we operate out of 145 retail outlets. We experienced 20.7% growth in retail sales outside of South Africa (including Zimbabwe) in first quarter 2014 as compared to first quarter 2013. Edgars Zimbabwe is managed independently and disclosed separately. Our operations outside of South Africa are being expanded and we recently secured retail premises in Ghana.

In LTM 2013, we generated revenues of R27,534 million (€2,378 million), including retail sales of R25,862 million (€2,233 million). In LTM 2013, we would have generated, pro forma for the OtC Unwinding, the Receivables Sale, the entry into our new strategic relationship with Absa and certain cost savings adjustments, a Pro Forma Adjusted EBITDA of R3,044 million (€263 million).

Financial Statement Presentation

We discuss below the financial statements and results of operations of Edcon on a consolidated basis for fiscal years 2011, 2012 and 2013, as well as first quarter 2013 and first quarter 2014. The financial statements for fiscal years 2011, 2012 and 2013 have been audited and prepared in accordance with IFRS, and the financial statements for the 13-weeks ended 30 June 2012 and 29 June 2013 have been reviewed in accordance with International Standard on Review Engagements 2410 or ISRE 2410, each included elsewhere in this Offering Memorandum.

We terminated our OtC Securitisation Programme on 31 October 2012 and on 1 November 2012 sold R8.7 billion aggregate amount of receivables, representing 88% of the related net receivables to Absa. No receivables remain in OtC from fiscal year 2013 and any outstanding receivables under the OtC Securitisation Programme have been transferred to Edcon as at 30 March 2013 and any outstanding debt repaid with proceeds from fiscal year 2013. See "Presentation of Information—Non-IFRS financial measures". The assets, liabilities and results of OtC I and OtC II, the entities that purchased our receivables pursuant to the OtC Securitisation Programme, are fully consolidated into our consolidated financial statements for fiscal years 2011, 2012 and 2013, respectively, because we are deemed to control OtC I and OtC II within the meaning of IFRS. Because we sold our receivables under our OtC Securitisation Programme on a non-recourse basis, we retained no rights to such receivables. In addition, no creditors of either OtC I or OtC II have any recourse against us or any of our other consolidated subsidiaries. Further, neither OtC I nor OtC II has any recourse against any of our consolidated subsidiaries pursuant to the terms of our OtC Securitisation Programme.

A portion of the remaining card portfolio in South Africa was sold subsequent to publication of our financial statements and results of operations for fiscal year 2013, as Absa had not yet completed compliance screening processes in respect of these accounts and the relevant regulatory approvals had not yet been obtained. Accordingly, our financial statements for fiscal year 2013 discloses the provision of credit relating to the portion of the trade accounts receivable not yet sold as a discontinued operation. In addition, our financial statements for fiscal year 2013 re-present the prior period profit and loss and classifies trade receivables in that period as assets held-for-sale.

Key Group Statement of Comprehensive Income Items

Revenue and cost of sales

We derive revenue primarily from the sale of retail products, which accounted for 95% of our revenues in fiscal year 2012, 94% of our revenues in fiscal year 2013 and 94% of our revenues in first quarter 2014. Our retail products were available for sale in 1,301 stores as at 29 June 2013, 89% of which are in South Africa, with the remainder in Namibia, Botswana, Lesotho, Swaziland, Zimbabwe, Mozambique and Zambia.

Changes to our retail sales from period to period are generally affected by the following factors:

- the general economic conditions in South Africa and the other southern African countries in which we operate;
- the quality and availability of our products;
- the extent to which we are able to predict, plan for and implement changes to our product mix to reflect customer trends;
- the prices at which we sell our products, which may change depending on markdowns;
- the volume of our products sold and changes in the mix of products sold within our different product lines; and
- exchange rates.

Changes to our cost of sales from period to period result from a number of factors, including:

- the base price of raw materials;
- exchange rates;
- the amount of duties paid on purchases of products imported to South Africa;
- freight cost;
- import quotas;
- rebates and discounts earned from suppliers; and
- the level of our marketing and advertising costs.

Store costs

Our store costs primarily consist of: (i) payroll for our store-based employees, including salaries, bonuses, payroll taxes and pension costs; (ii) establishment costs such as rent, local taxes, service charges, and other operating costs at our stores, including cleaning, maintenance, security and energy; (iii) depreciation expense related to capital expended on our stores; (iv) stock shrinkage; and (v) store card commissions. Establishment costs also include assessment rates, which are local taxes charged to landlords by local authorities. Based on current practise, landlords on charge any increases in these costs to lessees.

Changes in our store costs from period to period are the result of a number of factors, including:

- the general level of payroll and benefit increases given to our store-based employees;
- rent increases agreed to as part of our store lease agreements;
- the opening of new stores, including pre-opening costs, and the modernisation of existing stores, including the associated depreciation charge; and
- costs related to the volume of products sold, including increases in transaction charges related to store card sales.

Other operating costs

Other operating costs primarily consist of: (i) various corporate overhead costs associated primarily with our head office, including human resources, procurement, communications, finance, IT, strategy and facilities; (ii) depreciation expense related to our head office assets and the amortisation of other intangible assets; (iii) other human resource costs, such as our BBBEE programmes, our training programmes and the maintenance of our wellness programme for employees; (iv) depreciation and maintenance expenses related to certain IT systems; (v) costs related to group marketing; (vi) other head office facility costs; (vii) costs associated with logistics in our distribution and supply chains and (viii) expenses from credit in relation to the management of the South African accounts receivable book sold to Absa and the remaining South African trade accounts receivable that cannot be sold to Absa.

Changes in our other operating costs from period to period are primarily the result of:

- the general level of payroll and benefit increases given to selected head office employees;
- costs associated with implementing employee incentive plans;
- expenses related to new and revised IT systems;
- changes to our head offices, including expansion of our head offices to accommodate the increased number of stores;
- changes to our overhead costs;
- changes in cost associated with our logistics in our distribution and supply chains; and
- non-recurring strategic costs.

Income from joint operations

In addition to our retail sales, we generate profit from joint operations. Income from joint operations primarily consists of: (i) income from our insurance joint operations, which earn money from premiums paid by customers; (ii) administration fees; (iii) costs associated with running the financial services business, including payroll for our financial services business employees, and (iv) taxes incurred on the profit of the financial services business.

Joint operations operating profit from period to period is affected generally by the following factors:

- the level of sales of insurance products; and
- the general level of payroll and benefit increases given to financial service employees.

Significant Factors Affecting Our Results of Operations

Economic conditions in South Africa

In LTM 2013, 90% of our retail sales were generated in South Africa, which has undergone significant social, political and economic transformation in the last 10 years. Our future results of operation are dependent on continued economic, political and social stability in South Africa. Changes in economic conditions may affect, amongst other things, demand for our products and the creditworthiness of our customers.

Although affected by the global economic downturn, South Africa has experienced overall economic growth in recent years, in part due to a rapidly emerging middle class with increased spending power, and to the government's commitment to macroeconomic growth. Real GDP increased by 2.5%, 3.1% and 3.4% in fiscal year 2013, fiscal year 2012 and fiscal year 2011, respectively and, over the same periods, consumer price inflation has been 5.6%, 5.6% and 3.8%, respectively. Real GDP in South Africa is expected to increase by 2.1% in calendar year 2013, according to SARB.

Growth in the clothing and footwear market

The C&F market in South Africa grew at a CAGR of 9.3% from calendar year 2008 to calendar year 2012 according to the RLC. This growth was due to a number of factors, including the growth of the South African economy; the rapidly emerging middle class, which historically spends a higher percentage of its disposable income on C&F goods; and the movement of market share from the informal market to more established medium-sized and large-sized retailers. We expect this growth to continue, and as the market share leader, we expect to benefit from the increased size of the C&F market.

Cost of sales

A key component of our growth strategy is to consolidate our procurement and leverage our market scale to obtain better pricing for our products, decreasing our cost of sales. Following the establishment of our offices in Shanghai (China) and Dhaka (Bangladesh), we strengthened our strategic relationships with low-cost suppliers in these countries in fiscal year 2013. Our gross margin on private labels directly sourced by our offices in Shanghai and Dhaka increased from 45.7% to 48.25% for the 2013 winter season as compared to the same period in 2012. For a number of external factors that can affect our costs of sales, see "—Key Group Statement of Comprehensive Income Items—Revenue and cost of sales".

Same store growth

Our retail sales and profitability are primarily dependent on the amount of retail sales that we generate from existing stores. Retail sales from existing stores, in turn, are determined by a number of factors, including average spending per customer, customer retention and merchandise assortment and allocation. Our same store growth, which had reached 5.3% at the end of fiscal year 2011, declined 0.4% for fiscal year 2013 as a whole. Over the same period, we increased our trading density from R17,194 per square metre to R18,164 per square metre.

New store openings

Historically, we have increased retail sales by opening new stores. We increased our total trading space by 4.2% in LTM 2013 and added a net of 114 stores during this period. We also recently opened three mono-brand *Topshop* stores. Our property development committee applies strict criteria to potential new sites, and reviews site performance annually to determine if sites are meeting their targets or can be used more efficiently. Our ability to open new stores in the future will depend on our ability to find new sites that meet our investment criteria for expansion.

Seasonality

Our retail sales, like most other retailers', are subject to seasonal influences. Historically, our most important trading periods in terms of retail sales have been the Easter and Christmas seasons, with 34% of our retail sales occurring in April, November and December combined for our fiscal year 2013. We incur significant additional expenses in advance of the Easter and Christmas seasons in anticipation of higher retail sales during those periods, including the cost of additional inventory, advertising and hiring additional employees. In previous years, our investment in working capital has peaked in early to mid-March, October and November as a result of increased supply purchases in anticipation of Easter and Christmas. Our results are also affected by periods of abnormal or unseasonal weather conditions, which can lead to a decrease in retail sales and higher markdowns.

Results of Operations

	Re-presented*				
	52 weeks ended 2 April 2011(1)	52 weeks ended 31 March 2012(1)	52 weeks ended 30 March 2013(1)	13 weeks ended 30 June 2012(1)	13 weeks ended 29 June 2013
			(in millions)		
Income statement data					
Retail sales	R22,716	R24,664	R25,169	R6,013	R6,205
Cost of sales	(14,332)	(15,642)	(15,985)	(3,735)	(3,793)
Gross profit	8,384	9,022	9,184	2,278	2,412
Gross profit as % of retail sales	36.9 %	36.6 %	36.5 %	37.9 %	38.9 %
Other income	581	719	774	158	243
Store costs	(4,348)	(4,622)	(4,990)	(1,207)	(1,295)
Other operating costs(2)	(3,229)	(3,830)	(4,271)	(821)	(1,138)
Income from joint operations	487	541	666	150	174
Trading profit	1,875	1,830	1,363	558	396
Depreciation and amortisation	(1,216)	(1,172)	(1,049)	(272)	(268)
Net financing costs	(2,497)	(3,688)	(3,013)	(772)	(613)
Taxation	713	176	(1,107)	121	192

* Derived from the comparative period in the Issuer's audited consolidated financial statements as at and for the fiscal year 2013, where such comparative numbers have been re-presented to take into account the discontinued operation for the trade accounts receivable classified as held-for-sale in the Issuer's consolidated statement of financial position for fiscal year 2013.

(1) All figures presented in the summary financial information above consolidate OtC I and OtC II.

(2) "Other operating costs" include other operating costs and additional depreciation and amortisation as shown in "Summary—Summary Historical Consolidated Financial Information and Other Data".

First quarter 2014 compared to first quarter 2013

The total number of our stores increased from 1,187 to 1,301 and our average trading space increased by 4.2% in first quarter 2014.

Retail sales

Total retail sales increased by R192 million, or 3.2%, from R6,013 million in first quarter 2013 to R6,205 million in first quarter 2014. On a same store basis, our total retail sales decreased by R15 million, or 0.3%, from R5,940 million in first quarter 2013 to R5,925 million in first quarter 2014.

Total retail sales of our Edgars division increased by R36 million, or 1.2%, from R3,083 million in first quarter 2013 to R3,119 million in first quarter 2014. This increase was primarily due to the introduction of 13 new *Edgars Active* stores during this period and an increase of cash sales of 13.6%. On a same store basis, our total retail sales decreased by R93 million, or 3.0%, from R3,073 million in first quarter 2013 to R2,980 million in first quarter 2014, primarily due to store refurbishment efforts. In first quarter 2014, we experienced a growth in the sales of cosmetics, footwear, cellular and brands compared to first quarter 2013 whereas sales of ladieswear, childrenswear and the sales of home products decreased in first quarter 2014 compared to first quarter 2013.

Total retail sales of our Discount division increased by R114 million, or 4.7%, from R2,413 million in first quarter 2013 to R2,527 million in first quarter 2014. On a same store basis, our total retail sales increased by R40 million, or 1.7%, from R2,364 million in first quarter 2013 to R2,404 million in first quarter 2014, primarily as a result of strong growth in *Legit*, *Jet* ladies and menswear and an increase of cash sales of 13.0%. In first quarter 2014, we experienced a growth in the sales of ladieswear, menswear and hardlines compared to first quarter 2013 whereas sales of cosmetics and childrenswear decreased in first quarter 2014 compared to first quarter 2013.

Total retail sales of our *CNA* division increased by R19 million, or 4.5%, from R426 million in first quarter 2013 to R445 million in first quarter 2014. On a same store basis, our total retail sales increased by R15 million, or 3.6%, from R418 million in first quarter 2013 to R433 million in first quarter 2014, primarily as a result of increased sales of higher-value electronic merchandise. In first quarter 2014, we experienced a growth in the sales of our entertainment and digital products and stationery compared to first quarter 2013 whereas the sales of books decreased in first quarter 2014 compared to first quarter 2013.

Credit sales decreased by 1.2%, from 51.3% of our retail sales in first quarter 2013 to 50.1% of our retail sales in first quarter 2014, primarily due to the weak credit environment.

Gross profit

Gross profit increased by R134 million, or 5.9%, from R2,278 million in first quarter 2013 to R2,412 million in first quarter 2014. Gross profit as a percentage of retail sales increased from 37.9% in first quarter 2013 to 38.9% in first quarter 2014, primarily due to improved sourcing and a change in sales mix.

Gross profit as a percentage of retail sales in our *Edgars* division increased from 41.1% in first quarter 2013 to 42.0% in first quarter 2014, primarily due to improved buying margins and a reduction in the extent of mark-down activity. Operating profit within *Edgars* decreased by 18.8% due to costs associated with investments.

Gross profit as a percentage of retail sales in our Discount division increased from 34.0% for first quarter 2013 to 35.7% in first quarter 2014, primarily due to a change in sales mix and improved results from sourcing initiatives.

Gross profit as a percentage of retail sales in our *CNA* division decreased from 33.9% for first quarter 2013 to 32.1% for first quarter 2014, primarily due to a change in sales mix.

Store costs

Store costs increased by R88 million, or 7.3%, from R1,207 million in first quarter 2013 to R1,295 million in first quarter 2014, primarily due to higher rental and manpower costs.

Other operating costs

Other operating costs, excluding non-recurring and non-comparable costs associated with administering the trade accounts receivables book increased by R27 million, or 3.0%, from R908 million in first quarter 2013 to R935 million in first quarter 2014.

Depreciation and amortisation

Depreciation and amortisation decreased by R4 million, or 1.5%, from R272 million in first quarter 2013 to R268 million in first quarter 2014 primarily due to certain intangible assets now being fully amortised.

Income from joint operations

Income from joint operations increased by R24 million, or 16.0%, from R150 million in first quarter 2013 to R174 million in first quarter 2014, primarily due to a 11.0% increase in our insurance premium revenue. Costs associated with our insurance joint operations grew at a slower rate than revenues. Although claims increased by 6.0%, administration expenses decreased by 19% due to effective cost management.

Net financing costs

Net financing costs decreased by R159 million, or 20.6%, from R772 million in first quarter 2013 to R613 million in first quarter 2014 primarily due to an improved net debt position following the Receivables Sale.

Taxation

With respect to continuing operations, taxation increased by R71 million, from R121 million income in first quarter 2013 to R192 million income in first quarter 2014. This increase was primarily due to unfavourable changes in foreign currency rates, which led to an increase in foreign exchange losses resulting in a loss before taxation of R893 million in first quarter 2014, up from R402 million in first quarter 2013. See "Business—Legal and Regulatory Proceedings—Tax settlement".

Fiscal year 2013 compared to fiscal year 2012

Retail sales

Total retail sales increased by R505 million, or 2.0%, from R24,664 million in fiscal year 2012 to R25,169 million in fiscal year 2013. On a same store basis, our total retail sales increased by R92 million, or 0.4%, from R23,038 million in fiscal year 2012 to R23,130 million in fiscal year 2013.

Total retail sales of our *Edgars* division increased by R522 million, or 4.1%, from R12,796 million in fiscal year 2012 to R13,318 million in fiscal year 2013. This increase was primarily due to strong growth in sales of cosmetics, footwear, menswear and brands, as well as an increase in average retail space, and increased promotional activity. On a same store basis, our total retail sales decreased by R138 million, or 1.1%, from R12,169 million in fiscal year 2012 to R12,031 million in fiscal year 2013.

Total retail sales of our Discount division decreased by R31 million, or 0.3%, from R9,817 million in fiscal year 2012 to R9,786 million in fiscal year 2013, primarily due to the impact of the conversion of the Discount division's Discom stores to Edgar Active stores. On a same store basis, our total retail sales increased by R183 million, or 2.1%, from R8,921 million in fiscal year 2012 to R9,104 million in fiscal year 2013.

Total retail sales of our *CNA* division increased by R14 million, or 0.7%, from R2,051 million in fiscal year 2012 to R2,065 million in fiscal year 2013. This increase was primarily due to growth in sales of stationery, entertainment, and digital and cellular products. On a same store basis, our total retail sales increased by 2.4% from R1,948 million in fiscal year 2012 to R1,995 million in fiscal year 2013.

Our credit sales remained unchanged for fiscal year 2013 at 51% of our retail sales.

Gross profit

Gross profit increased by R162 million, or 1.8%, from R9,022 million in fiscal year 2012 to R9,184 million in fiscal year 2013. Gross profit as a percentage of retail sales was 36.5% in fiscal year 2013 similar to 36.6% in fiscal year 2012, due to increased seasonal markdowns in the third quarter and input price inflation that offset an improved winter season.

Gross profit as a percentage of retail sales for our *Edgars* division decreased from 40.8% in fiscal year 2012 to 39.7% in fiscal year 2013, primarily due to increased promotional and clearance activity, offset by the continued focus on methodical pricing of our products and improved sourcing. Gross profit as a percentage of retail sales in *CNA* decreased from 33.1% in fiscal year 2012 to 32.4% in fiscal year 2013 primarily due to a greater proportion of electronics and branded toys in the sales mix

In the Discount division, gross profit as a percentage of retail sales increased from 31.8% in fiscal year 2012 to 33.0% in fiscal year 2013, primarily due to improved pricing and more competitive sourcing of products.

Store costs

Store costs increased by R368 million, or 8.0%, from R4,622 million in fiscal year 2012 to R4,990 million in fiscal year 2013 principally as a result of (i) increases in electricity prices imposed by our utility providers and (ii) increases in wages and rent.

Other operating costs

Other operating costs, excluding non-comparable costs, increased by R120 million or 3.4%, from R3,552 in fiscal year 2012 to R3,672 million in fiscal year 2013. We incurred transitional costs of R599 million and R278 million in fiscal years 2013 and 2012 respectively, primarily as a result of one-off strategic initiatives intended at improving the business in the medium term, as well as IT costs and fees relating to the modification of our systems to accommodate Receivables Sale.

Depreciation and amortisation

Depreciation and amortisation decreased by R123 million from R1,172 million in fiscal year 2012 to R1,049 million in fiscal year 2013.

Income from joint operations

Income from joint operations increased by R125 million, or 23.1%, from R541 million in fiscal year 2012 to R666 million in fiscal year 2013, as a result of both the increase in the number of policy holders and the increase in standard policy premiums.

Net financing costs

Net financing costs decreased by R675 million, from R3,688 million in fiscal year 2012 to R3,013 million in fiscal year 2013. This decrease is primarily a result of an improved net debt position following the Receivables Sale.

Taxation

Taxation costs from continuing operations increased by R1,283 million, from R176 million income in fiscal year 2012 to a R1,107 million expense in fiscal year 2013. The increase was primarily due to the tax settlement agreement entered into by the Company with the South African Revenue Services (SARS) on 14 December 2012.

Fiscal year 2012 compared to fiscal year 2011

Retail sales

Total retail sales increased by R1,948 million, or 8.6%, from R22,716 million in fiscal year 2011 to R24,664 million in fiscal year 2012. On a same store basis, our total retail sales increased by R1,579 million, or 7.4%, from R21,386 million in fiscal year 2011 to R22,965 million in fiscal year 2012.

Total retail sales of our *Edgars* division, increased by R1,024 million, or 8.7%, from R11,772 million in fiscal year 2011 to R12,796 million in fiscal year 2012. This increase was due primarily to strong growth in sales of childrenswear, footwear and mobile phones. On a same store basis, our total retail sales increased by R554 million, or 4.9%, from R11,369 million in fiscal year 2011 to R11,923 million in fiscal year 2012.

Total retail sales of our Discount division, increased by R764 million, or 8.4%, from R9,053 million in fiscal year 2011 to R9,817 million in fiscal year 2012. This increase was primarily due to growth in sales of ladieswear, childrenswear and mobile phones. On a same store basis, our total retail sales increased by R884 million, or 10.8%, from R8,182 million in fiscal year 2011 to R9,066 million in fiscal year 2012.

Total retail sales of our *CNA* division, increased by R160 million, or 8.5%, from R1,891 million in fiscal year 2011 to R2,051 million in fiscal year 2012. This increase was primarily due to growth in sales of mobile phones and digital merchandise. On a same store basis, our total retail sales increased by R141 million, or 7.7%, from R1,835 million in fiscal year 2011 to R1,976 million in fiscal year 2012.

Credit sales increased by 2%, from 49% of our retail sales in fiscal year 2011 to 51% of our retail sales in fiscal year 2012, primarily due to growth in the number of new accounts and increased spend per account as a result of higher retail selling prices.

Gross profit

Gross profit increased by R638 million, or 7.6%, from R8,384 million in fiscal year 2011 to R9,022 million in fiscal year 2012. Gross profit as a percentage of retail sales was generally stable in fiscal year 2012, at 36.5%, compared to 36.9% in fiscal year 2011. This is a result of input price inflation combined with a higher contribution of lower margin cellular and digital to our sales mix.

Gross profit as a percentage of retail sales for the *Edgars* division decreased from 41.5% in fiscal year 2011 to 40.8% in fiscal year 2012, primarily due to a shift in sales mix and an increase in promotional activity.

Gross profit as a percentage of retail sales for the *CNA* division increased from 32.6% in fiscal year 2011 to 33.1% in fiscal year 2012 primarily because of a change in sales mix.

In the Discount division, gross profit as a percentage of retail sales was 31.8% in fiscal years 2011 and 2012, with an enhanced pricing strategy and a lower level of markdowns across most major product categories being offset by input price inflation.

Store costs

Store costs increased by R274 million, or 6.3%, from R4,348 million in fiscal year 2011 to R4,622 million in fiscal year 2012 primarily due to (i) increases in electricity prices imposed by the utility provider, (ii) increases in wages and rent and (iii) a 1% trading space increase.

Other operating costs

Other operating costs increased by R601 million, or 18.6%, from R3,229 million in fiscal year 2011 to R3,830 million in fiscal year 2012 primarily due to higher fuel costs and increases in salary costs for corporate staff.

Included in other operating costs are R8 million and R27 million relating to the costs incurred in fiscal years 2011 and 2012, respectively, for the South African trade account receivable balances not classified as held-for-sale.

Depreciation and amortisation

Depreciation and amortisation decreased by R44 million from R1,216 million in fiscal year 2011 to R1,172 million in fiscal year 2012 primarily due to a change in the mix of useful lives.

Income from joint operations

Income from joint operations increased by R54 million, or 11.1%, from R487 million in fiscal year 2011 to R541 million in fiscal year 2012 primarily due to increased administrative fees and dividends.

Net financing costs

Net financing costs increased by R1,191 million, from R2,497 million in fiscal year 2011 to R3,688 million in fiscal year 2012 primarily due to (i) the issuance of the 2018 Senior Secured Notes in March 2011, (ii) the issuance of the 2016 Super Senior Secured ZAR Notes in April 2011 and (iii) our 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.

Taxation

Taxation income from continuing operations decreased by R537 million, from R713 million income in fiscal year 2011 to R176 million income in fiscal year 2012, primarily due to lower taxable losses in fiscal year 2012 compared with fiscal year 2011 and a change to deferred tax assets arising from a change in the capital gains tax inclusion rate.

Historical cash flows

The table below summarises our historical cash flows for fiscal years 2011, 2012 and 2013 and first quarter 2013 and first quarter 2014.

	52 weeks ended 2 April 2011	52 weeks ended 31 March 2012	52 weeks ended 30 March 2013	13 weeks ended 30 June 2012	13 weeks ended 29 June 2013
			(in millions)		
Cash flow data(1)					
Operating cash inflow before changes in working capital	R3,622	R3,691	R2,907	R1,064	R698
Working capital movement	(69)	(1,603)	8,447	355	497
Cash inflow from operating activities	3,553	2,088	11,354	1,419	1,195
Net cash outflow from investing activities	(374)	(694)	(769)	(198)	(248)
Net cash inflow/(outflow) from financing activities	250	447	(8,120)	(546)	(978)
Increase/(decrease) in cash and cash equivalents	1,201	(1,232)	(415)	39	(235)

(1) All figures presented in the historical cash flow information above consolidate OtC.

First quarter 2014 compared to first quarter 2013

Operating cash inflow before changes in working capital decreased by R366 million, or 34.4%, from R1,064 million in first quarter 2013 to R698 million in first quarter 2014, as non recurring costs and a weaker performance from credit and financial services negatively impacted cash flow.

Working capital increased by R497 million in first quarter 2014 compared to an increase of R355 million in first quarter 2013. This was mainly due to a decrease in total trade receivables of R518 million in first quarter 2014, compared to an increase of R76 million in first quarter 2013, primarily as a result of the sale of trade receivables on 30 April 2013 for R461 million, offset by an increase in inventory of R94 million in first quarter 2014 compared to a decrease of R61 million in first quarter 2013 and an increase in trade and other payables of R75 million in first quarter 2014 compared to an increase of R319 million in first quarter 2013.

Cash generated by operating activities decreased by R224 million, from R1,419 million in first quarter 2013 to R1,195 million in first quarter 2014.

Capital expenditure, excluding finance leases, increased by R48 million, or 24.2%, to R246 million in first quarter 2014 from R198 million in first quarter 2013. We opened 38 new stores and one conversion which, combined with store refurbishments, resulted in investments in store fixtures of R187 million during first quarter 2014, compared to first quarter 2013, where we opened 43 new stores (including 20 conversions) resulting in an investment in store fixtures of R124 million.

We invested R33 million in information systems infrastructure in first quarter 2014 compared to R68 million in first quarter 2013.

Net cash outflow from financing activities increased by R432 million, from a R546 million outflow in first quarter 2013 to a R978 million outflow in first quarter 2014 largely as a result of our redemption of the outstanding secured debt obligations remaining after our issuance of an additional 2018 Senior Secured Notes and subsequent tender offer implemented in February 2013 to refinance existing secured indebtedness that otherwise would have come due in 2014.

Fiscal year 2013 compared to fiscal year 2012

Operating cash inflow before changes in working capital decreased by R784 million, or 21.2%, from R3,691 million in fiscal year 2012 to R2,907 million in fiscal year 2013, due to lower sales growth compared to operating costs and an increase in transactional costs.

Working capital decreased by R8,447 million in fiscal year 2013 compared with an increase of R1,603 million for fiscal year 2012. This was principally due to: (a) a decrease in total trade receivables of R8,688 million in fiscal year 2013 compared to an increase of R1,094 million in fiscal year 2012, following the sale of our trade receivables on 1 November 2012; (b) an increase of R26 million from other receivables and prepayments in fiscal year 2013 compared to an increase of R135 million in fiscal year 2012; (c) an increase in inventory of R486 million in fiscal year 2013 compared to an increase of R543 million in fiscal year 2012; and (d) an increase in trade payables of R271 million in fiscal year 2013 compared to an increase of R169 million in fiscal year 2012.

Cash generated from operating activities increased by R9,266 million, from R2,088 million in fiscal year 2012 to R11,354 million in fiscal year 2013, primarily due to the sale of trade accounts receivable, which generated R8,667 million, and lower working capital investments.

Capital expenditure, excluding finance leases, was R769 million in fiscal year 2013, up from R710 million in fiscal year 2012 due to an accelerated store refurbishment programme in *Edgars* and *Jet* stores. The store refurbishment programme combined with the opening of 147 new stores (including 128 conversions) resulted in an investment of R525 million in store fixtures during fiscal year 2013, compared to fiscal year 2012, where we opened 65 stores and closed 79 stores (primarily non-performing *Discom* units), which, combined with the store refurbishment programme resulted in an investment of R391 million in store fixtures. In addition, in fiscal year 2013 we invested R189 million in IT infrastructure compared with R293 million in fiscal year 2012.

In February 2013, Edcon Limited terminated cross-currency swaps with a nominal value of EUR 754 million as a consequences of the repurchase of its then-outstanding senior secured notes due 2014. As a result of early termination, Edcon received proceeds of R1,021 million, which were applied to the buy-back transaction (see notes 7.5, 19.2 and 33.9 to fiscal year 2013 audited consolidated financial statements included elsewhere in this Offering Memorandum).

Fiscal year 2012 compared to fiscal year 2011

Operating cash inflow before changes in working capital increased by R69 million, or 1.9%, from R3,622 million in fiscal year 2011 to R3,691 million in fiscal year 2012. This increase was negatively impacted by (i) R278 million costs incurred for various projects developed by management, including the OtC Unwinding and the establishment of our strategic relationship with Absa, our merchandising transformation programme (which aims at ensuring that our product offering is in line with market trends), the establishment of our *"Thank U"* loyalty programme, and a pricing initiative educating customers on our competitive pricing structures; and (ii) the payment of advisory fees of R96 million in connection with various refinancing transactions pursuant to the transaction services agreement between Edcon and Bain Capital and its affiliates.

Working capital decreased by R1,603 million in fiscal year 2012 compared to a decrease of R69 million for fiscal year 2011. This was principally due to (i) an increase in receivables of R1,229 million in fiscal year 2012 compared to R217 million in fiscal year 2011 resulting from a stronger growth in credit sales and (ii) an increase in inventory of R543 million in fiscal year 2012 compared to an increase of R224 million in fiscal year 2011 to ensure chains are well stocked in key replenishment items, offset by (iii) an increase in payables of R169 million in fiscal year 2012 compared to an increase of R372 million in fiscal year 2011.

Cash generated by operating activities decreased by R1,465 million, from R3,553 million in fiscal year 2011 to R2,088 million in fiscal year 2012 primarily because of our higher working capital investment.

Capital expenditure, excluding finance leases, was R710 million in fiscal year 2012, up from R474 million in fiscal year 2011 due to an accelerated store refurbishment programme in *Edgars* and *Jet* stores as well as the optimisation of space through the conversion of a significant number of *Discom* stores to *Edgars Active* stores. During fiscal year 2012, we opened 65 stores and closed 79 stores (primarily non-performing *Discom* units) which combined with the store refurbishment programme resulted in an investment of R391 million in store fixtures. In addition, in fiscal year 2012 we invested R293 million in IT infrastructure compared to R127 million in fiscal year 2011, primarily for the development of a new merchandise planning tool, and the purchase of new hardware.

In April 2011, the Group issued R1,010 million in 2016 Super Senior Secured ZAR Notes, the proceeds of which were used to fully refinance the R985 million super senior secured term loan, which was due 31 March 2014.

During May 2011, the Group completed a repurchase of a portion of our then outstanding senior secured notes due 2014 with a nominal value of €39 million for €35 million (R338 million after associated fees).

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 whereby it received R270 million. In addition, a finance lease for IT equipment was entered for R80 million. Lease payments for the year were R32 million.

Buyback of Senior Floating Rate Notes

In May 2011, we completed a repurchase of a portion of our then outstanding senior secured notes due 2014 with a nominal value of €39 million for €35 million, representing 90% of the face value of the notes repurchased. The repurchase was funded from the proceeds of the offering of the 2018 Senior Secured Notes. As a result of the buyback, Edcon recognised a gain, net of associated fees, of R36 million.

On 14 February 2013 Edcon Limited completed a repurchase of an additional part of the senior secured notes with a nominal value of €754 million at 100.1% of the face value. The notes were redeemed out of the combined proceeds raised from the issuance of additional 2018 Senior Secured Notes, a portion of the proceeds from the sale of the private label store card receivables portfolio and through proceeds on termination of certain in-the-money derivative contracts over the related notes.

On 20 May 2013, Edcon completed the redemption of the remainder of its € 387 million aggregate principal amount of its 2014 senior secured notes at par. The redemption was funded from the proceeds drawn from the rand denominated senior secured term loan as well as net proceeds derived on termination of the derivative contracts that were hedging the exchange rate risk on the notes being repurchased.

Hedge Realisation/Settlement and Issue of Senior Secured Fixed Rate Notes

In February 2011, the foreign currency swaps that Edcon had entered into to hedge the principal outstanding on its then outstanding senior secured notes due 2014 and the 2015 Senior Notes were early-settled and their mark-to-market positions extinguished. A settlement value of R5,001 million was agreed with the hedge counterparties to settle the derivative liability and enter into a revised hedging structure (see note 33.2 to fiscal year 2012 and note 33.9 to fiscal year 2013 audited consolidated financial statements included elsewhere in this Offering Memorandum).

The settlement proceeds were funded through the issuance of €317 million in 2018 Senior Secured Notes and a super senior secured term loan in the aggregate principal amount of R985 million due March 2014. The super senior secured term loan was subsequently refinanced in April 2011 through the issuance of R1,010 million aggregate principal amount of 2016 Super Senior Secured ZAR Notes.

In addition, in February 2013, Edcon Limited terminated cross currency swaps with a nominal amount of €754 million as a consequence of the repurchase of its then-outstanding senior secured notes due 2014. As a result of the early termination, we received proceeds of R1,021 million which were applied to the buy-back transaction (see notes 7.5, 19.2 and 33.9 to fiscal year 2013 audited consolidated financial statements included elsewhere in this Offering Memorandum). The repurchase also was funded through issuance of an additional € 300 million in 2018 Senior Secured Notes, our entry into the ZAR Term Loan and application of net proceeds from the Receivables Sale.

Liquidity and Capital Resources

Our primary source of short-term liquidity is cash on hand and our revolving credit facility. The amount of cash on hand and the outstanding balance of our Super Senior Revolving Credit Facility are influenced by a number of factors, including retail sales, working capital levels, supplier payment terms, the timing of payment for capital expenditure projects and tax payment requirements. Our working capital requirements fluctuate during each 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. Working capital requirements, evidenced by drawings under our revolving credit facility, tend to peak at the quarters end of March and, to a lesser extent, September, which is the period when we settle creditors following the build up of our inventories prior to the Christmas and Easter trading seasons, and to be relatively lower at the end of December. We fund peaks in the working capital cycle with cash flows from operations and drawings under our revolving credit facility.

Until 31 October 2012, we also relied on receivables-backed notes issued by OtC. We unwound the OtC II Securitisation Programme on 31 October 2012.

As at 29 June 2013, total net debt, including cash and derivatives, of R19,553 million consisted of (i) the carrying value of floating rate notes of R4,820 million, (ii) the carrying value of fixed rate notes of R10,038 million, (iii) super senior secured notes of R1,010 million, (iv) senior secured term loan of R3,986 million, (v) borrowings under the super senior revolving credit facility of R510 million, (vi) finance lease liability of R304 million, (vii) deferred option premium of R583 million, (viii) Edgars Zimbabwe term loan of R136 million, (ix) Edgars Zimbabwe short-term loan R40 million less (x) net derivative assets of R1,394 million, and (xi) cash and cash equivalents of R480 million.

As at 29 June 2013, the total limit under the Super Senior Revolving Credit Facility was R3,967 million. R250 million of this facility matures on 31 December 2013, while R3,717 million matures on 31 December 2016.

We believe that our operating cash flows and amounts available under our Super Senior Revolving Credit Facility will be sufficient to fund our debt service obligations and our business operations, including capital expenditure and contractual commitments, to 29 June 2014.

Our capital expenditure for fiscal year 2013 was R819 million and we expect our capital expenditure for fiscal year 2014 to be R1,175 million. We invested 71% of our total capital expenditure budget for fiscal year 2013 and plan to invest approximately 90% of our total capital expenditure budget for fiscal year 2014 on store improvements and the acquisition and development of new stores across our *Edgars*, Discount and *CNA* divisions. We also invested 23% of our total capital expenditure in fiscal year 2013 and plan to invest approximately 7% of our total capital expenditure in fiscal year 2014 on IT development projects.

Overall, we have committed R527 million (consisting of R317 million for store refurbishment and R210 million for expansion) to the transformation of 72 of our leading *Edgars* format stores within our *Edgars* division for fiscal year 2014. We had spent R115 million of the R527 million at 29 June 2013. We remain on track to complete all but one of the stores before the start of the Christmas trading period. For fiscal year 2013, we spent R302 million (consisting of R208 million for store refurbishment and R94 million for expansion) on store improvements and the acquisition and development of new stores in our *Edgars* division. Of the R302 million spent in fiscal year

2013, R62 million was spent on the first phase of the transformation of the 72 of our leading *Edgars* format stores within our *Edgars* division.

Scheduled Repayments of Our Obligations

The following table summarises, as at 29 June 2013, on a pro forma basis, giving effect to the Pro Forma Transactions and the Refinancing Transactions, (i) the contractual obligations, commercial commitments and principal payments we are committed to make under our debt obligations, leases and other agreements; and (ii) their maturities. The amounts listed in the table below are not reduced by the amount of capitalised issuance costs. See “Description of Certain Other Indebtedness”.

	Payments due by period									
	Total		Less than 1 year		1-3 years		3-5 years		More than 5 years	
	(in millions) (unaudited)									
	R	€[1]	R	€[1]	R	€[1]	R	€[1]	R	€[1]
Super Senior Revolving Credit Facility[2]	—	—	—	—	—	—	—	—	—	—
ZAR Term Loan	4,120	320	—	—	—	—	4,120	320	—	—
2018 Senior Secured Notes (Euro)	7,935	617	—	—	—	—	7,935	617	—	—
2018 Senior Secured Notes (USD)	2,468	192	—	—	—	—	2,468	192	—	—
Senior Notes offered hereby	5,466	425	—	—	—	—	—	—	5,466	425
2016 Super Senior Secured ZAR Notes	1,010	79	—	—	1,010	79	—	—	—	—
Deferred Option Premium	637	50	320	25	317	25	—	—	—	—
Zimbabwe Loans	176	13	52	4	71	6	53	4	—	—
Finance Leases[3]	304	24	33	3	20	2	33	3	217	17
Operating Leases[3][4]	9,387	730	1,898	148	3,152	245	2,090	163	2,247	175
Medical aid[5]	187	15	—	—	—	—	—	—	187	15
Interest (net of derivatives)[6]	12,007	934	2,563	199	5,051	393	4,019	313	289	22
Total long-term obligations	**43,697**	**3,399**	**4,866**	**379**	**9,621**	**750**	**20,718**	**1,612**	**8,406**	**654**

(1) We have translated euro and rand amounts in this table based on an exchange rate of R12.86 = €1.00, which represents the exchange rate used in our financial statements as at 29 June 2013.

(2) Balances under the Super Senior Revolving Credit Facility will vary depending on the level of our working capital requirements. See “Description of Certain Other Indebtedness—The Super Senior Revolving Credit Facility”. As at 28 September 2013, R1,406 million of our Super Senior Revolving Credit Facility was drawn.

(3) “Leases” include property and computer equipment lease commitments.

(4) Our audited consolidated financial statements present our lease obligations in categories different from the categories we use in this table. Therefore, we have straight-lined our lease obligations to present them for the periods we use in this table.

(5) We assume that there are no medical aid obligations that will become due and payable prior to five years.

(6) Presented at the hedged rate of interest up to the maturity of the derivative contracts, the majority of which mature in March 2014 and March 2015. Thereafter, interest is based on the floating interest and exchange rates at the reporting date. See note 33.2 to fiscal year 2013 audited consolidated financial statements included elsewhere in this Offering Memorandum.

The property leases into which we enter each have an average initial lease term of 10 years for our *Edgars* chain and five years for our other chains, with lease terms typically including four options to extend the lease for periods of five years each. The leases generally give us the right to sublet the leased premises and assign our rights under the lease to our affiliate companies. Rental payments are generally made on a monthly basis and rent is increased at an agreed percentage rate (typically 7%) compounded annually. As at 29 June 2013, the future minimum property operating lease commitments due within one year amounted to R1,652 million.

Financial Market Risk

Foreign currency risk

We are exposed to the exchange rate movement of the rand, our operating currency, against other currencies in respect of merchandise we import. A substantial portion of our indebtedness is denominated in euro and U.S. dollars. Foreign exchange rate fluctuations in the future may affect our ability to service our foreign-currency denominated indebtedness, including payments in euro and U.S. dollars on the 2018 Senior Secured Notes. See "Risk Factors—Risks related to our business and industry—Our business is affected by foreign currency fluctuations". Historically, our policy has been to cover all foreign-denominated import liabilities using forward exchange contracts. At current levels, exposure on foreign liabilities is limited to approximately 80% of the notional value of the 2015 Senior Notes. We partially hedge our exposure to the rate movement of the rand against the euro in relation to the principal, while we fully hedge the interest coupons of the 2018 Senior Secured Notes. See "Description of Certain Other Indebtedness—Hedging". Specifically, as at June 2013, 18% of our debt consists of unhedged euro-denominated debt, while 40% and 11% of our debt consists of, respectively, hedged euro-denominated debt and hedged U.S. dollar-denominated debt. Our remaining debt is denominated in rand.

Interest rate risk

As a result of the significant inter-seasonal and intra-month swings in working capital in our business, our short-term net debt can fluctuate significantly. Therefore, our treasury actively monitors our interest rate exposure. We use swaps to manage our interest rate risk against any unexpected fluctuations in the interest rate. We also actively manage our fixed and floating rate interest-bearing debt, and cash and cash equivalents mix as part of this exposure management process.

In order to hedge specific interest rate exposure of existing borrowings and anticipated peak additional borrowings, we make use of interest rate derivatives, only as approved in terms of policy limits which require approval of the chief executive officer and, in some cases, the board of directors, depending on the size of the derivative. We have fixed the interest payments on a portion of the 2018 Senior Secured Notes until March 2014 and on the remaining portion until March 2015. See our audited consolidated financial statements included elsewhere in this Offering Memorandum.

Counterparty risk

Counterparty risk for deposits with financial institutions is managed by clearly defined bank mandates and delegation of authority. We carefully assess on an ongoing basis the creditworthiness of financial counterparties. Exposure limits are managed and monitored by our treasury department.

Critical Accounting Policies and Use of Estimates

In preparing our audited consolidated 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, which could be material to our audited consolidated financial statements.

Significant estimates, assumptions and judgements made at the reporting date, as reflected in the audited consolidated financial statements, relate to credit risk valuation adjustments in determining the fair value of derivative instruments to reflect non-performance risk, fair value of financial instruments, a provision for impairment of receivables, derecognition of financial instruments, allowances for slow-moving inventory, residual values, useful lives and depreciation methods for property, fixtures, equipment and vehicles, impairment of non-financial assets including goodwill and intangibles with indefinite lives, pension fund and medical aid obligations, operating lease, current and deferred tax, discontinued operations and loyalty points deferred revenue. Other judgements made relate to classifying financial assets and liabilities into categories.

For a full discussion of our use of estimates, judgements and assumptions in the preparation of our financial statements, see note 1 to our audited consolidated financial statements for fiscal years 2011, 2012 and 2013 included elsewhere in this Offering Memorandum.

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, regardless of when payment is made. Revenue is measured at the fair value of the consideration received net of returns and customer loyalty points excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue comprises retail sales of merchandise, manufacturing sales, club fees, revenue from joint operations, dividends, finance charges and administration fees accrued to the Group.

Sales of merchandise

Revenue from sales of merchandise is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of goods. Such income represents the net invoice value of merchandise provided to such third parties, excluding discounts, the fair value of loyalty points, value-added tax and general sales tax. The Group chains that contribute to the revenue from sale of merchandise are the *Edgars* division, the *CNA* division and the *Discount* division.

Loyalty points programme

The Group operates a loyalty points programme that allows customers to accumulate points when they purchase merchandise, subject to certain criteria, in the Group's retail stores. The points can then be redeemed as discounts against merchandise purchases. The fair value, which includes the expected redemption rate attributed to the credits awarded, is deferred as a provision and recognised as revenue on redemption of points by customers.

Manufacturing sales

Revenue from manufacturing and other operations is recognised when the sale transactions giving rise to such revenue are concluded.

Club fees

Club fees are recognised as revenue as incurred.

Finance charges

Finance charges on arrear account balances are accrued on a time proportion basis, recognising the effective yield on the underlying assets.

Revenue from joint operation

Group customers are offered *Edgars* and *Jet* branded insurance products, in pursuance of a joint operation formed with Hollard Insurance. Hollard Insurance underwrites all insurance products and provides the joint operation with actuarial and compliance support. The Group provides product distribution, marketing and billing, and premium collection services. The joint operation sells to both credit customers and cash customers. The joint operation is managed by a dedicated team of people from both Hollard Insurance and the Group. The interest in joint operation is accounted for using the equity method. Under the provision of the joint operation agreement, the Group charges the joint operation a fee for the continued management of the debtors and the maintenance of systems. The Group also charges the joint operation a fee for the use of the Group's brands in the marketing of the insurance products. This fee income is recognised by the Group as and when it is accrued.

The profit share is shared on a product-by-product basis applying the profit share percentage as agreed between the parties from time to time.

The Group has a closed book for the *Edgars* and *Jet* Legal Plan underwritten by Zurich Insurance Limited. Europe Assistance provides risk management and policy fulfilment services. Under the provisions of the joint operation agreement, if the policy premiums exceed the claims and expenses, the net profit is distributed as a dividend. New business on the legal plans is underwritten by Hollard Insurance as from 13 April 2011. Hollard Insurance replaced Zurich as the underwriter from the start of fiscal year 2012. As at 29 June 2013, annual gross premiums amounted to R31 million.

Finance income

Interest received is recognised using the effective interest rate method.

Administration fees

Administration fees are recognised as they are accrued based on the services provided.

Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as lessee

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 the Group as lessee. 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 the Group 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 classified as an operating lease, lease rentals received are included in profit or loss on a straight-line basis.

Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rentals are recognised as revenue in the period in which they are earned.

Inventories

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, costs include 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 because it is not deemed to be readily disposable.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of net identifiable assets of the acquired entity at the date of acquisition. Goodwill is not amortised; it is tested annually for impairment and, additionally, when an indication of impairment exists at the end of each reporting period. For goodwill impairment testing purposes, the segments reported are separate cash-generating units, since this is the level at which the performance of investments is reviewed and assessed by management. The recoverable amount of a segment is determined on the basis of its value in use.

Intangible assets

Intangible assets comprise separately identifiable intangible items arising from business combinations and certain purchased intangibles. Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination are measured at their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised using the straight-line method over their estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of the indefinite life is reviewed annually to determine whether the indefinite life basis continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Intangible assets are derecognised on disposal or when no future economic benefits are expected through use of the intangible asset. 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. Expenditure on internally developed and maintained intangible assets are expensed through profit or loss. Expenditure incurred to maintain brand names is charged in full to profit or loss as incurred.

Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency forward contracts, foreign currency call options, cross currency swaps 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 portfolio contract is entered into and are subsequently re-measured at fair value. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

The fair value of foreign currency forward contracts, foreign currency call options and the cross currency swaps is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market interest rates 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 measurement. 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 the derivative depends upon the contractual terms of, and specific risks inherent in the instrument as well as the availability 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 for the Group's own credit spread are based on estimated fair market spreads for entities with similar credit ratings as the Group. 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 not 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 an unrecognised firm commitment, 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 highly probable transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for 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 forecasted 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.

Properties, fixtures, equipment and vehicles

Land is initially measured at cost and subsequently revalued by recognised professional valuers, to net realisable open-market value using the alternative or existing-use basis as appropriate, ensuring carrying amounts do not differ materially from those that would be determined using fair value at the reporting date. Buildings are also measured at fair value less accumulated depreciation and impairment losses at the date of revaluation. Land and buildings were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property. Any revaluation surplus is recorded in other comprehensive income and hence credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. The amount in the revaluation surplus reserve is transferred to retained earnings/loss upon disposal of a particular asset. Additionally, accumulated depreciation, for buildings, as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Expenditure relating to leased premises is capitalised as appropriate and depreciated to expected residual value over the remaining period of the lease on a straight-line basis.

Leasehold improvements for leasehold land and buildings are depreciated over the lease periods which range from five to 10 years, or such shorter periods as may be appropriate.

Fixtures, equipment and vehicles are carried at cost less accumulated depreciation and impairment loss, and are depreciated on a straight-line basis to their expected residual values over the estimated useful lives.

Property, fixtures, equipment and vehicles are reviewed at each reporting date, to determine whether there is any indication of impairment. When impairment indicators are present, the impairment recognised in the profit or loss (or other comprehensive income for revalued property limited to the extent of the revaluation surplus) is the excess of the carrying value over the recoverable amount (the greater of fair value less cost to sell and value in use). Recoverable amounts are estimated for individual assets or, when an individual asset does not generate cash flows independently, the recoverable amount is determined for the larger cash-generating unit to which the asset belongs.

A previously recognised impairment will be reversed in so far as estimates change as a result of an event occurring after the impairment was recognised. This assessment is made at each reporting date. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in profit or loss.

An item of property, fixtures, equipment and vehicles is derecognised on disposal or when no future economic benefits are expected through its continued use. Gains or losses that arise on derecognition are included in profit or loss in the year of derecognition. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the property, fixtures, equipment or vehicles at the date of sale.

Buildings, fixtures, equipment and vehicles are depreciated over their useful life taking into account any residual values where appropriate. The estimated useful life of these assets and depreciation methods are assessed at each reporting date and could vary as a result of technological innovations and maintenance programmes. In addition, residual values are reviewed at each reporting date after considering future market conditions, the remaining life of the asset and projected disposal values. Changes in asset lives and residual values are accounted for on a prospective basis as a change in estimate.

Packaged software and the direct cost associated with the development and installation thereof are capitalised as computer software and are an integral part of computer hardware.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision will be reassessed at each reporting date taking into account the latest estimates of expenditure required and the probability of the outflows. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability except those that have been taken into account in the estimate of future cash flows. Where discounting is used, the increase in a provision due to the passage of time is recognised as an interest expense in profit or loss. A provision is used only for the expenditures for which the provision was originally recognised.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

Loyalty points deferred revenue

The Group operates a loyalty points programme which allows customers to accumulate points when they purchase merchandise, subject to certain criteria, in the Group's retail stores. The points can then be redeemed as discounts against merchandise purchases. The Group accounts for award credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to award credits at their fair value and is accounted for as a provision (deferred revenue) in the statement of financial position.

The fair value of an individual award credit is determined using estimation techniques reflecting the weighted average of a number of factors. A rolling 12-month historical trend forms the basis of the calculations. The number of points not expected to be redeemed by members is also factored into the estimation of fair value. Historical redemption trends are also used to determine the long- and short-term portion of the deferred revenue liability. A level of judgement is exercised by management in determining the fair value of the points.

Non-current assets held for sale and discontinued operations

Non-current assets (or a disposal group) are classified as held for sale if the carrying amount will be recovered through a highly probable sale transaction, rather than through continuing use. The sale is considered to be highly probable where the assets (or a disposal group) are available for immediate sale, management is committed to the sale and the sale is expected to be completed within a period of one year from the date of classification. Assets classified as held for sale are measured at the lower of the asset's carrying amount and fair value less costs to sell.

Where the sale is more than one year into the future due to circumstances beyond the Group's control, the costs to sell are measured at the present value. Any increase in the present value of costs to sell are recognised in the Group statement of comprehensive income as a financing cost.

An impairment loss is recognised in profit or loss for any initial or subsequent write-down of the asset or disposal group to fair value less costs to sell. A gain, for any subsequent increase in fair value less costs to sell, is recognised in profit or loss to the extent that it does not exceed the cumulative impairment loss previously recognised.

Non-current assets classified as held for sale are not depreciated or amortised.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The accruals for employee entitlements to wages, salaries, annual and sick leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided to the reporting date. The short-term employee benefits have been calculated at undiscounted amounts based on current wage and salary rates.

Post employment benefits

The Group operates a number of retirement benefit plans for its employees. These plans include both defined benefit and defined contribution provident funds and other retirement benefits such as medical aid benefit plans.

Obligations for contributions to defined contribution pension, provident and retirement funds are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Under the Group's defined benefit plans, the Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related current service cost and, where applicable, past service costs. Contribution rates to defined benefit plans are adjusted for any unfavourable experience adjustments. Favourable experience adjustments are retained within the funds. Net benefit assets are only brought into account in the Group's financial statements when it is certain that economic benefits will be available to the Group. Actuarial gains or losses are recognised in full the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods. Unvested past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits have already vested immediately following the introduction of, or changes to, a plan. The defined benefit asset or liability comprises the present value of the defined benefit obligation, less unrecognised past service costs and less the fair value of any plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are neither available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

MARKET OVERVIEW

We primarily operate within the large and growing C&F market, which accounted for 61.4% of our retail sales in LTM 2013. The C&F market, as measured by the South African Retailers' Liaison Committee (the "RLC"), which collects and publishes sales and related data from medium-sized and large-sized C&F retailers, is estimated to have generated R57.7 billion in sales in 2012 and R28.2 billion in sales for the six months to 29 June 2013.

South Africa, where we generated 90% of our retail sales in LTM 2013, has the largest retail market in sub-Saharan Africa and the twentieth largest retail market globally. In the last five years South Africa's retail market has experienced strong growth. In 2011, retail sales (including food and furnishings) in South Africa exceeded a trillion rand for the first time in history and are expected to increase to R1.46 trillion by 2016. PricewaterhouseCoopers estimates that the overall South African retail market will have a turnover of U.S. $172 billion by 2016.

The South African C&F market principally consists of six major retailers, of which we are the largest with a 25% market share in June 2013. The C&F market is currently experiencing consolidation, with the larger retailers growing faster than the overall market. According to the RLC, from fiscal year 2007 to fiscal year 2012, C&F sales in South Africa grew at a CAGR of 9.3%.

There is also an "informal" C&F market, which includes even smaller shops such as street vendors and kiosks. No reliable data captures the activity of retailers in the informal C&F market and consequently it is difficult to determine its size. However, there is a recognised migration of customers from the informal market to more established medium-sized and large-sized retailers.

Market Growth and Consolidation

The C&F market in particular has experienced substantial growth, expanding at a CAGR of 9.3% from calendar year 2008 to calendar year 2012 and a CAGR of 10.2% from fiscal year 2000 to fiscal year 2012, which included periods of economic contraction. This occurred despite the impact on South Africa of the global economic downturn in 2008 and 2009. In addition, according to Statistics South Africa, sales of textiles, clothing, footwear and leather goods for June, July and August of calendar year 2013 increased by 4.1%, 8.7% and 7.9%, respectively, compared to the prior comparative period. Growth in C&F sales largely has been due to the SARB keeping interest rates unchanged at its current growth—supportive level since July 2012, rising income levels and increased access to unsecured credit. C&F spend as a percentage of household expenditure has also more than doubled in size since 2000. The C&F market has grown on the back of GDP growth in South Africa, with real GDP averaging 2.8% between 2007 and 2012, according to Statistics South Africa. In contrast, the eurozone countries recorded a real GDP growth of 0% over a comparable period, according to Euromonitor. We believe that the spending patterns of South African consumers have shifted in recent years due to the emergence of a growing middle class, high rates of urbanisation and the increasing availability of credit for consumers. This was moderated by the introduction of the NCA in June 2007, which restricted access to credit for consumers. South Africa's performance over the past several years has roughly mirrored that of the global economy. Real economic contraction, however, lasted only from the fourth quarter of 2008 through the third quarter of 2009, with growth resuming thereafter. The South African C&F market is highly concentrated compared to other C&F emerging markets, with the top six companies controlling approximately 60% of the formal market. We believe there is scope for further market consolidation because an estimated 28% of the South African market is still informal.

South Africa's long-term economic performance is a result of macroeconomic policies which have brought about a structural shift to lower inflation and interest rates, more stable exchange rates and declining fiscal deficit and government debt. South Africa's economy has also benefited from a stable political environment, a mature legal system, sophisticated financial markets and well-developed infrastructure. This environment has supported higher fixed capital expenditure, increased labour productivity and growth in real wages. Higher real wages have led to more disposable income for the rapidly emerging middle class, who spend a higher proportion of their disposable income on C&F consumption. According to South Africa Advertising Research Foundation, the percentage of the population classified as middle class rose from just under 40% to approximately 50% between 2005 and 2012, while the percentage of the population classified as lower class fell from nearly 50% to approximately 25% over the same period. In addition, the repo rate, defined as the interest rate at which the SARB lends money to private banks has remained stable at 5%, while the household debt to disposable income ratio rose slightly to 75.8%, and the consumer price index has returned to the 3-6% range expected by the central bank. The South African government is looking to spend R3.6 trillion in the next 10 years on major infrastructure projects, of which R827 billion will be spent in the next three years.

Market Segmentation

The C&F market is primarily divided into three store formats: department stores, discount stores and specialty stores. Retailers can often be classified in more than one format, and competition exists between participants in different formats.

Department stores

Department stores typically target middle- to upper-income customers and offer a large range of high-quality C&F and other retail merchandise. For example, *Edgars* offers a variety of product lines including clothing, footwear, cosmetics, mobile phones and homewares. In addition to *Edgars*, the other key participants in the department store format are *Woolworths* and *Stuttafords*, which offer product lines including clothing, footwear, toiletries, cosmetics and homewares.

Discount stores

Discount stores typically target lower- to middle-income customers and offer a large range of value C&F and general merchandise products. For example, the product lines offered by *Jet* and *Jet Mart* include clothing, footwear, mobile phones, kitchenwares, music, DIY, household appliances, textiles and health and beauty products. Discount stores place an emphasis on volume products, which allow for low-cost structures and low retail prices. Discount stores are well positioned to capture customers transitioning from the informal market to more established medium-sized and large-sized retailers. In addition to *Jet* and *Jet Mart*, other large discount store chains include *PEP*, *Ackermans* and *Mr Price*.

Specialty stores and mono-brand stores

Specialty stores consist of chains that offer a narrower range of products than our department and discount stores, usually grouped along individual product lines such as menswear, ladieswear, cosmetics, jewellery, homewares or shoes. Specialty stores typically target a specific customer group based on income and product type criteria. For example, our *Boardmans* chain specialises in homewares for the middle- to- upper-income customer, whereas our *Legit* chain offers clothes and accessories to young, fashionable lower- to middle-income female consumers. Other retailers in the specialty store format include *Truworths* and *Foschini*. *Truworths* concentrates on specialty retail platforms targeted at fashionable, upper-income consumers. *Foschini* operates specialty stores targeting middle- to upper-income consumers in the clothing, cosmetics, jewellery, accessories, sporting goods and homewares retail markets.

In addition, mono-brand stores, such as *Gap* and *Zara*, which offer clothing, footwear and accessories under a single brand, have opened in South Africa.

The balance of the South African retail market is attributable to the sales of independent and small-scale retailers operating across the spectrum of store formats.

BUSINESS

Overview

We are the largest non-food retailer in South Africa, with a 25% market share of the South African C&F market by revenue as at June 2013. We have been in operation for more than 80 years and have expanded our footprint to include 1,301 stores, including 145 in countries outside of South Africa. For first quarter 2014, we had an average retail trading space of 1,459,000 sqm, compared to a range of total retail trading space for our key listed peers of 294,000 to 608,000 for their fiscal year. We operated under three principal divisions comprising nine key store chains, as well as mono-branded stores throughout southern Africa:

- Our *Edgars* division, which consists of department stores targeted at middle- to upper-income customers, includes store chains such as *Edgars*, *Edgars Active*, *Edgars Shoe Gallery*, *Boardmans* and *Red Square* as well as our mono-branded stores, and accounted for 52.7% our total retail sales in LTM 2013. As at 29 June 2013, we had 405 stores in our *Edgars* division and for first quarter 2014 we had an average retail space of 739,600 sqm.
- Our Discount division, which consists of our discount stores selling value merchandise targeted at lower- to middle-income customers, includes the *Jet*, *Legit* and *Jet Mart* store chains, and accounted for 39.1% of our total retail sales in LTM 2013. As at 29 June 2013, we had 658 stores in our Discount division and for first quarter 2014 we had an average retail space of 595,500 sqm.
- We also are a leading retailer of books and magazines in South Africa under our *CNA* division, which accounted for 8.2% of our total retail sales in LTM 2013. As at 29 June 2013, we had 195 stores in our *CNA* division and for first quarter 2014 we had an average trading space of 89,600 sqm.

We also sell mobile phones, related accessories and airtime across all of our divisions, which accounted for 9.8% of our total retail sales in LTM 2013. Our popular retail store chains allow us to serve a wide cross-section of South African society. We are the number one or number two retailer in the majority of our product lines including clothing, footwear, cosmetics, mobile phones, stationery and books. We also offer credit and insurance products to the Group's customers via our strategic partnerships.

We recently secured exclusive rights to a number of international brands in South Africa, including *Topshop*, *TM Lewin*, *Lucky Brand*, *Tom Tailor* and *Gosh*. Most of these brands are new to South Africa and are available on an exclusive basis in our Edgars stores as well as being rolled out in mono-branded stores. We opened our first mono-branded store in November 2012 and as at 29 June 2013, we had three mono-branded stores with another three having opened between the end of the first quarter 2014 and the end of the second quarter 2014. We completed the acquisition of a controlling stake in the company that has the exclusive right to *Accessorize*, *La Senza* and *Inglot* in South Africa effective 1 September 2013, through which we acquired 43 stand-alone stores. We had 49 mono-branded stores in total as at 28 September 2013.

The chart below illustrates the current organisation of our business operations under three divisions and nine key store chains.

	Store chains	Product mix	# Stores[1]	Ave size[1]	Retail mix: Retail Sales[2]	Retail mix: GP[2]	Target customers: LSM
Edgars division	Edgars	CFT, Cosmetics, Mobile	186	3,461	53%	57%	6-10
	Edgars Active	C&F, Activewear, Mobile	137	407			4-7
	Shoe Gallery	Shoes	5	336			5-10
	boardmans	Housewares Appliances, Textiles	34	1,099			7-10
	Red Square	Beauty, Cosmetics, Skin Care	39	150			5-10
	Monobrands[3]	Topshop Topman	3	1,021			7-10
Discount division	Jet	CFT, Mobile	346	914	39%	36%	4-7
	Jet Mart	CFT, DIY, Appliances, Beauty, Textiles	124	1,870			4-7
	LEGiT	Youth Fashion Ladieswear	186	267			5-8
CNA	CNA	Stationery, Books, Toys, Digital, Mobile	195	459	8%	7%	7-10
Other	Financial services	Store credit, funded by Absa Insurance products, with Hollard Insurance	Edcon Financial Services	Edgars Financial Services	Jet Financial Services		
	Manufacturing	Celrose					

Note: LSM: defined as "Living Standard Measure" established by SAARF. LSM 1,2 and 3 earn less than €82/month, LSM 4-7 earn €82-840/month and LSM 8-10 earn more than €840/month

1. *As at 29 June 2013, excluding the following stores: 2 Temptations, 2 Prato and 2 Jet Shoes and 40 stores in Zimbabwe*
2. *LTM 2013, excluding Zimbabwe*
3. *Since 29 June 2013 we have also acquired or opened the following standalone stores: Accessorize, Dune London, La Senza, Inglot, MAC and Tom Tailor*

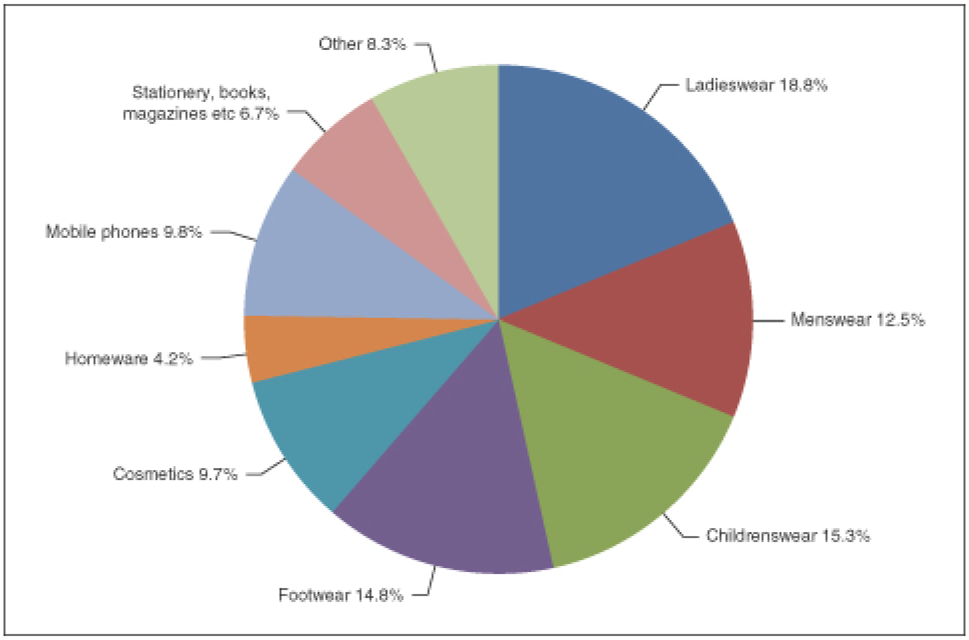
We provide private label store cards to approximately 3.8 million active customers through a partnership with Absa, an affiliate of Barclays Bank PLC. Historically, we financed a portion of our private label store card programme through an asset-backed domestic securitisation programme. On 31 October 2012, we unwound our securitisation programme, and on 1 November 2012, we closed the sale of R8.7 billion aggregate amount of receivables to Absa. Since then we have sold a further R461 million on 30 April 2013 and R114 million on 30 June 2013. We expect to complete the sale of the remaining R689 million aggregate amount of receivables under our private label store card programme to Absa during fiscal year 2014. We also introduced our *"Thank U"* loyalty programme to our customers in February 2012, and had over 10 million members as at 29 June 2013. Loyalty customers spent more on average than customers not part of the *"Thank U"* programme for the 12 months ended 29 June 2013 and *"Thank U"* members using a non-private label credit card increased their spend by 30% as compared to non-*"Thank U"* customers. Between February 2012 and June 2013, approximately 68% of our total retail sales earned *"Thank U"* loyalty points.

Our primary operations are in South Africa, where we generated 90% of our retail sales in LTM 2013. The balance of our operations are in neighbouring Namibia, Botswana, Lesotho, Swaziland, Mozambique, Zimbabwe and Zambia, in which we operate out of 145 retail outlets. We experienced 20.7% growth in retail sales outside of South Africa (including Zimbabwe) in first quarter 2014 as compared to first quarter 2013. Edgars Zimbabwe is managed independently and disclosed separately. Our operations outside of South Africa are being expanded and we recently secured retail premises in Ghana.

In LTM 2013, we generated revenues of R27,534 million (€2,378 million), including retail sales of R25,862 million (€2,233 million). In LTM 2013, we would have generated, pro forma for the OtC Unwinding, the Receivables Sale, the entry into our new strategic relationship with Absa and certain cost savings adjustments, a Pro Forma Adjusted EBITDA of R3,044 million (€263 million).

Our Operations

Our operations consist of our retail business and our credit and financial services business, both of which are supported by our centralised Group services. Our retail business comprises three key retail divisions: the *Edgars* division, which consists of department store chains, specialty stores and mono-branded stores targeted at middle- to upper-income consumers; the Discount division; which consists of discount store chains targeted at lower- to middle-income consumers; and the *CNA* division, which consists of our store chain selling books and stationery. Together, our retail divisions offer a diverse product portfolio of private label and branded products. Our credit and financial services business provides consumer credit, through a relationship with Absa, and other financial and insurance products, through a joint operation with Hollard Insurance, to holders of our store cards. With approximately 3.8 million customer credit accounts as at 29 June 2013 our private label store card programme was the largest provider of credit in southern Africa by number of customers. The responsibilities of our Group services include logistics, IT, property, human resources, finance and treasury management. Our business in Zimbabwe is independently managed and reported. The split of our retail sales in fiscal year 2013 by category is shown below. In LTM 2013, the split of our retail sales was substantially similar to fiscal year 2013.



Retail Product Mix

Retail business

Edgars division

Our *Edgars* division, which is our department store division, is targeted at middle- to upper-income consumers and accounted for 52.7% of our retail sales in LTM 2013 and 52.9% of our retail sales in fiscal year 2013. In addition to *Edgars*, our largest chain by retail sales, our *Edgars* division has expanded into complementary specialty store chains, including *Boardmans*, *Red Square*, *Edgars Shoe Gallery, Edgars Active* and the various mono-branded stores. Our five key specialty store chains, together with our mono-branded stores, are centrally managed, with all marketing and merchandising decisions executed at our head offices.

- *Edgars*, which began trading in 1929, is our chain of full-line department stores carrying a range of clothing, footwear, cosmetics, mobile phones, homewares and accessories and accounted for 45.2% of our retail sales in LTM 2013 and 46.7% of our retail sales in fiscal year 2013. As at 29 June 2013, our *Edgars* chain comprised 186 stores with an average size of approximately 3,461 sqm.
- *Boardmans* is our chain of homewares specialty stores that we acquired in 2004 to strengthen our position in the fast-growing home/ living retail segment. *Boardmans* carries homewares products such as kitchenwares, DIY, household appliances and textiles. As at 29 June 2013, the *Boardmans* chain comprised 34 stores with an average size of approximately 1,099 sqm. We also sell homewares products under our *Boardmans* brand in our *Edgars* department stores.
- *Red Square* is our chain of cosmetics stores carrying international branded cosmetics, skincare products and fragrances. The *Red Square* brand was launched in 1996. As at 29 June 2013, the *Red Square* chain comprised 39 stores with an average size of approximately 150 sqm.
- *Edgars Active* is our chain of casualwear and mobile phone products that we launched in 2005. *Edgars Active* products are offered at our *Edgars* department stores and are targeted at emerging markets. As at 29 June 2013, our *Edgars Active* store chains comprised 137 stores with an average size of approximately 407 sqm.

- *Edgars Shoe Gallery* is a recently launched chain of shoe stores which provides a fully serviced environment carrying both private label and local and international brands. *Edgars Shoe Gallery* was launched in 2012 and currently comprises 5 stores with an average size of approximately 336 sqm.
- *Mono-Branded Stores*. Our mono-branded stores include all stand alone brand stores. Over the last few months, Edcon has secured franchise rights to *T.M. Lewin*, the U.K. designer and retailer of quality shirts, tailoring and accessories; *Dune London*, U.K.-based fashion footwear and accessories label; *Tom Tailor*, of the trendy German authentic lifestyle and fashion brand; and *Lipsy*, the trendy young British brand. These brands will be rolled out mainly through the shop-in-shop concept in *Edgars* but also through a limited number of mono-branded stores. On 7 August 2013, Edcon received competition commission approval for the acquisition of a controlling stake in the companies retailing, under licence, the well-known international brands *Accessorize* (fashion accessories) *La Senza* (specialty lingerie) and *Inglot* (cosmetics) in South Africa including 42 standalone stores and kiosks.

CNA

Our *CNA* division comprises of a chain of stores offering stationery, books, music, magazines, toys, photographic equipment, greeting cards, movies, computer accessories and communications and accounted for 8.2% of our retail sales in LTM 2013 and in fiscal year 2013. *CNA*, which is our retail brand under our *CNA* division, commenced trading in 1896 and is one of the region's oldest and best known retail brands. We acquired *CNA* in October 2002 and as at 29 June 2013, *CNA* comprised 195 stores with an average size of approximately 459 sqm.

Discount division

Our Discount division sells value merchandise targeted at lower- to middle-income consumers and accounted for 39.1% of our retail sales in LTM 2013 and 38.9% of our retail sales in fiscal year 2013. The largest chain in our Discount division is *Jet*. In addition to *Jet* and its associated brand (*Jet Mart*) our Discount division also operates specialty stores under the *Legit* chain. In fiscal year 2013, we discontinued our *Discom* chain, a provider of health and beauty products and household appliances to lower-income consumers, which we acquired in 2007, and we closed our last *Discom* store in June 2012. The majority of *Discom* stores were either converted to *Edgars Active* or to *Legit*.

Our three key Discount division chains are centrally managed, with all marketing and merchandising decisions executed at our head offices.

- *Jet*, which began trading in 1979, is a discount C&F retailer serving value-seeking customers and accounted for 21.1% of our retail sales in LTM 2013 and 21.4% of our retail sales in fiscal year 2013. As at 29 June 2013, the *Jet* chain comprised 346 stores with an average size of approximately 914 sqm. As at June 2013, *Jet*'s share of the ladieswear outerwear market improved to 8.8%, from 8.6%.
- *Jet Mart* is our discount general merchandise store offering a variety of product lines including clothing, footwear, kitchenwares, music, DIY, household appliances, textiles, stationery, and health and beauty products. *Jet Mart* accounted for 14.8% of our retail sales in LTM 2013 and 14.2% of our retail sales of our retail sales in fiscal year 2013. The *Jet Mart* chain began trading in 2004 and as at 29 June 2013 comprised 124 stores with an average size of approximately 1,870 sqm.
- *Legit* is our youth ladieswear specialty store that caters to value-seeking fashionable women and health and beauty products. The *Legit* brand was launched in 2001 and as at 29 June 2013 comprised 186 stores with an average size of approximately 267 sqm.

Our total number of stores increased from 1,167 at the end of fiscal year 2012 to 1,233 at the end of fiscal year 2013, primarily due to new store openings in our Edgars division (which included the expansion of the Edgars Active format to over 100 stores). Our total number of stores as at 29 June 2013 and 30 June 2012 were 1,301 and 1,187, respectively.

Credit and financial services business

We provide private label store cards to approximately 3.8 million active customers through a relationship with Absa, an affiliate of Barclays Bank PLC. Historically, we financed a portion of our private label store card programme through an asset-backed domestic securitisation programme. On 31 October 2012, we unwound our securitisation programme, and on 1 November 2012, we closed the sale of R8.7 billion aggregate amount of receivables to Absa. On 30 April 2013, additional trade accounts receivable of R461 million were sold to Absa.

Further, on 30 June 2013, all conditions required to close the sale of a further R126 million (finalised at R114 million) of receivables to Absa were met. We expect to complete the sale of the remaining R689 million aggregate amount of receivables under our private label store card programme to Absa in fiscal year 2014.

We also offer insurance products through our financial services business through a joint operation with Hollard Insurance, which in fiscal year 2013 and LTM 2013 generated operating profits of R666 million and R690 million, respectively.

We partner with financial institutions and insurance providers to offer products in respect of which we only act as a sales agent and we do not bear any underwriting risk, including:

- *Edgars* and *Jet* branded insurance products, pursuant to a joint operation with Hollard Insurance, which underwrites each policy. We offer a range of insurance products including credit life, funeral plans and mobile phone insurance. Under the provisions of the joint venture agreement, if the policy premiums exceed the claims, the net profit after administration fees and royalty payments is distributed as a dividend to us and Hollard Insurance. As at 29 June 2013, there were 5,5 million insurance policies generating annual gross premiums of R1,583 billion.
- The Group has a closed book for the *Edgars* and *Jet Legal Plan* underwritten by Zurich Insurance Ltd. Europe Assistance provides risk management and policy fulfilment services. Under the provisions of the joint venture agreement, if the policy premiums exceed the claims and expenses, the net profit is distributed as a dividend. New business on the Legal Plans is underwritten by Hollard Insurance as from 13 April 2011. Hollard Insurance replaced Zurich as the underwriter from the start of fiscal year 2012. As at 29 June 2013, annual gross premiums amounted to R31 million.

Customers

We appeal to value-seeking customers as well as those seeking high-quality merchandise, and although our customers span the full range of socioeconomic groups and ages, our largest demographic group of customers consists of female consumers in the 35-year-old and above age range. Our core customer shops for herself, her family and her home. We seek to appeal to our customer base by offering a diverse range of products across different market segments and customer spending categories.

Competition

Over 60% of the C&F market consists of six major retailers. Our market is highly competitive, particularly with respect to product selection and quality, store location and design, price, customer service, credit availability and advertising. We compete at the national and local levels with a wide variety of retailers of varying sizes and covering different product lines across all of the geographic markets in which we operate.

Our *Edgars* division operates in the middle- to upper-income segment of the C&F market, and faces competition principally from *Truworths, Foschini, Woolworths and Mr Price. Truworths* is a public company, which concentrates on specialty retail formats targeted at fashionable clothing and footwear for middle to upper-income customers throughout southern Africa, with 72% of their sales on credit (active account base of 2.6mm). *Foschini* is a public company, which operates specialty stores in the clothing, cosmetics, jewellery, accessories, sporting goods and homewares retail segments and caters to middle to upper-income customers throughout southern Africa with 60% of their sales on credit (active account base of 2.6 mm). *Woolworths* is a public company that targets upper-income customers with a selected range of clothing, footwear, toiletries, cosmetics and homewares with a particular focus on quality, and, in recent years, the majority of *Woolworths'* revenue was derived from its food operations, with 27.6% of their sales on credit (active account base of 1.9mm). *Mr Price* is a public company targeting middle-income customers and comprising four retail chains focusing on discount priced high fashion clothing, footwear, accessories and homewares, with 19.6% of their sales on credit (active account base of 1.3mm). In addition, the Edgars division competes with a broad, fragmented range of smaller specialty clothing and other retailers.

Our Discount division operates in the lower- to middle-income segment of the C&F market, and faces competition principally from *Mr Price, Ackermans* and *PEP. Mr Price* has traditionally competed with our Discount division, but has become increasingly competitive with our *Edgars* division. *Ackermans* is a private company targeting mid to lower-income customers and offering well priced clothing, footwear, accessories and homewares. *PEP*, whose product range includes clothing, footwear, textiles, homewares and mobile phone products, is a private company primarily targeting lower-income customers almost exclusively on price. The Discount division also competes with other smaller clothing retailers.

As a result of the type and variety of products it offers, our *CNA* brand competes with different retailers across its various product lines, including retailers such as Exclusive Books, Musica, Incredible Connection, and HI-Fi Corporation.

Suppliers and Distribution

Our supplies consist of domestically-sourced merchandise and direct and indirect imports purchased from South African sales agents and domestic vendors. The purchasing operations of our *Edgars* division and Discount division have historically acted independently of each other and we often have different business lines purchasing from the same supplier. As an ongoing strategy we have centralised our purchasing operations and established strategic relationships with low-cost suppliers. Additionally, we have a quality assurance department which manages quality standards for all merchandise categories across our supply chain.

Approximately 71% of our supplies are routed through one of our three distribution centres, two of which are located in Johannesburg and one in Durban. All of our distribution centres have electronic sorting equipment allowing us to achieve a daily combined capacity of approximately 2.2 million units for all of our distribution centres. Currently, we operate at approximately 63% of this capacity. We use sea freight for our imports and we make minimal use of airfreight, while we outsource our road transport to third-party logistics providers. We operate logistics systems that enable us to conduct automated, high-volume and high-stockturn operations. We will continue to migrate our larger local suppliers to our business-to-business e-commerce platform, to achieve integration of supply and distribution.

Property

Our real estate strategy is to rent the properties in which our stores are located. As at 29 June 2013 we had 1,301 leased stores in southern Africa, including approximately 1,156 stores in South Africa, 40 in Namibia, 28 in Botswana, 15 in Lesotho, 14 in Swaziland, 4 in Zambia, 4 in Mozambique and 40 in Zimbabwe.

We have a relatively high concentration of landlords and in June 2013, we rented 44% of our trading space from our 13 largest landlords. Our leases have an average initial lease term of 10 years for our *Edgars* stores and five years for our other chains. Our leases typically include four options to extend the lease for further periods of five years each. The leases generally allow us to sublet the leased premises and assign our rights under the leases to our affiliate companies. Rental payments are generally made on a monthly basis and increased at a previously specified percentage rate (typically 7%) compounded annually. As at 31 March 2013, the minimum property operating lease commitments due within one year amounted to R1,606 million.

Sales and Marketing

We use a broad range of marketing techniques, including national promotional campaigns, in-store advertising and community events to promote our brands and products. Our national campaigns promote our brands and selected products using television, radio and print advertisements. We have window and floor displays in our stores as well as in-store radio and television broadcasts, to enhance our customers' shopping experience, advertise specific retail products and promote additional products such as our *Jet* club and financial services. We also seek to increase our brand appeal within the communities we serve by sponsoring community events. We employ two types of price markdowns: temporary promotional sales, which are used to bring in new or infrequent customers; and clearance sales, which are intended to sell slow-moving inventory. Our main promotions programmes include Red Hanger, Red Carpet, Most Wanted Brands and Celebration of the Stars, all of which are focused on increasing our sales.

To expand our customer base, we employ various creative marketing techniques, including our proprietary private label store cards, memberships clubs and loyalty programmes. These programmes provide us the opportunity, through selective direct marketing, to introduce new customers to the quality merchandise and service for which our brands are known. We are successfully expanding our programmes, which at present include marketing features, such as private in-store events and special magazine issues, through the use of points accumulated on qualifying purchases, to attract new customers through "double burn" and "10X points" days as well as to cross-sell our merchandise to our existing customers by increasing their product know-how and brand-awareness and increasing overall foot traffic.

We operate a variety of membership programmes in our efforts to increase our customer base. These include membership to our *Edgars* and *Jet* clubs, which have over one million members each. Our *Jet* club, in particular, is the largest retail store club in South Africa with over 1 million dues-paying members and 3.6 million readers of its magazine per month as at December 2012.

In February 2012, we introduced one of the South African market's first loyalty programmes, which allows our members to accumulate points in connection with the purchases that they make in-store and online. We believe that this programme is helping create a loyal following for our brands and promoting repeat customers. The *"Thank U"* store card loyalty programme was launched across all of our stores in February 2012. As at 29 June 2013, our *"Thank U"* loyalty programme had over 10 million customers. This programme provides us with data on customer preferences and spending habits, which we believe will be valuable information to tailor targeted marketing and promotional programmes.

In fiscal year 2012, we also introduced the *Edgars Great Price* programme, aimed at identifying our ongoing discount offers to our customers to attract them to our stores. We are relatively advanced in our transformation project to remodel and refurbish our stores to ensure that our retail space is conducive to selling quality merchandise and that our supporting infrastructure is amongst the most modern and efficient in the industry. By improving the appearance of our stores and giving them a stylish and fashionable image, we believe we will be able to increase same-store revenues and sales per square metre.

Overall, we have committed R527 million (consisting of R317 million for store refurbishment and R210 million for expansion and refurbishment) to transformation of 72 of our leading *Edgars* format stores within our *Edgars* division, which we expect will be completed before the Christmas trading in 2013. These 72 stores represented 72% of the *Edgars* format retail sales for June 2013, 39% of the 186 *Edgars* format stores and 60% of total *Edgars* format space as at 29 June 2013. We invested approximately R62 million in the first phase of this project, which we initiated in April 2012 and completed in November 2012. The second phase of the project, which includes a refurbishment, a store optimisation programme and people support, also includes the ongoing rollout of "store-in-store" formats dedicated to international brands such as *Topshop, Mango and Tom Tailor* across various of the same 72 stores. We recently completed the refitting of our Jet stores. With over 100 refits completed, over 80% of the Jet store base has been upgraded over the last two years.

In addition to sales through our large network of stores, we also offer our customers our merchandise though our websites (www.edgars.co.za and www.cna.co.za, for example). In 2011, we decided to update our e-commerce capabilities, starting with the re-launch of our website www.cna.co.za. The current *CNA* website was launched in June 2012 and offers a catalogue of popular books, video games, movies, music, toys and stationery. At present, our *CNA*, *Boardmans* and *Edgars* stores offer online sales. Red Square online was officially launched in May 2013 which allows consumers to not only order cosmetics online but also offers a free sampling programme and free delivery for purchases over a specified threshold through a dedicated website in early 2013, based on a new e-commerce technology platform. We expect to introduce this new e-commerce platform to all of our *Edgars* division retail brands over the next few years.

Seasonality

Our retail sales, like those of other C&F retailers', are subject to seasonal influences. Historically, our most important trading periods in terms of retail sales have been the Easter and Christmas seasons, with 34% of our retail sales occurring in April, November and December combined for our fiscal year 2013. We incur significant additional expenses in advance of the Easter and Christmas seasons in anticipation of higher retail sales during those periods, including the cost of additional inventory, advertising and hiring additional employees. In previous years, our investment in working capital has peaked in early to mid-March, October and November as a result of increased supply purchases in anticipation of Easter and Christmas. Our results are also affected by periods of abnormal or unseasonal weather conditions, which can lead to a decrease in retail sales and higher markdowns.

Human Resources

Human resources overview

As at 29 June 2013, we had a total of approximately 42,800 employees, of whom approximately 19,800 were permanent and approximately 23,000 were temporary.

Our employees

Employee relations in South Africa are regulated by the South African Labour Relations Act No. 66 of 1995 (the "Labour Relations Act"), which codifies the rights of employees to belong to trade unions and the rights of trade unions to have access to the workplace. The Labour Relations Act also guarantees employees the right to strike and the right to participate in secondary strikes in certain prescribed circumstances. In addition, the Labour Relations Act recognises the right of employees to participate in decision-making of companies through workplace forums. As such, employees must be consulted with respect to a variety of matters in so far as they affect a range of matters that affect their workplace, including organisational restructuring, partial or total plant closures, mergers and transfers of ownership. We have not experienced any industrial action against us in over 10 years.

The majority of our employees belonging to a union are members of the South African Commercial, Catering and Allied Workers Union (the "SACCAWU"). In June 2013, about 40% of employees in the bargaining unit, and approximately 27% of active employees, were members of the SACCAWU. Our current wage agreement with the SACCAWU was entered into for a two-year period in March 2013, which ends in May 2015, and fixed salary increases at 9% per annum.

Training

We have made significant investments in training in order to be able to attract and retain quality employees. We currently offer our employees over 400 learning programmes and spent approximately 2.33% of payroll expenditure on learning in fiscal year 2013. In March 2005, we established the Edcon Retail Academy to improve our employees' retail management, leadership and operational skills. We currently have nine offerings at the academy, including such programmes as business leadership development and operations management development. Training costs are expected to increase with the number of our employees, as our business portfolio and products and service offerings expand.

Other human resources policies

We provide a variety of services to our employees. These services are diverse and range from general benefits such as medical aid and retirement fund schemes to overall employee care. The Edcon Wellness Centre provides psychological, medical (including free anti-retroviral treatment), legal and financial support to all employees.

In addition, we provide our employees with three retirement fund options, all of which are defined contribution plans: the Edcon Provident Fund and two union provident funds. A retirement savings plan is also made available to the flexible staff employed on a limited number of hours per month.

To further incentivise our employees through performance-based rewards, we structured the remuneration package of our senior management so that they can earn up to an additional 67.5% to 100% of their annual package. All other employees are eligible for performance rewards annually. Payments are either based on an annual package or monthly benefit salary and can range from an employee receiving up to 37% of his or her annual package to lower-graded employees receiving up to 202.5% of his or her monthly benefit salary.

We have also formed an Employment Equity Forum, chaired by our chief executive officer, which provides a forum for representatives of labour, management and other designated groups to review the progress, and discuss the direction, of our equity employment policies. In addition, the Board has a Social, Ethics and Transformation Committee.

As a result of our proactive management of our talen, our staff turnover has fallen from 23% in fiscal year 2009 to 17% for the 52 weeks ended 29 June 2013. Our policies promote equitable human resource practices for greater inclusivity amongst all groups.

Information Technology

From fiscal year 2011 to fiscal year 2013, we invested R609 million on application systems to create one of the most advanced IT retail systems in the South African retail market. For fiscal year 2014, we plan to invest R86 million in IT development projects. In 2009, we implemented a new in-store system in all of our stores. Since then we initiated a project to renew our merchandise management and planning systems which are expected to result in:

- an integrated approach to merchandise management, bringing pre-season and in-season planning together with execution strategies and better-linking product and financial planning activities;
- an increase in efficiency and effectiveness of buyers and planners which should lead to better customer service, and improved profitability;
- a standardised planning platform facilitating process workflow across our multiple brands; and

- the better management of inventory within the complex supply chain and the numerous variables associated with demand, supply and replenishment.

The following represent the major areas of our IT investment:

- the replacement of our dated POS system with a current Microsoft Windows based store system, which included network, hardware and software upgrades across each of our stores;
- the development of the *“Thank U”* rewards system to track and manage the accrual and use of reward points by our loyalty customers;
- the upgrade of our merchandise systems through the introduction of new systems to support financial planning, forecast, size profile optimisation, replenishment and merchandise reporting;
- development of data mining systems to analyse customer purchase behaviour and optimise our marketing budget;
- development of IT systems to support our further expansion into Africa; and
- development of IT systems to facilitate our ability to transfer 88% of our receivables to Absa.

We have recently invested in new and up-to-date retail software developed by Oracle to upgrade our merchandise systems. The Oracle system has replaced our old IT systems for financial planning, forecast, size profile optimisation, replenishment and merchandise reporting. According to our initial reports, the new merchandising system has resulted in improvements to customer service levels, improved inventory management and better sales planning.

We use Nautilus as our distribution management system which interfaces with Retek to streamline the movement of a product from the delivery order to its final destination store. We also have in-store systems to capture sales and stock movement transactions and monitor staff scheduling and attendance.

In our credit and financial services business, we primarily use VisionPLUS modified with proprietary enhancements. VisionPLUS is a credit portfolio management system that we use to manage our financial services accounts and retail accounts, providing online, real-time information. VisionPLUS includes systems such as credit management, financial authorisation, and collections tracking and analysis, and we have added customised systems such as plastic card management and personal financial services. The VisionPLUS credit management system is an online multiorganisation account receivable system designed to track and process account activity in real time. In addition, we use the Oracle E-Business Suite Financials in our financial business processes.

Our IT development policy is to outsource software development to Accenture, and processing and hardware capabilities to Business Connexion. All back-up procedures are reviewed quarterly and are updated as necessary. PricewaterhouseCoopers provides security and governance-related services.

Intellectual Property

We have registered, or applied for the registration of, numerous trademarks in connection with our private label products and chain brands in China, South Africa and other countries in Africa. In general, we own the copyrights of the designs created or commissioned by us. We have no material patents. We regard our trademarks and other intellectual property as valuable assets in the marketing of our products and business and we take appropriate actions when necessary to protect our intellectual property rights.

Legal and Regulatory Proceedings

We are party to various claims and legal actions in the ordinary course of our business. We believe that such claims and actions, either individually or in the aggregate, will not have a material adverse effect on our business, financial condition or results of operations.

Tax Settlement

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 our senior secured notes due 2014 (which have been refinanced with the ZAR Term Loan and €300 million of 2018 Senior Secured Notes) and the 2015 Senior Notes (which we intend to refinance with the Senior Notes) or any refinancing thereof (the “Acquisition Indebtedness”) to 50% of such interest, on an aggregate principal amount of indebtedness of approximately €1.3 billion or the equivalent thereof in rand or U.S. dollars, subject to certain adjustments. Interest on the portion, if any, of the Acquisition Indebtedness exceeding such cap will not be deductible for tax purposes. As at 29 June 2013, after giving pro forma effect to the Refinancing Transactions, we would have had €1 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 €711.1 million or the equivalent thereof in rand or U.S. dollars. Interest on the portion, if any, of the Acquisition Indebtedness exceeding approximately € 711.1 million or the equivalent thereof in rand 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.

MANAGEMENT

Directors

The Issuer has a unitary Board structure comprising three executive directors, four non-executive directors and four independent non-executive directors. The executive address of our directors is Edgardale, 1 Press Avenue, Crown Mines, Johannesburg, 2092, Republic of South Africa. The members of the Board (the "Board") are as follows:

Name	Age	Position
Jürgen Schreiber	51	Executive director, chief executive officer
Mark R. Bower	58	Executive director, chief financial officer and deputy chief executive officer
Dr. Urin Ferndale	48	Executive director, chief operating officer
Dwight M. Poler	48	Non-executive director, chairman
Matthew S. Levin	47	Non-executive director
Marc M. Valentiny	49	Non-executive director
Edward B. Berk	40	Non-executive director
Zohra B. Ebrahim	53	Independent non-executive director
Louis L. von Zeuner	52	Independent non-executive director
Thabo F. Mosololi	44	Independent non-executive director
David H. Brown	51	Independent non-executive director

Jürgen Schreiber—Mr. Schreiber was appointed to the Board as chief executive officer in April 2011. From May 2012 Mr. Schreiber also assumed the role of chief executive of the *Edgars* division. Previously, Mr. Schreiber was president and chief executive officer of Canadian health and beauty retailer Shoppers Drug Mart Corporation. Prior to joining Shoppers Drug Mart, Mr. Schreiber served five years with A.S. Watson Group, an international retailer and manufacturer. Before he joined A.S. Watson Group, Mr. Schreiber had a 14-year career with Reckitt Benckiser, a global consumer goods company. Mr. Schreiber progressed through many senior management positions in the United Kingdom, Germany, Spain, the Netherlands, China and Singapore. Mr. Schreiber received an MA in business administration from Mannheim University.

Mark R. Bower—Mr. Bower joined Edcon in 1990 and is currently the deputy chief executive and chief financial officer of our Group. Mr. Bower is also responsible for Group-wide services such as credit, distribution, IT, property development and business intelligence, as well as finance, internal audit and legal and secretariat. Previously, Mr. Bower was an audit partner and a director of a number of listed companies. Mr. Bower has been a trustee of the Eden Trust/Thuthuka Bursary Fund for the advancement of Black Chartered Accountants since 1989. He holds a BCom from Natal University and a BCompt Honours from the University of South Africa. Mr. Bower is a qualified chartered accountant. Mr. Bower was appointed director of the Issuer with effect from 1 July 2012.

Dr. Urin Ferndale—Dr. Ferndale joined Edcon in 1999 as the Group human resources director. In September 2007 he was appointed as the chief operating officer. Prior to joining Edcon, Dr. Ferndale was employed as personnel manager, human resources manager and labour relations manager at several listed companies and parastatal entities. Dr. Ferndale holds a PhD from the University of Johannesburg and a BA and an MA from the University of the Western Cape.

Dwight M. Poler—Mr. Poler was appointed director of the Issuer in 2007. Mr. Poler is a managing director at Bain Capital, which he joined in 1994, and is also Bain Capital's Head of Europe. Mr. Poler has a wealth of experience in the private equity industry evaluating investments and advising clients on strategic issues, and has served on the boards of and in advisory roles to multiple companies. Mr. Poler currently serves as a director of Brakes Group, Brenntag, Team System and Cerved. Mr. Poler received an MBA from the Amos Tuck School at Dartmouth and a BA from Amherst College.

Matthew S. Levin—Mr. Levin was appointed director of the Issuer in June 2010. Mr. Levin joined Bain Capital in 1992. He was promoted to managing director in 2000. He has over a decade of experience in the private equity industry evaluating investments and advising clients on strategic issues, and has served on the boards of and in advisor roles to multiple companies. Mr. Levin received an MBA from Harvard Business School, where he was a Baker Scholar. He received a BS from the University of California at Berkeley. Mr. Levin currently serves as a director of Jupiter Shop, Chanel, Guitar Center, Inc., Michaels Stores, Inc., Toys "R" Us Inc. and Unisource Worldwide, Inc.

Marc M. Valentiny—Mr. Valentiny was appointed director of the Issuer in November 2009. Mr. Valentiny is a managing director at Bain Capital, which he joined in 2003. Prior to joining Bain Capital, Mr. Valentiny was managing director of Rexel UK and Northern Europe. Previously he was vice-president Strategy and Planning of the Pinault-Printemps-Redoute group, the controlling shareholder of Rexel. Prior to that, he was senior manager at McKinsey & Company, worked for Braxton Associates and served as an officer in the French air force. Mr. Valentiny received an MBA from Harvard Business School and a master's degree in Civil Engineering from ENPC, and is a graduate of the Ecole Polytechnique in France.

Edward B. Berk—Mr. Berk was appointed director of the Issuer in 2009. Since 2009, he also has been a managing director at Bain Capital, which he joined in 1997. Mr. Berk has significant experience in the private equity industry evaluating investments and has served on the boards of and in advisory roles to multiple companies. Mr. Berk received an MBA from Harvard Business School and a BA from Harvard University.

Zohra B. Ebrahim—Mrs. Ebrahim was appointed director of ECSL in November 1999. Mrs. Ebrahim is a past president of the Institute of People Management and has advised the government at various levels on aspects of housing policy. Mrs. Ebrahim holds a BA from the University of South Africa and a Higher Diploma in Education from the University of Cape Town.

Louis L. von Zeuner—Mr. von Zeuner was appointed director of the Issuer in April 2013. He retired as the Deputy Group Chief Executive of the Absa group on 31 December 2012. Over his 31-year career at Absa, he served on several industry boards and subsidiary boards of the Absa group across Africa. He also completed several international development programmes. Louis was recently appointed as a non-executive director of Telkom SA SOC Limited. Mr. von Zeuner holds a Bachelor of Economics degree from the University of Stellenbosch.

Thabo F. Mosololi—Mr. Mosololi was appointed director of the Issuer in January 2013. Mr. Mosololi is currently the Operations Director of Tsogo Sun Gaming, a 100% subsidiary of Tsogo Sun Holdings Limited from 2010 to 2012. He joined Tsogo Sun Gaming in 2002 as Finance Director. Mr. Mosololi was the Chief Executive Officer of Gobodo Incorporated Chartered Accountants from 1996 to 2000 and has also served on numerous other boards. He currently serves on the board of Evraz Highveld Steel and Vanadium Limited. Mr. Mosololi holds a Bachelor of Commerce, Honours, CA(SA) degree from the University of the Western Cape.

David H. Brown—Mr. Brown was appointed director of the Issuer in January 2013. Mr. Brown was the Chief Executive Officer of Impala Platinum Holdings ("Implats") until 30 June 2012. He joined the Implats board in February 1999 as Financial Director and was appointed CEO in July 2006. Prior to this he worked mainly for Exxon Mobil from 1991 to 1995 in Europe. Mr. Brown was appointed as a non-executive director of Vodacom Group Limited in January 2012 and non-executive chairman of ASX and AIM, and executive chairman of Coal of Africa Limited in August 2012. Mr. Brown holds a Bachelor of Commerce, CTA, CA(SA) degree from the University of Cape Town.

Right to Appoint Directors

Under the New Companies Act, 50% of the directors must be appointed by the shareholders collectively. The Founder Investor Trusts are entitled, but not obligated, to appoint three directors of the Issuer and to remove and replace those directors. LuxCo is entitled, but not obligated, to appoint four directors of the Issuer. The chairman of the Board is appointed by LuxCo as long as LuxCo is an ordinary shareholder.

Executive Management

Our Board has delegated authority for the day-to-day affairs of each of our divisions to our executive managers. Our executive management team is mandated to assist in reviewing the operations of and performance by the Issuer and its subsidiaries, developing strategy and policy proposals for consideration by our Board and implementing the directives of the Board. Our executive management team consists of the individuals indicated below.

Name	Age	Position
Jürgen Schreiber	51	Executive director, chief executive officer
Mark R. Bower	58	Executive director, chief financial officer and deputy chief executive officer
Dr. Urin Ferndale	48	Executive director, chief operating officer
Birgitt Gebauer	51	Chief executive Edgars Department Stores
Christo Claassen	44	Chief executive Discount division

For information on Jürgen Schreiber, Mark R. Bower and Dr. Urin Ferndale, see "—Directors".

Christo Claassen—Mr. Claassen was appointed chief executive of the Discount division in July 2008. From 2005 to 2008, Mr. Claassen served as the Group Strategic Planning Executive for the Group. Mr. Claassen joined Edcon in 2004 as the Business Development Executive in the Discount division. He is a qualified chartered accountant and holds a B.Com, B.Com (Honors), CA(SA) and an MBA in Retailing from Stirling University, Scotland. Mr. Claassen was the chief executive officer of Dunns prior to joining Edcon.

Birgitt Gebauer—Ms. Gebauer will be appointed as chief executive of the Edgars Division in November 2013. Previously, she was Chairman of the board of s.Oliver, a large fashion and lifestyle company in Germany. Prior to joining s.Oliver, Ms Gebauer served twelve years with C&A, a chain of fashion retail clothing stores in Germany where she started as Head of Buying Europe for six years and then progressed to be the European Board Member and Chief Merchandising Officer. She has more than 28 years of retail and clothing expertise.

Compensation

In fiscal year 2013, we paid our executive directors (including prescribed officers) and executive managers aggregate compensation, including bonuses, of R42 million and R5 million, respectively.

Our directors and executive managers are indirect equity investors in the Issuer. Our non-executive directors may be deemed beneficial owners of securities in Edcon (BC) S.A.R.L., which in turn is a shareholder of the Issuer. Our independent non-executive directors do not own equity. Two investor trusts of Mrs. Zohra Ebrahim own equity in the Issuer. See "Principal Shareholders and Share Capital". Our executive managers are beneficiaries of the Founder Investor Trusts, which in turn are shareholders of the Issuer.

In addition, new members of the executive management team are granted the opportunity to participate in the management investment scheme. See "—Corporate Governance—Management investments".

Equity Sponsor

Bain Capital is a leading global private investment firm, whose affiliates advise or manage several pools of capital, including private equity, venture capital, public equity, global macro and leveraged debt assets. Since its inception in 1984, Bain Capital has completed over 370 transactions in a broad set of industries, including such leading retailers and consumer companies as *Toys "R" Us*, *Gymboree*, *Burger King*, *Staples*, *Burlington Coat Factory*, *Michaels*, *Brookstone*, *Domino's Pizza*, *Dollarama*, *Sealy Corp.*, *Sports Authority* and *Duane Reade*. Headquartered in Boston, Bain Capital has offices in New York, Palo Alto, London, Munich, Luxembourg, Mumbai, Hong Kong, Shanghai and Tokyo.

Corporate Governance

Governance review

The Issuer undertook an assessment to determine the extent to which Edcon applies the best practice suggestions contained in the King Report on Corporate Governance for South Africa or the King III and complies with the New Companies Act. Pursuant to this assessment, various initiatives were implemented to bolster governance which included the following:

- reconstituting the Transformation Committee as the Social, Ethics and Transformation Committee;
- appointing additional independent non-executive directors and reconstituting the Audit and Risk Committee; and
- preparing the framework for future integrated reporting.

We apply appropriate corporate governance principles and practices and comply with all material legislation to which we are subject. Corporate governance is managed and monitored by the Board, in conjunction with the following committees: the Audit and Risk Committee the Remuneration Committee; and the Social, Ethics and Transformation Committee.

The roles of the chairman of the Board and the chief executive officer are separate, with a clear division of responsibilities to ensure a balance of power and authority between them. The chairman of the Board has no executive functions.

The appointment of directors is conducted on the terms of our Memorandum of Incorporation, with due regard to the provisions of the New Companies Act, and as amended from time to time.

Roles and responsibilities of the Board

The Board focuses on the key elements of the corporate governance processes underpinning our operation. In particular, its role is to:

- consider, and adopt if appropriate, operating budgets and business plans proposed by management for the achievement of our strategic direction;
- delegate authority for capital expenditure and evaluate investment, capital and funding proposals reserved for Board approval;
- provide oversight of performance against targets and objectives;
- provide oversight of reporting on our direction, corporate governance and performance;
- identify, consider and review key risk areas;
- ensure ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, and our internal governing documents and codes of conduct;
- act responsibly towards Edcon's relevant stakeholders;
- be aware of and commit to the underlying principles of good corporate governance and ensure that compliance with corporate governance principles is reviewed regularly; and
- evaluate on a regular basis economic, political, social and legal issues, as well as any other relevant external matters that may influence or affect the development of the business or the interests of our stakeholders.

The Board regularly reviews its annual agenda with the view to ensure that sufficient time is allocated towards the review of our strategy, which involves the analysis and choice of such strategy, followed by the ongoing review of progress on the approved plans.

Board meetings

Board meetings are held at least quarterly and more frequently if circumstances so require. Directors are invited to add items to the agenda for Board meetings.

Conflicts of interest

Directors and officers are required to timely inform the Board of conflicts or potential conflicts of interest they may have in relation to particular items of business. Declarations of interest are tabled annually at the Board meeting or whenever a director has concluded or is about to conclude a contract with respect to which he or she is conflicted.

Our directors and executive managers are beneficiaries of equity investments in the Issuer. Our non-executive directors (excluding independent non-executive directors) may be deemed beneficial owners of securities in LuxCo, which in turn is a shareholder of the Issuer. Our executive managers are beneficiaries of the Founder Investor Trusts, which in turn are shareholders of the Issuer. See "—Management investments". The interests of our directors and executive managers as shareholders may conflict with their duties as directors and executive managers.

Insurance

Adequate directors' and officers' insurance cover has been purchased by Edcon. No claims under the relevant policy were made during fiscal year 2013.

Advice

Directors have unlimited access to Mr. Charles Vikisi, the company secretary, who acts as an adviser to the Board and its committees. The address of the company secretary is Edgardale, 1 Press Avenue, Crown Mines, Johannesburg, 2092, South Africa. Any director may, in appropriate circumstances and at the expense of the Group, obtain independent professional advice. The directors are also entitled, with the prior knowledge of the chief executive officer, to have access to senior management and to relevant corporate information.

Board committees

The Issuer's current Board committees are described below. Each of the committees operates according to terms of reference defined in their respective charters. The members of the various Board committees and the respective chairpersons (none of whom is the chairman of the Board), are elected annually by the Board. Regular reports on the committees' activities are provided to the Board.

Audit and Risk Committee

The members of the Audit and Risk Committee are Messrs. David H. Brown (Chairman), Louis L. von Zeuner and Thabo F. Mosololi. The deputy chief executive officer/ the chief financial officer, the external auditors, the internal auditors and the company secretary attend all meetings of the Audit and Risk Committee as invitees. The Audit and Risk Committee meets at least four times per annum to perform its chartered responsibilities, mainly by considering comprehensive reports from:

- the chief financial officer regarding our financial performance;
- the Risk Management Committee regarding the output of our continuous risk management process;
- the internal auditors regarding the adequacy and effectiveness of financial and operational control measures; and
- the external auditors regarding planning and the results of their audit activities.

The Audit and Risk Committee oversees the internal and external audit and the internal and external auditors have access to the chairman of the Audit and Risk Committee, the chairman of the Board and the chief executive officer.

The Audit and Risk Committee also oversees the Group's risk management process.

Remuneration Committee

The members of the Remuneration Committee are Mrs. Zohra B. Ebrahim (chairwoman), Messrs. Dwight Poler and Matthew Levin. The Remuneration Committee meets at least twice per annum in order to perform its function of approving a broad remuneration strategy for Edcon and to ensure that executive directors and senior executives are adequately remunerated. Succession planning is also considered at every meeting of the Remuneration Committee. The chief officer for transformation and human resources and the company secretary attend all meetings as invitees.

Social, Ethics and Transformation Committee

The members of the Social, Ethics and Transformation Committee are Mrs. Zohra B. Ebrahim (chairwoman), Messrs. Jürgen Schreiber, Edward B. Berk and Marc M. Valentiny. The chief officer for transformation and human resources and the company secretary attend all meetings as invitees.

The Social, Ethics and Transformation Committee meets at least twice per annum to:

- monitor the company's activities regarding social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, labour and employment and to formally report to the shareholders on the performance of those functions annually; and
- review and evaluate the Group's progress on transformation, with specific reference to the seven pillars outlined in the Codes of Good Conduct in the BBBEE legislation.

Risk management

Operating under a Board-approved written terms of reference, the Audit and Risk Committee evaluates any risk which it deems necessary for discussion and evaluation by all directors. The chairman of the Audit and Risk

Committee reports on progress with the key risk issues to the Board and a risk profile is tabled annually at a Board meeting. The risk management framework and process is designed to assist the Board in ensuring that management monitors risks continually and reports back to the Audit and Risk Committee on the status of risks. The framework includes:

- an annual review of the Group's risk management policy;
- an annual review of the Group's key risk profile, which details the material residual risks for the Group;
- a prioritisation of the key risks based on their impact to the Group and the likelihood of occurrence;
- a continuous review on an update of the key risk profile by the executive directors;
- identifying emerging risks on a regular basis;
- biannual reporting on the status of the key risks and the management thereof, based on key risk and performance indicators, to the Audit and Risk Committee;
- the monitoring of ongoing risk exposure by reviewing objective metrics and performing control self-assessments;
- reviewing the reports of independent assurance providers;
- regular six-monthly reviews of the risk register at the business unit level;
- biannual reporting on progress on the management and compliance with operational risks; and
- a review of the adequacy of the Group's insurance programme.

For certain special risk areas, management forums have been established to ensure that the risks in these areas are reviewed and considered by management with the required specialist skills and experience.

Internal control

The Board is responsible for our systems of financial and operational internal control and the executive directors are relied on to ensure that management continues to maintain accounting records and systems of internal control that are appropriate to the achievement of our business strategies.

Financial statements and accounting practices

The directors are of the opinion, based on the information and explanations given by management and the internal auditors, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Internal audit

Edcon's internal audit function provides the Board and management with an independent and objective assurance service that reviews matters relating to control, risk management and operational efficiency. The internal auditors report directly to the Audit and Risk Committee but are responsible to the chief financial officer on day-to-day matters, which arrangement does not impair the function's independence or objectivity.

There is regular two-way communication between the chief executive officer and the head of Internal Audit. The Audit and Risk Committee approves the function's yearly plan of audits, which encompasses all Edcon business operations and support functions. The Internal Audit plan is based on an annually conducted Group-wide risk assessment.

External audit appointment and independence

The external auditor expresses an independent opinion on the audited consolidated financial statements. The external auditor's plan is reviewed by the Audit and Risk Committee to ensure that significant areas of concern are covered, without infringing on the external auditor's independence and right to audit. Ernst & Young Inc., South Africa are the auditors of Edcon and the audit partner rotates in line with current legislation.

Management investments

More than 85 Edcon executives are vested beneficiaries in the five Founder Investor Trusts. The five Founder Investor Trusts hold A and B preference shares of R0.00001 each in the capital of the Issuer designated as "A" and "B" preference shares, respectively (the "A Preference Shares" and the "B Preference Shares"), A ordinary shares of R0.00001 each in the capital of the Issuer designated as "A" ordinary shares (the "A Ordinary Shares"), C ordinary shares of R0.00001 each in the capital of the Issuer designated as "C" ordinary shares (the "C Ordinary Shares"), D ordinary shares of R0.00001 each in the capital of the Issuer designated as "D" ordinary shares (the "D Ordinary Shares"), and E ordinary shares of R0.00001 each in the capital of the Issuer designated as "E" ordinary shares (the "E Ordinary Shares", and together with the C Ordinary Shares and the D Ordinary Shares, the "Deferred Return Securities"). The Founder Investor Trusts together hold less than 5% of the total voting rights in the Issuer, 100% of the issued A Preference Shares, approximately 3% of the issued A Ordinary Shares and 100% of the issued Deferred Return Securities.

The A and the B Preference Shares are non-voting, have a yield equal to the Absa Bank prime rate plus 1.75% less applicable tax, and rank in priority to any other class of issued share capital in the Issuer regarding dividends and return of capital. The A Ordinary Shares entitle the holders to 1,000 votes per share, and participate in all distributions of the Issuer subject to the distribution entitlements of the A Preference Shares, the B ordinary shares of R0.001 each in the capital of the Issuer designated as "B" ordinary shares (the "B Ordinary Shares") held by the Empowerment Trust and the Deferred Return Securities. The Deferred Return Securities entitle the holders (being the relevant Founder Investor Trusts) to one vote per share but only participate in distributions (on a *pari passu* basis with the A Ordinary Shares) once LuxCo has received aggregate distributions equal to the following multiples of its investment in the Issuer: in the case of the C Ordinary Shares, one times the investment; in the case of the D Ordinary Shares, one and a half times the investment, and in the case of the E Ordinary Shares two times the investment.

If an executive ceases employment with Edcon, he or she may be required to dispose of his or her trust interests. The price payable for the trust interests will depend upon whether the executive is a 'good leaver' or a 'bad leaver' and, in the case of the Founder Investor Trusts holding the Deferred Return Securities, for how long the executive has been employed by Edcon following his or her acquisition of those trust interests. If it is determined that the executive is a 'good leaver', the executive will be paid the fair market value for his or her trust interests, other than those trust interests in trusts holding Deferred Return Securities where the executive will be paid 10% of the market value of those trust interests for each year held, up to a maximum of 50% of the market value of the trust interests after five years. If it is determined that the executive is a 'bad leaver', he or she will only receive the lower of his or her original investment cost and the fair market value of his or her trust interests (subject to certain exceptions). A 'good leaver' for these purposes is anyone who is not a 'bad leaver' and a 'bad leaver' is anyone whose employment is terminated for cause or with good reason or who, having been a 'good leaver', subsequently breaches the terms of his or her post-employment restraint of trade.

PRINCIPAL SHAREHOLDERS AND SHARE CAPITAL

The Issuer's shareholders are LuxCo, the Edcon Staff Empowerment Trust (the "Empowerment Trust") and ten other trusts. LuxCo, a *société à responsabilité limitée* incorporated in Luxembourg, holds 86% of the ordinary shares of the Issuer. LuxCo is indirectly controlled by funds advised by affiliates of Bain Capital including Bain Capital Fund IX, L.P. and Bain Capital Fund VIII-E, L.P. Barclays Nominees (Aldermanbury) Limited, an affiliate of Barclays Bank PLC, is an indirect beneficial holder of 13% of the shares in LuxCo. The Empowerment Trust holds shares entitling it in aggregate to 11% of the votes at any general meeting of the Issuer. The Empowerment Trust was created in July 2005 as part of our black economic empowerment programme and its beneficiaries are predominantly black employees. The remaining shareholders in the Issuer are the eight Founder Investor Trusts and two investor trusts of which Zohra Ebrahim is a beneficiary. These trusts, the beneficiaries of which include members of Edcon management, collectively hold approximately 3% of the issued A Ordinary Shares and 100% of the issued Deferred Return Securities. The Issuer indirectly owns 100% of the issued capital of Edcon Limited. The members of the Board of the Issuer who are affiliated with Bain Capital may be deemed to beneficially own shares owned by entities affiliated with Bain Capital. Each such individual disclaims beneficial ownership of any such shares in which such individual does not have a pecuniary interest.

RELATED PARTY TRANSACTIONS

Subordinated Shareholder Loan

In 2007, the Issuer entered into a loan agreement (the "Subordinated Shareholder Loan") with LuxCo, under which LuxCo advanced R5,057 million to the Issuer. Repayment of the Subordinated Shareholder Loan is subordinated to payments under all other debt obligations concluded by the Issuer and its subsidiaries in connection with the acquisition of ECSL and its subsidiaries in 2007 by BidCo. The term of the Subordinated Shareholder Loan ends on the 30th anniversary of the payment of the purchase price under the acquisition of ECSL and its subsidiaries in 2007 by BidCo and no interest accrues on this indebtedness. As at 29 June 2013, the outstanding principal balance under the Subordinated Shareholder Loan was R8,949 million.

Pursuant to a subordination agreement entered into between the Issuer and LuxCo, entered into in May 2009 (as restated and amended in February 2013), LuxCo has agreed that the Subordinated Shareholder Loan is also subordinated to the claims of all other creditors of the Issuer to the extent required to pay their claims in full. The subordination agreement will remain in force until such time as the Issuer's assets exceed its liabilities as certified by its auditors, whereupon it will automatically lapse.

Subordinated Matching Loan

The Issuer and Edcon Limited have entered into a loan agreement (the "Subordinated Matching Loan"), under which the Issuer advanced R5,057 million to Edcon Limited. Repayment of the Subordinated Matching Loan is subordinated to payments under all debt obligations concluded by Edcon Limited and its subsidiaries in connection with the acquisition of ECSL and its subsidiaries in 2007 by BidCo. The term of the Subordinated Matching Loan ends on the 30th anniversary of the payment of the purchase price under the Share Acquisition and no interest accrues on this indebtedness. As at 29 June 2013, the outstanding balance under the Subordinated Matching Loan was R6,859 million.

Subordinated Proceeds Loan

The Issuer and Edcon Limited have entered into a loan agreement (the "Subordinated Proceeds Loan"), under which the Issuer advanced R6,250 million to Edcon Limited. Interest on advances under the Subordinated Proceeds Loan accrue at a rate to be agreed from time to time between the Issuer and Edcon Limited subject to certain minimum interest requirements, including that the interest rate will be at least equal to the coupon payable on the 2015 Senior Notes. As at 29 June 2013, the outstanding balance under the Subordinated Proceeds Loan was R6,650 million.

Transaction Services Agreement

In May 2007, the Issuer and Edgars Holdings Limited, a Cayman Islands exempted limited company ("CaymanCo"), the parent of LuxCo, entered into a transaction services agreement (the "Transaction Services Agreement") with Bain Capital, Ltd and Bain Capital Partners, LLC (collectively, the "Advisers"), under which the Advisers undertake to provide the Issuer and CaymanCo with services such as advice on acquisitions and divestiture opportunities, financing alternatives and finance, marketing and other functions. In consideration for these services, the Issuer and CaymanCo undertake to pay to the Advisers (i) a fee equal to 1% of the transaction value of future acquisitions, divestitures and other financial transactions for which the Advisers provide services, and (ii) all reasonable out-of-pocket fees in relation to services provided under the Transaction Services Agreement. The initial term of the Transaction Services Agreement is 10 years, subject to recurring automatic one-year extensions. The Transaction Services Agreement automatically terminates on change of control of the Issuer or CaymanCo, or a public offering of the shares of the Issuer or any of its subsidiaries.

Consulting Services Agreement

In May 2007, the Issuer entered into a consulting services agreement (the "Consulting Agreement") with Portfolio Company Advisers Limited and Bain Capital Partners, LLC (collectively, the "Consultants"), under which the Consultants undertake to provide executive, advisory and consulting services to the Issuer. In consideration for these services, the Issuer undertakes to pay the Consultants a fee based on hourly rates, or, under certain conditions, an annual consulting fee of R35 million. The initial term of the Consulting Agreement is two years, subject to two-year renewal terms. The Consulting Agreement automatically terminates on a change of control of the Issuer or a public offering of the shares of the Issuer or any of its subsidiaries.

In January 2008, the rights and obligations of the Consultants under the Consulting Agreement were novated to PCA (South Africa) Limited, acting through its South African branch. The Consultants have agreed to render services to PCA (South Africa) Limited to enable it to fulfil its obligations under the Consulting Agreement. In April 2008, the rights and obligations of the Issuer under the Consulting Agreement were novated to Edcon Limited.

DESCRIPTION OF CERTAIN OTHER INDEBTEDNESS

The Super Senior Revolving Credit Facility

Overview

Our super senior revolving credit facility (the "Super Senior Revolving Credit Facility") provides senior secured financing of up to R3,967 million for our general corporate and working capital purposes and is tranched into Tranche B1, Tranche B2 and Tranche B3. Tranche A matured on 15 June 2012. The commitments under Tranche B1, which matures on 31 December 2013 have been reduced to zero. We may draw up to R250 million under Tranche B2, which matures on 31 March 2014 and we may draw up to R3,717 million under Tranche B3, which matures on 31 December 2016. Pursuant to an amendment and restatement agreement dated 13 August 2013 (the **"**2013 Amendment") our Super Senior Revolving Credit Facility was amended to incorporate a new Tranche B3 under which the majority of existing lenders' commitments under Tranche B2, were extended by rolling such commitments into the new Tranche B3 with a maturity date as set out below. The terms of Tranche A, Tranche B1, Tranche B2 and Tranche B3 are the same save as described herein. We are required to make drawdowns under our Super Senior Revolving Credit Facility pro rata under Tranche B2 and Tranche B3.

Our Super Senior Revolving Credit Facility can also be utilised by way of bank guarantees, letters of credit, short-term derivative transactions and borrowings under bilateral ancillary facilities.

Borrowings under Tranche B2 and Tranche B3 will bear interest at a rate per annum equal to the Johannesburg Interbank Acceptance Rate plus an applicable margin. The initial applicable margin for borrowings under Tranche B2 and Tranche B3 is 4.0%. The applicable margin for borrowings under Tranche B2 and Tranche B3 will not exceed the initial applicable margin and is subject to adjustment based on the ratio of our total net indebtedness to our EBITDA. In addition to paying interest on outstanding principal under Tranche B2 and Tranche B3, we are required to pay a commitment fee of 40% of the applicable margin for Tranche B2 and Tranche B3, as the case may be, in respect of the unutilised commitments thereunder.

We must also pay customary bank guarantee fees, letter of credit fees and agency fees in relation to the Super Senior Revolving Credit Facility.

Mandatory repayment and cancellation

To the extent that the amount of the Senior Notes, the 2018 Senior Secured Notes, and/or *pari passu* debt purchased, redeemed, repaid or acquired with the net cash proceeds from asset sales exceeds (or will exceed) €100 million (or the equivalent amount of rand in any applicable currency), our Super Senior Revolving Credit Facility must be prepaid and the commitments thereunder cancelled to the extent of net cash proceeds from asset sales, unless our general corporate requirements are such that we require the total commitments under the Super Senior Revolving Credit Facility to remain unchanged. Our Super Senior Revolving Credit Facility must also, in certain circumstances, be prepaid and the commitments thereunder cancelled pro rata with the repayment of the Senior Notes or the 2018 Senior Secured Notes from our available cash (other than the net cash proceeds from asset sales).

Voluntary repayment and cancellation

We may voluntarily reduce the unutilised portion of the commitment amount and prepay the outstanding balance under our Super Senior Revolving Credit Facility at any time (subject to giving the relevant notice) together with accrued interest without premium or penalty other than customary "breakage" costs.

Amortisation and final maturity

There is no scheduled amortisation under our Super Senior Revolving Credit Facility. The total commitments under Tranche B1 have been reduced to zero pursuant to the 2013 Amendment ahead of the maturity date for Tranche B1 on 31 December 2013. The principal amount outstanding of the loans under Tranche B2 is due and payable in full on 31 March 2014. The principal amount outstanding of the loans under Tranche B3 is due and payable in full on the earlier of (i) 31 December 2016 and (ii) the date which is three months prior to the scheduled maturity of any other indebtedness or refinancing thereof that benefits from transaction security.

Guarantees and security

All obligations under our Super Senior Revolving Credit Facility are unconditionally guaranteed by the Issuer, BidCo, Edcon Limited and ECSL and will also be guaranteed by any future material subsidiaries. The guarantees are structured as both counter-indemnities given to a special purpose security vehicle for the lenders under our Super Senior Revolving Credit Facility as customary in South African financing transactions and guarantees in favour of the lenders.

All obligations under our Super Senior Revolving Credit Facility, and the guarantees of those obligations, are secured, subject to certain exceptions, by substantially all of the Issuer's assets and substantially all of the assets of its subsidiaries that have guaranteed our Super Senior Revolving Credit Facility.

Ranking

The Super Senior Revolving Credit Facility ranks *pari passu* with the 2016 Super Senior Secured ZAR Notes in right of security over the assets of Edcon Limited and the guarantees that secure the Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes, and senior in right of security to all other existing and future secured and unsecured indebtedness of Edcon Limited including the 2018 Senior Notes, the ZAR Term Loan and the Senior Notes.

Certain covenants and events of default

Our Super Senior Revolving Credit Facility contains substantially the same covenants and events of default that will be contained in the Senior Notes Indenture.

ZAR Term Loan

Overview

On 28 March 2013, Edcon Limited, as borrower, the Issuer, as guarantor, and certain other obligors entered into a ZAR 4,120 million term loan agreement (the "ZAR Term Loan") with, inter alia, Absa Bank Limited (acting through its Corporate and Investment Banking division), Banc of America Securities Limited, N.A., FirstRand Bank Limited (acting through its Rand Merchant Bank division), Goldman Sachs International, JPMorgan Chase Bank, N.A., Johannesburg Branch and Morgan Stanley Bank International Limited, as mandated lead arrangers and Absa Bank Limited (acting through its Agency Division).

Interest rate and fees

Borrowings under the ZAR Term Loan will bear interest at a rate per annum equal to JIBAR plus margin. The initial margin of 7.0% will step down in accordance with a margin ratchet if certain leverage ratios are met. A step-up ratchet of non-cash pay interest will apply if (i) a public equity offering has not taken place by certain times and (ii) certain leverage ratios are not met. We must also pay customary agency fees.

Mandatory repayment and cancellation

The loans under the ZAR Term Loan must, in certain circumstances and subject to agreed exceptions and thresholds, be prepaid from (i) excess cashflow (as from fiscal year 2014), (ii) monies not used or not committed for expansion capital expenditure and (iii) net asset sale proceeds in certain cases where certain other indebtedness is being redeemed or prepaid and certain leverage ratios are met. In addition, mandatory prepayment provisions will apply in case of a change of control.

Amortisation and final maturity

The loan shall be repaid in one instalment in full on the final maturity date, which is the earlier of (i) the fourth anniversary of the utilisation of the loan and (ii) the date which is three months prior to the scheduled maturity of any other outstanding financial indebtedness or financing thereof (excluding the Super Senior Revolving Credit Facility, the 2016 Super Senior Secured ZAR Notes and any other super senior indebtedness from time to time).

Guarantees and security

All obligations under our ZAR Term Loan are unconditionally guaranteed by the Issuer, BidCo, Edcon Limited and ECSL and will also be guaranteed by any future material subsidiaries. The guarantees are structured as both counter-indemnities given to a special purpose security vehicle for the lenders under our ZAR Term Loan as customary in South African financing transactions and guarantees in favour of the lenders.

Ranking

The ZAR Term Loan ranks *pari passu* with the 2018 Senior Secured Notes in right of security over the assets of Edcon Limited and the guarantees that secure the ZAR Term Loan and senior in right of security to all other existing and future secured and unsecured indebtedness of Edcon Limited and the Issuer including the Senior Notes.

Certain covenants and events of default

Our ZAR Term Loan contains substantially the same incurrence covenants as the Super Senior Revolving Credit Facility, some bank specific covenants including a restriction on dividends subject to the leverage ratio, maintenance covenants (net senior secured leverage and net senior secured interest cover) which will be tested semiannually commencing in June 2014 and a maximum capital expenditure covenant which will be tested semiannually from signing.

Our ZAR Term Loan contains substantially the same events of default that will be contained in the Senior Notes Indenture.

2018 Senior Secured Notes

On 1 March 2011, Edcon Limited issued € 317 million in aggregate principal amount of euro-denominated senior secured fixed rate notes and on 8 February 2013, the issuer issued €300 million aggregate principal amount of additional euro-denominated senior secured fixed rate notes (collectively the “2018 EUR Senior Secured Notes”). On 1 March 2011, Edcon Limited also issued $250 million in aggregate principal amount of U.S. dollar-denominated senior secured fixed rate notes (the “2018 USD Senior Secured Notes” and, together with the 2018 EUR Senior Secured Notes, the “2018 Senior Secured Notes”).

The 2018 Senior Secured Notes are governed by an indenture among Edcon Limited, the Issuer, Bidco, ECSL, the SPV Guarantor and The Bank of New York, as trustee. The Issuer guarantees Edcon Limited’s obligations under the 2018 Senior Secured Notes. The 2018 Senior Secured Notes are general obligations of the Issuer and rank equally in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the 2018 Senior Secured Notes and are senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the 2018 Senior Secured Notes. The 2018 Senior Secured Notes are also subject to certain customary covenants and events of default. The 2018 Senior Secured Notes are secured by security interests over substantially all of the assets of the Issuer, Edcon Limited, and the other guarantors thereunder.

If an event treated as a change of control of Edcon Limited occurs, the Issuer must offer to purchase the 2018 Senior Secured Notes for a purchase price in an amount equal to 101% of the principal amount of the 2018 Senior Secured Notes, plus accrued and unpaid interest. In certain circumstances, Edcon Limited will be required to offer to purchase the 2018 Senior Secured Notes with the net cash proceeds from asset sales. The purchase price would be equal to 100% of the principal amount of the 2018 Senior Secured Notes, plus accrued and unpaid interest.

2016 Super Senior Secured ZAR Notes

In April 2011, Edcon Limited issued R1,010 million in aggregate principal amount of senior secured floating rate notes due 4 April 2016 (the “2016 Super Senior Secured ZAR Notes”). The interest payable on the 2016 Super Senior Secured ZAR Notes is JIBAR plus 6.25% per year, reset quarterly and payable quarterly in cash. The 2016 Super Senior Secured ZAR Notes are currently listed on the Interest Rate Market of the JSE. On 4 February 2013, we obtained consents from approximately 75% of the holders of the 2016 Super Senior Secured ZAR Notes to waive the requirement for Edcon Limited to make an offer at par for the 2016 Super Senior Secured ZAR Notes from the Receivables Sale proceeds. To the extent that additional waivers are not obtained, Edcon Limited will be required to offer to repurchase 2016 Super Senior Secured ZAR Notes at par for an aggregate principal amount of approximately R250 million from the non-consenting holders, with a portion of net proceeds from the Receivables Sale by 31 October 2013. Such holders may accept this offer or decide to retain their 2016 Super Senior Secured ZAR Notes.

The 2016 Super Senior Secured ZAR Notes are guaranteed on a senior secured basis by the Issuer, BidCo and ECSL and are also guaranteed by the SPV Guarantor under the SPV Guarantee.

The guarantee of the 2016 Super Senior Secured ZAR Notes by each guarantor, including the Issuer, ranks equally in right of payment with all existing and future indebtedness of such guarantor that is not subordinated in right of payment to such guarantee, are senior in right of payment to any and all of the existing and future indebtedness of such guarantor that is subordinated in right of payment to such guarantee, and are effectively senior to such guarantor's existing and future unsecured indebtedness to the extent of the value of the collateral securing such guarantee. The 2016 Super Senior Secured ZAR Notes also are subject to certain customary covenants and events of default.

If an event treated as a change of control of Edcon Limited occurs, the Issuer must offer to purchase the 2016 Super Senior Secured ZAR Notes for a purchase price in an amount equal to 101% of the principal amount of the 2016 Super Senior Secured ZAR Notes plus accrued and unpaid interest. In certain circumstances, Edcon Limited will be required to offer to purchase the 2016 Super Senior Secured ZAR Notes with the net cash proceeds from asset sales. The purchase price would be equal to 100% of the principal amount of the 2016 Super Senior Secured ZAR Notes, plus accrued and unpaid interest.

Hedging

We maintain hedging arrangements with respect to indebtedness under our 2018 Senior Secured Notes.

In addition, it is our intention, on or about the Issue Date, to enter into hedging arrangements with respect to substantially all of the interest payments on the Senior Notes against fluctuations in the rate of exchange between rand and euro/dollar for the period up to and including the first call date on the Senior Notes. However, we may decide to hedge these amounts for a longer period of time. In addition, we may hedge some or all of the aggregate principal of the Senior Notes against fluctuations in the rate of exchange between rand and euro/dollar.

All our obligations under the hedging agreements entered into in connection with the Senior Notes will share rateably in the guarantees and security interests granted for the benefit of the Senior Notes. Likewise, our hedging agreement entered into in connection with the 2018 Senior Secured Notes share rateably in the guarantees and security interests granted on behalf of the holders of those respective notes.

Our hedging agreements are subject to early termination in the event of, among other things, bankruptcy or failure to make payments under the hedging agreements when due. Some or all of our existing and new hedging arrangements may be credit-based hedges.

Hedging under the 2018 EUR Senior Secured Notes

For the 2018 EUR Senior Secured Notes, we entered into a series of coupon-only cross-currency swaps which protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is € 317 million and provides cover on the coupon of the 2018 EUR Senior Secured Notes up to 15 March 2014. The cross-currency swaps have been designated as a cash flow hedge.

Hedging under the 2018 USD Senior Secured Notes

For the 2018 USD Senior Secured Notes, we likewise entered into a coupon-only cross-currency swap to protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is U.S.$190 million and provides cover on the coupon of the 2018 USD Senior Secured Notes up to 15 March 2014. The cross-currency swap has been designated as a cash flow hedge.

A series of foreign currency forward contracts were also entered into, with a notional value of $60 million, to buy U.S. dollars and sell rand corresponding to the U.S. dollar scheduled fixed rate interest payments on the 2018 USD Senior Secured Notes at each payment date. These foreign currency forward contracts have been designated as a cash flow hedge.

Recent hedging transactions

In December 2012, we entered into a series of currency options, with a notional value of: (a) €150 million, to buy euro and sell rand; and (b) $250 million, to buy U.S. dollars and sell rand. These additional currency options were entered into to hedge a portion of our principal obligations on our 2018 Senior Secured Notes to 31 March 2014.

To increase the extent of hedge cover on the 2018 EUR Senior Secured Notes, a series of derivative contracts were entered into in April 2013:

- Cross currency swaps were entered into, which (i) protect against interest rate variability in future interest cash flows on liabilities, (ii) protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedge the repayment of € 230 million in principal and interest on the notes to 15 March 2015.
- A cross currency swap was entered into, which protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is €70 million and provides cover on the coupon of the notes up to 15 March 2015.
- Foreign currency call options were entered into, which hedge the repayment of €237 million in principal on the notes to 12 March 2015.

On 17 May 2013, Edcon Limited terminated cross currency swaps as a consequence of the repurchase of the senior secured floating rate notes with a nominal value of €387 million. As at 29 June 2013, the Group is approximately 74% hedged on the basis of foreign denominated principal.

Intercreditor Agreement

On 28 March 2013 we amended and restated our intercreditor deed originally dated 25 May 2007 with, among others, the lenders under our Super Senior Revolving Credit Facility, the lenders under the ZAR Term Loan, the trustee for the noteholders of the 2018 Senior Secured Notes, and the 2016 Super Senior Secured ZAR Notes, the SPV Guarantor, and the hedging counterparties as amended from time to time (the "Intercreditor Agreement"). The Intercreditor Agreement is governed by English law. By accepting a Senior Note, holders of Senior Notes will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement sets out, amongst other things:

- the relative ranking of certain of our debts;
- the relevant ranking of security granted by us;
- when payments can be made in respect of our debt;
- when enforcement action can be taken in respect of our debt;
- the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions;
- the application of recoveries from enforcement of security and the Senior Notes Guarantees; and
- when security and guarantees will be released to permit an enforcement sale.

The following is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and, as such, we urge you to read that document because it, and not the discussion that follows, defines your rights.

Priority of debts

The Intercreditor Agreement provides that all claims under the Senior Notes owed by the Issuer, our Super Senior Revolving Credit Facility, the ZAR Term Loan, the 2018 Senior Secured Notes, the 2016 Super Senior Secured ZAR Notes, the hedging agreements, shall rank in right and priority of payment (*pari passu* between themselves) ahead of claims under the Senior Notes (other than claims against the Issuer) and the Subordinated Proceeds Loan (*pari passu* between themselves) and all of the foregoing claims rank ahead of the claims under the Subordinated Shareholder Loans and the intercompany debt (*pari passu* between themselves).

Priority of security and guarantees

The Intercreditor Agreement provides that security over our assets, save as set out below, shall rank first, to secure claims, *pari passu*, under our Super Senior Revolving Credit Facility and 2016 Super Senior Secured ZAR Notes and second, to secure claims, *pari passu*, under the ZAR Term Loan, the 2018 Senior Secured Notes and our hedging arrangements.

The security over the Subordinated Proceeds Loan shall rank first, to secure claims, *pari passu*, under our Super Senior Revolving Credit Facility and 2016 Super Senior Secured ZAR Notes, and second to secure claims, *pari passu*, under the ZAR Term Loan, the 2018 Senior Secured Notes and the hedging arrangements and third to secured claims under the proceeds loan.

The Intercreditor Agreement will provide that the Senior Notes Guarantees are subordinated obligations of the Senior Notes Guarantors.

The provisions of the Intercreditor Agreement that purport to rank the claims of unsecured creditors amongst themselves are subject to applicable law and may not be enforceable by a liquidator or comparable insolvency practitioner under South African law.

Permitted payments

Payments of principal, interest and other amounts may be made at any time under and in accordance with our Super Senior Revolving Credit Facility, the ZAR Term Loan, the 2016 Super Senior Secured ZAR Notes, the Senior Notes and the 2018 Senior Secured Notes. Certain payments of principal, interest and other amounts may be made under the Senior Notes and the Subordinated Proceeds Loan prior to a payment blockage whereupon no further payments under the Senior Notes and Subordinated Proceeds Loan may be made unless the payment blockage has expired. A payment blockage will arise upon the occurrence of (i) a payment default or acceleration under our Super Senior Revolving Credit Facility, the ZAR Term Loan, the 2018 Senior Secured Notes, the 2016 Super Senior Secured ZAR Notes or (ii) any other default under our Super Senior Revolving Credit Facility, the ZAR Term Loan, the 2016 Super Senior Secured ZAR Notes or the 2018 Senior Secured Notes in respect of which a payment blockage notice has been served. A payment blockage notice will expire upon the date on which the relevant default is no longer continuing or if a payment blockage notice is cancelled or within 179 days of receipt of a payment blockage notice. A payment blockage does not apply to payments by the Issuer on the Senior Notes.

Enforcement of security

The Intercreditor Agreement provides that enforcement with respect to the security may only be taken by the SPV Guarantor.

Our lenders under our Super Senior Revolving Credit Facility and the holders of the 2016 Super Senior Secured ZAR Notes and (in certain circumstances outlined below) our creditors in respect of the ZAR Term Loan, the 2018 Senior Secured Notes and our hedging arrangements may direct the Security Administrator to direct the SPV Guarantor to enforce or to take any other action relating to the security over our assets that are granted as security for the ZAR Term Loan, the Super Senior Revolving Credit Facility, the 2016 Super Senior Secured ZAR Notes, the 2018 Senior Secured Notes and our hedging arrangements; *provided* that the Security Administrator shall refrain from directing the SPV Guarantor to enforce the security over our assets unless instructed by (or with the consent of) (A) (i) if the debt under the Super Senior Revolving Credit Facility (the "RCF Debt") exceeds 50% of the aggregate amount of the RCF Debt and the debt under the 2016 Super Senior Secured ZAR Notes (the "ZAR Notes Debt"), the facility agent of the Super Senior Revolving Credit Facility or (ii) if the ZAR Notes Debt exceeds 50% of the aggregate of the RCF Debt and the ZAR Notes Debt, the trustee in respect of the 2016 Super Senior Secured ZAR Notes or (iii) following repayment and discharge of the Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes (the "Super Senior Secured ZAR Discharge Date"), those creditors whose participations in respect of the ZAR Term Loan, the 2018 Senior Secured Notes and our hedging arrangements aggregate more than 50% of the total participations in respect of the ZAR Term Loan, the 2018 Senior Secured Notes and our hedging arrangements at that time; or (B) those creditors whose participations in respect of the ZAR Term Loan, the 2018 Senior Secured Notes and our hedging arrangements aggregate more than 50% of the total participations in respect of the ZAR Term Loan, the 2018 Senior Secured Notes and our hedging arrangements at that time in circumstances where (i) any other creditor has taken corresponding Enforcement Action (ii) a Second Secured Default is continuing after a period of more than 179 days after written notice (iii) a failure to pay any Second Secured Debt at maturity or (iv) an insolvency event has occurred in respect of that member of the Group.

The Security Administrator may refrain from directing the SPV Guarantor to enforce the security over our assets if instructed to do so (A) if the instructions received by the Security Administrator are inconsistent with the terms of the Intercreditor Agreement or (B) if the Security Administrator, it its discretion, determines such instructions to be inconsistent with the Security Enforcement Objective (unless with the consent of (i) if the RCF Debt exceeds 50% of the aggregate amount of the RCF Debt and ZAR Notes Debt, the facility agent of the Super

Senior Revolving Credit Facility or (ii) if the ZAR Notes Debt exceeds 50% of the aggregate of the RCF Debt and the ZAR Notes Debt, the trustee in respect of the 2016 Super Senior Secured ZAR Notes or (iii) if the Super Senior Secured ZAR Discharge Date has occurred, the creditor representatives in respect of each of the ZAR Term Loan, the 2018 Senior Secured Notes and our hedging arrangements.

Consultation requirements and conflicting instructions

The Intercreditor Agreement provides that before giving any instructions to the Security Administrator to direct the SPV Guarantor to enforce security over our assets, the relevant creditor representatives shall consult with one another and the Security Administrator in good faith with a view to co-ordinating those instructions for a period of 30 days or such other period as they may agree, provided that the creditors shall not be obliged to consult in certain circumstances such as (i) where the security has become enforceable as a result of an insolvency event (ii) a failure to pay an amount of more than EUR10,000,000 or (iii) the relevant representatives determine that such consultations and delay could reasonably be expected to have a material adverse effect on their ability to enforce any security or on the realisation proceeds of any enforcement of the security.

If the instructions given to the Security Administrator by a senior representative conflict with the instructions of another senior representative, the Security Administrator may require the relevant representatives consult with one another for a period of at least 30 days with a view to resolving the conflict in instructions unless (i) the security has become enforceable as a result of an insolvency event (ii) a failure to pay an amount of more than EUR10,000,000 or (iii) the relevant representatives determine that such consultations and delay could reasonably be expected to have a material adverse effect on their ability to enforce any security or on the realisation proceeds of any enforcement of the security.

In the event that the Security Administrator has not received consistent instructions from the relevant creditor representatives it shall follow the instructions it determines are consistent with achieving the Security Enforcement Objective. “Security Enforcement Objective” means the aim of maximising so far as is consistent with a prompt and expeditious enforcement over the security over our assets, the recoveries thereunder of the senior creditors for which the relevant security over our assets is expressed to provide such security.

Standstill on enforcement

The Intercreditor Agreement also provides that (a) Lenders under the ZAR Term Loan, 2018 Senior Secured Notes may not, prior to the Super Senior Secured ZAR Discharge Date, without the consent of the facility agent for the Super Senior Revolving Credit Facility (if the RCF Debt exceeds 50% of the aggregate amount of the RCF Debt and the ZAR Notes Debt) or, the trustee of the 2016 Super Senior Secured ZAR Notes (if the ZAR Notes Debt exceeds 50% of the aggregate amount of the RCF Debt and the ZAR Notes Debt), direct the SPV Guarantor to enforce or take any other action relating to the security unless the circumstances in the following paragraph apply and (b) the holders of the Senior Notes may not take any enforcement action against any member of the Group (other than Holdco in respect of the Senior Notes) or in respect of any financial support or security and may not, prior to the Super Senior Secured ZAR Discharge Date and the repayment in full of the ZAR Term Loan, the 2018 Senior Secured Notes (without the consent of the facility agent for the Super Senior Revolving Credit Facility, the trustee of the 2016 Super Senior Secured ZAR Notes, the facility agent for the ZAR Term Loan and the trustee for the 2018 Senior Secured Notes), direct the SPV Guarantor to enforce or take any other action relating to the proceeds loan debt or security over the Subordinated Proceeds Loan for the Senior Notes unless the circumstances in the following paragraph apply.

The limitations on enforcement in the preceding paragraph will not apply if, in the case of enforcement by the facility agent under the ZAR Term Loan and the 2018 Senior Secured Notes:

- an insolvency event has occurred with respect to an issuer, guarantor or counter-indemnifier in the Group, in which case an enforcement action may only be taken against the relevant member of the Group;
- in the case of enforcement over our assets, a period of not less than 179 days has passed from the date of receipt by the relevant facility agent or trustee of a written notice specifying that a standstill period has commenced or a default has occurred as a result of a failure to pay at maturity; or
- another creditor regulated by the Intercreditor Agreement has taken enforcement action permitted by the Intercreditor Agreement over the relevant asset, in which event the same enforcement action may be taken,

and, in the case of enforcement by the holders of the Senior Notes or by the Issuer as lender under the Subordinated Proceeds Loan:

- an insolvency event has occurred with respect to an issuer, guarantor or counter-indemnifier in the Group, in which case an enforcement action may only be taken against the relevant member of the Group;
- another creditor regulated by the Intercreditor Agreement has taken enforcement action permitted by the Intercreditor Agreement over the relevant asset, in which event the same enforcement action may be taken; or
- (save in the case of enforcement of the security over the Subordinated Proceeds Loan) a default has arisen as a result of a failure to pay principal on the Senior Notes at maturity.

Application of proceeds

Subject to applicable law and the rights of any person with prior Security or claims not in breach of the Intercreditor Agreement, the proceeds from enforcement of any security or recoveries under any guarantee (or SPV Counter-Indemnity of any SPV Guarantee) of the Senior Notes, are required to be paid to the Security Administration and shall be applied in the following order:

- in payment of any fees and expenses owing to the facility agent for the Super Senior Revolving Credit Facility and the ZAR Term Loan, the trustee for the 2016 Super Senior Secured ZAR Notes, the 2018 Senior Secured Notes, the hedging counterparties, the Security Administrator and the SPV Guarantor, on a *pari passu* and pro rata basis;
- in payment of all costs and expenses incurred by or on behalf of the lenders under the Super Senior Revolving Credit Facility and the ZAR Term Loan, and the trustee for the 2016 Super Senior Secured ZAR Notes, the Senior Notes, the 2018 Senior Secured Notes, the 2018 Senior Secured Notes in connection with the enforcement of security;
- in payment to the facility agent for the Super Senior Revolving Credit Facility and the trustee for the 2016 Super Senior Secured ZAR Notes to discharge the liabilities in respect of the Super Senior Revolving Credit Facility and 2016 Super Senior Secured ZAR Notes on a pro rata basis;
- in payment to the facility agent for the ZAR Term Loan, the trustee for the 2018 Senior Secured Notes on behalf of the holders of any 2018 Senior Secured Notes and the hedging counterparties in respect of the Senior Notes for application towards the discharge of their liabilities on a pro rata basis;
- in payment to the trustee for the Senior Notes towards discharge of the Senior Notes on a pro-rata basis;
- in payment to the Issuer (to the extent it is entitled to such proceeds) in discharge of the Subordinated Proceeds Loan;
- in payment of shareholder liabilities and intragroup liabilities on a pro rata basis; and
- the balance in payment to any other person to which it is due or to the relevant issuer or guarantor.

The proceeds from enforcement of any guarantee or SPV Counter-Indemnity or SPV Guarantee (but only in the case of the SPV Counter-Indemnity or SPV Guarantee to the extent such proceeds are not funded from an enforcement of security will be applied as follows:

- in payment of any fees and expenses owing to the facility agent under the Super Senior Revolving Credit Facility, the trustee for the 2016 Super Senior Secured ZAR Notes, the hedging counterparties, the facility agent for the ZAR Term Loan, the trustee for the 2018 Senior Secured Notes, the trustee for the Senior Notes and the SPV Guarantor, on a pro rata basis;
- in payment of all costs and expenses incurred by or on behalf of the lenders under the Super Senior Revolving Credit Facility, the lenders under the ZAR Term Loan, the noteholders under the 2016 Super Senior Secured ZAR Notes, and the noteholders under the 2018 Senior Secured Notes;
- in payment (A) *pari passu* to the facility agent under the Super Senior Revolving Credit Facility and the trustee of the 2016 Super Senior Secured ZAR Notes for application to discharge the liabilities under the Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes, respectively, and (B) pari passu to the trustee of the 2018 Senior Secured Notes and the facility agent under the ZAR Term Loan and the hedging counterparties;

- (as to enforcement of the Senior Notes Guarantees) in payment of claims of holders of the Senior Notes against the Senior Notes Guarantors;
- in payment to the Issuer (to the extent it is entitled to such proceeds) in discharge of the Subordinated Proceeds Loan;
- in payment of shareholder liabilities and intragroup liabilities on a pro rata basis; and
- the balance in payment to any other person to which it is due or to the relevant issuer or Guarantor.

Option to purchase

The Intercreditor Agreement provides that, in the event of any enforcement action under either the Super Senior Revolving Credit Facility or the 2016 Super Senior Secured ZAR Notes, the holders of the 2018 Senior Secured Notes, or the lenders under the ZAR Term Facility or the holders of the Senior Notes have the right to repurchase all but not part of the debt outstanding under the Super Senior Revolving Credit Facility or the 2016 Super Senior Secured ZAR Notes at par.

Release of security and guarantees upon an enforcement action

In the case of any release of any security and any obligation or liability, including under any guarantee, in connection with a disposal being effected pursuant to an enforcement of security in accordance with the Intercreditor Agreement (each, an "Enforcement Action") by the Super Senior Revolving Credit Facility creditors, the noteholders under the 2016 Super Senior Secured ZAR Notes or in circumstances where such creditors are entitled to take an Enforcement Action, at the request of the applicable representatives for such creditors or holders, such security and/or guarantee will only be released if (i) representatives for the relevant creditors confirm to the Security Administrator that the release has been consented to by such creditors or (ii) the relevant asset is disposed of in accordance with certain conditions, including (A) the proceeds from such disposal are all or substantially all in the form of cash, (B) such disposal is made by public auction or upon receipt of an opinion from an internationally recognised accountancy firm or internationally recognised investment bank chosen by the Security Administrator that the disposal price of such asset is fair from a financial point of view, (C) the relevant asset or guarantor (and its subsidiaries) is simultaneously released from all present and future obligations and liabilities in respect of any amounts owing to the lenders of the Super Senior Revolving Credit Facility, the noteholders under the 2016 Super Senior Secured ZAR Notes, the hedging counterparties, the holders and trustees of the Senior Notes, the 2018 Senior Secured Notes, and (D) the proceeds from such disposal are applied in accordance with the enforcement waterfall in the Intercreditor Agreement.

Subordination Agreement

To establish the relative rights of our shareholders and our other creditors, Edcon Limited, BidCo, ECSL, LuxCo and the Issuer (amongst others) entered into a subordination agreement with, amongst others, the lenders under the Super Senior Revolving Credit Facility, the SPV Guarantor and the hedging counterparties on 24 May 2007, as amended and restated on or about February 2011 and as further amended on 29 April 2013. The trustee for the Senior Notes has acceded to this agreement. In addition, the facility agent for the ZAR Term Loan acceded to this agreement on 29 April 2013.

Additionally, Edcon Limited, BidCo, ECSL, LuxCo and the Issuer (amongst others) have entered into a subordination agreement with, amongst others, the lender under our then outstanding R985 million super senior secured term loan facility and the SPV Guarantor on or about February 2011, as amended from time to time. Our R985 million super senior secured term loan facility was refinanced with the proceeds of the issuance of the 2016 Super Senior Secured ZAR Notes. The 2016 Super Senior Secured ZAR Notes trustee acceded to this agreement on or about 31 March 2011. This subordination agreement, along with that described in the paragraph above, are the "Subordination Agreements". The Subordination Agreements are governed by South African law.

Under the terms of the Subordination Agreements, all claims of the various creditors under the debts (both as defined therein) including the Senior Notes holders and the Senior Notes trustee, whether secured and unsecured, will rank senior to all claims in relation to, among others, the Subordinated Shareholder Loan. We shall not be entitled to repay any portion of the Subordinated Shareholder Loan contrary to the provisions of the indentures governing the Senior Notes, the 2018 Senior Secured Notes, the Intercreditor Agreement, the counter-indemnities, our hedging agreements, the 2016 Super Senior Secured ZAR Notes and the Super Senior Revolving Credit Facility. Should such payment nevertheless be made by Edcon Limited, BidCo, ECSL, LuxCo or the Issuer, they undertake in terms of the Intercreditor Agreement to pay such amounts to the Security Administrator.

The Subordination Agreements provide that all claims under the Subordinated Shareholder Loan will rank junior in right and priority of payment to the 2018 Senior Secured Notes, the Senior Notes, the hedging agreements, the 2016 Super Senior Secured ZAR Notes, the ZAR Term Loan and the Super Senior Revolving Credit Facility.

The Subordination Agreements provide that Edcon Limited, BidCo, ECSL, LuxCo and the Issuer may not, prior to the repayment in full of all debt that ranks ahead of the shareholder debt and the intercompany debt or otherwise with the consent of, among others, the 2016 Super Senior Secured ZAR Notes trustee and the facility agent under the Super Senior Revolving Credit Facility (acting in accordance with applicable instructions as set out in the relevant Subordination Agreement), the hedging counterparties and the trustees for the noteholders of the Senior Notes, and the 2018 Senior Secured Notes, take any action to enforce their claims under the shareholder debt and/or intercompany debt except as permitted under the Intercreditor Agreement.

DESCRIPTION OF THE SENIOR NOTES

In this “Description of the Senior Notes”, the word “Issuer” refers to Edcon Holdings Limited (formerly known as Edcon Holdings Proprietary Limited until its conversion to a public company with effect from 20 December 2012 under the South African Companies Act, No. 71 of 2008, as amended) and not to any of its Subsidiaries. The word “Guarantors” (and each a “Guarantor”) refers to the Senior Secured Notes Issuer, BidCo and Edgars Consolidated Stores Limited (“ECSL”), each of which is a direct or indirect Wholly-Owned Subsidiary of the Issuer and will Guarantee the Senior Notes on the Issue Date on a senior subordinated basis, and to any future person that Guarantees the Senior Notes, including any other Subsidiary Guarantor. The definitions of certain other terms used in this description are set forth throughout the text or under the sub-heading “—Certain Definitions”.

The Issuer will issue, and the Guarantors will Guarantee (the “Guarantees”), the notes offered hereby (the “Senior Notes”) under an indenture (the “Indenture”) among the Issuer, the Guarantors, the SPV Guarantor, The Bank of New York Mellon, as Trustee and certain other parties thereto. The terms of the Senior Notes include those set forth in the Indenture. The Indenture will not incorporate or include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”). The Indenture is not required to be, nor will it be, qualified under the Trust Indenture Act. Consequently, the holders of Senior Notes will not be entitled, to the protections provided under the Trust Indenture Act to holders of debt securities issued under a qualified indenture, including those requiring the trustee to resign in the event of certain conflicts of interest and to inform the holders of certain relationships between the trustee and the issuer. The words “Senior Notes”, unless the context requires otherwise, also refers to “book-entry interests” in the Senior Notes, as defined herein.

The obligations of the Issuer under the Indenture and the Senior Notes, and of the Guarantors under the Indenture and their Guarantees, will be secured by a third-ranking pledge over the Proceeds Loan as described below under the caption “—Pledge of Proceeds Loan”.

The registered Holder of a Senior Note will be treated as its owner for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Senior Notes will not be registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), and will therefore be subject to certain transfer restrictions.

The following description is a summary of the material terms of the Indenture. It does not, however, restate the Indenture in its entirety and where reference is made to particular provisions of the Indenture, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all of the provisions of the Senior Notes, the Guarantees and the Indenture. You should read the Indenture because it contains additional information and because it, and not this description, defines your rights as a Holder. Copies of the form of the Indenture, including the Guarantees, may be obtained by requesting it from the Issuer at the address indicated under “Available Information” or, if and so long as the Senior Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, from the office of the listing agent.

Application has been made to the Irish Stock Exchange to approve this this Offering Memorandum and admit the Senior Notes to to listing on the Official List of the Irish Stock Exchange and to trading on its Global Exchange Market in accordance with the rules and regulations of the Irish Stock Exchange. This Offering Memorandum constitutes “Listing Particulars” and does not constitute “a Prospectus” for such an application.

For purposes of determining (i) compliance as of any date with “—Certain Covenants” and (ii) whether a Default or Event of Default has arisen under “—Events of Default”, amounts set forth in euro in “—Certain Covenants” and “—Events of Default” and amounts incurred or outstanding in Rand, will be translated into euro at an exchange rate of 1 euro to 9.66 rand.

The Senior Notes

The Senior Notes will:

(a) be the Issuer’s general obligations;

(b) mature on 30 June 2019;

(c) be senior in right of payment to all of the Issuer’s existing and future Indebtedness that is subordinated in right of payment to the Senior Notes;

(d) be equal in right of payment to all of the Issuer’s existing and future Indebtedness that is not subordinated in right of payment to the Senior Notes; and

(e) be effectively subordinated in right of payment to all of the Issuer's existing and future Indebtedness that is secured, in each case to the extent of the assets securing such Indebtedness.

The Senior Notes will be structurally subordinated to all existing and future Indebtedness of the Issuer's Subsidiaries, including the Senior Secured Notes, the ZAR Term Loan, the 2016 Super Senior Secured ZAR Notes and the Senior Revolving Credit Facility. In the event of a bankruptcy, liquidation or reorganisation of any of these Subsidiaries, the holders of the Indebtedness and the trade creditors of these Subsidiaries will be paid before these Subsidiaries will be able to distribute any of their assets to the Issuer or the Guarantors.

The Guarantees

General

Under the Indenture, the Guarantors will jointly and severally agree to Guarantee on a senior subordinated basis the Issuer's obligations under the Indenture and the due and punctual payment of all amounts payable under the Senior Notes, including principal, premium, if any, and interest payable under the Senior Notes. No direct or indirect Subsidiary of the Issuer other than the Guarantors will provide a Guarantee on the Issue Date. The terms of the Intercreditor Agreement provide that no payments in respect of the Guarantees may be made if a payment default has occurred and is continuing under the Senior Revolving Credit Facility, the Senior Secured Notes, the ZAR Terms Loan, the 2016 Super Senior Secured ZAR Notes, or during continuation of a payment blockage period. Enforcement actions in respect of the Guarantees are also subject to standstill period imposed by the terms of the Intercreditor Agreement. See "Description of Certain Other Indebtedness—Intercreditor Agreement". The Issuer will cause any Restricted Subsidiary, within 60 days upon it becoming a Material Subsidiary, to execute and deliver an accession agreement providing for the Guarantee of the Senior Notes by such Restricted Subsidiary on the same terms as the Guarantees granted by the other Guarantors under the Indenture. Any such additional Guarantees, however, will not be required if they would violate applicable law. The obligations of the Issuer under the Senior Notes and of the Guarantors under the Guarantees will also be guaranteed by the SPV Guarantor in connection with the security being granted by the Issuer and the Guarantors. See "—Security".

Each Guarantor's Guarantee will:

(a) be the general senior subordinated obligation of such Guarantor;

(b) be junior to all existing and future senior Indebtedness of such Guarantor, including the Senior Secured Notes (in the case of the Senior Secured Notes Issuer), any guarantee of the Senior Secured Notes, the Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes;

(c) be equal in right of payment to all of such Guarantor's existing and future Indebtedness that is not subordinated in right of payment to its Guarantee;

(d) be senior in right of payment to all of the existing and future Indebtedness that is subordinated in right of payment to its Guarantee;

(e) be effectively subordinated in right of payment to all existing and future secured Indebtedness of such Guarantor to the extent of the assets securing such Indebtedness; and

(f) be structurally subordinated to all existing and future Indebtedness of such Guarantor's Subsidiaries that do not Guarantee the Senior Notes.

The Indenture will provide that the Issuer will not permit any Restricted Subsidiary that is not a Guarantor and the SPV Indemnifier, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any Indebtedness of the Issuer or any Guarantor or SPV Indemnifier, unless:

(a) such Restricted Subsidiary executes and delivers, within 10 Business Days, (A) a Guarantee of payment of the Senior Notes by such Restricted Subsidiary on the same terms as the Guarantees of the Senior Notes provided for in the Indenture, in a form reasonably satisfactory to the Trustee (B) an SPV Counter-Indemnity, in a form reasonably satisfactory to the SPV Administrator and (C) an Officers' Certificate and an opinion of counsel (reasonably acceptable to the Trustee and the SPV Administrator), each to the effect that such Guarantee or SPV Counter-Indemnity is a legal, valid and binding obligation of the Restricted Subsidiary enforceable (subject to customary exceptions and exclusions) in accordance with its terms;

(b) with respect to any guarantee of Subordinated Debt by such Restricted Subsidiary, any such guarantee will be subordinated to such Restricted Subsidiary's Guarantee and SPV Counter-Indemnity with respect to the Senior Notes at least to the same extent as such Subordinated Debt is subordinated to the Senior Notes; and

(c) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Issuer or any Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Guarantee or SPV Counter-Indemnity.

The obligations of any Guarantor under its Guarantee will be limited to the maximum amount that would not render such Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law. By virtue of this limitation, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Senior Notes, or a Guarantor may have effectively no obligation under its Guarantee. Each Guarantor that makes a payment or distribution under its Guarantee will be entitled to contribution from any other Guarantor.

Although the Indenture contains limitations on the amount of additional Indebtedness that the Issuer, the Guarantors and the Restricted Subsidiaries may incur, the amount of such additional Indebtedness, which may be secured, could be substantial. Based on the Issuer's consolidated balance sheet as of 29 June 2013, after giving *pro forma* effect to the Refinancing Transaction, on a consolidated basis, the Issuer and the Restricted Subsidiaries would have had total Indebtedness of R21,751 million (€1,691 million), all of which was Indebtedness of the Issuer's Restricted Subsidiaries, with the exception of the Senior Notes.

Release of a Guarantor's Guarantee

The Guarantee of a Guarantor will be released:

(a) when (i) any Guarantor ceases to be a Restricted Subsidiary of the Issuer in accordance with the applicable provisions of the Indenture or (ii) any Guarantor becomes an Immaterial Subsidiary; *provided* that in the case of clause (ii) after giving effect to the release of the Guarantee of any Immaterial Subsidiary, the Issuer and Guarantors have at least 85% of the Consolidated Total Assets and revenues of the Issuer and its Restricted Subsidiaries;

(b) upon defeasance or discharge of the Senior Notes under the Indenture as provided below under the captions "—Legal Defeasance or Covenant Defeasance of Indenture" and "—Satisfaction and Discharge"; or

(c) in accordance with clause (b)(3) of "—Certain Covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries".

In addition, the Intercreditor Agreement provides that the Guarantee of a Guarantor (and the Guarantee, if any, of any Subsidiary of such Guarantor) will be released in the event that all of the Share Capital of such Guarantor is sold or otherwise disposed of pursuant to an enforcement of security in accordance with the Intercreditor Agreement (each, an "Enforcement Sale"), *provided* that:

(a) the proceeds of such disposal received by the security administrator are all or substantially all in the form of cash;

(b) either (I) such disposal is made pursuant to a public auction; or (II) in connection with such disposal, an internationally recognised investment bank or an internationally recognised accountancy firm selected by the security administrator has delivered an opinion to the Trustee that the disposal price of such asset is fair from a financial point of view after taking into account all relevant circumstances including the method of enforcement, *provided* that the liability of such investment bank or accountancy firm in giving such opinion may be limited to the amount of its fees in respect of such engagement;

(c) on completion of such disposal, such Guarantor and each of its Subsidiaries is simultaneously and unconditionally released from all present and future security relating to any Senior Indebtedness and all obligations and liabilities in respect of such Senior Indebtedness (or such Senior Indebtedness is sold or otherwise disposed of by the holders of such Senior Indebtedness to the purchaser) and such obligations are not assumed by the purchaser of such Guarantor or an affiliate of such purchaser; and

(d) the proceeds are applied in accordance with the Intercreditor Agreement.

No Guarantor will be permitted to sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than the Issuer or a Guarantor, unless:

(a) immediately after giving effect to that transaction on a *pro forma* basis, no payment Default, Default under "—Certain Covenants" or Event of Default exists,

(b) either (i) such Guarantor is the surviving Person or (ii) the Person formed by or surviving any such merger consolidation, amalgamation or other combination (if other than the Issuer), or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made, is a corporation organised or existing under the laws of the Republic of South Africa or any state that is a member of the European Union, Canada, the United States of America, any state thereof or the District of Columbia,

(c) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger expressly assumes all the obligations of such Guarantor under the Indenture and its Guarantee pursuant to an accession letter to the Indenture or other documents or instruments in form reasonably satisfactory to the Trustee,

(d) each other Guarantor and SPV Indemnifier (if not a party to the transaction), will have by accession letter to the Indenture and the Intercreditor Agreement confirmed that its Guarantee and/or SPV Counter-Indemnity (as the case may be) will apply to such Guarantor's obligations under the Indenture and the Senior Notes, unless such Guarantee and/or SPV Counter-Indemnity (as the case may be) will be released in connection with the transaction and otherwise in compliance with the Indenture, and

(e) the Issuer will have delivered to the Trustee an Officers' Certificate and an opinion of counsel, stating that such merger, consolidation, amalgamation, other combination or transfer and such accession letter complies with the Indenture.

Restricted and Unrestricted Subsidiaries

As of the date of the Indenture, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries". Under the circumstances described below in "—Certain Definitions—Unrestricted Subsidiary", the Issuer will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries". The Issuer and its Restricted Subsidiaries also will be allowed to designate all or any portion of the credit and financial services business as an Unrestricted Subsidiary under the circumstances described below in "—Certain Covenants—Restrictions Relating to the Investment of the Credit and Financial Services Business". Any Unrestricted Subsidiaries of the Issuer will not be subject to any of the restrictive covenants in the Indenture. Any Unrestricted Subsidiaries of the Issuer will not guarantee the Senior Notes.

Pledge of Proceeds Loan

The obligations of the Issuer under the Senior Notes will be secured by a third ranking pledge of the Proceeds Loan (the "Proceeds Loan Pledge"). The Proceeds Loan Pledge will be granted to the SPV Guarantor. The SPV Guarantor, in turn, will issue a guarantee (the "SPV Guarantee") to the Trustee for the Holders. The SPV Guarantee will guarantee the obligations of the Issuer under the Senior Notes. The Trustee for the Holders will not be entitled to take any enforcement action with respect to the Proceeds Loan Pledge other than through the SPV Guarantee. To secure the obligations of the SPV Guarantor under the Proceeds Loan Pledge, the Issuer (the "SPV Indemnifier") will, pursuant to a counter-indemnity agreement (the "SPV Counter Indemnity"), indemnify the SPV Guarantor in respect of the Proceeds Loan Pledge. Enforcement actions in respect of the Proceeds Loan Pledge are subject to the terms of the Intercreditor Agreement. See "Description of Certain Other Indebtedness—Intercreditor Agreement".

Payment blockage and enforcement standstill

The Intercreditor Agreement contains payment blockages and enforcement standstill provisions. See "Description of Certain Other Indebtedness—Intercreditor Agreement—Payment blockage" and "—Standstill on enforcement".

Acceptance of Intercreditor Agreement and Subordination Agreement

The Indenture will also provide that each Holder, by accepting a Senior Note, will be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and Subordination Agreement and, if applicable, each additional Intercreditor Agreement and Subordination Agreement.

Principal, Maturity and Interest

The Senior Notes will mature on 30 June 2019 unless redeemed prior thereto as described herein. The Issuer will issue €425.0 million in aggregate principal amount of Senior Notes. Subject to the covenant described under "—Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares", the Issuer will be permitted to issue additional Senior Notes ("Additional Senior Notes") under the Indenture from time to time, *provided* that if any Additional Senior Notes are not fungible with the relevant series of Senior Notes for U.S. federal income tax purposes, such Additional Senior Notes will have a separate Common Code and ISIN number, as applicable, from the relevant series of Senior Notes. The Senior Notes and any Additional Senior Notes that are issued will be treated as a single class for all purposes of the Indenture, including those with respect to waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, references to the "Senior Notes" for all purposes of the Indenture and in this "Description of the Senior Notes" include references to any Additional Senior Notes that are issued.

Interest on the Senior Notes will accrue at a rate of 13 $^{3}/_{8}$% per annum. Interest on the Senior Notes will be payable in cash, semi-annually in arrears on every 30 June and 31 December, beginning 30 June 2014, to the holders of record on the 15 June or 15 December immediately preceding the next interest payment date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The rights of holders of beneficial interests in the Senior Notes to receive payments of interest on such Senior Notes are subject to applicable procedures of Euroclear and Clearstream Banking. If the due date for any payment in respect of any Senior Note is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment on the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Form of Senior Notes

The Senior Notes will be issued on the date of the Indenture only in fully registered form without coupons and only in denominations of €100,000 and any integral multiple of € 1,000 in excess thereof, in the case of any Senior Notes.

The Senior Notes will be initially in the form of one or more global notes (the "Global Senior Notes"). The Global Senior Notes will be deposited with, and registered in the name of, a common depositary for Euroclear and Clearstream Banking or a nominee of such common depositary. Ownership of interests in the Global Senior Notes, referred to in this description as "book-entry interests", will be limited to persons that have accounts with Euroclear or Clearstream Banking (as applicable) or their respective participants. The terms of the Indenture will provide for the issuance of definitive registered Senior Notes in certain circumstances. See "Description of Book-Entry System".

Transfer

The Senior Notes will be subject to certain restrictions on transfer and certification requirements, as described under "Notice to U.S. Investors" and "Notice to non-U.S. Investors".

All transfers of book-entry interests between participants in Euroclear or Clearstream Banking will be effected by Euroclear or Clearstream Banking pursuant to customary procedures and subject to applicable rules and procedures established by Euroclear or Clearstream Banking and their respective participants. See "Description of Book-Entry System".

Payments on the Senior Notes; Paying Agent

The Issuer will make all payments, including principal of, premium, if any, and interest on the Senior Notes, at its office or through an agent in London, England that it will maintain for these purposes (such paying agent being the "Principal Paying Agent"). Initially, that agent will be the corporate trust office of the Trustee. The Issuer may change the paying agent without prior notice to the Holders. In addition, the Issuer or any of its Subsidiaries may act as paying agent in connection with the Senior Notes other than for the purposes of effecting a redemption described under "—Optional Redemption" or an offer to purchase the Senior Notes described under either of "—

Purchase of Senior Notes upon a Change of Control" and "—Limitations on Asset Sales". The Issuer will make all payments in same-day funds. Payments on the Global Senior Notes will be made to the common depositary as the registered Holder of the Global Senior Notes.

The Issuer undertakes that it will maintain a paying agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

No service charge will be made for any registration of transfer, exchange or redemption of the Senior Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange.

Additional Amounts

All payments made by the Issuer and any Guarantor under or with respect to the Senior Notes and any Guarantee will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any jurisdiction in which the Issuer or any Guarantor is organised, engaged in business, resident for tax purposes or generally subject to tax on a net income basis or from or through which payment on the Senior Notes is made by the Issuer, any Guarantor, a Successor Company or any Paying Agent in its capacity as such or any political subdivision or authority thereof or therein having the power to tax (each, a "Relevant Taxing Jurisdiction") and any interest, penalties and other liabilities with respect thereto (collectively, "Taxes"), unless the Issuer or any Guarantor, as the case may be, is required to so withhold or deduct such Taxes by law or by the relevant taxing authority's interpretation or administration thereof. In the event that the Issuer or any Guarantor is required to so withhold or deduct any amount for or on account of any such Taxes from any payment made under or with respect to the Senior Notes or such Guarantee to a holder, as the case may be, the Issuer or such Guarantor, as the case may be, will pay such additional amounts to such holder ("Additional Amounts") as may be necessary so that the net amount (including Additional Amounts) received by each holder or beneficial owner of the Senior Notes after such withholding or deduction will equal the amount that such holder or beneficial owner would have received if such Taxes had not been required to be withheld or deducted.

Notwithstanding the foregoing, each of the Issuer and the Guarantors will pay no Additional Amounts to a holder or beneficial owner of any Senior Note to the extent that the Taxes are imposed or levied:

(1) by a Relevant Taxing Jurisdiction by reason of the holder's or beneficial owner's presence in, or former connection with, such Relevant Taxing Jurisdiction other than the mere receipt or holding of any Senior Note or by reason of the receipt of payments thereunder or the exercise or enforcement of rights under such Senior Note or the Indenture (such as citizenship, nationality, incorporation, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present within the Relevant Taxing Jurisdiction); or

(2) by reason of the failure of the holder or beneficial owner of any Senior Note, prior to the relevant date on which a payment under and with respect to the Senior Notes is due and payable (the "Relevant Payment Date") to comply with the Issuer's written request addressed to the holder or beneficial owner at least 30 calendar days prior to the Relevant Payment Date to provide accurate information with respect to any certification, identification, information or other reporting requirements concerning nationality, residence, identity or connection with the Relevant Taxing Jurisdiction which the holder or such beneficial owner is legally required to satisfy, whether imposed by statute, treaty, regulation or administrative practice, in each such case by the Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction).

The Issuer's and the Guarantors' obligation to pay Additional Amounts or to reimburse a holder for Taxes paid by such holder in respect of Taxes will not apply with respect to:

(1) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Taxes;

(2) any Tax that is payable otherwise than by deduction or withholding from payments made under or with respect to any Senior Note;

(3) Taxes imposed on or with respect to any payment by the Issuer or the Guarantors to the holder if such holder is a fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such holder had such holder been the sole beneficial owner of any Senior Note;

(4) any Tax which would not have been so imposed but for the presentation by the holder or beneficial owner of a Senior Note for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the holder or beneficial owner would have been entitled to such Additional Amounts on presenting the same for payment on any day (including the last day) within such 30-day period;

(5) any withholding or deduction in respect of any Taxes where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC or any Directive otherwise implementing the conclusions of the ECOFIN Council meetings of 26 and 27 November 2000 or any law implementing or complying with, or introduced in order to conform to, any such Directive;

(6) any Tax that is imposed on or with respect to a payment made to a holder or beneficial owner who would have been able to avoid such withholding or deduction by requesting that a payment on the Senior Note be made by, or presenting a Senior Note for a payment to, another paying agent in a Member State of the European Union; or

(7) any withholding or deduction required pursuant to section 1471(b) of the U.S. Internal Revenue Code or otherwise imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code (including any successor provision), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto.

In addition, Additional Amounts will not be payable with respect to any Taxes that are imposed in respect of any combination of the above items.

The Issuer and each Guarantor, as applicable, will also make such withholding or deduction of Taxes and remit the full amount of Taxes so deducted or withheld to the relevant taxing authority in accordance with all applicable laws. The Issuer and each Guarantor, as applicable, will use their reasonable best efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each taxing authority imposing such Taxes. The Issuer or such Guarantor, as the case may be, will, upon request, make available to the holders, within 30 days after the date on which the payment of any Taxes so deducted or withheld is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by the Issuer or such Guarantor or if, notwithstanding the Issuer's or such Guarantor's efforts to obtain such receipts, the same are not obtainable, other evidence of such payment by the Issuer or such Guarantor.

At least 30 days prior to each date on which any payment under or with respect to the Senior Notes is due and payable, if the Issuer or any Guarantor will be obligated to pay Additional Amounts with respect to such payment, the Issuer or such Guarantor will deliver to the Trustee an Officers' Certificate stating that such Additional Amounts will be payable and the amounts so payable and setting forth such other information as is necessary to enable Trustee, or the Principal Paying Agent to pay such Additional Amounts to the holders on the payment date. The Trustee shall be entitled to rely solely on such Officers' Certificate as conclusive evidence that such payments are necessary.

In addition, the Issuer or any Guarantor, as the case may be, will pay (i) any present or future stamp, issue, registration, documentation, court, excise or property taxes or other similar taxes, charges and duties, including interest, penalties and Additional Amounts with respect thereto, imposed by any Relevant Taxing Jurisdiction in respect of the execution, issue, delivery, registration, redemption or retirement of the Senior Notes or any other document or instrument referred to thereunder and (ii) any such taxes, charges or duties imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Senior Notes or any other such document or instrument following the occurrence of any Event of Default with respect to the Senior Notes.

The foregoing provisions will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any Surviving Entity or successor person to the Issuer or any Guarantor and to any jurisdiction in which any such Surviving Entity or successor person to the Issuer or any Guarantor, as the case may be, is organised, engaged in business, resident for tax purposes or otherwise subject to taxation on a net income basis or any political subdivisions or taxing authority or agency thereof or therein.

Whenever in the Indenture or this “Description of the Senior Notes” there is mentioned, in any context, the payment of principal (and premiums, if any), redemption price, interest or any other amount payable under or with respect to any Senior Note, such mention will be deemed to include mention of the payment of Additional Amounts to the extent that in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to this “Description of the Senior Notes”.

Currency Indemnity

Euro is the sole currency of account and payment for all sums payable under the Senior Notes and the Indenture. Any amount received or recovered in respect of the Senior Notes in a currency other than euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Subsidiary or otherwise) by the Trustee or a Holder in respect of any sum expressed to be due to the Trustee or such Holder from the Issuer will constitute a discharge of such obligation only to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to purchase euro on that date, on the first date on which it is possible to do so). If the euro amount that could be recovered following such a purchase is less than the euro amount expressed to be due to the recipient under any Senior Note, the Issuer will indemnify the recipient against the cost of the recipient’s making a further purchase of euro in an amount equal to such difference. For the purposes of this paragraph, it will be sufficient for the Trustee or the Holder to certify that it would have suffered a loss had the actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on that date had not been possible, on the first date on which it would have been possible). These indemnities, to the extent permitted by law:

(a) constitute a separate and independent obligation from the Issuer’s other obligations;

(b) give rise to a separate and independent cause of action;

(c) apply irrespective of any waiver granted by any Holder; and

(d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Senior Note or any other judgment or order.

Optional Redemption

Optional Redemption prior to 30 June 2015 upon Equity Offering. At any time prior to 30 June 2015, upon not less than 10 nor more than 60 days’ notice, the Issuer may redeem the Senior Notes, in whole or in part, at a redemption price equal to 113.375% of their principal amount, in each case, plus accrued and unpaid interest, if any, to the redemption date, with the net proceeds from one or more Equity Offerings. The Issuer may only do this, however, if the redemption occurs within 90 days after the closing of such Equity Offering.

Optional Redemption prior to 30 June 2015. At any time prior to 30 June 2015, upon not less than 10 nor more than 60 days’ notice, the Issuer may redeem the Senior Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed plus the Applicable Redemption Premium as of, and accrued and unpaid interest, if any, to the applicable redemption date.

Optional Redemption on or after 30 June 2015. At any time on or after 30 June 2015 upon not less than 10 nor more than 60 days’ notice, the Issuer may redeem all or part of the Senior Notes. These redemptions will be in amounts of €1,000 or integral multiples in excess thereof (*provided* that no partial redemption will reduce the portion of the principal amount of a Senior Note not redeemed to less than €100,000) at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date, if redeemed during the period commencing on the dates set forth below.

Year	Redemption Price of the Senior Secured Notes
30 June 2015	110.031%
30 December 2015	106.688%
30 December 2016	103.344%
30 December 2017 and thereafter	100.000%

Any redemption or notice of any redemption may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of an Equity Offering, other offering or other corporate transaction or event. Notice of any redemption in respect of an Equity Offering may be given prior to the completion thereof.

Redemption Upon Changes in Withholding Taxes

The Issuer may, at its option, redeem the Senior Notes, in whole but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the holders (which notice will be irrevocable and given in accordance with the procedures described in "—Notices"), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon, if any, to the redemption date, premium, if any, and all Additional Amounts, if any, then due and which will become due on the date of redemption as a result of the redemption or otherwise, if the Issuer determines in good faith that the Issuer, any Guarantor or any Surviving Entity is or, on the next date on which any amount would be payable in respect of the Senior Notes, would be obliged to pay Additional Amounts (as defined above under "—Additional Amounts") or to pay any amounts as a result of the application of the Secondary Tax on Companies, in respect of the Senior Notes pursuant to the terms and conditions thereof (but, in the case of the relevant Guarantor, only if such amount cannot be paid by the Issuer or another Guarantor who can pay such amount without the obligation to pay Additional Amounts), which the Issuer, Guarantors or Surviving Entity, as the case may be, cannot avoid by the use of reasonable measures available to it (including making payment through a paying agent located in another jurisdiction), as a result of:

(a) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction (as defined above under "—Additional Amounts") affecting taxation which becomes effective on or after the date of the Indenture or, if the Relevant Taxing Jurisdiction has changed since the date of the Indenture, the date on which the then current Relevant Taxing Jurisdiction became the Relevant Taxing Jurisdiction under the Indenture (or, in the case of a successor person, after the date of assumption by the successor person of the Issuer's obligations hereunder); or

(b) any change in the official application, administration, or interpretation of the laws, regulations or rulings of any Relevant Taxing Jurisdiction (including a holding, judgment or order by a court of competent jurisdiction) or the application of the Secondary Tax on Companies to payments under the Senior Notes, on or after the date of the Indenture or, if the Relevant Taxing Jurisdiction has changed since the date of the Indenture, the date on which the then current Relevant Taxing Jurisdiction became the Relevant Taxing Jurisdiction under the Indenture (or, in the case of a successor person, after the date of assumption by the successor person of the Issuer's obligations hereunder) (each of the foregoing clauses (a) and (b), a "Change in Tax Law").

Notwithstanding the foregoing, the Issuer may not redeem the Senior Notes under this provision (a) if the Relevant Taxing Jurisdiction changes under the Indenture and the Issuer is obliged to pay Additional Amounts as a result of a Change in Tax Law of the then current Relevant Taxing Jurisdiction which, at the time the latter became the Relevant Taxing Jurisdiction under the Indenture, was publicly announced as being or having been formally proposed, or (b) if Additional Amounts were to become due as a result of the enactment of any legislation or the adoption of any regulation in the Republic of South Africa requiring the Issuer, any Guarantor or any Surviving Entity to make any withholding on any amount due with respect to the Senior Notes, which the Issuer, such Guarantor or such Surviving Entity could avoid by having the Senior Notes listed on an exchange established in any Member State of the European Union.

In the case of a Guarantor that becomes a party to the Indenture after the Issue Date or a successor person, the Change in Tax Law must become effective after the date that such entity (or another person organised or resident in the same jurisdiction) first makes a payment on the Senior Notes. In the case of Additional Amounts required to be paid as a result of an Issuer conducting business in an Additional Taxing Jurisdiction (as defined above), the Change in Tax Law must become effective after the date the Issuer begins to conduct the business giving rise to the relevant withholding or deduction.

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Issuer, Guarantors or any Surviving Entity would be obliged to make such payment of Additional Amounts or withholding if a payment in respect of the Senior Notes or Guarantee, as the case may be, were then due and (b) unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

Prior to the publication or, where relevant, mailing of any notice of redemption pursuant to the foregoing, the Issuer will deliver to the Trustee:

(a) an Officers' Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred (including that such obligation to pay such Additional Amounts cannot be avoided by the Issuer, Guarantors or Surviving Entity taking reasonable measures available to it); and

(b) an opinion of independent tax counsel of recognised standing, qualified under the laws of the Relevant Taxing Jurisdiction and reasonably satisfactory to the Trustee to the effect that the Issuer, Guarantors or any Surviving Entity, as the case may be, is or would be obligated to pay such Additional Amounts as a result of a Change in Tax Law.

The Trustee will accept such Officers' Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

The foregoing provisions will apply *mutatis mutandis* to any successor person, after such successor person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor person becomes a party to the Indenture.

Notice of Optional Redemption

The Issuer will publish a notice of any optional redemption of the Senior Notes described above in accordance with the provisions of the Indenture described under "—Notices". If the Senior Notes are listed at such time on the Irish Stock Exchange, the Issuer will inform the Irish Stock Exchange of the principal amount of the Senior Notes that have not been redeemed in connection with any optional redemption. If fewer than all the Senior Notes are to be redeemed at any time, the Trustee will select the Senior Notes by a method that complies with the requirements, as certified to the Trustee by the Issuer, of the principal securities exchange, if any, on which the Senior Notes are listed at such time or, if the Senior Notes are not listed on a securities exchange, pro rata, by lot or by such other method as the Trustee in its sole discretion will deem fair and appropriate; *provided* that no such partial redemption will reduce the portion of the principal amount of a Senior Note not redeemed to less than €100,000. The Trustee will not be liable for selections made by it in accordance with this paragraph.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Senior Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Senior Notes as described under the captions "—Purchase of Senior Notes upon a Change of Control" and "—Limitations on Asset Sales". The Issuer may at any time and from time to time purchase Senior Notes in the open market or otherwise.

Reports to Holders

(a) So long as any Senior Notes are outstanding, the Issuer will furnish to the Trustee (who, at the Issuer's expense, will furnish by mail to Holders):

(1) within 120 days after the end of the Issuer's fiscal year, annual reports containing the following information with a level of detail that is substantially comparable to this Offering Memorandum: (a) audited consolidated balance sheets of the Issuer or its predecessors as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer or its predecessors for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalisations that have occurred since the beginning of the most recently completed fiscal year, unless *pro forma* information has been provided in a previous report pursuant to paragraph (2)(b) below (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide,

in the case of a material acquisition, acquired company financials to the extent available); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments (unless such contractual arrangements were described in a previous annual or quarterly report, in which case the Issuer need describe only any material changes); and (e) material risk factors relating to the business of the Issuer and material recent developments;

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Issuer, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet of the Issuer as of the end of such quarter and unaudited condensed consolidated statements of income and cash flow of the Issuer for the quarterly and year to date periods ending on the unaudited condensed consolidated balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure or such lesser financial information that would be allowed in a report on Form 10-Q; (b) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalisations that have occurred since the beginning of the most recently completed fiscal quarter (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer will provide, in the case of a material acquisition, acquired company financials to the extent available); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition and liquidity and capital resources, and a discussion of changes in material commitments and contingencies and changes in critical accounting policies; and (d) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive changes at the Issuer, or change in auditors of the Issuer or any other material event that the Issuer or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statements and *pro forma* financial information will be prepared in accordance with GAAP as in effect on the date of such report or financial statement (or otherwise on the basis of GAAP as then in effect) and on a consistent basis for the periods presented; provided, however, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in applicable GAAP, present earlier periods on a basis that applied to such periods. Except as provided for below, no report need include separate financial statements for any Subsidiaries of the Issuer.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Issuer, then the annual and quarterly financial information required by the first two clauses of this covenant will include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of its Unrestricted Subsidiaries of the Issuer or (ii) stand-alone audited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Issuer and its Subsidiaries, which reconciliation will include the following items: revenue, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Trustee of the reports specified in (1), (2) and (3) above, the Issuer will also (A) use its commercially reasonable efforts (x) to post copies of such reports on such website as may be then maintained by the Issuer and its Subsidiaries or (y) otherwise to provide substantially comparable public availability of such reports (as determined by the Issuer in good faith) or (B) to the extent the Issuer determines in good faith that it cannot make such reports available in the manner described in the preceding clause (A) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Senior Notes.

So long as the Senior Notes remain outstanding and during any period which is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer will furnish to the Holders and, upon their request, prospective purchasers of the Senior Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Limitations on Asset Sales

(a) The Issuer will not, and will not permit any Restricted Subsidiary to, consummate an Asset Sale, unless:

(1) the Issuer or any Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value of the assets sold or otherwise disposed of;

(2) in the case of Asset Sales involving consideration in excess of €10.0 million, the fair market value is determined in good faith by the Issuer's Board of Directors; and

(3) at least 75% of the consideration therefore received by the Issuer or any Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents;

For the purposes of clause (3) above, the amount of (A) any liabilities (as shown on the Issuer's or the applicable Restricted Subsidiary's most recent balance sheet or in the notes thereto) of the Issuer or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Senior Notes, the Guarantees and the SPV Counter-Indemnity) that are assumed by the transferee of any such assets and from which the Issuer and all Restricted Subsidiaries have been validly released by all creditors in writing; (B) any securities or other obligations received by the Issuer or such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents (to the extent of the cash or Cash Equivalents received) within 180 days following the closing of such Asset Sale; (C) any Share Capital in a Similar Business that is or will become a Restricted Subsidiary received by the Issuer or such Restricted Subsidiary from such transferee; (D) any Designated Noncash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Sale having an aggregate fair market value (as determined in good faith by the Board of Directors of the Issuer), taken together with all other Designated Noncash Consideration received pursuant to this paragraph) that is at that time outstanding, not to exceed the greater of (x) €50.0 million and (y) an amount equal to 1.75% of Consolidated Total Assets of the Issuer on the date on which such Designated Noncash Consideration is received (with the fair market value of each item of Designated Noncash Consideration being measured at the time received without giving effect to subsequent changes in value), and (E) any assets of the type referred to in clauses (b)(2) or (b)(3) below or used or useful in a Similar Business will be deemed to be cash for purposes of this clause and for no other purpose.

(b) Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or, if applicable, the Restricted Subsidiary) may apply those Net Proceeds at its option:

(1) to repay any Indebtedness of the Issuer that ranks *pari passu* with the Senior Notes or Indebtedness of a Guarantor that ranks senior to or *pari passu* with such Guarantor's Guarantee of the Senior Notes (*provided* that if the Issuer will so reduce obligations under unsecured Indebtedness that ranks *pari passu* with the Senior Notes or a related Guarantee, it will equally and ratably reduce obligations under the Senior Notes by making an offer (in accordance with the procedures set forth below for an Asset Sale Offer (as defined below) to all Holders to purchase at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, on the pro rata principal amount of the Senior Notes) or Indebtedness of a Restricted Subsidiary that is not a Guarantor;

(2) to (A) make an investment in any one or more businesses; *provided* that such investment in any business is in the form of the acquisition of Share Capital (or contribution to capital) and results in the Issuer or a Restricted Subsidiary owning an amount of the Share Capital of such business such that such business constitutes a

Restricted Subsidiary, (B) make capital expenditures or (C) make an investment in other assets, in each of (A), (B) and (C), used or useful in a Similar Business; and/or

(3) to make an investment in (A) any one or more businesses; *provided* that such investment in any business is in the form of the acquisition of Share Capital (or contribution to capital) and it results in the Issuer or a Restricted Subsidiary owning an amount of the Share Capital of such business such that such business constitutes a Restricted Subsidiary, (B) properties or (C) assets that, in each of (A), (B) and (C), replace the businesses, properties and assets that are the subject of such Asset Sale.

(c) Any Net Proceeds from an Asset Sale not applied or invested in accordance with the preceding paragraph within 365 days from the date of the receipt of such Net Proceeds will constitute "Excess Proceeds", *provided* that if during such 365-day period the Issuer or a Restricted Subsidiary enters into a definitive binding agreement committing it to apply such Net Proceeds in accordance with the requirements of clause (1), (2), or (3) of the immediately preceding paragraph after such 365th day, such 365-day period will be extended with respect to the amount of Net Proceeds so committed for a period not to exceed 180 days until such Net Proceeds are required to be applied in accordance with such agreement (or, if earlier, until termination of such agreement).

(d) When the aggregate amount of Excess Proceeds exceeds €25.0 million, the Issuer, or the applicable Restricted Subsidiary, will make an offer (an "Asset Sale Offer") to all Holders and holders of Indebtedness that ranks *pari passu* with such Senior Notes and contains provisions similar to those set forth in the Indenture with respect to offers to purchase with the proceeds from sales of assets to purchase, on a pro rata basis, the maximum principal amount of Senior Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, and will be payable in cash.

(e) Pending the final application of any Net Proceeds, the Issuer, or the applicable Restricted Subsidiary, may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

(f) If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer or the applicable Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Senior Notes tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Senior Notes to be purchased on a pro rata basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(g) The Issuer, or the applicable Restricted Subsidiary, will comply with securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with each repurchase of Senior Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the Indenture, the Issuer, or the applicable Restricted Subsidiary, will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the Indenture by virtue of such conflict.

Purchase of Senior Notes upon a Change of Control

If a Change of Control occurs, unless the Issuer at such time has given notice of redemption under "Optional Redemption" with respect to all outstanding Senior Notes, the Issuer will offer (a "Change of Control Offer") to repurchase all or any part (equal to €1,000 or an integral multiple in excess thereof) of that Holder's Senior Notes on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer a payment (a "Change of Control Payment") in cash equal to 101% of the aggregate principal amount of Senior Notes repurchased plus accrued and unpaid interest and Additional Amounts, if any, on the Senior Notes repurchased, to the date of purchase (the "Change of Control Purchase Price"). Within 30 days following any Change of Control, unless the Issuer at such time has given notice of redemption under "—Optional Redemption" with respect to all outstanding Senior Notes, the Issuer will mail a notice as set forth in the Indenture to each Holder offering to repurchase Senior Notes on the date of such Change of Control Payment specified in the notice (the "Change of Control Payment Date"), which date will be no earlier than 10 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice.

Within 30 days following any Change of Control, the Issuer will:

(1) cause a notice of the Change of Control Offer to be published for so long as the Senior Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules and regulations of the Irish Stock Exchange so require, in *The Irish Times*, or if *The Irish Times* does not then operate, any leading newspaper having a general circulation in Ireland;

(2) give notice of the Change of Control Offer to the Companies Announcement Office in Dublin for so long as the Senior Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules and regulations of the Irish Stock Exchange so require; and

(3) send notice of the Change of Control Offer by first-class mail, with a copy to the Trustee, to each Holder at the address of such Holder appearing in the Security Register, stating:

  (A) that a Change of Control has occurred and the date it occurred;

  (B) the circumstances and relevant facts regarding such Change of Control (including, but not limited to, information with respect to *pro forma* historical income, cash flow and capitalisation after giving effect to such Change of Control);

  (C) the Change of Control Purchase Price and the Change of Control Payment Date;

  (D) that any Senior Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date unless the Issuer fails to pay the Change of Control Purchase Price;

  (E) that any Senior Note (or portion thereof) not tendered will continue to accrue interest; and

  (F) such other procedures that a Holder is required to follow to accept a Change of Control Offer or to withdraw such acceptance as determined by the Issuer, so long as such procedures are consistent with the terms of the Indenture.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Senior Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such conflict.

On the date of such Change of Control Payment, the Issuer will, to the extent lawful:

(1) accept for payment all Senior Notes or portions of Senior Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Senior Notes or portions of Senior Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Senior Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Senior Notes or portions of Senior Notes being purchased by the Issuer.

The Principal Paying Agent will promptly mail to each Holder of Senior Notes properly tendered the Change of Control Payment for such Senior Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Senior Note equal in principal amount to any unpurchased portion of the Senior Notes surrendered, if any; *provided* that each new Senior Note will be in a minimum principal amount of € 100,000 or an integral multiple of €1,000 in excess thereof. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the date of such Change of Control Payment.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (i) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Notes properly tendered and not withdrawn under the Change of Control Offer or (ii) a notice of redemption has been given pursuant to "—Optional Redemption" of this Description of the Senior Notes unless and until there is a default in the payment of the applicable redemption price. A Change of Control Offer may be made in advance of a Change of Control or conditional upon the occurrence of a Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Senior Notes in the event of a takeover, recapitalisation or similar transaction.

The Issuer's future Indebtedness and that of its Subsidiaries may also contain descriptions of certain events that, if they occurred, would require such Indebtedness to be repurchased. In addition, the exercise by the Holders of their right to require a repurchase of the Senior Notes upon a Change of Control could cause a default under any such future Indebtedness, even if the Change of Control itself does not, due to the possible financial effect on the Issuer of such repurchase.

The provisions of the Indenture will not give Holders the right to require the repurchase of the Senior Notes in the event of certain transactions including a reorganisation, restructuring, merger or similar transaction, that may adversely affect Holders, if such transaction is not a transaction defined as a Change of Control. Any such transaction, however, must comply with the applicable provisions of the Indenture, including those described under "—Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares". The existence, however, of a Holder's right to require the Issuer to repurchase such Holder's Senior Notes upon a Change of Control may deter a third party from acquiring the Issuer or any of its Subsidiaries if such acquisition would constitute a Change of Control.

If a Change of Control Offer is made, the Issuer will not be able to provide any assurance that it will have available funds sufficient to pay the Change of Control Purchase Price for all the Senior Notes that might be delivered by Holders seeking to accept the Change of Control Offer. Even if sufficient funds were available, the terms of the other Indebtedness of the Issuer and its Subsidiaries may prohibit the repurchase of the Senior Notes prior to their scheduled maturity. If the Issuer were not able to prepay any Indebtedness containing any such restrictions, or obtain requisite consents, the Issuer would be unable to fulfill its repurchase obligations to Holders who accept the Change of Control Offer. If a Change of Control Offer were not made or consummated or the Change of Control Purchase Price were not paid when due, such failure would result in an Event of Default and would give the Trustee and the Holders the rights described under "—Events of Default".

The definition of "Change of Control" includes a disposition of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries to any Person. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of such phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and the Restricted Subsidiaries. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Senior Notes as described above.

Certain Covenants

The Indenture will contain, among others, the following covenants:

Limitations on Restricted Payments

(a) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly:

(1) declare or pay any dividend or make any distribution on account of the Issuer's or any Restricted Subsidiary's Equity Interests, including any dividend or distribution payable in connection with any merger, consolidation, amalgamation or other combination involving the Issuer or any Restricted Subsidiary (other than (x) dividends or distributions by the Issuer payable in Equity Interests (other than Disqualified Share Capital) of the Issuer or in options, warrants or other rights to purchase such Equity Interests (other than Disqualified Share Capital); or (y) dividends or distributions by a Restricted Subsidiary so long as, in the case of any dividend or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary other than a Wholly-Owned Restricted Subsidiary, the Issuer or a Restricted Subsidiary receives at least its *pro rata*

share of such dividend or distribution in accordance with its Equity Interests in such class or series of securities);

(2) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Issuer or any direct or indirect parent entity of the Issuer, including in connection with any merger, consolidation, amalgamation or other combination (in any case, held by Persons other than a Restricted Subsidiary);

(3) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value, in each case, prior to any scheduled repayment, sinking fund payment or maturity date, any Subordinated Indebtedness, (other than (x) any such payment, redemption, repurchase, defeasance or other acquisition or retirement in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (y) any Indebtedness permitted under paragraph (b)(8) or (9) described under "Limitations on Incurrence of Indebtedness and Issuance of Preference Shares");

(4) make any Restricted Investment; or

(5) pay any interest on any Shareholder Debt (other than by capitalisation to principal or through the issuance of additional Shareholder Debt),

(all such payments and other actions set forth in these clauses(1) through (5) above being collectively referred to as "Restricted Payments"), unless at the time of and after giving *pro forma* effect to such Restricted Payment:

(A) no payment Default, Default under "—Certain Covenants" or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment; and

(B) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four quarter period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to paragraph (b) of the "Limitations on Incurrence of Indebtedness and Issuance of Preference Shares" covenant; and

(C) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and the Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (2) to (7), (9) and (11) to (19) described under paragraph (b) below), is less than the sum, without duplication, of

(1) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the beginning of the first fiscal quarter in which the Issue Date occurred to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, in the case such Consolidated Net Income for such period is a deficit, minus 100% of such deficit), plus

(2) 100% of the aggregate net cash proceeds and the fair market value, as determined in good faith by the Board of Directors of the Issuer, of property and marketable securities received by the Issuer after the Issue Date from the issue or sale of (x) Equity Interests of the Issuer (other than (i) Designated Preference Shares, (ii) the Cash Contribution Amount, (iii) Excluded Contributions, (iv) Refunding Capital Stock and Disqualified Share Capital and (v) cash proceeds and marketable securities received from the sale of Equity Interests of the Issuer and, to the extent actually contributed to the Issuer, Equity Interests of the Issuer's direct or indirect parent entities to members of management, directors or consultants of the Issuer, any direct or indirect parent entity of the Issuer and its Restricted Subsidiaries after the Issue Date to the extent such amounts have been applied to Restricted Payments made in accordance with the provisions of paragraph (b)(4) of the "Limitations on Restricted Payments"

covenant) and, to the extent actually contributed to the Issuer, Equity Interests of the Issuer's direct or indirect parent entities and (y) debt securities of the Issuer issued following the Issue Date that have been converted into such Equity Interests of the Issuer (other than Refunding Capital Stock or Equity Interests or convertible debt securities of the Issuer sold to a Restricted Subsidiary and other than Disqualified Share Capital, Designated Preference Shares or debt securities that have been converted into Disqualified Share Capital or Designated Preference Shares), plus

(3) 100% of the aggregate amount of cash and the fair market value, as determined in good faith by the Board of Directors of the Issuer, of property and marketable securities contributed to the capital of the Issuer following the Issue Date (other than (i) the Cash Contribution Amount, (ii) by a Restricted Subsidiary, (iii) any Excluded Contributions, (iv) any Refunding Capital Stock, (v) Disqualified Share Capital, (vi) Designated Preference Shares and (vii) cash proceeds applied to Restricted Payments made in accordance with clause (4) of the next succeeding paragraph), plus

(4) 100% of the aggregate amount received in cash and the fair market value, as determined in good faith by the Board of Directors of the Issuer, of property and marketable securities received after the Issue Date by means of (A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary) of Restricted Investments made by the Issuer or the Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from the Issuer or the Restricted Subsidiaries and repayments of loans or advances which constitute Restricted Investments by the Issuer or the Restricted Subsidiaries or (B) the sale (other than to the Issuer or a Restricted Subsidiary) of the Share Capital of an Unrestricted Subsidiary or a distribution from an Unrestricted Subsidiary (excluding in each case the amount of the Investment in such Unrestricted Subsidiary that constituted a Permitted Investment or a dividend from an Unrestricted Subsidiary), plus

(5) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger or consolidation of an Unrestricted Subsidiary into the Issuer or a Restricted Subsidiary or the transfer of assets of an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary, the fair market value of the Investment in such Unrestricted Subsidiary, as determined by the Board of Directors of the Issuer in good faith at the time of the redesignation of such Unrestricted Subsidiary as a Restricted Subsidiary or at the time of such merger, consolidation or transfer of assets (excluding the amount of the Investment in such Unrestricted Subsidiary that constituted a Permitted Investment).

(b) The foregoing provisions will not prohibit:

(1) the payment of any dividend or other distribution within 60 days after the date of declaration thereof if, at the date of declaration, such payment would have complied with the provisions of the Indenture, or the redemption, repurchase or retirement of Indebtedness subordinated or junior in right of payment to the Senior Notes, if at the date of any redemption notice such payment would have complied with the provisions of the Indenture;

(2) the redemption, repurchase, retirement or other acquisition of (a) Equity Interests of the Issuer or any direct or indirect parent entity of the Issuer, (b) Subordinated Indebtedness (including payments on Shareholder Debt) or (c) the payment of dividends in exchange for, or out of the net cash proceeds from the substantially concurrent sale (other than to a Restricted Subsidiary) of, Equity Interests of the Issuer, Shareholder Debt or cash contributions to the equity capital of the Issuer (in each case, other than Disqualified Share Capital and the Cash Contribution Amount) ("Refunding Capital Stock");

(3) the redemption, repurchase, retirement or other acquisition of Subordinated Indebtedness made in exchange for, or out of the net cash proceeds from the substantially concurrent sale (other than to a Restricted Subsidiary) of, Indebtedness (the "Subordinated Refinancing Indebtedness") of the Issuer or a Guarantor incurred in compliance with the provisions of the "Limitations on Incurrence of Indebtedness and Issuance of Preference Shares" covenant; so long as (a) such Subordinated Refinancing Indebtedness is subordinated in right of payment to, and subject to the same remedy bars in favor of, the Holders and the SPV Guarantor, as applicable, at least to the same extent as the Indebtedness so redeemed, repurchased, retired or acquired (and the holder of such Indebtedness has acceded to the Intercreditor Agreement or entered into an agreement with the Issuer and the Trustee on substantially equivalent terms as those set forth in the Intercreditor Agreement to give effect to such subordination and remedy bars); (b) such Subordinated Refinancing Indebtedness has a final scheduled maturity date equal to or later than the final scheduled maturity date of the Indebtedness being so redeemed, repurchased, retired or acquired; and (c) such Subordinated Refinancing Indebtedness has a Weighted Average Life to Maturity equal to or greater than the remaining Weighted Average Life to Maturity of the Indebtedness being so redeemed, repurchased, retired or acquired;

(4) a Restricted Payment made to pay for, or to fund the redemption, repurchase, retirement or other acquisition or retirement for value of, Equity Interests of the Issuer or any direct or indirect parent entity of the Issuer held by or for the benefit of any future, present or former employee, director or consultant of the Issuer, any of its Subsidiaries or any direct or indirect parent entity of the Issuer (or their permitted transferees, assigns, estates or heirs), pursuant to any management equity plan, stock option plan or any other management or employee benefit plan, agreement or arrangement; *provided* that the aggregate amount of Restricted Payments made pursuant to this clause (4) does not exceed in any calendar year €7.5 million (with unused amounts in any calendar year being carried over to succeeding calendar years (and any amounts available in future calendar years being available for preceding calendar years) so long as all such Restricted Payments made pursuant to this clause (4) do not exceed € 25.0 million in any calendar year); and provided, further, that such amount in any calendar year may be increased by an amount not to exceed (A) the cash proceeds from the sale of Equity Interests of the Issuer and, to the extent contributed to the Issuer, Equity Interests of any of its direct or indirect parent entities, in each case to members of management, directors or consultants of the Issuer, any of its Restricted Subsidiaries or its direct or indirect parent entities, that occurred after the Issue Date plus (B) the cash proceeds from key man life insurance policies received by the Issuer or its Restricted Subsidiaries, or by any direct or indirect parent entity to the extent contributed to the Issuer, after the Issue Date (*provided* that the Issuer may elect to apply all or any portion of the aggregate increase contemplated by clauses (A) and (B) above in any calendar year) less (C) the amount of any Restricted Payments previously made pursuant to clauses (A) and (B) of this clause (4);

(5) declaration and payment of dividends to holders of any class or series of Disqualified Share Capital of the Issuer or any Restricted Subsidiary issued in accordance with the provisions of the "Limitations on Incurrence of Indebtedness and Issuance of Preference Shares" covenant to the extent such dividends are included in the definition of Fixed Charges;

(6) the declaration and payment of dividends or distributions to holders of any class or series of Designated Preference Shares (other than Disqualified Share Capital) issued after the Issue Date and the declaration and payment of dividends to any direct or indirect parent entity of the Issuer, the proceeds from which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares (other than Disqualified Share Capital) of any direct or indirect parent entity of the Issuer issued after the Issue Date; provided, however, that (A) for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of issuance of such Designated Preference Shares, after giving effect to such issuance on the first day of such period (and the payment of dividends or distributions) on a *pro forma* basis, the Issuer would have had a Fixed Charge Coverage Ratio of at

least 2.00 to 1.00 and (B) the aggregate amount of dividends declared and paid pursuant to this clause (6) does not exceed the net cash proceeds actually received by the Issuer from any such sale of Designated Preference Shares issued after the Issue Date;

(7) repurchases of Equity Interests deemed to occur upon exercise of options or warrants if such Equity Interests represent a portion of the exercise price of such options or warrants;

(8) the payment of dividends on the Issuer's Share Capital (or the payment of dividends to any direct or indirect parent entity to fund a payment of dividends on such entity's Share Capital) following the first public offering of the Issuer's Share Capital or the share capital of any of its direct or indirect parent entities after the Issue Date, of up to 6.0% per annum of the net cash proceeds received by or contributed to the Issuer after the Issue Date in any such public offering, other than public offerings with respect to Share Capital registered on Form S-4 and Form S-8 and other than any public sale constituting an Excluded Contribution;

(9) Investments that are made with Excluded Contributions;

(10) other Restricted Payments in an aggregate amount not to exceed €50.0 million;

(11) distributions or payment of Securitisation Fees and purchases of Securitisation Assets pursuant to a Securitisation Repurchase Obligation in connection with a Qualified Securitisation Financing;

(12) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness or Disqualified Share Capital pursuant to provisions similar to those described under "—Limitations on Asset Sales" and "Change of Control"; or the making of a dividend or distribution to any direct or indirect parent entity of the Issuer to fund a similar purchase, redemption or other acquisition or retirement for value; *provided* that a Change of Control Offer or Asset Sale Offer, as applicable, has been made and all Senior Notes tendered by Holders of the Senior Notes in connection with the related Change of Control Offer or Asset Sale Offer, as applicable, have been repurchased, redeemed or acquired for value;

(13) the declaration and payment of dividends or other distributions to, or the making of loans to, any direct or indirect parent entity of the Issuer in amounts and at times required for such Person to pay, without duplication:

(A) franchise taxes and other duties or similar fees, taxes and expenses required to maintain the corporate existence of any direct or indirect parent entity of the Issuer or which are otherwise payable by, with respect to or attributable to the ownership, business operations or profits of the Issuer or any Subsidiary;

(B) income taxes to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received from the Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of the Unrestricted Subsidiaries, provided, however, that in each case the amount of such payments in any fiscal year does not exceed the amount of income taxes that the Issuer and its Restricted Subsidiaries would be required to pay for such fiscal year were the Issuer and its Restricted Subsidiaries to pay such taxes as a stand-alone taxpayer;

(C) customary salary, bonus, severance, indemnification obligations and other benefits payable to directors, officers and employees of such direct or indirect parent entity of the Issuer to the extent such salaries, bonuses, severance, indemnification obligations and other benefits are attributable to the ownership or operation of the Issuer and its Restricted Subsidiaries;

(D) general corporate overhead and operating expenses for such direct or indirect parent entity of the Issuer to the extent such expenses are attributable to the ownership or operation of the Issuer and its Restricted Subsidiaries;

(E) fees and expenses incurred in connection with the issuance of the 2016 Super Senior Secured ZAR Notes, the Senior Secured Notes, or the Senior Notes or any unsuccessful debt or equity offering or other financing transaction by such direct or indirect parent entity of the Issuer;

(F) obligations under the Management Agreements (as in effect on the Issue Date or otherwise amended, modified or supplemented, *provided* that any amendment, modification or supplement is not materially less favorable to the Holders, taken as a whole); and

(G) taxes with respect to income derived from funding made available to the Issuer and the Restricted Subsidiaries or any successor thereof;

(14) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Equity Interests of the Issuer; provided, however, that any such cash payment will not be for the purpose of evading the limitation of this “Limitations on Restricted Payments” covenant (as determined in good faith by the Board of Directors of the Issuer);

(15) BBBEE Payments;

(16) the distribution, as a dividend or otherwise, of (A) Equity Interests of, or Indebtedness owed to the Issuer or a Restricted Subsidiary by, Unrestricted Subsidiaries (other than (x) Unrestricted Subsidiaries the primary assets of which are cash and/or Cash Equivalents) and (y) a CFS) and (B) any proceeds received from an Unrestricted Subsidiary on account of such Equity Interests or Indebtedness, provided, that, in the case of clause (B), such proceeds will be excluded from paragraph (a)(5)(C)(4) of the “Limitations on Restricted Payments” covenant above; and

(17) Investments in joint ventures; *provided* that the aggregate Restricted Payments made pursuant to this clause (17) do not exceed the greater of € 50.0 million and 1.75% of Consolidated Total Assets in any financial year; and provided, further, that such amount in any financial year may be increased by an amount not to exceed (A) the cash proceeds received as a dividend, distribution or otherwise from such joint ventures (*provided* that the Issuer may elect to apply all or any portion of the aggregate increase in any financial year) (it being understood that the forgiveness of any debt by such Person will not be a Restricted Payment hereunder) less (B) the amount of any Restricted Payments previously made pursuant to clause (A) of this clause (17).

provided, *however*, that after giving effect to any Restricted Payment in clauses (b)(8), (10), (16) and (17), no payment Default, Default under “—Certain Covenants” or Event of Default will have occurred and be continuing or would occur as a consequence thereof.

(c) The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the assets or securities proposed to be transferred or issued by the Issuer or its Restricted Subsidiaries, as the case may be, pursuant to the Restricted Payment. The fair market value of any assets or securities that are required to be valued by this “Limitations on Restricted Payments” covenant will be determined by the Board of Directors of the Issuer if the fair market value exceeds €10.0 million.

(d) As of the Issue Date, all of the Issuer’s Subsidiaries will be Restricted Subsidiaries. For purposes of designating any other Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Issuer and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the definition of “Investment”. Such designation will be permitted only if a Restricted Payment in such amount would be permitted at such time, whether pursuant to the paragraphs (a) or (b) of this “Limitations on Restricted Payments” covenant, and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

(e) The Issuer may redesignate an Unrestricted Subsidiary as a Restricted Subsidiary only pursuant to the definition of “Unrestricted Subsidiary”.

Limitations on Incurrence of Indebtedness and Issuance of Preference Shares

(a) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable for, contingently or otherwise with respect to (collectively, “incur”) any Indebtedness (including

Acquired Indebtedness) and the Issuer will not permit any Restricted Subsidiary to issue any shares of Preference Shares; *provided*, *however*, that (i) the Issuer and any Guarantor may incur Indebtedness (including Acquired Indebtedness), (ii) any Guarantor may issue Preference Shares and (iii) any Restricted Subsidiary may incur up to €10.0 million of Indebtedness if, in each case, the Fixed Charge Coverage Ratio of the Issuer for its most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Preference Shares are issued would have been at least 2.00 to 1.00, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Preference Shares had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four quarter period.

(b) The first paragraph of this covenant will not prohibit the incurrence of any of the following (collectively, "Permitted Indebtedness"):

(1) Indebtedness incurred by the Issuer or any Restricted Subsidiary under any Credit Facilities (with letters of credit, guarantees and bankers' acceptances being deemed to have a principal amount equal to the face amount thereof) up to an aggregate principal amount outstanding at any one time equal to the greater of (A) €400.0 million less the aggregate amount of all Net Proceeds from Asset Sales applied by the Issuer or any Restricted Subsidiary since the Issue Date to permanently repay any Indebtedness under such Credit Facilities and (B) the Borrowing Base; *provided* that no more than €400.0 million of such Indebtedness at any one time outstanding may be incurred for nonseasonal financing needs;

(2) Indebtedness incurred by the Issuer or any Restricted Subsidiary under any Securitisation Financing up to an aggregate principal amount outstanding at any one time equal to the greater of (A) €685.0 million less the sum of (x) any Securitisation Financing Amount and (y) the aggregate amount of all Net Proceeds from Asset Sales applied by the Issuer or any Restricted Subsidiary since the Issue Date to permanently repay any Indebtedness under any Securitisation Financing and (B) the Securitisation Borrowing Base;

(3) Indebtedness represented by the Senior Notes (and the Guarantees thereof) issued on the Issue Date, any SPV Counter-Indemnity and the Collateral;

(4) Existing Indebtedness (other than Indebtedness described in clauses (1), (2) and (3) above);

(5) Indebtedness of the Issuer and any Restricted Subsidiary (including Capitalised Lease Obligations) (A) incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) otherwise incurred to finance the purchase, lease or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Share Capital of any Person owning such assets, in an aggregate principal amount that, when aggregated with the principal amount of all other Indebtedness then outstanding and incurred pursuant to this clause (5), does not exceed the greater of €50.0 million and 1.75% of Consolidated Total Assets as of the date of such incurrence;

(6) Indebtedness incurred by the Issuer or any Restricted Subsidiary constituting (A) reimbursement obligations with respect to letters of credit issued in the ordinary course of business, including, without limitation, letters of credit in respect of workers' compensation claims, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance or other Indebtedness incurred with respect to reimbursement type obligations regarding workers' compensation claims; provided, however, that, upon the drawing of such letters of credit or the incurrence of such Indebtedness, such obligations are reimbursed within 30 days following such drawing or incurrence or (B) arising from the honoring of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, *provided* that such Indebtedness is extinguished within five business days of its incurrence;

(7) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case,

incurred or assumed in connection with the acquisition or disposition of any business, assets or a Subsidiary, other than guarantees of Indebtedness incurred or assumed by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition; provided, however, that (A) such Indebtedness is not reflected on the balance sheet of the Issuer or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (7)(A)) and (B) the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness in respect of any such disposition will at no time exceed the gross proceeds including non-cash proceeds (the fair market value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received by the Issuer and any Restricted Subsidiary in connection with such disposition;

(8) Indebtedness of the Issuer or any Restricted Subsidiary owed to the Issuer or any Restricted Subsidiary; provided, however, that, (A) if the Issuer or a Guarantor is the obligor of such Indebtedness, such Indebtedness must be expressly subordinated in right of payment to all Obligations with respect to the Senior Notes or any SPV Counter-Indemnity or Guarantee, as applicable and (B) any subsequent issuance or transfer of any Share Capital or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Issuer or another Restricted Subsidiary) will be deemed, in each case, to be an incurrence of such Indebtedness by the issuer thereof that was not permitted by this clause (8);

(9) shares of Preference Shares of a Restricted Subsidiary issued to the Issuer or another Restricted Subsidiary; *provided* that any subsequent issuance or transfer of any Share Capital or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of any such shares of Preference Shares (except to the Issuer or any Restricted Subsidiary) will be deemed, in each case, to be an issuance of Preference Shares not permitted by this clause (9);

(10) Hedging Obligations of the Issuer or any Restricted Subsidiary (excluding Hedging Obligations entered into for speculative purposes) incurred for the purpose of limiting, hedging or managing (A) interest rates with respect to any Indebtedness that is permitted by the terms of the Indenture to be outstanding, (B) currency exchange rates or (C) commodity prices and including any such Hedging Obligations incurred in connection with the Senior Notes;

(11) obligations in respect of performance and surety bonds, appeal bonds and other similar bonds and completion or performance guarantees provided by the Issuer or any Restricted Subsidiary or obligations in respect of letters of credit related thereto, in each case in the ordinary course of business or consistent with past practice;

(12) Indebtedness of the Issuer or any Restricted Subsidiary or Preference Shares of any Restricted Subsidiary not otherwise permitted hereunder in an aggregate principal amount or liquidation preference which, when aggregated with the principal amount and liquidation preference of all other Indebtedness and Preference Shares then outstanding and incurred pursuant to this clause (12), does not at any one time outstanding exceed €40.0 million;

(13) (A) any guarantee by the Issuer of Indebtedness of any Restricted Subsidiary so long as the incurrence of such Indebtedness by such Restricted Subsidiary is permitted under the terms of the Indenture; *provided* that if such Indebtedness is by its express terms subordinated in right of payment to the Guarantee or the SPV Counter-Indemnity of such Restricted Subsidiary, as applicable, any such guarantee by the Issuer with respect to such Indebtedness will be subordinated in right of payment with respect to the Senior Notes substantially to the same extent as such Indebtedness is subordinated to the Guarantee or the SPV Counter-Indemnity of such Restricted Subsidiary, as applicable, (B) any guarantee by a Restricted Subsidiary that is not a Guarantor or the SPV Indemnifier of Indebtedness of another Restricted Subsidiary that is not a Guarantor or the SPV Indemnifier incurred in accordance with the terms of the Indenture and (C) any

guarantee by a Guarantor or the SPV Indemnifier of Indebtedness of the Issuer incurred in accordance with the terms of the Indenture;

(14) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness or Preference Shares that serves to refund or refinance any Indebtedness incurred under paragraphs (a) and (b)(3) and (4) above and this paragraph (b)(14) and paragraphs (b)(16) and (b)(19) below or any Indebtedness issued to so refund or refinance such Indebtedness, including additional Indebtedness incurred to pay premiums and fees in connection therewith (the "Refinancing Indebtedness") prior to its respective maturity; *provided* that (A) such Refinancing Indebtedness has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred which is not less than the earlier of (x) the Weighted Average Life to Maturity of the Indebtedness being refunded or refinanced and (y) the Weighted Average Life to Maturity of any outstanding Senior Notes; (B) to the extent such Refinancing Indebtedness refinances (1) Subordinated Indebtedness or Indebtedness which ranks *pari passu* with the Senior Notes or any Guarantee or SPV Counter-Indemnity, as the case may be, such Refinancing Indebtedness must be subordinated in right of payment to, or *pari passu* with, the Senior Notes or such Guarantee or SPV Counter-Indemnity, as the case may be, at least to the same extent as the Indebtedness being refinanced or refunded; (C) such Refinancing Indebtedness will not include (x) Indebtedness or Preference Shares of a Restricted Subsidiary that is a Guarantor that refinances Indebtedness or Preference Shares of the Issuer or a Guarantor and the SPV Indemnifier, or (y) Indebtedness or Preference Shares of the Issuer or a Restricted Subsidiary that refinances Indebtedness or Preference Shares of an Unrestricted Subsidiary; (D) will not be in a principal amount in excess of the principal amount of, premium, if any, accrued interest on and related fees and expenses of the Indebtedness being refunded or refinanced; and (E) such Refinancing Indebtedness will not have a stated maturity date that is earlier than the earlier of (x) the Stated Maturity of the Indebtedness being refunded or refinanced and (y) the Stated Maturity of any Senior Notes then outstanding;

(15) the issuance by the Issuer of Shareholder Debt;

(16) Indebtedness or Preference Shares of a Person incurred and outstanding on or prior to the date on which such Person is acquired by the Issuer or any Restricted Subsidiary or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or a Restricted Subsidiary; *provided* that after giving effect to such acquisition, merger, amalgamation or combination, either (A) the Issuer or such Restricted Subsidiary would be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in paragraph (a) of the "Limitations on Incurrence of Indebtedness and Issuance of Preference Shares" covenant or (B) the Fixed Charge Coverage Ratio for the Issuer would be greater than immediately prior to such acquisition;

(17) Indebtedness incurred by a Receivables Purchaser in a Qualified Securitisation Financing that is not recourse to the Issuer or any Restricted Subsidiary other than a Receivables Purchaser (except for Standard Securitisation Undertakings);

(18) Indebtedness consisting of promissory notes issued by the Issuer or any Guarantor to current or former officers, directors and employees, their respective estates, spouses or formers spouses to finance the purchase or redemption of Equity Interests of the Issuer or any of its direct or indirect parent corporations permitted by "Limitations on Restricted Payments";

(19) Contribution Indebtedness; and

(20) Indebtedness of the Issuer or any Restricted Subsidiary consisting of the financing of insurance premiums in the ordinary course of business.

(c) For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (b)(1) through (20) above, the Issuer will be permitted to classify and later reclassify such item of Indebtedness in any manner that complies with this covenant and such item of Indebtedness will be treated as having been incurred pursuant to only one of such clauses. Additionally, all or any portion of any item of Indebtedness may later be reclassified as having been incurred pursuant to any category of Permitted Indebtedness described in clauses (b)(1) through (20) above so long as such Indebtedness is permitted to be incurred pursuant to such provision at the time of reclassification.

(d) The accrual of interest, the accretion of accreted value or original issue discount, and the payment of interest or dividends in the form of additional Indebtedness with substantially equivalent terms will not be deemed to be an incurrence of Indebtedness for purposes of this "Limitations on Incurrence of Indebtedness and Issuance of Preference Shares" covenant.

(e) For purposes of determining compliance with this covenant, the euro-equivalent principal amount of Indebtedness denominated in any currency other than euro or Rand will be calculated based on the relevant currency exchange rate in effect on the date such non-euro or non-Rand denominated Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving debt; *provided* that, if Indebtedness is incurred to refinance other Indebtedness denominated in a different currency, and such refinancing would cause a euro-denominated restriction specified in this covenant to be exceeded if calculated at the otherwise applicable currency exchange rate, such restriction will be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; and *provided*, *further*, that if any amount under a revolving credit facility may be reallocated into a different currency, and Indebtedness is incurred pursuant to such a revolving credit facility, a euro-denominated restriction specified in this covenant that would have been exceeded if the amount of such Indebtedness were calculated at the otherwise applicable currency exchange rate will be deemed not to have been exceeded if such restriction would not have been exceeded were the principal amount of such Indebtedness to have been calculated at the currency exchange rate applicable on the date of such reallocation. Subject to the preceding proviso, the principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitations on Liens

(a) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly create, incur, assume or suffer to exist any Lien (other than Permitted Liens), in each case, to secure obligations under any Indebtedness, or any income or profits therefrom, or assign or convey any right to receive income therefrom (the "Initial Lien"), in each case, unless upon or prior thereto, the Senior Notes are equally and ratably secured with (or senior to, in the event the Lien relates to Subordinated Indebtedness) the obligations so secured. Notwithstanding the foregoing, the Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien on the Collateral other than Permitted Collateral Liens; *provided* that no Permitted Collateral Lien will be granted on assets or property unless such assets or property also secure the Senior Notes directly or through a special purpose entity.

(b) Any such Lien will be automatically and unconditionally released and discharged concurrently with (i) (in respect of any Lien granted pursuant to clause (a) above) the unconditional release of the Initial Lien (*provided* that if the release is in connection with the sale of the pledged assets the proceeds are applied to the secured parties to the extent required by the relevant security documents), (ii) if the assets subject to such Lien, or all of the Share Capital of the owner of such assets or any Holding Company of such owner owned by the Issuer and its Subsidiaries or any Holding Company of such owner, are sold or otherwise disposed of in each case, to any Person other than the Issuer or a Restricted Subsidiary and the proceeds therefrom are applied in accordance with the provisions of "Limitation on Sale and Leaseback Transactions", and (iii) upon the full and final payment of all amounts payable under the Indenture.

Dividend and Other Payment Restrictions Affecting Subsidiaries

(a) The Issuer will not, and will not permit any Restricted Subsidiary, to directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to (i) (A) pay dividends or make any other distributions to the

Issuer or any Restricted Subsidiary (1) on its Share Capital or (2) with respect to any other interest or participation in, or measured by, its profits, or (B) pay any Indebtedness owed to the Issuer or any Restricted Subsidiary; (ii) make loans or advances to the Issuer or any Restricted Subsidiary; or (iii) sell, lease or transfer any of its properties or assets to the Issuer or any Restricted Subsidiary.

(b) The preceding paragraph will not prohibit any such encumbrances or restrictions existing under or by reason of:

(1) any agreement or instrument in effect at or entered into on the Issue Date (including the Indenture);

(2) purchase money obligations for property that impose restrictions of the nature discussed in paragraph (a)(iii) above on the property so acquired;

(3) applicable law or any applicable rule, regulation or order of any governmental or regulatory authority;

(4) pursuant to any agreement or other instrument of a Person acquired by or merged, amalgamated, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary as in effect at the time of such acquisition, merger, amalgamation, consolidation or combination (but not created in connection therewith or in contemplation thereof or to provide all or a portion of the funds or credit support utilised to consummate such acquisition, merger, amalgamation, consolidation or combination), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;

(5) pursuant to an agreement or instrument (a "Refinancing Agreement") effecting a refinancing of Indebtedness or Preference Shares incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement or instrument or obligation referred to in clauses (1) through (14) of this paragraph (b) (an "Initial Agreement") or contained in any amendment, supplement or other modifications to an Initial Agreement (an "Amendment"); *provided*, *however*, that the encumbrances and restrictions contained in any such Refinancing Agreement or Amendment are not materially less favorable to the Holders, taken as a whole, than the encumbrances and restrictions contained in the Initial Agreement to which such Refinancing Agreement or Amendment relates (as determined in good faith by the Board of Directors of the Issuer);

(6) contracts for the sale of assets relating only to the assets subject to such contract, including customary restrictions with respect to a Subsidiary pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Share Capital or assets of such Subsidiary;

(7) secured Indebtedness otherwise permitted to be incurred pursuant to the "Limitations on Incurrence of Indebtedness and Issuance of Preference Shares" and "Limitations on Liens" covenants that limits the right of the debtor to dispose of the assets securing such Indebtedness;

(8) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(9) any agreement or instrument (A) relating to any Indebtedness or Preferred Stock of a Restricted Subsidiary permitted to be Incurred subsequent to the Issue Date pursuant to the "Limitations on Incurrence of Indebtedness and Issuance of Preference Shares" covenant (i) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than the encumbrances and restrictions contained in the Senior Revolving Credit Facility Agreement (as determined in good faith by the Issuer) or (ii) if the encumbrances and restrictions are not materially more disadvantageous to the Holders than is customary in comparable financings (as determined in good faith by the Issuer) and either (x) the Issuer determines that such encumbrance or restriction will not adversely affect the Issuer's ability to make principal and interest payments on the Senior Notes as and when they come due or (y) such encumbrances and restrictions apply only during the continuance of a default in respect of a payment or financial maintenance covenant relating to such Indebtedness, (B) constituting an intercreditor agreement on terms

substantially equivalent to the Intercreditor Agreement or (C) relating to any loan or advance by the Issuer to a Restricted Subsidiary subsequent to the Issue Date; *provided* that with respect to clause (C) the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than the encumbrances and restrictions contained in the Senior Revolving Credit Facility Agreement, the Security Documents and the Intercreditor Agreement (in each case, as in effect on the Issue Date);

(10) Indebtedness of Restricted Subsidiaries that are Guarantors which Indebtedness is permitted to be incurred pursuant to an agreement entered into subsequent to the Issue Date in accordance with the "Limitations on Incurrence of Indebtedness and Issuance of Preference Shares" covenant;

(11) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business;

(12) customary restrictions on fiduciary cash held by the Issuer's Restricted Subsidiaries;

(13) customary provisions contained in leases and other agreements entered into in the ordinary course of business or any Permitted Lien; and

(14) restrictions effected in connection with a Qualified Securitisation Financing that, in the good faith determination of the Board of Directors of the Issuer, are necessary or advisable to effect such Qualified Securitisation Financing.

Limitation on Guarantees of Debt by Restricted Subsidiaries

(a) The Issuer will not permit any Restricted Subsidiary that is not a Guarantor and the SPV Indemnifier, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any Indebtedness of the Issuer or any Guarantor or SPV Indemnifier, unless:

(1) such Restricted Subsidiary executes and delivers, within 10 Business Days, in a form reasonably satisfactory to (A) the Trustee, a Guarantee of payment of the Senior Notes by such Restricted Subsidiary on the same terms as the Guarantees of the Senior Notes provided for in the Indenture, (B) the SPV Administrator, the SPV Counter-Indemnity, and (C) an Officers' Certificate and an opinion of counsel (reasonably acceptable to the Trustee and the SPV Administrator), each to the effect that such Guarantee or SPV Counter-Indemnity is a legal, valid and binding obligation of the Restricted Subsidiary enforceable (subject to customary exceptions and exclusions) in accordance with its terms; and

(2) with respect to any guarantee of Subordinated Debt by such Restricted Subsidiary, any such guarantee will be subordinated to such Restricted Subsidiary's Guarantee and SPV Counter-Indemnity with respect to the Notes at least to the same extent as such Subordinated Debt is subordinated to the Notes; and

(3) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Issuer or any Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Guarantee or SPV Counter-Indemnity.

(b) Notwithstanding the foregoing, any Guarantee or SPV Counter-Indemnity of the Senior Notes created pursuant to the provisions described in paragraph (a) above will be automatically and unconditionally released and discharged upon:

(1) when (i) any Guarantor ceases to be a Restricted Subsidiary of the Issuer in accordance with the applicable provisions of the Indenture or (ii) becomes an Immaterial Subsidiary; *provided* that in the case of clause (ii) after giving effect to the release of the Guarantee of any Immaterial Subsidiary, the Issuer and Guarantors have at least 85% of the Consolidated Total Assets and revenues of the Issuer and its Restricted Subsidiaries;

(2) upon (A) repayment and performance in full of all amounts due and payable under the Indenture and the Senior Notes; (B) Legal Defeasance; (C) Covenant Defeasance or (D) satisfaction and discharge of the Indenture;

(3) (with respect to any Guarantee or SPV Counter-Indemnity created after the date of the Indenture) the release by the holders of Indebtedness of the Issuer or such Guarantor or

SPV Indemnifier described in paragraph (a) above, of their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Indebtedness other than as a result of payment under such guarantee), at a time when:

(A) no other Indebtedness of the Issuer or any Guarantor or SPV Indemnifier has been guaranteed by such Restricted Subsidiary; or

(B) the holders of all such other Indebtedness that is guaranteed by such Restricted Subsidiary also release their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Indebtedness other than as a result of payment under such guarantee);

(4) In accordance with the Intercreditor Agreement, upon an Enforcement Sale.

Merger, Consolidation, or Sale of All or Substantially All Assets

(a) The Issuer will not, directly or indirectly, merge, consolidate, amalgamate or otherwise combine with or into or wind up into any Person (whether or not the Issuer is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets (through a sale of its shares or assets or otherwise) in one or more related transactions, to any Person unless:

(1) either (A) the Issuer is the surviving corporation; or (B) the Person formed by or surviving any such merger, consolidation, amalgamation or other combination (if other than the Issuer), or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made, is a corporation organised or existing under the laws of the Republic of South Africa or any state that is a member of the European Union, Canada, the United States of America, any state thereof or the District of Columbia (such Person, as the case may be, being herein called the “Successor Company”);

(2) the Successor Company, if other than the Issuer, expressly assumes all the obligations of the Issuer under the Indenture, the Notes and the Intercreditor Agreement (except with respect to any transaction of a kind set forth below in paragraph (c)(i)) pursuant to an accession letter or other documents or instruments in form reasonably satisfactory to the Trustee;

(3) immediately after giving effect to such transaction or related transactions on a *pro forma* basis, no payment Default or Default under “—Certain Covenants” of the Indenture or Event of Default exists;

(4) immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if such transaction had occurred at the beginning of the applicable four-quarter period, either (A) the Successor Company would be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in “—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares” or (B) the Fixed Charge Coverage Ratio for the Issuer or any Successor Company, as applicable, would be greater than the Fixed Charge Coverage Ratio for the Issuer on an historical basis for such four-quarter period;

(5) each Guarantor and SPV Indemnifier (if not a party to the transaction) will have by accession letter hereto and the Intercreditor Agreement confirmed that its Guarantee and/ or SPV Counter-Indemnity (as the case may be) will apply to such Person’s obligations under the Indenture and the Senior Notes, unless such Guarantee and/or SPV Counter-Indemnity (as the case may be) will be released in connection with the transaction and otherwise in compliance with the Indenture; and

(6) the Issuer will have delivered to the Trustee an Officers’ Certificate and an opinion of counsel, stating that such merger, consolidation, amalgamation, other combination or transfer and such accession letter complies with the Indenture.

The foregoing paragraph (a) will also apply to any Guarantor, with the exception of clause (4).

For purposes of this “Merger, Consolidation, or Sale of All or Substantially All Assets” covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Restricted Subsidiaries, which properties and assets, if held by the Issuer instead of such Restricted Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, will be deemed to be the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of the Issuer.

(b) (i) The Successor Company will succeed to, and be substituted for, the Issuer and (ii) in the case of a sale of all assets by the Issuer, the Issuer will be fully released from its obligations under the Senior Notes, the Indenture and the Intercreditor Agreement; provided in each case that following any lease or conveyance of substantially all (but less than all) of the properties or assets of the Issuer and its Restricted Subsidiaries in one or more related transactions, each of the lessor and the lessee, or the transferor and transferee, as the case may be, will remain liable for the obligations of the Issuer under the Indenture, the Intercreditor Agreement and the Senior Notes.

(c) Notwithstanding paragraph (a) above, (i) the Issuer and BidCo may merge, amalgamate or otherwise combine into BidCo or the Issuer, as the case may be; (ii) a Restricted Subsidiary may merge, consolidate, amalgamate or otherwise combine into the Issuer or any other Restricted Subsidiary or transfer all or part of its properties and assets to the Issuer or any other Restricted Subsidiary; (iii) the Issuer may merge with an Affiliate solely for purposes of reincorporation of the Issuer and (iv) a Guarantor may merge, consolidate, amalgamate or otherwise combine into the Issuer or any other Guarantor or transfer all or part of its properties and assets to the Issuer or any other Guarantor or a wholly owned Restricted Subsidiary of the Issuer or a Guarantor.

Limitations on Transactions with Affiliates

(a) The Issuer will not, and will not permit any Restricted Subsidiary to, make any payment to, or sell, lease, assign, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (each of the foregoing, an "Affiliate Transaction") involving aggregate payments or consideration in excess of €5.0 million, unless:

(1) such Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm's-length transaction by the Issuer or such Restricted Subsidiary with an unrelated Person; and

(2) (x) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €15.0 million, the Issuer delivers to the Trustee a resolution adopted by a majority of the disinterested members of the Board of Directors of the Issuer, if any, approving such Affiliate Transaction and an Officers' Certificate certifying that such Affiliate Transaction complies with clause (1) above; and (y) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €25.0 million, the Board of Directors of the Issuer also will have received a written opinion as to the fairness to the Issuer and its Restricted Subsidiaries of such Affiliate Transaction or series of related Affiliate Transactions from a financial point of view issued by an Independent Financial Advisor.

(b) The foregoing provisions will not apply to the following:

(1) transactions between or among the Issuer and/or any Restricted Subsidiary or joint venture or similar entity which would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary owns an equity interest or otherwise control such Restricted Subsidiary, joint venture or similar entity;

(2) Permitted Investments, or Restricted Payments permitted by "Limitations on Restricted Payments";

(3) the payment to the Sponsors or any Sponsor Group Affiliate of management, consulting, monitoring, advisory and transaction fees, termination payments and related reasonable expenses pursuant to (A) the Management Agreements or any amendment thereto (so long as any such amendment is not less advantageous to the Holders in any material respect than the Management Agreements) or (B) other agreements as in effect on the

Issue Date and described in this Offering Memorandum or any amendment thereto (so long as any such amendment is not less advantageous to the Holders in any material respect than the original agreement as in effect on the Issue Date);

(4) payment of reasonable compensation and fees to, and indemnities provided on behalf of (and entering into related agreements with) officers, directors, employees or consultants of the Issuer, any of its direct or indirect parent entities or any Restricted Subsidiary, which payments are approved by a majority of the members of the Board of Directors of the Issuer in good faith;

(5) payments by the Issuer or any Restricted Subsidiary to the Sponsors made for any customary financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures, which payments are approved by a majority of the members of the Board of Directors of the Issuer in good faith;

(6) transactions in which the Issuer or any Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view;

(7) payments or loans (or cancellations of loans) to employees or consultants of the Issuer, any Restricted Subsidiary or any of the Issuer's direct or indirect parent entities, which are approved by the Board of Directors of the Issuer in good faith and which are otherwise permitted under the Indenture;

(8) payments made or performance under any agreement of the Issuer and/or its Restricted Subsidiaries as in effect as of the Issue Date or any amendment thereto after the Issue Date (so long as any such amendment is not less advantageous to the Holders in any material respect than the original agreement as in effect on the Issue Date) or any transaction contemplated thereby;

(9) the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under the terms of, a shareholders' agreement (including any registration right agreement or purchase agreements related thereto to which it is party as of the Issue Date and any similar agreement that it may enter into thereafter; provided, however, that the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under any future amendment to the shareholders' agreement or under any similar agreement entered into after the Issue Date will only be permitted under this clause (9) to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous to the Holders in any material respects;

(10) [reserved];

(11) transactions with customers, clients, suppliers, purchasers or sellers of goods or services, in each case, in the ordinary course of business and otherwise in compliance with the terms of the Indenture which are fair to the Issuer and the Restricted Subsidiaries, in the good faith determination of a majority of the disinterested members of the Board of Directors of the Issuer or of the senior management thereof, or are on terms at least as favorable to the Issuer or the relevant Restricted Subsidiary as might reasonably have been obtained at such time from an unaffiliated party;

(12) the issuance of (A) Equity Interests (other than Disqualified Share Capital) of the Issuer to any Permitted Holder, direct or indirect parent entity of the Issuer or other Affiliate of the Issuer or any member of management, employee or consultant of the Issuer, any Restricted Subsidiary of the Issuer and any direct or indirect parent entity of the Issuer and (B) Shareholder Debt; *provided* that the interest rate and other financial terms of such Shareholder Debt are approved by a majority of the members of the Board of Directors of the Issuer;

(13) any transaction with a Receivables Purchaser effected as part of a Qualified Securitization Financing;

(14) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Board of Directors of the Issuer; and

(15) any customary employment agreements entered into by the Issuer or any of the Restricted Subsidiaries in the ordinary course of business.

Limitations on Layering

The Issuer will not, and will not permit any Guarantor to, directly or indirectly, incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) contractually subordinated or junior in right of payment to any other Indebtedness of the Issuer or such Guarantor unless:

(a) in the case of the Issuer, such Indebtedness is subordinate or junior in right of payment to the Senior Notes to the same extent; and

(b) in the case of a Guarantor, such Indebtedness is either:

(1) *Pari Passu* Indebtedness of such Guarantor; or

(2) Subordinated Indebtedness of such Guarantor.

For the purposes of the foregoing, no Indebtedness will be deemed to be subordinated or junior in right of payment to any other Indebtedness of the Issuer or any Guarantor, as applicable, solely by reason of any Liens or Guarantees arising or created in respect thereof or by virtue of the fact that the holders of any secured Indebtedness have entered into intercreditor agreements giving one or more of such holders priority over the other holders in the collateral held by them.

Payments for Consent

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Senior Notes unless such consideration is offered to be paid and is paid to all holders of the Senior Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude holders of Senior Notes in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Issuer in its sole discretion determines (acting in good faith) (A) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Business of the Issuer and the Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business other than Similar Businesses, except to such extent as would not be material to the Issuer and its Subsidiaries taken as a whole.

Limitation on Sale and Leaseback Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale and leaseback transaction with respect to any property or assets, whether now owned or hereafter acquired, (other than (i) between the Issuer and a Guarantor and the SPV Indemnifier, (ii) between Restricted Subsidiaries which are Guarantors and SPV Indemnifiers, (iii) from a Restricted Subsidiary that is not a Guarantor or the SPV Indemnifier to the Issuer or a Guarantor and the SPV Indemnifier or (iv) between or among Restricted Subsidiaries that are not Guarantors or SPV Indemnifiers) unless:

(a) the sale or transfer of such property or assets to be leased is treated as an Asset Sale and the provisions of the "—Limitations on Asset Sales" covenant are complied with;

(b) the Issuer or such Restricted Subsidiary, as applicable, would be permitted to incur Indebtedness under "—Limitations on Incurrence of Indebtedness and Issuance of Preference

Shares" in the amount of the Attributable Debt incurred in respect of such sale and leaseback transaction; and

(c) the Issuer or such Restricted Subsidiary, as applicable, would be permitted to grant a Lien to secure Indebtedness under "—Limitations on Liens" in the amount of the Attributable Debt in respect of such sale and leaseback transaction.

Suspension of Covenants

If on any date following the date of the Indenture:

(1) the Senior Notes are rated Investment Grade by both Rating Agencies; and

(2) no payment Default, Default under "—Certain Covenants" or Event of Default will have occurred and be continuing (the foregoing conditions being referred to collectively as the "***Suspension Condition***").

then, beginning on that day and subject to the provisions of the following paragraph, the following sections of the Indenture will be suspended as to the Senior Notes:

(1) "—Limitations on Asset Sales;"

(2) "—Limitations on Restricted Payments;"

(3) "—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares";

(4) "—Dividend and Other Payment Restrictions Affecting Subsidiaries;"

(5) "—Restrictions Relating to the Investment of the Credit and Financial Services Business;"

(6) "—Limitations on Transactions with Affiliates;" and

(7) clause (4) of "—Merger, Consolidation, or Sale of All or Substantially All Assets" (collectively, the "***Suspended Covenants***").

During any period that the foregoing sections have been suspended, the Issuer's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the second sentence of the definition of "Unrestricted Subsidiary" unless the designation would comply with the covenant described under "—Certain Covenants—Limitations on Restricted Payments."

Notwithstanding the foregoing, if the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants with respect to the Senior Notes for any period of time as a result of the foregoing and, subsequently, one or both Rating Agencies withdraw their Investment Grade rating or downgrade the Investment Grade rating assigned to the Senior Notes such that the Senior Notes are no longer rated Investment Grade by both Rating Agencies, then the Issuer and each of its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. Compliance with the Suspended Covenants with respect to Restricted Payments made after the time of such withdrawal or downgrade (i) will be calculated in accordance with the terms of the reinstated "—Limitations on Restricted Payments" covenant as if the provisions in the "—Limitations on Restricted Payments" covenant had been in effect since the Issue Date and (ii) will be calculated in accordance with the terms of the reinstated "—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares" covenant as if any Indebtedness incurred on or after the occurrence of the Suspension Condition will be deemed to have been incurred pursuant to the first paragraph of the covenant described under "—Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares"; *provided*, *further*, that no Default, Event of Default or breach of any kind will be deemed to exist under the Indenture with respect to the Suspended Covenants based on, and none of the Issuer or any of its Subsidiaries will bear any liability for, any actions taken or events occurring after such Senior Notes attain the required ratings and before any reinstatement of the Suspended Covenants as provided above, or any actions, taken at any time pursuant to any contractual obligations arising prior to the reinstatement of the Suspended Covenants, regardless of whether those actions or events would have been permitted if the applicable sections had remained in effect during such period.

Impairment of Security Interest

The Issuer will not. and will not cause or permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action that would have the result of materially impairing the security interests with respect to the Collateral (it being understood that the incurrence of Liens on the Collateral permitted by the definition of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interests with respect to the Collateral) for the benefit of the Trustee and the holders of the Notes; provided, however, that no Security Document may be amended, extended renewed, restated, supplemented or otherwise modified, replaced or released unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification, renewal or release, the Issuer delivers to the Trustee either (1) a solvency opinion from an internationally recognised investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, supplement, modification, replacement or release, (2) a certificate from the board of directors or chief financial officer of the relevant Person (acting in good faith) that confirms the solvency of the Person granting such Lien after giving effect to any transactions related to such amendment, extension, renewal, supplement, modification, replacement or release or (3) an opinion of counsel in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release, the Lien or Liens securing the Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid and perfected Liens, not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking.

At the direction of the Issuer and without the consent of the holders of Senior Notes, the collateral agent for the Senior Notes may from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, mistake, defect or inconsistency therein, (ii) provide for Permitted Collateral Liens, (iii) add to the Collateral or (iv) make any other change thereto that does not adversely affect the rights of the holders of the Senior Notes in any material respect.

In the event that the Issuer complies with this covenant, the Trustee and the collateral agent for the Senior Notes shall (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification, replacement or release with no need for instructions from holders of the Senior Notes.

Limitations on Transfer, Prepayment or Modification of the Proceeds Loan

The Issuer and the Senior Secured Notes Issuer will not amend, modify, supplement or waive any rights of the Issuer or the Senior Secured Notes Issuer under the Proceeds Loan in any manner that will adversely affect the Holders of Senior Notes in any material respect.

Restrictions Relating to the Investment of the Credit and Financial Services Business

Notwithstanding anything to the contrary contained in this "Description of the Senior Notes", the Issuer and its Restricted Subsidiaries may designate a CFS as an Unrestricted Subsidiary or the Issuer and its Restricted Subsidiaries may make an Investment of some or all of the Share Capital of a CFS (whether through direct investment or the issuance of Share Capital of a CFS to another Person) and each will be considered a "Permitted Investment"; *provided* that:

(a) the operating agreements relating to a CFS ("Operating Agreements") are no less favorable to the Issuer and its Restricted Subsidiaries than those that would have been obtained in a comparable arm's-length transaction by the Issuer and its Restricted Subsidiaries with an unrelated Person;

(b) the Issuer delivers to the Trustee a resolution adopted by a majority of the members of the Board of Directors of the Issuer, approving such transaction and an Officers' Certificate certifying that such transaction complies with clause (a) above;

(c) any such designation or Investment pursuant to this "Restrictions Relating to the Investment of the Credit and Financial Services Business" covenant must occur on or before 31 March 2008; *provided* that subsequent Investments of any Share Capital that was the subject of a previous designation or Investment will be permitted;

(d) a CFS will not be considered an Unrestricted Subsidiary for the purpose of paragraph (b)(16) of "Limitations on Restricted Payments";

(e) the Issuer will not, and will not permit its Restricted Subsidiaries to sell, convey, transfer or make any other voluntary disposition (each a "disposition") of Share Capital of a CFS unless such disposition satisfies the requirements of the "Limitations on Asset Sales" covenant (other than paragraph (a)(2) of “Limitations on Asset Sales”); *provided* that such CFS may make a disposition of its property or assets in exchange for a minority interest in the Share Capital of any Person without complying with the requirements of the “Limitations on Asset Sales” covenant so long as if such Person is a Permitted Holder or a Subsidiary of a Permitted Holder (in each case other than the Issuer or its Restricted Subsidiaries), such Person enters into a supplemental indenture to the Indenture that requires such Person to comply with the provisions of this “Restrictions Relating to the Investment of the Credit and Financial Services Business” covenant;

(f) if a CFS is an Unrestricted Subsidiary, then the Issuer will not, and will not permit its Restricted Subsidiaries to, permit such CFS to (i) declare or pay any dividend or make any distribution on account of such CFS’s Equity Interests, including any dividend or distribution payable in connection with any merger, consolidation, amalgamation or other combination involving such CFS (other than: (x) dividends or distributions by such CFS payable in Equity Interests (other than Disqualified Share Capital) of such CFS or in options, warrants or other rights to purchase such Equity Interests (other than Disqualified Share Capital); or (y) other dividends or distributions payable on or in respect of any class or series of securities issued by such CFS to the Issuer or a Restricted Subsidiary or Persons other than Permitted Holders), (ii) purchase, redeem or otherwise acquire or retire for value any Equity Interests of such CFS, including in connection with any merger, consolidation, amalgamation or other combination, held by Permitted Holders (other than the Issuer or a Restricted Subsidiary) or (iii) sell, convey, transfer or lease or make any other voluntary disposition (each a “disposition”) of its property or assets unless such disposition satisfies the requirements of the “Limitations on Asset Sales” covenant (other than paragraph (a)(2) of “Limitations on Asset Sales”); *provided* that such CFS may make a disposition of its property or assets in exchange for a minority interest in the Share Capital of any Person without complying with the requirements of the “Limitations on Asset Sales” covenant so long as if such Person is a Permitted Holder or a Subsidiary of a Permitted Holder (in each case other than the Issuer or its Restricted Subsidiaries), such Person enters into a supplemental indenture to the Indenture that requires such Person to comply with the provisions of this “Restrictions Relating to the Investment of the Credit and Financial Services Business” covenant; and

(g) if a CFS is an Unrestricted Subsidiary, then the Issuer will not and will not permit its Restricted Subsidiaries to permit such CFS to issue or sell any shares of its Share Capital to Permitted Holders if the Issuer and its Restricted Subsidiaries would own less than a majority of the Voting Stock of such CFS and Permitted Holders would own a majority of the Voting Stock of such CFS unless such CFS enters into a supplemental indenture to the Indenture that requires such CFS to comply with the provisions of this covenant “Restrictions Relating to the Investment of the Credit and Financial Services Business”.

Additional Intercreditor Agreements; Amendments

(a) The Indenture will provide that, subject to the terms of the covenant described under “—Certain Covenants—Business of the Issuer and the Restricted Subsidiaries”, at the time of, or prior to, the Incurrence by the Issuer or any Subsidiary Guarantor of any Indebtedness for borrowed money (including any Guarantees constituting such Indebtedness of another Restricted Subsidiary) permitted pursuant to the covenant described under “—Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares”, or any Refinancing Indebtedness in respect thereof the Issuer and/or the relevant Subsidiary Guarantors will, as applicable, and the Trustee will, be authorised (i) to enter into with the holders of such indebtedness (or their duly authorised agents) an Additional Intercreditor Agreement on terms substantially similar to the Intercreditor Agreement as determined in good faith by the Board of Directors (or terms more favorable to the Holders), including containing substantially identical terms with respect to the subordination and release of Subsidiary Guarantees and enforcement of security interests. Such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee, adversely affect the rights, duties, liabilities, obligations or immunities of the Trustee, or adversely affect the rights, duties, liabilities, obligations or immunities of the Holders under the Indenture or Intercreditor Agreement in any material respect or result in the Trustee or the Holders being in breach or violation of the Intercreditor Agreement.

(b) The Indenture will also provide that at the direction of the Issuer and without the consent of the Holders, the Trustee will from time to time enter into one or more amendments to the Intercreditor Agreement or any such Additional Intercreditor Agreement to (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) increase the amount or types of Indebtedness covered by any Intercreditor Agreement or Additional Intercreditor Agreement that may be incurred by the Issuer or a Subsidiary Guarantor that is subject to any Intercreditor Agreement or Additional Intercreditor Agreement (*provided* that such amendment is consistent with the preceding paragraph (a)), (iii) add Subsidiary Guarantors thereto, (iv) permit payments to be made to the Issuer that would not otherwise have been permitted pursuant to the terms thereof, or (v) make any other such change thereto that does not adversely affect the rights of Holders in any material respect. the Issuer will not otherwise direct the Trustee to enter into any amendment to the Intercreditor Agreement or, if applicable, any Additional Intercreditor Agreement, without the consent of the Holders of a majority in principal amount of the outstanding Senior Notes.

The Indenture will also provide that each Holder, by accepting a Senior Note, will be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or, if applicable, any Additional Intercreditor Agreement and by the entry by the Trustee into the Intercreditor Agreement and the performance by the Trustee of its obligations and the exercise of its rights thereunder and in connection therewith. A copy of the Intercreditor Agreement or, if applicable, any Additional Intercreditor Agreement will be available on any Business Day upon prior written request at the offices of the Trustee and, for so long as any Senior Notes are listed on the Global Exchange Market of the Irish Stock Exchange, at the offices of the listing agent.

Statement as to Compliance

The Issuer will deliver to the Trustee, within 150 days after the end of each fiscal year, an Officers' Certificate stating that in the course of the performance by the signer of his duties as an officer of the Issuer he would normally have knowledge of any Default and whether or not the signer knows of any Default that occurred during such period and, if any, specifying such Default, its status and what action the Issuer is taking or proposed to take with respect thereto. For purposes of this Statement as to Compliance covenant, such compliance will be determined without regard to any period of grace or requirement of notice under the Indenture.

When any Default has occurred and is continuing under the Indenture, the Issuer will deliver to the Trustee within ten Business Days by registered or certified mail or facsimile transmission an Officers' Certificate specifying such event, notice or other action, its status and what action the Issuer is taking or proposes to take with respect thereto.

Events of Default

(a) Each of the following constitutes an "Event of Default":

(1) a default in payment when due and payable, upon redemption, acceleration or otherwise, of principal of, or premium, if any, on the Senior Notes;

(2) a default in the payment when due of interest or Additional Amounts, if any, on or with respect to the Senior Notes and such default continues for a period of 30 days;

(3) a default in the performance of, or breach of any covenant, warranty or other agreement contained in, the Indenture (other than a default in the performance or breach of a covenant, warranty or agreement which is specifically dealt with in clauses (1) or (2) above) and such default or breach continues for a period of 60 days after written notice from the Trustee or Holders of at least 30% in principal amount of outstanding Senior Notes under the Indenture;

(4) a default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary or the payment of which is guaranteed by the Issuer or any Restricted Subsidiary (other than Indebtedness owed to the Issuer or a Restricted Subsidiary), whether such Indebtedness or guarantee now exists or is created after the Issue Date, if (A) such default either (1) results from the failure to pay any such Indebtedness at its stated final maturity (after giving effect to any applicable grace periods) or (2) relates to an obligation other than the obligation to pay principal of any such Indebtedness at its stated final maturity and results in the holder or holders of such

Indebtedness causing such Indebtedness to become due prior to its stated maturity and (B) the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at stated final maturity (after giving effect to any applicable grace periods), or the maturity of which has been so accelerated, aggregate €50.0 million (or its foreign currency equivalent) or more at any one time outstanding;

(5) the failure by the Issuer or any Significant Subsidiary to pay final judgments aggregating in excess of €50.0 million (other than any judgments covered by indemnities or insurance policies issued by reputable and creditworthy companies), which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days after the applicable judgment becomes final;

(6) the Guarantee of a Significant Subsidiary that is a Guarantor or any group of Subsidiaries that are Guarantors and that, taken together as of the date of the most recent audited financial statements of the Issuer, would constitute a Significant Subsidiary ceases to be in full force and effect (except as contemplated by the terms hereof) or any Guarantor denies or disaffirms its obligations under the Indenture or any Guarantee(s), other than by reason of the release of the Guarantee(s) in accordance with the terms of the Indenture, and such Default continues for 15 days;

(7) the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case;

(B) consents to the entry of an order for relief against it in an involuntary case;

(C) consents to the appointment of a custodian of it or for all or substantially all of its property;

(D) makes a general assignment for the benefit of its creditors; or

(E) generally is not paying its debts as they become due; and

(8) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, in an involuntary case;

(B) appoints a custodian of the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property of the Issuer or any of its Restricted Subsidiaries; or

(C) orders the liquidation of the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary and the order or decree remains unstayed and in effect for 60 consecutive days.

(b) If an Event of Default under the Indenture (other than an Event of Default specified in clauses (7) or (8) above) shall occur and be continuing, the Trustee or the holders of at least 30% in principal amount of outstanding Senior Notes under the Indenture may, and the Trustee, upon the written request of such holders will, declare the principal of and accrued interest on such Senior Notes to be due and payable by notice in writing to the Issuer and the Trustee specifying the Event of Default and that it is a "notice of acceleration" (the "Acceleration Notice"), and the same will become immediately due and payable.

(c) If an Event of Default specified in clauses (7) or (8) above occurs and is continuing, then all unpaid principal of, and premium, if any, and accrued and unpaid interest on all of the outstanding Senior Notes issued under the Indenture will ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of the Senior Notes.

(d) The Indenture will provide that, at any time after a declaration of acceleration with respect to the Senior Notes as described in the two preceding paragraphs, the holders of a majority in principal amount of the Senior Notes may rescind and cancel such declaration and its consequences:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration;

(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid;

(4) if the Issuer has paid the Trustee its reasonable compensation and reimbursed the Trustee for its expenses, disbursements and advances; and

(5) in the event of the cure or waiver of an Event of Default under the Indenture of the type described in clause (4) of the description above of Events of Default, the Trustee will have received an Officers' Certificate and an opinion of counsel that such Event of Default has been cured or waived.

No such rescission will affect any subsequent Default under the Indenture or impair any right consequent thereto.

(e) The holders of a majority in principal amount of the Senior Notes issued and then outstanding under the Indenture may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of or interest on such Senior Notes.

(f) In the event of any Event of Default specified in clause (4) of paragraph (a) above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders of the Senior Notes, if within 30 Business Days after such Event of Default arose the Issuer delivers an Officers' Certificate to the Trustee stating that (x) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has been cured, it being understood that in no event will an acceleration of the principal amount of such Senior Notes as described above be annulled, waived or rescinded upon the happening of any such events.

(g) In the event that the Issuer or any of its Restricted Subsidiaries becomes aware of any Default (the "Unknown Default") not previously known to it and had previously taken an action (or failed to take an action) which was prohibited (or required) solely because of the continuance of such Default, then any Default or Event of Default arising from such action (or failure to take such action) and all consequences thereof (excluding any resulting payment Default, other than as a result of acceleration of the Senior Notes) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the Holders, if the Unknown Default has been cured.

(h) Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders of the Senior Notes, unless such holders have offered to the Trustee indemnity or security satisfactory to it. Subject to all provisions of the Indenture and applicable law, the holders of a majority in aggregate principal amount of the then outstanding Senior Notes issued under the Indenture have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

Legal Defeasance or Covenant Defeasance of Indenture

The Indenture will provide that the Issuer may, at its option and at any time prior to the Stated Maturity of the Senior Notes, elect to have the obligations of the Issuer discharged with respect to the outstanding Senior Notes ("Legal Defeasance"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Senior Notes except as to:

(a) the rights of Holders of outstanding Senior Notes to receive payments in respect of the principal of, premium, if any, and interest on such Senior Notes when such payments are due from the trust referred to below;

(b) the Issuer's obligations to issue temporary Senior Notes, register, transfer or exchange any Senior Notes, replace mutilated, destroyed, lost or stolen Senior Notes, maintain an office or agency for payments in respect of the Senior Notes and segregate and hold such payments in trust;

(c) the rights, powers, trusts, duties and immunities of the Trustee and the obligations of the Issuer and the Guarantors in connection therewith; and

(d) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such covenants will not constitute a Default or an Event of Default with respect to the Senior Notes. In the event Covenant Defeasance occurs, certain events described under "Events of Default" will no longer constitute an Event of Default with respect to the Senior Notes. These events do not include events relating to non-payment, bankruptcy, insolvency, receivership and reorganisation. The Issuer may exercise its Legal Defeasance option regardless of whether it has previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuer must irrevocably deposit or cause to be deposited in trust with the Trustee, for the benefit of the Holders, cash in euro, European Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognised firm of independent public accountants, to pay and discharge the principal of, premium, if any, and interest, on the outstanding Senior Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must (i) specify whether the Senior Notes are being defeased to maturity or to a particular redemption date and (ii) if applicable, have delivered to the Trustee an irrevocable notice to redeem all of the outstanding Senior Notes of such principal, premium, if any, or interest;

(b) the Issuer must have delivered to the Trustee an opinion of counsel (reasonably acceptable to the Trustee) to the effect that the holders of the outstanding Senior Notes will not recognise income, gain or loss for tax purposes in the Republic of South Africa as a result of such deposit and defeasance and will be subject to tax in the Republic of South Africa on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(c) the Issuer must have delivered to the Trustee an opinion of counsel (reasonably acceptable to the Trustee) to the effect that the holders of the outstanding Senior Notes will not recognise income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and, in the case of Legal Defeasance only, such opinion of counsel must be based on a ruling of the U.S. Internal Revenue Service or a change in applicable U.S. federal income tax law since the date of the Indenture);

(d) no Default or Event of Default will have occurred and be continuing (i) on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or (ii) insofar as bankruptcy or insolvency events described in clauses (a)(7) or (8) of "—Events of Default" above is concerned, at any time during the period ending on the 90th day after the date of such deposit;

(e) such Legal Defeasance or Covenant Defeasance will not cause the Trustee for the Senior Notes to have a conflicting interest as defined in the Indenture with respect to any of the Issuer's securities;

(f) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit), any material agreement or instrument to which the Issuer or any Restricted Subsidiary is a party or by which the Issuer or any Restricted Subsidiary is bound;

(g) such Legal Defeasance or Covenant Defeasance will not result in the trust arising from such deposit constituting an investment company within the meaning of the U.S. Investment Company Act of 1940 unless such trust will be registered under such act or exempt from registration thereunder;

(h) the Issuer must have delivered to the Trustee an opinion of independent counsel in the country of the Issuer's incorporation, such counsel to be reasonably acceptable to the Trustee, to the effect that after the 90th day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganisation or similar laws affecting creditors' rights generally and an opinion of independent counsel reasonably acceptable to the Trustee that the Trustee will have a perfected security interest in such trust funds for the rateable benefit of the Holders;

(i) the Issuer must have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or other creditors, or removing assets beyond the reach of the relevant creditors or increasing debts of the Issuer to the detriment of the relevant creditors; and

(j) the Issuer must have delivered to the Trustee an Officers' Certificate and an opinion of counsel, such counsel to be reasonably acceptable to the Trustee, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

If the funds deposited with the Trustee to effect Covenant Defeasance are insufficient to pay the principal of, premium, if any, and interest on the Senior Notes when due because of any acceleration occurring after an Event of Default, then the Issuer and the Guarantors will remain liable for such payments.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Senior Notes issued thereunder, when:

(a) either:

(1) all such Senior Notes that have been authenticated, except lost, stolen or destroyed Senior Notes that have been replaced or paid and Senior Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or

(2) all such Senior Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable by reason of the mailing of a notice of redemption or otherwise within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders of the Senior Notes, cash in euro, non-callable European Government Obligations, or a combination thereof, in amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Senior Notes not delivered to the Trustee for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(b) no Default or Event of Default has occurred and is continuing under the Indenture on the date of the deposit or will occur as a result of the deposit (other than a Default resulting from borrowing of funds to be applied to such deposit and the grant of any Lien securing such borrowing) and the deposit will not result in a breach or violation of, or constitute a default under, any other material instrument to which the Issuer is a party or by which the Issuer is bound;

(c) the Issuer has paid or caused to be paid all sums payable by it under such Indenture; and

(d) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Senior Notes issued thereunder at maturity or the redemption date, as the case may be.

In addition, the Issuer must deliver an Officers' Certificate and an opinion of counsel to the relevant Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Amendments and Waivers

The Indenture will contain provisions permitting the Issuer, any Guarantors and the Trustee to enter into a supplemental indenture without the consent of the Holders for certain limited purposes, including, among other things, curing ambiguities, defects or inconsistencies, or making any change that does not adversely affect the rights of any Holder in any material respect. With the consent of the Holders of not less than a majority in aggregate principal amount of the Senior Notes then outstanding (in each case including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes), the Issuer and the Trustee are permitted to amend or supplement the Indenture, the Senior Notes, the Guarantees or the Security Documents; *provided* that no such modification or amendment may, without the consent of (x) each Holder of outstanding Senior Note affected thereby or (y) at least 90% of the aggregate principal amount of the Senior Notes then outstanding (in each case including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes):

(a) change the Stated Maturity of the principal of, or any installment of or Additional Amounts or interest on, any Senior Note;

(b) reduce the principal amount of any Senior Note (or Additional Amounts or premium, if any) or the rate of or change the time for payment of interest on any Senior Note;

(c) change the coin or currency in which the principal of any Senior Note or any premium or any Additional Amounts or the interest thereon is payable;

(d) impair the right to institute suit for the enforcement of any payment of any Senior Note in accordance with the provisions of such Senior Note and the Indenture;

(e) reduce the principal amount of Senior Notes whose Holders must consent to any amendment, supplement or waiver of provisions of the Indenture;

(f) modify any of the provisions relating to supplemental indentures requiring the consent of Holders or relating to the waiver of past defaults or relating to the waiver of certain covenants, except to increase the percentage of outstanding Senior Notes required for such actions or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Senior Note affected thereby;

(g) except as otherwise permitted under "—Certain Covenants—Merger, Consolidation, or Sale of All or Substantially All Assets", consent to the assignment or transfer by the Issuer of any of the Issuer's rights or obligations under the Indenture;

(h) release any Guarantees except in compliance with the terms of the Indenture;

(i) make any change to the provisions of the Indenture affecting the ranking of the Senior Notes in a manner that adversely affects the rights of the Holders;

(j) make any change in the provisions of the Indenture described under "—Additional Amounts" that adversely affects the rights of any Holder or amend the terms of the Senior Notes or the Indenture in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the Guarantors agree to pay Additional Amounts, if any, in respect thereof in the supplemental indenture; or

(k) release any of the Issuer or the Issuer's Subsidiaries from any of its respective obligations under the Security Documents, except in accordance with the terms of such Security Documents or the Indenture.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, any Guarantors and the Trustee may modify, amend or supplement the Indenture, the Senior Notes, any Guarantees, the Security Arrangement Agreement and the Security Documents:

(a) to evidence the succession of another Person to the Issuer or any Guarantor and the assumption by any such successor of the covenants in the Indenture, the Senior Notes, a Guarantor's Guarantee, the Security Arrangement Agreement or the Security Documents in accordance with "—Certain Covenants—Merger, Consolidation, or Sale of All or Substantially All Assets";

(b) to add to the Issuer's covenants and those of any Guarantor or any other obligor upon the Senior Notes for the benefit of the Holders or to surrender any right or power conferred upon the Issuer or any Guarantor or any other obligor upon the Senior Notes, as applicable, in the Indenture, the Senior Notes, any Guarantees, the Security Arrangement Agreement or the Security Documents;

(c) (i) to cure any ambiguity, mistake, defect or inconsistency or to correct or supplement any provision in the Indenture, the Senior Notes, any Guarantees, the Security Arrangement Agreement or the Security Documents that may be defective or inconsistent with any other provision in the Indenture, the Senior Notes, any Guarantees, the Security Arrangement Agreement or the Security Documents or (ii) make any other provisions with respect to matters or questions arising under the Indenture, the Senior Notes, any Guarantees, the Security Arrangement Agreement or the Security Documents; *provided* that such provisions will not adversely affect the interests of the Holders in any material respect;

(d) to conform the text of the Indenture, the Senior Notes, any Guarantees, the Security Arrangement Agreement or the Security Documents to any provision of this "Description of the Senior Notes" to the extent that such provision in this "Description of the Senior Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Senior Notes, the Guarantees, the Security Arrangement Agreement or the Security Documents;

(e) to release any Guarantor in accordance with and if permitted by the terms of and limitations set forth in the Indenture and to add a Guarantor or other guarantor under the Indenture;

(f) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture;

(g) to mortgage, pledge, hypothecate or grant a security interest in favor of the Trustee for the benefit of the Holders as additional security for the payment and performance of the Issuer's obligations under the Indenture, in any property, or assets, including any of which are required to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Trustee pursuant to the Indenture or otherwise;

(h) to provide for the issuance of Additional Senior Notes in accordance with and if permitted by the terms of and limitations set forth in the Indenture and to make such changes as may be required to the Security Arrangement Agreement and the Security Documents to accommodate and implement such issuance of Additional Senior Notes; or

(i) to further secure the Senior Notes or to release all or any portion of the Collateral pursuant to the terms of the Indenture, the Security Arrangement Agreement or the Security Documents.

In formulating its opinion on such matters, the Trustee will be entitled to require and rely on such evidence as it reasonably deems appropriate, including an opinion of counsel, such counsel to be reasonably acceptable to the Trustee, and an Officers' Certificate.

The Holders of a majority in aggregate principal amount of the Senior Notes outstanding may waive compliance with certain restrictive covenants and provisions of the Indenture.

It will not be necessary for the consent of the Holders to approve the particular form of any proposed amendment, but it will be sufficient if such consent approves the substance thereof.

The Indenture will provide that without the consent of the Holders the Trustee is authorised to, and upon the request of the Issuer will, enter into additional security documents, enforcement rights agreements or an intercreditor deed to which the Issuer is a party, provided, among other things, that:

(a) there is no Default or Event of Default under the Indenture;

(b) the Trustee receives from the Issuer an Officers' Certificate to the effect of (a) above; and

(c) the intercreditor deed does not affect the ranking of the Senior Notes, or otherwise adversely affect the rights of the Holders.

For so long as the Senior Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules of such exchange so require, the Issuer will notify the Irish Stock Exchange of any such amendment, supplement and waiver.

Notices

Notices regarding the Senior Notes will be:

(a) published in accordance with the rules and regulations of the Irish Stock Exchange if at the time of such notice the Senior Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules of the exchange require such publication;

(b) in the case of certificated Senior Notes, mailed to Holders of such Senior Notes by first-class mail at their respective addresses as they appear on the registration books of the Registrar; and

(c) in the case of Global Senior Notes, delivered to Euroclear and Clearstream, each of which will give notice to the holders of book-entry interests.

If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to be given on such date, as the Trustee may approve.

Notices given by first-class mail will be deemed given five calendar days after mailing and notices given by publication will be deemed given on the first date on which publication is made.

If and so long as the Senior Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange.

The Trustee

The Indenture directly or by reference will contain limitations on the rights of the Trustee under the Indenture in the event the Trustee becomes a creditor of the Issuer. These include limitations on the Trustee's rights to obtain payment of claims in certain cases or to realise on certain property received by it in respect of any such claims, as security or otherwise.

The Indenture will contain provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

No Personal Liability of Directors, Officers, Employees and Stockholders

A director, officer, employee, promoter, advisor, incorporator, or stockholder, as such, of the Issuer or the Trustee will not have any liability in such capacity for any obligations of the Issuer under the Senior Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Senior Note, each Holder will waive and release all such liability. The waiver and release will be part of the consideration for the issue of the Senior Notes. Such waiver and release may not be effective to waive liabilities under the U.S. Federal securities laws, and it is the view of the Commission that such a waiver is against public policy.

Governing Law

The Indenture and the Senior Notes will be governed by and construed in accordance with the laws of New York.

Certain Definitions

"***Acquired Indebtedness***" will mean, with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person is merged, consolidated, amalgamated or otherwise combined with or into or becomes a Restricted Subsidiary of such specified Person, and (ii) Indebtedness secured by an existing Lien encumbering any asset acquired by such specified Person.

"***Acquisition*** " will mean the acquisition by the Issuer of Control of the ECSL assets with the purpose of acquiring effective control and ownership of the business and all the operating assets of ECSL.

"***Affiliate***" of any specified Person will mean any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such specified Person.

"***Applicable Redemption Premium***" will mean, with respect to any Senior Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Senior Note; and

(b) the excess of:

(i) the present value at such redemption date of: (x) the redemption price of such Senior Note at 30 June 2015 (such redemption price being set forth in the table appearing below the caption "Optional Redemption—Optional Redemption on or after 30 June 2015"); *plus* (y) all required interest payments that would otherwise be due to be paid on such Senior Note during the period between the redemption date and 30 June 2015 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate at such redemption date *plus* 50 basis points; over

(ii) the outstanding principal amount of the Senior Note.

For the avoidance of doubt, the calculation of the Applicable Redemption Premium shall not be a duty or obligation of the Trustee or the Paying Agents.

"***Asset Sale***" will mean (i) the sale, conveyance, transfer, lease (as lessor) or other voluntary disposition (whether in a single transaction or a series of related transactions) of property or assets (including by way of a sale and leaseback) of the Issuer (other than the sale of Equity Interests of the Issuer) or any Restricted Subsidiary of the Issuer (each referred to in this definition as a "disposition") or (ii) the issuance or sale of Equity Interests of any Restricted Subsidiary of the Issuer (whether in a single transaction or a series of related transactions), in each case, by the Issuer or a Restricted Subsidiary of the Issuer and other than:

(a) a disposition of cash or Cash Equivalents;

(b) a disposition of obsolete, damaged or worn out property or equipment in the ordinary course of business or inventory (or other assets) held for sale in the ordinary course of business and dispositions of property or equipment that is no longer used or useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;

(c) the disposition of all or substantially all of the assets of the Issuer or any Guarantor in a manner permitted pursuant to "Merger, Consolidation, or Sale of All or Substantially All Assets" or any disposition that constitutes a Change of Control;

(d) any Restricted Payment that is permitted to be made, and is made, under "—Certain Covenants—Limitations on Restricted Payments" and any Permitted Investment or the granting of a Lien permitted by "—Certain Covenants—Limitations on Liens";

(e) any disposition of property or assets of the Issuer or any Restricted Subsidiary and any issuance or sale of Equity Interests of any Restricted Subsidiary in any transaction or series of related transactions with an aggregate fair market value of less than € 2.0 million;

(f) any disposition of property or assets, or issuance or sale of securities, by a Restricted Subsidiary to the Issuer, or by the Issuer or any Restricted Subsidiary to another Restricted Subsidiary;

(g) the lease, assignment or sublease of any real or personal property in the ordinary course of business;

(h) any sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary (other than a CFS to the extent provided under "—Certain Covenants— Restrictions Relating to the Investment of the Credit and Financial Services Business");

(i) foreclosures on assets or transfers by reason of eminent domain;

(j) sales of assets received by the Issuer or any Restricted Subsidiary upon foreclosures on a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(k) disposition of an account receivable in connection with the collection or compromise thereof;

(l) sales or dispositions of Securitisation Assets to a Receivables Purchaser either in connection with any Qualified Securitisation Financing or that would, but for a guarantee by any member of the Group of the Indebtedness of such Receivables Purchaser, be a Qualified Securitisation Financing;

(m) sales or dispositions of Receivables Assets to any Person in a recourse factoring or similar transaction, where such transaction does not constitute a Qualified Securitisation Financing, but the Indebtedness incurred in respect of such transaction constitutes Permitted Indebtedness;

(n) any financing transaction with respect to property built or acquired by the Issuer or any of its Restricted Subsidiaries after the date hereof, including sale and leaseback transactions and asset securitizations not prohibited by the Indenture; and

(o) a disposition of the Restricted Subsidiary which performs the servicing and administration services in respect of Receivables Assets where such disposition is intended to permit such Restricted Subsidiary to continue to provide back-up servicing in respect of those Receivables Assets following the occurrence of an early amortization event or an event of default under any Securitisation Financing.

"***Attributable Debt***" will mean, with respect to any sale and leaseback transaction at the time of determination, the present value (discounted at the interest rate implicit in the lease determined in accordance with GAAP or, if not known, at the Issuer's incremental borrowing rate for a loan of similar tenor and with the same security as provided by the lease) of the total obligations of the lessee of the property subject to such lease for rental payments during the remaining term of the lease included in such sale and leaseback transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended, or until the earliest date on which the lessee may terminate such lease without penalty or upon payment of penalty (in which case the rental payments will include such penalty), after excluding from such rental payments all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges; provided, that if such sale and leaseback transaction results in a Capitalised Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capitalised Lease Obligation".

"***Bankruptcy Law***" will mean any law of any jurisdiction relating to bankruptcy, insolvency, winding-up, liquidation, or in respect of compromise, composition, assignment or arrangement with any creditors of the Person, or any reorganisation or the relief of debtors.

"***BBBEE Payments***" will mean reasonable payments (whether made by means of a dividend or otherwise) to the BBBEE Trust or to the employees of the Issuer or its Subsidiaries who are its beneficiaries, approved in good faith by the Board of Directors of the Issuer for the benefit of employees of the Issuer or its Subsidiaries who are beneficiaries of the BBBEE Trust.

"BBBEE Trust" will mean the staff empowerment trust formed with the purpose of providing a framework for the promotion by Edcon of Black Economic Empowerment through the ownership of equity.

"***BidCo*** " will mean Edcon Acquisition (Proprietary) Limited.

" **Board of Directors**" will mean:

(a) with respect to the Issuer or any other corporation, the board of directors or managers of the corporation (which, in the case of any corporation having both a supervisory board and an executive or management board, will be the executive or management board) or any duly authorised committee thereof;

(b) with respect to any partnership, the board of directors of the general partner of the partnership or any duly authorised committee thereof; and

(c) with respect to any other Person, the board or any duly authorised committee thereof or committee of such Person serving a similar function.

"***Board Resolution***" will mean, with respect to any Person, a resolution duly adopted by the Board of Directors of such Person and in full force and effect on the date of such certification.

"***Borrowing Base***" will mean, as of any date, an amount equal to the sum of (x) €200.0 million, (y) 65% of the net book value of all inventory owned by the Issuer and its Restricted Subsidiaries and (z) 2.0% of retail sales of the Issuer and its Restricted Subsidiaries, in each case calculated on a consolidated basis; provided, however, that (i) if Indebtedness is being incurred to finance an acquisition pursuant to which any accounts receivable or inventory will be acquired (whether through the direct acquisition of assets or the acquisition of Share Capital of a Person), Borrowing Base will include the applicable percentage of inventory to be acquired in connection with such acquisition and (ii) if Indebtedness is being incurred to finance an acquisition, total revenue will be calculated on a *pro forma* basis for any acquisition.

"***Bund Rate***" will mean the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds or Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to 30 June 2015; *provided*, *however*, that if the period from the redemption date to 30 June 2015 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate will be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to 30 June 2015 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year will be used.

"***Business Day***" will mean any day (that is not a Saturday or Sunday) on which commercial banks are open for general business in London, New York and Johannesburg and:

(a) in relation to any date for payment or purchase of a currency other than the euro, on which commercial banks are open for general business in the principal financial center of the country of that currency; or

(b) in relation to any date for payment or purchase of euro, which is a TARGET Settlement Day.

"***Capitalised Lease Obligation***" will mean, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalised and reflected as a liability on a balance sheet (excluding the footnotes thereto) in accordance with GAAP.

"***Cash Contribution Amount***" will mean the aggregate amount of cash contributions made to the capital of the Issuer or a Subsidiary Guarantor described in the definition of "Contribution Indebtedness".

"***Cash Equivalents***" will mean:

(a) rand, Sterling, euro or U.S. dollars or such local currencies held by the Issuer or its Restricted Subsidiaries from time to time in the ordinary course of business;

(b) securities issued or directly and fully and unconditionally guaranteed or insured by the Republic of South Africa, the United States, the United Kingdom or a member of the European Union, or any agency or instrumentality thereof, the securities of which are unconditionally guaranteed as a full faith and credit obligation of such government with maturities of 12 months or less from the date of acquisition;

(c) certificates of deposit, time deposits and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any lender party to the Senior Revolving Credit Facility Agreement or any commercial bank having capital and surplus in excess of €500.0 million;

(d) repurchase obligations for underlying securities of the types described in *clauses (b) and (c)* entered into with any financial institution meeting the qualifications specified in *clause (c)* above;

(e) commercial paper rated at the time of acquisition thereof at least P-1 by Moody's or at least A-1 by S&P and in each case maturing within 12 months after the date of acquisition thereof;

(f) readily marketable direct obligations issued by the Republic of South Africa, any state of the United States of America, any province of Canada, or any member of the European Union or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P with maturities of 12 months or less from the date of acquisition;

(g) instruments equivalent to those referred to in clauses (a) to (f) above denominated in euro, U.S. dollars or Sterling or any other foreign currency comparable in credit quality and tenor to those referred to above and customarily used by corporations for cash management purposes in any jurisdiction outside of the Republic of South Africa to the extent reasonably required in connection with any business conducted by any Restricted Subsidiary in such jurisdiction; and

(h) interests in investment funds investing 95% of their assets in securities of the types described in clauses (a) through (g) above.

"***CFS***" will mean any Subsidiary that holds the assets and operations of the credit and financial services business of Edcon, consisting of contract rights, intellectual property, information technology systems, leases, office furniture and equipment, customary amounts of cash in-transit (not to exceed €7.5 million), receivables for which the Issuer or its Restricted Subsidiaries have received payment or have the right to receive payment and other similar assets used in the business of the credit and financial services business of Edcon.

"***Change of Control***" will mean the occurrence of any of the following:

(a) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, to any Person other than a Restricted Subsidiary or one or more Permitted Holders; or

(b) the Issuer becomes aware of (by way of a report, proxy, vote, written notice or otherwise) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d 5(b)(1) under the Exchange Act), other than the Permitted Holders, in a single transaction or in a series of transactions, by way of merger, consolidation, amalgamation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d 3(a) under the Exchange Act, or any successor provision) of more than 50% of the total voting power of the Voting Shares of the Issuer (or any successor thereof, as applicable); *provided* that any Voting Shares of which any Permitted Holder is the beneficial owner (within the meaning of Rule 13d 3(a) under the Exchange Act, or any successor provision) will not in any case be included in any Voting Shares of which any such Person or group is the beneficial owner (as so defined).

"***Collateral*** " will mean the Security created or expressed to be created in favor of the SPV Guarantor pursuant to the Security Documents, the proceeds from which are to be applied to amounts owing under the Senior Notes or any Guarantee, and will include all other property that is subject to any Lien (indirectly through the SPV Guarantor or otherwise) in favor of the SPV Guarantor or the Holders or any Guarantee.

"***Commission*** " will mean the U.S. Securities and Exchange Commission and any successor thereto.

"***Consolidated Depreciation and Amortisation Expense***" will mean, with respect to any Person for any period, the total amount of depreciation and amortisation expense, including the amortisation of deferred financing fees and other non-cash charges (excluding any non-cash item that represents an accrual or reserve for a cash expenditure for a future period), of such Person and its Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with GAAP.

"***Consolidated EBITDA***" will mean with respect to any Person for any period the Consolidated Net Income of such Person for such period plus (without duplication to the extent reflected in the calculation of Consolidated Net Income):

(a) provision for taxes or other payments based on income or profits of such Person and its Restricted Subsidiaries for such period deducted in computing Consolidated Net Income of such Person for such period including, without limitation, state franchise and similar taxes, and including an amount equal to the amount of tax distributions actually made to holders of Equity Interests of the Issuer and its Restricted Subsidiaries in respect of such period in accordance with "—Certain Covenants—Limitations on Restricted Payments", which will be included as though such amounts had been paid as income taxes directly by the Issuer or any Restricted Subsidiary; plus

(b) Fixed Charges of such Person for such period to the extent the same was deducted in calculating such Consolidated Net Income; *plus*

(c) Consolidated Depreciation and Amortisation Expense of such Person for such period to the extent deducted in computing Consolidated Net Income of such Person for such period; *plus*

(d) any expenses, charges or other costs related to any Equity Offering, Permitted Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business, *provided* that such payments are made at the time of such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalisation, Indebtedness permitted to be incurred by the Indenture, the refinancing of any other Indebtedness of such Person or any of its Restricted Subsidiaries (in each case whether or not successful) and, in each case, deducted in such period in computing Consolidated Net Income; *plus*

(e) the amount of any restructuring or redundancy charge (which, for the avoidance of doubt, will include retention, severance, systems establishment costs, excess pension charges, contract termination costs, future lease commitments and costs to consolidate facilities and relocate employees) deducted in such period in computing Consolidated Net Income of such Person for such period; *plus*

(f) without duplication, any other non-cash charges, expenses or losses (including any impairment charges and the impact of purchase accounting, including, but not limited to, the amortisation of inventory step-up) reducing Consolidated Net Income of such Person for such period, excluding any such charge that represents an accrual or reserve for a cash expenditure in a future period; *plus*

(g) the amount of management, monitoring, consulting, advisory fees, termination payments and related expenses paid to the Sponsors (or any accruals relating to such fees and related expenses) during such period pursuant to the Management Agreements, *plus*

(h) Securitisation Fees to the extent deducted in calculating Consolidated Net Income for such period, plus

(i) any net after-tax gains or losses from discontinued operations and any net after-tax gains or losses on disposal of discontinued operations, in each case to the extent increasing (or decreasing) Consolidated Net Income of such Person for such period, *less*

(j) unrealised non-cash gains (losses) resulting from foreign currency balance sheet adjustments required by GAAP to the extent increasing (or decreasing) Consolidated Net Income of such Person for such period, *less*

(k) non-cash items increasing Consolidated Net Income of such Person for such period, excluding any items which represent the reversal of any accrual of, or reserve for, anticipated cash expenditure in any prior period.

Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortisation and noncash charges of, a Restricted Subsidiary (other than a Guarantor) will be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income or loss of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be dividended to the Issuer by such Restricted Subsidiary without any prior governmental approval (which has not been obtained) or would not be restricted from being so dividended, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule, or governmental regulation applicable to that Restricted Subsidiary or its stockholders (other than to the extent such dividend is permitted under "—Certain Covenants—Dividend and Other Payment Restrictions Affecting Subsidiaries"), unless such restriction with respect to the payment of dividends or in similar distributions has been legally waived.

"***Consolidated Interest Expense***" will mean, with respect to any Person for any period, the sum, without duplication, of:

(1) consolidated interest expense of such Person and its Restricted Subsidiaries for such period (including (a) amortisation of original issue discount, (b) non-cash interest payments, (c) the interest component of Capitalised Lease Obligations, (d) recurring commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptances (excluding upfront commissions, discounts and other fees and charges incurred in respect of letters of

credit and bankers' acceptances) and (e) net payments, if any, pursuant to Hedging Obligations (but excluding unrealised gains and losses arising with respect to Hedging Obligations in accordance with GAAP); *provided*, *however*, that amortisation of deferred financing fees and interest expense in relation to Shareholder Debt and Securitisation Fees (so long as the Net Income of the relevant Receivables Purchaser is not included in Consolidated Net Income) will not be deemed to constitute Consolidated Interest Expense; and

(2) consolidated capitalised interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (but excluding capitalised interest in relation to Shareholder Debt);

in each case, on a consolidated basis and determined in accordance with GAAP.

"***Consolidated Net Income***" will mean, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, and otherwise determined in accordance with GAAP; *provided, however*, that:

(a) any net after-tax extraordinary, unusual or non-recurring gains, losses, expenses or charges (including, without limitation, severance, relocation, signing bonus, transition and other restructuring costs and litigation settlements or losses) will be excluded;

(b) any net after-tax gain or loss from any write-off or forgiveness of Indebtedness of such Person will be excluded;

(c) the cumulative effect of a change in accounting principles during such period will be excluded;

(d) any net after-tax gains or losses attributable to asset dispositions other than in the ordinary course of business (as determined in good faith by the Board of Directors of the Issuer) and any gain (or loss) realised upon the sale or other disposition of any Share Capital of any Person will be excluded;

(e) the Net Income for such period of any Person that is not a Subsidiary, or is an Unrestricted Subsidiary of such Person, or that is accounted for by such Person by the equity method of accounting, will be excluded; *provided* that, to the extent not already included, Consolidated Net Income of the relevant Person will be, (i) increased by the product of (x) the amount of dividends, distributions or other returns on the relevant Person's Investments that are actually paid in cash or Cash Equivalents (or converted into cash or Cash Equivalents) to the relevant Person or a Restricted Subsidiary thereof during the relevant period (subject, in the case of dividends paid or distributions made to a Restricted Subsidiary, to the limitations contained in clause (f) below) multiplied by (y) the amount of tax payable on account of such dividend, distribution or other return whether payable by the Person making the dividend or distribution or by the relevant Person or a Restricted Subsidiary and (ii) decreased by the amount of any equity of the Issuer in a net loss of any such Person for such period to the extent the Issuer has funded such net loss in cash with respect to such period; *provided, further, however,* that for purposes of the definition under "—Consolidated EBITDA", the net income of any such Person will be only increased by the amount of dividends, distributions or other returns on the relevant Person's Investments that are actually paid in cash or Cash Equivalents (or converted into cash or Cash Equivalents) to the relevant Person or a Restricted Subsidiary thereof during the relevant period (subject in the case of dividends paid or distributions made to a Restricted Subsidiary, to the limitations contained in clause (f) below);

(f) solely for the purpose of determining the amount available for Restricted Payments under clause (a)(5)(C)(1) of "—Certain Covenants—Limitations on Restricted Payments", the Net Income for such period of any Restricted Subsidiary of such Person will be excluded to the extent the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of its Net Income is not at the date of determination permitted without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its shareholders, (other than to the extent such declaration or payment of dividends or similar distributions is permitted under "—Certain Covenants—Dividend and Other Payment Restrictions Affecting Subsidiaries"), unless, in each case, such restriction has been legally waived; provided, however, that notwithstanding the foregoing, Consolidated Net Income of the relevant Person for any relevant period will, subject to the exclusion in *clause (e)* above, be increased by the amount of dividends, distributions or other payments actually paid in cash or Cash Equivalents (or converted during such period into cash or Cash Equivalents) to such Person or (subject to the impact of this clause (f)) a Restricted Subsidiary of such Person to the extent not already included therein;

(g) non-cash compensation expense or charge related to grants of performance shares, deferred return shares, stock options or other rights to officers, directors and employees of such Person or any Restricted Subsidiary will be excluded;

(h) any increase in amortisation or depreciation or any one time non-cash charges resulting from purchase accounting will be excluded;

(i) accruals and reserves that were established within twelve months after the FRN Issue Date and that were so required to be established as a result of the Acquisition in accordance with GAAP will be excluded;

(j) the effect of any non-cash items resulting from any amortisation, write-up, write-down or write-off of assets (including intangible assets, goodwill and deferred financing costs in connection with the Acquisition or any future acquisition, disposition, merger, consolidation or similar transaction or any other non-cash impairment charges) will be excluded;

(k) (k) the amount of any expense will be excluded to the extent a corresponding amount is received in cash by the Issuer and its Restricted Subsidiaries from a Person other than the Issuer or any of its Restricted Subsidiaries under any agreement providing for reimbursement of any such expense, provided such reimbursement payment has not been included in determining Consolidated Net Income (it being understood that if the amounts received in cash under any such agreement in any period exceed the amount of expense in respect of such period, such excess amounts received may be carried forward and applied against expense in future periods);

(l) any unrealised non-cash gains (losses) resulting from Hedging Obligations and any ineffectiveness recognised in earnings related to qualifying hedging transactions with respect to Hedging Obligations or the fair value therein recognised in earnings for derivatives that do not qualify as hedging transactions, will be excluded;

(m) any net after-tax income or loss from discontinued operations and any net after-tax gain or loss on disposal of discontinued operations will be included;

(n) any goodwill or other intangible asset impairment charge will be excluded; and

(o) the impact of interest on Shareholder Debt will be excluded from the Consolidated Net Income of the relevant Person.

For purposes of clause (f) above, the net income of a Restricted Subsidiary that could have distributed such net income to the relevant Person will be included in such net income.

Notwithstanding the foregoing, for purposes of "—Certain Covenants—Limitations on Restricted Payments" only, there will be excluded from Consolidated Net Income any income arising from any sale or other disposition of Restricted Investments made by the Issuer and the Restricted Subsidiaries, any repurchases and redemptions of Restricted Investments made by the Issuer and any Restricted Subsidiary, any repayments of loans and advances which constitute Restricted Investments made by the Issuer and any Restricted Subsidiary, any sale of the stock of an Unrestricted Subsidiary or any distribution or dividend from an Unrestricted Subsidiary, in each case only to the extent such amounts increase the amount of Restricted Payments permitted under "—Certain Covenants—Limitations on Restricted Payments".

"***Consolidated Total Assets***" will mean, as of any date, the total assets of the Issuer and its Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP, as set forth on the consolidated balance sheet of the Issuer as of such date. Consolidated Total Assets will include as of any date, any assets acquired by the Issuer or any Restricted Subsidiary on such date.

"***Contribution Indebtedness***" will mean Indebtedness of the Issuer or any Subsidiary Guarantor in an aggregate principal amount not greater than twice the aggregate amount of cash contributions (other than Excluded Contributions) made to the capital of the Issuer or such Subsidiary Guarantor after the Issue Date, *provided* that:

(1) if the aggregate principal amount of such Contribution Indebtedness is greater than the aggregate amount of such cash contributions to the capital of the Issuer or such Subsidiary

Guarantor, as applicable, the amount in excess will be unsecured Subordinated Indebtedness with a Stated Maturity later than the Stated Maturity of the Senior Notes, and

(2) such Contribution Indebtedness (a) is incurred within 180 days after the making of such cash contribution and (b) is so designated as Contribution Indebtedness pursuant to an Officers' Certificate on the incurrence date thereof.

"***Control*** " will mean with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise, and "***Controlling***" and "***Controlled***" will have meanings correlative thereto.

"***Credit Facilities***" will mean (i) the Senior Revolving Credit Facility and (ii) one or more debt facilities, indentures or other arrangements (including commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the original Senior Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "***Credit Facility***" will include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"***Default*** " will mean any Event of Default or any event that would constitute an Event of Default but for the passage of time or the requirement that notice be given or both; provided, that any Default that results solely from the taking of an action that would have been permitted but for the continuation of a previous Default will be deemed to be cured if such previous Default is cured prior to becoming an Event of Default.

"***Designated Noncash Consideration***" will mean the fair market value of noncash consideration received by the Issuer or any Restricted Subsidiary in connection with an Asset Sale that is so designated as Designated Noncash Consideration pursuant to an Officers' Certificate setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Noncash Consideration.

"***Designated Preference Shares***" will mean Preference Shares of the Issuer or any direct or indirect parent corporation of the Issuer (other than Disqualified Share Capital of the Issuer) that are issued for cash (other than to the Issuer or any of its Subsidiaries or an employee stock ownership plan or trust established by the Issuer or any of its Subsidiaries) and are so designated as Designated Preference Shares, pursuant to an Officers' Certificate, on the issuance date thereof, the cash proceeds from which are excluded from the calculation set forth under "—Certain Covenants—Limitations on Restricted Payments".

"***Disqualified Share Capital***" will mean, with respect to any Person, any Share Capital of such Person which, by its terms, or by the terms of any security into which it is convertible or for which is putable or exchangeable, or upon the happening of any event, matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof (other than as a result of a change of control or asset sale), in whole or in part, in each case, for cash or in exchange for Indebtedness prior to the date 91 days after the earlier of the final maturity of the Senior Notes and the date the Senior Notes are no longer outstanding; provided, that, if such Share Capital is issued pursuant to any employee equity plan for the benefit of employees of the Issuer or its Subsidiaries or by any such plan to such employees, such Share Capital will not constitute Disqualified Share Capital solely because the relevant Person may be required to repurchase such Share Capital in order to satisfy applicable statutory or regulatory obligations.

"***ECSL***" will mean Edgars Consolidated Stores Limited, a company organised under the laws of the Republic of South Africa.

"***Equity Interests***" will mean all Share Capital and all warrants, options or other rights to acquire Share Capital (but excluding any Indebtedness that is convertible into, or exchangeable for, Share Capital).

"***Equity Offering***" will mean any public or private sale of ordinary shares, Preference Shares or other Equity Interests of, or contribution to the capital of, the Issuer or any direct or indirect parent entity (excluding Disqualified Share Capital) (other than (i) public offerings on Form S-4 or S-8 or (ii) an issuance to any Subsidiary of the Issuer).

"***euro***" or "***€*** " will mean the single currency of the Participating Member States.

"***European Government Obligation***" will mean direct obligations (or certificates representing an ownership interest in such obligations) of a member state of the European Union as of the Issue Date, Switzerland, Norway, Iceland or Liechtenstein (including any agency or instrumentality thereof) for the payment of which the full faith and credit of such government is pledged.

"**Exchange Act**" will mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"***Excluded Contribution***" will mean net cash proceeds, marketable securities or Qualified Proceeds, in each case received by the Issuer and the Restricted Subsidiaries from:

(1) contributions to their common equity capital; and

(2) the sale (other than to a Subsidiary or to any management equity plan or stock option plan or any other management or employee benefit plan or agreement of the Issuer or any Subsidiary) of Share Capital (other than Disqualified Share Capital and Designated Preference Shares),

in each case designated as Excluded Contributions pursuant to an Officers' Certificate on the date such capital contributions are made or the date such Equity Interests are sold, as the case may be, which are excluded from the calculations set forth in "—Certain Covenants—Limitations on Restricted Payments".

"***Existing Indebtedness***" will mean Indebtedness of the Issuer and Indebtedness and Preference Shares of its Restricted Subsidiaries outstanding on the Issue Date (including, for the avoidance of doubt, the 2016 Super Senior Secured ZAR Notes and the Senior Secured Notes).

"***fair market value***", unless otherwise specified, wherever such term is used in the Indenture, may be conclusively established by means of an Officers' Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officers or such Board of Directors in good faith.

"***Fixed Charge Coverage Ratio***" will mean, with respect to any Person, the ratio of Consolidated EBITDA of such Person for the most recently ended four fiscal quarters for which internal financial statements are available to the Fixed Charges of such Person for such period. The Fixed Charge Coverage Ratio will be calculated on a *pro forma* basis assuming that all Investments, acquisitions, dispositions, mergers, consolidations, amalgamations, disposed operations and other business combination transactions, as well as each repayment, repurchase, defeasance or other discharge of Indebtedness (as determined in accordance with GAAP) made or undertaken by the relevant Person or any Restricted Subsidiaries (including the change in Fixed Charges and Consolidated EBITDA resulting therefrom) during the four quarter reference period, or subsequent to such reference period and prior to the date of calculation had occurred on the first day of the four-quarter reference period. In addition, if (since the beginning of such four-quarter reference period) any Person that subsequently became a Restricted Subsidiary of the relevant Person or was merged, consolidated, amalgamated or otherwise combined with or into the relevant Person or any of its Restricted Subsidiaries since the beginning of such period will have made any Investment, acquisition, disposition, merger, consolidation, amalgamation, disposed operations or other business combination transaction or any repayment, repurchase, defeasance or other discharge of Indebtedness that would have required adjustment pursuant to this definition, then Consolidated EBITDA of the acquired Person will be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger, consolidation, amalgamation, disposed operations or other business combination transaction or any such discharge of Indebtedness had occurred at the beginning of the applicable four-quarter period. For purposes of this definition, whenever *pro forma* effect is to be given to a transaction, the *pro forma* calculations will be made in good faith by a responsible financial or accounting officer of the relevant Person. If any Indebtedness bears interest at a floating rate and is being given *pro forma* effect, the interest on such Indebtedness will be calculated as if the rate in effect on the date of calculation had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a

Capitalised Lease Obligation will be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the relevant Person to be the rate of interest implicit in such Capitalised Lease Obligation in accordance with GAAP. For purposes of making the computation referred to above, interest on any Indebtedness outstanding during the relevant period under a revolving credit facility computed on a *pro forma* basis will be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on Indebtedness that may optionally be determined at an interest rate based on a prime or similar rate, a eurocurrency interbank offered rate, or other rate, will be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the relevant Person may designate.

"***Fixed Charges***" will mean, with respect to any Person for any period, the sum, without duplication, of:

(a) the Consolidated Interest Expense of such Person and its Restricted Subsidiaries for such period; plus

(b) all cash dividends paid during such period, on any series of Preference Shares of such Person and its Restricted Subsidiaries; *plus*

(c) all cash dividends paid during such period on any series of Disqualified Share Capital of such Person and its Restricted Subsidiaries; *plus*

(d) any interest expense on Indebtedness of another person that is guaranteed by such Person or its Restricted Subsidiaries or secured by a Lien on assets of such Person or its Restricted Subsidiaries, but only to the extent such guarantee or Lien is called upon;

in each case, on a consolidated basis and in accordance with GAAP.

"***FRN Issue Date***" will mean 8 June 2007.

"***GAAP***" will mean the International Financial Reporting Standards, as amended, developed by the International Accounting Standards Board, as in effect on the FRN Issue Date.

"***guarantee*** " will mean a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, by pledge of assets or through letters of credit and reimbursement agreements or any counter indemnity in respect thereof, and whether a primary obligation or not), of all or any part of any Indebtedness. When used as a verb, "***guarantee***" will have a corresponding meaning.

"***Guarantee*** " will mean any guarantee of the obligations of the Issuer under the Indenture. When used as a verb, "***Guarantee***" will have a corresponding meaning.

"***Guarantor*** " will mean any Subsidiary Guarantor and any other Person that incurs a senior notes Guarantee of the Senior Notes; *provided* that upon the release and discharge of such Person from its Guarantee in accordance with the Indenture, such Person will cease to be a Guarantor.

"***Hedging Obligations***" will mean, with respect to any Person, the obligations of such Person under (i) currency exchange, interest rate or commodity swap agreements; currency exchange, interest rate or commodity cap, floor or ceiling agreements; and currency exchange, interest rate or commodity collar agreements; and (ii) other agreements or arrangements designed to manage, hedge or protect such Person against fluctuations in currency exchange rates, interest rates or commodity prices (any of the foregoing agreements, a "***Hedging Agreement***").

"***Holder***" will mean the Person in whose name a Senior Note is registered on the Registrar's books.

"***Holding Company***" will mean, in relation to any person, any other body corporate or other entity of which it is a Subsidiary.

"***Immaterial Subsidiary***" will mean any Restricted Subsidiary of the Issuer that has Consolidated Total Assets and revenues of less than 5% of the Consolidated Total Assets and revenues of the Issuer and its Restricted Subsidiaries measured, in the case of Consolidated Total Assets, at the end of the most recent fiscal period for which internal financial statements are available and, in the case of revenues, for the four quarters ended most recently for which internal financial statements are available, in each case measured on a *pro forma* basis giving effect to any acquisitions or disposition of companies, divisions or lines of business since such balance sheet date or the start of such four quarter period, as applicable, and on or prior to the date of acquisition of such Subsidiary and excluding from such calculations the Consolidated Total Assets or revenues of any

Subsidiary of the Issuer that would, if determined for that Subsidiary as if it were the Issuer, result in a negative number.

"***Indebtedness*** " will mean, with respect to any Person,

(a) the principal and premium amount of any indebtedness of such Person, whether or not contingent:

(1) in respect of borrowed money,

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit or bankers' acceptances (or, without duplication, reimbursement agreements in respect thereof);

(3) representing the deferred and unpaid balance of the purchase price (including Capitalised Lease Obligations) for any property, except, in each case, for (A) any such balance that constitutes a trade payable or similar obligation to a trade creditor, or to a bank or other lending institution on behalf of a trade creditor in each case accrued in the ordinary course of business and (B) reimbursement obligations in respect of trade letters of credit in the ordinary course of business with expiration dates not in excess of 365 days from the date of issuance (x) to the extent undrawn or (y) if drawn, to the extent repaid in full within 20 Business Days of any such drawing; or

(4) representing any Hedging Obligations (the amount of any such indebtedness to be equal at any time to the net payments that would be payable by such Person at such time under the Hedging Obligation at its termination date)

if and to the extent that any of the foregoing Indebtedness specified in clauses (1) through (4) (other than letters of credit and Hedging Obligations) would appear as a liability on the balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with GAAP;

(b) Disqualified Share Capital of such Person;

(c) to the extent not otherwise included, any obligation of such Person to be liable for, or to pay, as obligor, guarantor or otherwise on the Indebtedness of any other Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business); and

(d) to the extent not otherwise included, Indebtedness of another Person secured by a Lien on any asset owned by such Person, whether or not such Indebtedness is assumed by such Person (with the amount of such Indebtedness equal to the lesser of the fair market value (determined in good faith by the Issuer) of such asset at such date of determination and the amount of such Indebtedness of such other Person);

provided , *however*, that notwithstanding the foregoing, in no event will the following constitute Indebtedness:

(5) contingent obligations incurred in the ordinary course of business and not in respect of borrowed money,

(6) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter, and

(7) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement obligations or pension fund contributions.

"***Indenture*** " will mean the indenture governing the Senior Notes, dated on or about 2013 among the Issuer and the Guarantors and The Bank of New York Mellon, as Trustee, and the other parties thereto.

“***Independent Financial Advisor***” will mean an accounting, appraisal or investment banking firm or consultant of internationally recognised standing that is, in the good faith judgment of the Board of Directors of the Issuer, qualified to perform the task for which it has been engaged.

“***Intercreditor Agreement***” will mean the intercreditor agreement dated 25 May 2007, as amended and restated on 15 June 2007, 24 February 2011 and 28 March 2013, and made between, among others, Absa Capital, a division of Absa Bank Limited, Barclays Bank PLC, Elephant OntheCards (Proprietary) Limited as SPV Guarantor and certain entities described therein as such document may be further modified, amended or amended and restated from time to time, relating to, inter alia, regulating the relationship between the Holders of the Senior Secured Notes, the holders of the Senior Notes and the lenders under the Senior Revolving Credit Facility Documents and the Existing Hedging Arrangements.

“***Investment Grade***” will mean (1) BBB- or above, in the case of S&P (or its equivalent under any successor Rating Categories of S&P) and Baa3 or above, in the case of Moody’s (or its equivalent under any successor Rating Categories of Moody’s), or (2) the equivalent in respect of the Rating Categories of any Rating Agencies.

“***Investments***” will mean, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the form of loans (including guarantees or other obligations), advances or capital contributions (including by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others, but excluding accounts receivable, trade credit, advances to customers, commission, travel and similar advances to officers and employees, in each case made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person and investments that are required by GAAP to be classified on the balance sheet (excluding the footnotes) of the relevant Person in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property. If the Issuer or any Restricted Subsidiary of the Issuer sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Issuer such that, such Person is no longer a Restricted Subsidiary of the Issuer, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Restricted Subsidiary not sold or disposed of as determined by the Board of Directors of the Issuer in good faith.

For purposes of the covenants in “—Certain Covenants—Limitations on Restricted Payments” and the definition of “Unrestricted Subsidiary”, “Investments” will include (i) the portion (proportionate to the Issuer’s equity interest in such Subsidiary) of the fair market value of the net assets of a Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided* that upon a redesignation of such Unrestricted Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent “***Investment***” in an Unrestricted Subsidiary in an amount (if positive) equal to (x) the Issuer’s “Investment” in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to the Issuer’s equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; (ii) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer in each case as determined in good faith by the Board of Directors of the Issuer; and (iii) any transfer of Share Capital that results in an entity which became a Restricted Subsidiary after the Issue Date ceasing to be a Restricted Subsidiary will be deemed to be an Investment in an amount equal to the fair market value (as determined by the Board of Directors of the Issuer in good faith as of the date of initial acquisition) of the Share Capital of such entity owned by the Issuer and its Restricted Subsidiaries immediately after such transfer.

“***Issue Date***” will mean the date on which the Senior Notes are issued under the Indenture.

“***Issuer*** ” will mean Edcon Holdings Limited.

“***Joint Venture***” will mean any Person (other than a Restricted Subsidiary) in which the Issuer or any Restricted Subsidiary has beneficial ownership, directly or indirectly, of more than 15% of the Voting Shares of such Person.

“***Lien***” will mean, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided* that in no event will an operating lease be deemed to constitute a Lien.

"***Management Agreements***" will mean the Transaction Services Agreement and the Consulting Services Agreement, each dated on or about 3 May 2007, by and among the Issuer or any Restricted Subsidiary of the Issuer and the Sponsors, as in effect on the Issue Date or otherwise amended, modified or supplemented.

"***Management Group***" will mean the group consisting of the directors, executive officers and other management personnel of the Issuer on the Issue Date together with (a) any new directors of the Issuer whose election by such Boards of Directors or whose nomination for election by the shareholders of the Issuer was approved by a vote of a majority of the directors of the Issuer then still in office who were either directors on the Issue Date or whose election or nomination was previously so approved and (b) executive officers and other management personnel of the Issuer hired at a time when the directors on the Issue Date together with the directors so approved constituted a majority of the directors of the Issuer.

"***Material Subsidiary***" will mean any Restricted Subsidiary of the Issuer, other than an Immaterial Subsidiary.

"***Moody's*** " will mean Moody's Investors Service, Inc. and any successor to its ratings business.

"***Net Income***" will mean, with respect to any person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of Preference Share dividends.

"***Net Proceeds***" will mean the aggregate cash proceeds received by the Issuer or any Restricted Subsidiary in respect of any Asset Sale, in each case net of legal, accounting and investment banking fees, and brokerage and sales commissions, any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), repayment of Indebtedness that is secured by the property or assets that are the subject of such Asset Sale and any deduction of appropriate amounts to be provided by the Issuer as a reserve in accordance with GAAP against any liabilities associated with the asset disposed of in such transaction and retained by the Issuer after such sale or other disposition thereof, including, without limitation, pension and other post employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction.

"***Obligations*** " will mean any principal, interest, penalties, fees, indemnifications, reimbursements (including, without limitation, reimbursement obligations with respect to letters of credit), damages and other liabilities, and guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness.

"***Officer*** " will mean, with respect to any Person, any director or officer of such Person.

"***Officers' Certificate***" will mean a certificate signed by two Officers of the Issuer, one of whom is the principal executive officer, the principal financial officer or the treasurer.

"***Pari Passu Indebtedness***" will mean any Indebtedness of the Issuer that is *pari passu* in right of payment to the Senior Notes and, with respect to any Guarantee, Indebtedness which ranks *pari passu* in right of payment to such Guarantee.

"***Participating Member State***" will mean any member state of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union.

"***Paying Agent***" will mean any Person authorised by the Issuer to pay the principal of, premium, if any, or interest on any Senior Notes on behalf of the Issuer.

"***Permitted Collateral Lien***" will mean any Lien on the Collateral:

(a) (1) arising by operation of law or (2) to secure the performance of statutory obligations, and that, in each case, would not materially interfere with the ability of the collateral agent to enforce the Security in the Collateral;

(b) to secure Indebtedness of the Issuer or any Restricted Subsidiary that is permitted to be incurred under clause (b)(1), (2), (3), (10), (13) (in the case of (13), to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens) and (14) (if the original Indebtedness was so secured) of "—

Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares";

(c) to secure any Senior Notes or any Additional Notes permitted to be incurred under the covenant described under "—Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares"; and

(d) Permitted Liens (other than Liens described in clauses (j) and (k) of the definition of "Permitted Liens").

"***Permitted Holder***" will mean each of (a) the Sponsors and the Sponsor Group Affiliates and (b) the Management Group, with respect to not more than 10% of the total voting power of the Equity Interests of the Issuer, and (c) any "group" (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing are members, *provided* that in the case of such "group" and without giving effect to the existence of such "group" or any other "group", the Sponsor Group, Sponsor Group Affiliates and the Management Group, collectively, have beneficial ownership, directly or indirectly, of more than 50% of the total voting power of the Voting Shares of the Issuer or any of its direct or indirect parent entities held by such "group". Any person or group whose acquisition of beneficial ownership constitutes a Change of Control will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"***Permitted Investments***" will mean:

(a) any Investment in the Issuer or any Restricted Subsidiary;

(b) any Investment in cash or Cash Equivalents;

(c) any Investment by the Issuer or any Restricted Subsidiary in a Person that is engaged in a Similar Business if as a result of such Investment (i) such Person becomes a Restricted Subsidiary or (ii) such Person, in one transaction or a series of related transactions, is merged, consolidated, amalgamated or otherwise combined with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;

(d) any Investment in securities or other assets not constituting cash or Cash Equivalents and received in connection with an Asset Sale made pursuant to the provisions of "—Limitations on Asset Sales" or any other disposition of property or assets, or issuance or sale of Equity Interests, not constituting an Asset Sale;

(e) any Investment existing on the Issue Date and any modification, replacement, renewal or extension thereof; *provided* that the amount of any such Investment may be increased (x) as required by the terms of such Investment as in existence on the Issue Date or (y) as otherwise permitted by the Indenture;

(f) (i) loans and advances to officers, directors and employees not in excess of €10.0 million outstanding at any one time, in the aggregate and (ii) loans and advances of payroll payments and expenses to officers, directors and employees, in the case of each of (i) and (ii) incurred in the ordinary course of business;

(g) any Investment acquired by the Issuer or any Restricted Subsidiary (i) in exchange for any other Investment or accounts receivable held by the Issuer or any such Restricted Subsidiary, in each case, in connection with or as a result of a bankruptcy, workout, reorganisation or recapitalisation or other settlement of such other Investment or accounts receivable or (ii) as a result of a foreclosure by the Issuer or any Restricted Subsidiary with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(h) Hedging Obligations permitted under "—Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares";

(i) loans and advances to officers, directors and employees for business-related travel expenses, moving expenses and other similar expenses, in each case incurred in the ordinary course of business;

(j) additional Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (j) that are at the time outstanding, not to exceed the greater of €75.0 million and 2.75% of Consolidated Total Assets at the time of such Investment (with the fair market value of each Investment being determined in good faith by the Issuer and measured at the time made and without giving effect to subsequent changes in value); *provided* that if an Investment is made pursuant to this clause (j) in a Person that is not a Restricted

Subsidiary and such Person is subsequently designated or otherwise becomes a Restricted Subsidiary, such Investment will thereafter be deemed to have been made pursuant to *clause (c)* of the definition of "Permitted Investments" and not this clause (j);

(k) Investments the payment for which consists of Equity Interests (except Disqualified Share Capital) of the Issuer or any of its direct or indirect parent companies;

(l) guarantees permitted by "—Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares";

(m) Investments consisting of licensing of intellectual property pursuant to joint marketing arrangements with other Persons;

(n) Investments of a Restricted Subsidiary acquired after the Issue Date or of an entity merged into the Issuer or merged into or consolidated with a Restricted Subsidiary after the Issue Date to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger or consolidation and were in existence on the date of such acquisition, merger or consolidation;

(o) Investments in connection with a Qualified Securitisation Financing that, in the good faith determination of the Issuer, are necessary or advisable to effect or maintain such Qualified Securitisation Financing;

(p) Investments consisting of earnest money deposits required in connection a purchase agreement or other acquisition;

(q) guarantees by the Issuer or any Restricted Subsidiary of operating leases (other than Capitalised Lease Obligations) or other obligations of Joint Ventures that do not constitute Indebtedness, in each case entered into the ordinary course of business, that do not at any one time outstanding exceed 0.5% of Consolidated Total Assets;

(r) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or purchases of contract rights or licenses or leases of intellectual property, in each case in the ordinary course of business;

(s) Investments in Unrestricted Subsidiaries having an aggregate fair market value, taken together with all other Investments made pursuant to this *clause (s)* that are at the time outstanding, not to exceed €15.0 million at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(t) Investments in negotiable instruments held for collection and lease, utility and workers' compensation, performance or other similar deposits made in the ordinary course of business;

(u) any (i) designation of an Unrestricted Subsidiary or (ii) Investment, in each case, as permitted by the covenant described under "—Certain Covenants—Restrictions Relating to the Investment of the Credit and Financial Services Business"; and

(v) any Investment required pursuant to the Transaction Documents.

"***Permitted Lien***" will mean, with respect to any Person or asset:

(a) pledges or deposits by such Person under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits or cash or government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, or Liens in favor of customs or revenue authorities to secure payment of custom duties in connection with the importation of goods, in each case, incurred in the ordinary course of business;

(b) Liens in favor of issuers of performance, surety, bid, indemnity, warranty, release, appeal or similar bonds or with respect to other regulatory requirements or letters of credit not issued to support Indebtedness for borrowed money or bankers' acceptances issued, and completion guarantees provided for pursuant to the request of and for the account of such Person in the ordinary course of its business;

(c) Liens on Equity Interests or property of a Person existing at the time such Person is merged, consolidated, amalgamated or otherwise combined with, or acquired by, such Person or any Restricted Subsidiary of such Person; *provided* that such Liens were in existence prior to the contemplation of such merger, consolidation, amalgamation, other combination or acquisition and do not extend to any assets other than those of the Person merged, consolidated, amalgamated or otherwise combined with, or acquired by, such Person or the Restricted Subsidiary;

(d) Liens on property at the time the Issuer or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary; provided, however, that such Liens are not created or incurred in connection with, or in contemplation of, such acquisition; provided, further, however, that such Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(e) Liens securing Hedging Obligations permitted to be incurred under the Indenture;

(f) Liens on specific items of inventory or other goods and proceeds from any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(g) Liens in favor of the Issuer or any of its Restricted Subsidiaries;

(h) Liens to secure any refinancing, refunding, extension, renewal or replacement (or successive refinancings, refundings, extensions, renewals or replacements) as a whole, or in part, of any Indebtedness secured by any Liens referred to in clauses (f), (g), (h) and (q)(ii) of this definition; provided, however, that such Liens do not extend to or cover any property or assets of the Issuer or any of its Restricted Subsidiaries not securing the Indebtedness so refinanced;

(i) Liens securing Indebtedness under Credit Facilities permitted to be incurred by clauses (b)(1) and (2) of "Certain Covenants Limitations on Incurrence of Indebtedness and Issuance of Preference Shares";

(j) Permitted Collateral Liens;

(k) Liens on Securitisation Assets incurred in connection with a Qualified Securitisation Financing *provided* that any such Liens over the proceeds from the Receivables Assets for such Qualified Securitisation Financing when received into a collection account of the Issuer or any Subsidiary may, by its terms, only be enforced if the relevant holder of that collection account fails to remit such monies to the Receivables Purchaser when required to do so or such holder of the collection account becomes subject to an Insolvency Event (as defined in the Intercreditor Agreement);

(l) Liens for taxes, assessments or other governmental charges or claims not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves have been taken on the books of such Person to the extent required under GAAP;

(m) Liens imposed by law, including landlord's, carriers', warehousemen's and mechanics' Liens, in each case, for sums not yet due or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person will then be proceeding with an appeal or other proceedings for review;

(n) easements, rights-of-way, building, zoning and similar restrictions, utility agreements, covenants, reservations, restrictions, encroachments, charges and other similar encumbrances or title defects incurred, or leases or sub leases granted to others, in the ordinary course of business, that do not in the aggregate materially detract from the aggregate value of the properties of such Person and its Subsidiaries, taken as a whole, or in the aggregate materially interfere with or adversely affect in any material respect the ordinary course of the business of such Person and its Subsidiaries on the properties subject thereto, taken as whole;

(o) leases, licenses, subleases or sublicenses granted to others in the ordinary course of business that do not (x) interfere in any material respect with the business of the Issuer or any of its material Restricted Subsidiaries or (y) secure any Indebtedness;

(p) the rights reserved or vested in any Person by the terms of any lease, license, franchise, grant or permit held by the Issuer or any of its Restricted Subsidiaries or by a statutory provision, to terminate any such lease, license, franchise, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;

(q) banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution, *provided* that such deposit account is not subject to restrictions against access by the Issuer or any of its Subsidiaries in excess of those set forth by applicable law or regulation;

(r) (i) other Liens securing Indebtedness for borrowed money or other obligations with respect to property or assets with an aggregate fair market value (valued at the time of creation thereof) of not more than € 25.0 million at any time and (ii) Liens securing Indebtedness incurred to finance the construction, purchase or lease of, or repairs, improvements or additions to, property of such Person; provided, however, that (x) the Lien may not extend to any other property (except for accessions to such property) owned by such Person or any of its Restricted Subsidiaries at the time the Lien is incurred, (y) such Liens attach concurrently with or within 270 days after the lease, acquisition, repair, replacement, construction or improvement (as applicable) of the property subject to such Liens and (z) with respect to Capitalised Lease Obligations, such Liens do not at any time extend to or cover any assets (except for accessions to such assets) other than the assets subject to such Capitalised Lease Obligations; *provided* that individual financings of property provided by one lender may be cross collateralised to other financings of equipment provided by such lender;

(s) Liens arising by operation of law (or by agreement to the same effect) in the ordinary course of business and not as a result of any default or omission on the part of the Issuer or any Restricted Subsidiary;

(t) Liens on the Equity Interests of Unrestricted Subsidiaries;

(u) Liens for the purpose of securing the payment (or the refinancing of the payment) of all or a part of any Indebtedness relating to assets or property acquired or constructed directly or indirectly, which Indebtedness is permitted by "—Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares"; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens will not exceed the cost of the asset or property so acquired or constructed and (b) such Liens will not encumber any other asset or property of such Person or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto;

(v) Liens securing obligations in respect of trade-related letters of credit permitted by "Limitations on Incurrence of Indebtedness and Issuance of Preference Shares" and covering the goods (or the documents of title in respect of such goods) financed by such letters of credit and the proceeds and products thereof;

(w) Liens securing Indebtedness resulting from the accrual of interest, the accretion of accreted value or original issue discount, and the payment of interest or dividends in the form of additional Indebtedness with substantially equivalent terms;

(x) Liens created for the benefit of (or to secure) the Senior Notes and Additional Senior Notes permitted by the covenant described under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock");

(y) Liens to secure the performance of statutory obligations, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(z) (i) Liens existing on the Issue Date or arising under the Senior Revolving Credit Facility or (ii) any Liens incurred in connection with any Refinancing Indebtedness in replacement of any such Liens existing on the Issue Date on the same assets which were the subject of the original Liens;

(aa) (i) Liens securing (i) Senior Indebtedness of any Guarantor or (ii) Indebtedness of any Restricted Subsidiary of the Issuer that is not a Guarantor; and

(bb) (i) Liens over cash paid into escrow by any third party pursuant to any deposit or retention of purchase price arrangements entered into pursuant to any disposal or acquisition and (ii) any retention of title reserved by any seller of goods or any Lien imposed, reserved or granted over goods supplied by such seller.

"***person***" or "***Person***" will mean any individual, partnership, corporation, business trust, limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"***Preference Shares***" will mean any Equity Interest with preferential rights of payment of dividends or other distributions or upon liquidation, dissolution, or winding up including, without limitation, any preference shares.

"***Proceeds Loan***" will mean a loan agreement entered into by the Issuer and the Senior Secured Notes Issuer under which, among other things, the Issuer advanced an amount of R6,250 million to the Senior Secured Notes Issuer. See "Related Party Transactions—Proceeds Loan".

"***Qualified Proceeds***" will mean assets that are used or useful in, or Share Capital of any Person engaged in, a Similar Business; *provided* that the fair market value of any such assets of Share Capital will be determined by the Board of Directors of the Issuer in good faith.

"***Qualified Securitisation Financing***" will mean any Securitisation Financing of a Receivables Purchaser that meets the following conditions: (1) the Board of Directors of the Issuer will have determined in good faith that such Securitisation Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer or the Subsidiary participating in such Securitisation Financing, (2) all sales of accounts receivable and related assets to the Receivables Purchaser are made at fair market value (as determined in good faith by the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof will be market terms, in the context of the South African securitisation market for assets such as the relevant Receivables Assets utilizing the relevant securitisation structure (as determined in good faith by the Issuer), and may include Standard Securitisation Undertakings. The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries to secure Indebtedness under the Credit Facilities will not be deemed a Qualified Securitisation Financing.

"***Rating Agencies***" will mean (1) S&P and Moody's or (2) if S&P or Moody's or both of them are not making ratings publicly available, a nationally recognised statistical rating organisation with the meaning of Rule 15c3-1(c)(2) under the Exchange Act, as the case may be, selected by the Issuer, which will be substituted for S&P or Moody's or both, as the case may be.

"***Rating Category***" will mean (1) with respect to S&P, any of the following categories (any of which may include a "+" or "-"; AAA, AA, A, BBB, BB, B, CCC, CC, C and D (or equivalent successor categories), (2) with respect to Moody's, any of the following categories: Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C and D (or equivalent successor categories), and (3) the equivalent of any such categories of S&P or Moody's used by another Rating Agency, if applicable.

"***Receivables Assets***" will mean all rights to receive payments on designated store card accounts arising from the purchase of goods or services by a Person on credit provided by the Issuer or any of its Subsidiaries or other accounts receivables arising in the ordinary course of business, together with all collateral securing such receivables, all agreement and arrangements that support or secure the payment of the relevant receivables by the debtor(s), including rights to returned or repossessed goods, all insurance policies, security deposits, guarantees, indemnities, cheques or other negotiable instruments relating to the debtor(s) obligations and the right to the proceeds from any such payments once received into a collection account of the Issuer or such Subsidiary.

"***Receivables Purchaser***" will mean any Person who acquires Receivables Assets or is granted a security interest in Receivables Assets in a Securitisation Financing; *provided* that (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of the Receivables Purchaser, (i) is guaranteed by the Issuer or any Restricted Subsidiary of the Issuer (excluding guarantees of obligations other than the principal of, and interest on, Indebtedness pursuant to Standard Securitisation Undertakings and any guarantee of the Indebtedness of a Receivables Purchaser in connection with a Securitisation Financing that would, but for such guarantee, constitute a Qualified Securitisation Financing), (ii) is recourse to or obligates the Issuer or any Restricted Subsidiary or the Issuer in any way other than pursuant to Standard Securitisation Undertakings, or (iii) subjects any property or asset of the Issuer or any Restricted Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof other than pursuant to Standard Securitisation Undertakings; (b) the Receivables Purchaser has no contract, agreement, arrangement or understanding with the Issuer or any Restricted Subsidiary or the Issuer other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer and (c) neither the Issuer nor any Restricted Subsidiary of the Issuer has any obligations to maintain or preserve the Receivables Purchaser's financial condition or cause such entity to achieve certain levels of operating results.

"***Refunding Capital Stock***" will have the meaning assigned to such term in "—Certain Covenants—Limitations on Restricted Payments";

"***Restricted Investment***" will mean an Investment other than a Permitted Investment.

"***Restricted Subsidiary***" will mean, at any time, any Subsidiary of the Issuer that is not then an Unrestricted Subsidiary; *provided*, *however*, that upon the occurrence of an Unrestricted Subsidiary ceasing to be an Unrestricted Subsidiary, such Subsidiary will be included in the definition of Restricted Subsidiary.

"***S&P*** " will mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor to its ratings business.

"***Securities Act***" will mean the U.S. Securities Act of 1933 and the rules and regulations of the Commission promulgated thereunder, as amended.

"***Securitisation Assets***" are any assets that are or will be the subject of a Qualified Securitisation Financing.

"***Securitisation Borrowing Base***" will mean, as of any date, an amount equal to 85% of the face value of all accounts receivable of the Issuer and its Restricted Subsidiaries, calculated on a consolidated basis; provided, however, that if Indebtedness is being incurred to finance an acquisition pursuant to which any accounts receivable will be acquired (whether through the direct acquisition of assets or the acquisition of Share Capital of a Person), Securitisation Borrowing Base will include the applicable percentage of any accounts receivable to be acquired in connection with such acquisition.

"***Securitisation Fees***" will mean distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Qualified Securitisation Financing.

"***Securitisation Financing***" will mean any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to a Receivables Purchaser or may grant a security interest to a Receivables Purchaser (including, without any limitation, any lender), in any Receivables Assets.

"***Securitisation Financing Amount***" will mean, as of any date, the amount of all outstanding Indebtedness incurred by a Receivables Purchaser in connection with a Securitisation Financing that involves a sale, conveyance or other transfer of Receivables Assets to a Receivables Purchaser less the outstanding amount of Permitted Investments made by the Issuer and its Restricted Subsidiaries in connection with such Securitisation Financings, so long as such Securitisation Financing is not recorded as a liability on the balance sheet of the Issuer or any of its Restricted Subsidiaries.

"***Securitisation Repurchase Obligation***" will mean any obligation of a seller of receivables in a Qualified Securitisation Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"***Security*** " will mean a mortgage, charge, pledge, lien, assignment, cession, hypothecation or other security interest securing any obligation of any person or any other agreement or arrangement having similar effect.

"***Security Arrangement Agreement***" will mean the security arrangement agreement dated on or about 24 May 2007 between, amongst others, the SPV Administrator and the Lenders pursuant to which the SPV Administrator is appointed as security administrator and which, amongst other things, sets out the terms of such appointment and the terms on which the Collateral will be held.

"***Security Documents***" will mean any document entered into by the Issuer or any SPV Indemnifier creating or expressed to create any Lien over all or any part of its assets in respect of the obligations of the Issuer or any SPV Indemnifier under any of the "Finance Documents", as such term is defined in the Senior Revolving Credit Facility Agreement.

“***Senior Indebtedness***” will mean, with respect to any Person Indebtedness of such Person, whether outstanding on the Issue Date or thereafter Incurred, unless in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is *provided* that such Indebtedness is subordinated in right of payment to the Senior Notes or the Guarantee of such Person, as the case may be; *provided*, *however*, that Senior Indebtedness will not include:

(1) any obligation of such Person to the Issuer or any Subsidiary of the Issuer;

(2) any liability for national, state, local or other taxes owed or owing by such Person;

(3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);

(4) any Indebtedness of such Person which is subordinate or junior in any respect to any other Indebtedness of such Person; or

(5) that portion of any Indebtedness which at the time of Incurrence is Incurred in violation of the Indenture.

“***Senior Revolving Credit Facility***” will mean any revolving credit facilities (including any letter of credit thereunder) made available to the Borrowers thereunder pursuant to the Senior Revolving Credit Facility Agreement.

“***Senior Revolving Credit Facility Agreement***” will mean the credit facility agreement dated on or about 25 May 2007, as amended and restated on 23 February 2011, among Edcon Limited, ECSL, the SPV Guarantor and the other parties thereto.

“***Senior Revolving Credit Facility Documents***” will mean the Senior Revolving Credit Facility Agreement and each of the other “Finance Documents”, as such term is defined in each Senior Revolving Credit Facility Agreement.

“***Senior Secured Notes Issuer***” will mean Edcon Limited (formerly known as Edcon Proprietary Limited until its conversion to a public company with effect from 20 December 2012 under the South African Companies Act, No. 71 of 2008, as amended), the issuer of the Senior Secured Notes.

“***Senior Secured Notes***” will mean the €617,000,000 9.5% Senior Secured Notes due 2018 and the $250,000,000 9.5% Senior Secured Notes due 2018 issued by the Senior Secured Notes Issuer under the Senior Secured Indenture, including any additional Senior Secured Notes.

“***Senior Secured Indenture***” will mean the indenture governing the Senior Secured Notes, dated as of 1 March 2011, among the Edcon Limited and the guarantors thereunder and The Bank of New York Mellon, as trustee, and the other parties thereto.

“***Share Capital***” will mean:

(a) in the case of a corporation, authorised share capital or other capital stock;

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock;

(c) in the case of a South African company, shares;

(d) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(e) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of the issuing Person.

“***Shareholder Debt***” will mean Indebtedness of the Issuer (and any security into which such Indebtedness is convertible or for which it is exchangeable at the option of the holder) issued to and held by a direct or indirect parent entity or one or more shareholders of a direct or indirect parent entity or any Permitted Holder or Affiliate thereof that (1) does not mature or require any cash amortisation, redemption or other cash repayment of principal or any sinking fund payment prior to the earlier of the first anniversary of the maturity (other than through conversion or exchange of such Indebtedness into Share Capital (other than Disqualified Share Capital) of the Issuer or any Indebtedness meeting the requirements of this definition) of the Senior Notes or the date on which no Senior Notes are outstanding, (2) does not require, prior to the first anniversary of the maturity of the Senior Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts,

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the earlier of the first anniversary of the maturity of the Senior Notes and the date on which the Senior Notes are no longer outstanding, (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries, (5) does not contain any covenants (financial or otherwise), as applicable, other than a covenant to pay such Shareholder Debt and (6) is fully subordinated and junior in right of payment to the Senior Notes pursuant to subordination, payment blockage and enforcement limitation terms which taken as a whole are no less favorable in any material respect to the Holders than those contained in the Intercreditor Agreement, the Guarantees and the SPV Counter-Indemnity, as applicable, as in effect on the Issue Date.

"***Significant Subsidiary***" will mean any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act of 1933, as amended, as such Regulation is in effect on the date hereof.

"***Similar Business***" will mean the retail business, and any services, activities or businesses incidental or directly related or similar thereto, or any line of businesses engaged in by the Issuer and its Subsidiaries on the Issue Date or any business activity that is a reasonable extension, development or expansion thereof or ancillary thereto.

"***Sponsor Group***" will mean funds managed and/or advised by Affiliates of Bain Capital Partners, LLC.

"***Sponsor Group Affiliate***" will mean (a) each Affiliate of the Sponsor Group and (b) any individual who is a partner or employee of the Sponsor Group.

"***Sponsors*** " will mean Bain Capital Partners, LLC and its Affiliates.

"***SPV Administrator***" will mean Absa Bank Limited acting through its division Absa Capital as the administrator of the SPV Guarantor.

"***SPV Counter-Indemnity***" will mean the counter-indemnity given by the SPV Indemnifiers in favor of the SPV Guarantor.

"***SPV Guarantee***" will mean a guarantee dated on or around the date of the Indenture by the SPV Guarantor in favor of the Holders guaranteeing the obligations of the Issuer and each Guarantor under the Indenture and the Senior Notes.

"***SPV Guarantor***" will mean Elephant OntheCards (Proprietary) Limited (Formerly Micawber 540 (Proprietary) Limited), a private company duly incorporated according to the laws of the Republic of South Africa.

"***SPV Indemnifier***" will mean any of the Issuer and the Guarantors in their respective capacity as counter-indemnifier.

"***Standard Securitisation Undertakings***" will mean representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer, which the Issuer has determined in good faith to be customary in a Securitisation Financing, utilizing the relevant securitisation structure and involving the relevant Receivables Assets in the South African securitisation market, including, without limitation, those relating to the servicing of the assets of a Receivables Purchaser, it being understood that any Securitisation Repurchase Obligation will be deemed to be a Standard Securitisation Undertaking.

"***Stated Maturity***" will mean, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"***Sterling***" or "***£***" will mean the lawful currency of the United Kingdom.

"***Subordinated Indebtedness***" will mean (a) with respect to the Issuer, any Indebtedness of the Issuer which is by its terms subordinated in right of payment to the Senior Notes, including the Shareholder Debt; and (b) with respect to any Guarantor, any Indebtedness of such Guarantor which is by its terms subordinated in right of payment to such Guarantor's Guarantee and the SPV Counter-Indemnity to which it is a party.

"***Subordinated Refinancing Indebtedness***" will have the meaning assigned to such term in "—Certain Covenants—Limitations on Restricted Payments".

"***Subordination Agreement***" means the subordination agreement dated on or about 24 May 2007, as amended and restated on 13 June 2007, and as further amended from time to time and made between, among others, the Facility Agent (as defined therein), the Issuer, Barclays Bank PLC, the SPV Guarantor and certain entities defined therein, in relation to regulating, principally, the relationship between the Lenders under the Senior Revolving Credit Facility Agreement and the other parties named therein.

"***Subsidiary***" will mean with respect to any Person:

(a) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Share Capital entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; and

(b) any partnership, joint venture, limited liability company or similar entity of which (i) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership or otherwise and (ii) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"***Subsidiary Guarantor***" will mean any Restricted Subsidiary that incurs a Guarantee of the Senior Notes.

"***Suspension Condition***" will have the meaning assigned to such term in "—Certain Covenants—Suspension of Covenants".

"***Taxes***" includes all present or future income and other taxes, levies, imposts, duties, or other charges or deductions or withholdings of a similar nature wheresoever imposed and together with interest thereon and penalties and fines with respect thereto, if any, and any payments made on or in respect thereof and "***Tax***" and "***Taxation***" will be construed accordingly.

"***Transaction Documents***" will have the meaning ascribed to such terms under the Senior Floating Rate Notes Indenture.

"***Trustee***" will mean The Bank of New York Mellon or any other person acting as trustee under the Indenture.

"***Unrestricted Subsidiary***" will mean (i) any Subsidiary of the Issuer which at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer, as provided below) and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors of the Issuer may designate any Subsidiary (including any existing Subsidiary and any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Lien on, any property of, the Issuer or any Subsidiary of the Issuer (other than any Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary); *provided* that (a) such designation complies with "—Certain Covenants—Limitations on Restricted Payments" and (b) each of the Subsidiaries to be so designated and its Subsidiaries has not at the time of designation created, incurred, issued, assumed or guaranteed or otherwise become directly or indirectly liable with respect to any Indebtedness pursuant to which the lender has recourse to any of the assets of the Issuer or any Restricted Subsidiary (other than could be released upon such designation). The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that: (i) immediately after giving effect to such designation, no payment Default or Default under "—Certain Covenants" or Event of Default will have occurred and be continuing and (ii) any Indebtedness assumed or otherwise incurred in connection with such designation will have been permitted to have been incurred by the Issuer pursuant to "—Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares". Any such designation by the Board of Directors will be notified by the Issuer to the Trustee by promptly filing with the Trustee a copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"***U.S. dollar***" or "***U.S. $***" will mean the lawful currency of the United States of America.

"***Voting Shares***" of any Person as of any date will mean the Share Capital of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"***Weighted Average Life to Maturity***" will mean, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments payment of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"***Wholly-Owned Restricted Subsidiary***" is any Wholly-Owned Subsidiary that is a Restricted Subsidiary.

"***Wholly-Owned Subsidiary***" of any Person will mean a Subsidiary of such Person, 100% of the outstanding Share Capital or other ownership interests of which (other than directors' qualifying shares, or interests of partners not entitled to economic participation) will at the time be owned by such Person, or by one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person.

"***ZAR***" or "***Rand***" will mean the lawful currency of the Republic of South Africa.

DESCRIPTION OF BOOK-ENTRY SYSTEM

General

The Senior Notes sold to QIBs in reliance on Rule 144A will be represented by one or more global notes in registered form without interest coupons attached (the "Rule 144A Global Notes"). The Senior Notes sold to persons outside the United States in reliance on Regulation S will be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes"). The Rule 144A Global Notes and the Regulation S Global Notes are collectively referred to as the "Global Notes". The Rule 144A Global Notes and the Regulation S Global Notes will be deposited with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Notes (the "Rule 144A Book-Entry Interests") and in the Regulation S Global Notes (the "Regulation S Book-Entry Interests" and, together with the Rule 144A Book-Entry Interests, "Book-Entry Interests") will be limited to persons who have accounts with Euroclear and/or Clearstream, or persons who hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book-Entry Interests will not be held in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in the book-entry form by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Senior Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Senior Notes for any purpose.

So long as the Senior Notes are held in global form, the common depository for Euroclear and/or Clearstream, as applicable (or its nominee), will be considered the sole holders of the Global Notes for all purposes under the Senior Notes Indenture. In addition, participants must rely on the procedures of Euroclear and/or Clearstream, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Senior Notes Indenture.

Neither we nor the Trustee will have any responsibility, or be liable, for any aspect of the records relating to Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, the common depositary for Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream, if fewer than all of a series of Senior Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no Book-Entry Interest of less than €100,000 may be redeemed in part.

Payments on Global Notes

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, and interest) to the common depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "Description of the Senior Notes—Additional Amounts". If any such deduction or withholding is required to be made, then, to the extent described under "Description of the Senior Notes—Additional Amounts", we will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Senior Notes Indenture, the Issuer and the trustee will treat the registered holder of the Global Notes (i.e., the common depository for Euroclear or Clearstream (or its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the trustee or any of their respective agents has or will have any responsibility or liability for any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, Euroclear, Clearstream or any participant or indirect participant.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Rule 144A Global Notes and the Regulation S Global Notes, will be paid to holders of interests in such Senior Notes through Euroclear and/or Clearstream in Euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Senior Notes (including the presentation of Senior Notes for exchange, as described below) only at the direction of one or more participants to whose account the Book-Entry Interests are credited and only in respect of such portion of the aggregate principal amount of Senior Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Senior Notes Indenture, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered notes in certificated form (“Definitive Registered Notes”) and to distribute Definitive Registered Notes to its participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell Senior Notes to persons in jurisdictions that require physical delivery of securities or to pledge such Senior Notes, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set out in the Senior Notes Indenture.

The Global Note for Rule 144A Book-Entry Interests will have a legend to the effect set out under “Notice to Investors”. Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer and certification requirements discussed under “Notice to U.S. Investors”.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Notes and a corresponding increase in the principal amount of the Rule 144A Global Notes.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Senior Notes Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by us within 120 days; and
- if the owner of a Book-Entry Interest requests such an exchange in writing delivered through Euroclear or Clearstream following an event of default under the Senior Notes Indenture.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Senior Note by surrendering it to the registrar or transfer agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; *provided* that no Definitive Registered Note in a denomination less than €100,000 will be issued. We will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

We will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Senior Notes, (ii) any date fixed for redemption of the Senior Notes or (iii) the date fixed for selection of the applicable series of Senior Notes to be redeemed in part. Also, we are not required to register the transfer or exchange of any Senior Notes selected for redemption. In the event of the transfer of any Definitive Registered Note, the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Senior Notes Indenture. We may require a holder to pay any taxes and fees required by law and permitted by the Senior Notes Indenture and the applicable series of Senior Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated and is surrendered to the Registrar or at the office of the transfer agent, we will issue and the trustee or its appointed agent will authenticate a replacement Definitive Registered Note if the trustee's and our requirements are met. The Issuer or the trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgement of both to protect us, the trustee or the Paying Agent appointed pursuant to the Senior Notes Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by us in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Senior Notes Indenture, the Issuer, in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged only after the transferor first delivers to the trustee a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Senior Notes. See "Notice to U.S. Investors" and "Notice to Non-U.S. Investors".

So long as the Senior Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, we will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Ireland (which we expect to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (http://www.ise.ie).

Information Concerning Euroclear and Clearstream

Our understanding with respect to the organisation and operations of Euroclear and Clearstream is as follows. Euroclear and Clearstream hold securities for participating organisations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

CERTAIN TAX CONSIDERATIONS

This information is not a substitute for independent advice pertaining to any person's particular circumstances as a holder of Senior Notes. It is intended as a general guide only. Prospective purchasers of the Senior Notes are advised to consult their own tax advisers as to the tax consequences, under the tax laws of the country of which they are resident or otherwise subject to tax, of a purchase of Senior Notes including without limitation, the consequences of receipt of interest and premium or gain, if any, on and sale or redemption of, the Senior Notes or any interest therein.

Certain South African Tax Considerations

The following is a high-level summary of certain aspects of the potential South African tax consequences of the acquisition, ownership and disposition of the Senior Notes by South African tax residents and non residents who are beneficial owners of the Senior Notes.

The summary below is based on the South African income tax implications relevant to the acquisition, ownership or disposition of the Senior Notes and the consequences of the receipt of interest and premium or gain, if any, on the sale or redemption of, the Senior Notes or any interest therein. The summary is in respect of the provisions of the South African Income Tax Act, No. 58 of 1962 ("Income Tax Act") as is effective at the date of this Offering Memorandum. The summary does not cover all aspects of South African income tax that may be relevant. South African income tax legislation is subject to frequent changes which may have a retroactive effect and could significantly affect the South African income tax consequences discussed below. We have not obtained any advance tax rulings from the South African Revenue Services ("SARS") with respect to the statements made and the conclusions reached in the summary below and there is no assurance that SARS or a court will agree with our statements and conclusions or that a court would not sustain any challenge by SARS in the event of litigation.

South African tax residents—Payments of interest

Interest received by or accruing to a South African tax resident holder of the Senior Notes will be subject to income tax in such holders' hands (subject to certain qualifying persons being exempt from income tax and further subject to certain nominal exemptions for natural persons). Holders should take advice as to whether they constitute residents or non-residents of South Africa for tax purposes. The interest accrual must be determined in accordance with the relevant provisions of the Income Tax Act. The Income Tax Act requires a South African tax resident holder of the Senior Notes to account for, *inter alia*, any interest accrued (whether received or not) to the holder on the Senior Notes and any premium or discount on the issuance and/or redemption of the Senior Notes as interest. The tax accrual of such interest must be spread over the term of the Senior Notes using a yield-to-maturity or an acceptable alternative methodology, as set out in section 24J of the Income Tax Act. However, where the holder is a company whose business comprises the trading of certain instruments, such company may, under certain circumstances, elect to be subject to a special dispensation in respect of the South African tax treatment of its instruments, in terms of which such company will be allowed to use a mark-to-market methodology. This special dispensation will be replaced by a new system with effect from 1 January 2014, in terms of which certain qualifying South African entities (e.g. banks) will be required to determine their taxable income in respect of certain financial instruments by including in or deducting from their income, for tax purposes, certain fair value adjustments in respect of such instruments that are recognised through profit or loss, as required in terms of IFRS.

Since the Senior Notes will be denominated in euro, the interest accruing to the holders of the Senior Notes must be converted to rand in accordance with the Income Tax Act.

South African tax residents: Issue, sale and redemption of the Senior Notes

A sale of the Senior Notes by a South African tax resident holder may result in a capital gain or loss if the Senior Notes were held as capital assets or an income gain or loss if the Senior Notes were held on revenue account. Any such capital gain or income gain will be subject to capital gains tax or income tax, respectively, in the holder's hands. The gain or loss is determined in accordance with the provisions of the Income Tax Act.

Prospective holders of the Senior Notes are advised to consult their own professional advisors as to whether a disposal of the Senior Notes will result in a capital gain or an income gain.

The issue, sale and redemption of the Senior Notes are not subject to value-added tax or any transfer taxes.

Taxation of foreign exchange gains and losses

As the Senior Notes will be denominated in euro, a South African tax resident holder who is (1) a company, (2) trust carrying on a trade, or (3) a natural person who holds the Senior Notes as trading stock will be required to account for foreign exchange gains and losses on the translation and realisation of the Senior Notes in accordance with the provisions of section 24I of the Income Tax Act. Such persons will be required to include in their taxable income any translation and realisation exchange gains and losses on the Senior Notes.

Non-trading trusts and natural persons who hold the Senior Notes as capital assets will be required to take currency fluctuations into account in determining the capital gain or loss in respect of the disposal of the Senior Notes, in accordance with the provisions of the Eighth Schedule to the Income Tax Act. The manner in which the currency fluctuations have to be taken into account will depend, *inter alia*, on the currency of the proceeds for the disposal of the Senior Notes.

Non-residents: income tax

Non-residents of South Africa are subject to income tax on all income derived from a South African source. Interest income is from a South African source if it is attributable to an amount incurred by a person that is a resident, unless the interest is attributable to a permanent establishment which is situated outside the Republic. Furthermore, in addition, interest income derived from the utilisation or application in South Africa by any person of funds or credit obtained in terms of any form of interest-bearing arrangement will also be from a South African source. It is likely that the interest earned by a non-resident holder of the Senior Notes will be subject to South African income tax on the basis that it is sourced in South Africa.

In terms of section 10(1)(h) of the Income Tax Act, interest received by or accruing to a non-resident during any year of assessment is exempt from income tax, unless that person:

a) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve-month period preceding the date on which the interest is received or accrued by or to that person; or

b) the debt from which the interest arises is effectively connected to a permanent establishment of that person in South Africa.

If a holder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, an exemption from, or reduction of any income tax liability may be available under an applicable double taxation treaty.

Nonresidents: Issue, sale and redemption of the Senior Notes

A sale of Senior Notes by a nonresident holder will only be subject to capital gains tax in South Africa if the Senior Notes are attributable to a permanent establishment of that person in South Africa. This tax treatment will be subject to the provisions of any applicable tax treaty.

The issue, sale and redemption of the Senior Notes are not subject to value-added tax or any transfer taxes.

Non residents: Senior Notes held as trading stock

Senior Notes held as trading stock will be subject to the provisions of the Income Tax Act governing the taxation of nonresidents in South Africa. Specifically, if transactions in Senior Notes held as trading stock give rise to income derived from a South African source they may, subject to treaty relief, expose the holders of the Senior Notes to a liability for income tax in South Africa.

Withholding tax

Under current taxation law in South Africa, all payments made under the Senior Notes to resident and non-resident holders will generally be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa.

A withholding tax on interest was introduced into the Income Tax Act. The withholding tax provisions were due to enter into force on 1 July 2013. The Minister of Finance indicated in the 2013 Budget Speech that the implementation date will be deferred until 1 March 2014. The Taxation Laws Amendment Bill, 2013, which was tabled in Parliament on 24 October 2013, proposes a further postponement of the implementation date to 1 January 2015. The Taxation Laws Amendment Bill, 2013 has not yet been promulgated into law. However, if the Taxation Laws Amendment Bill, 2013 is promulgated as currently proposed, then the withholding tax provisions will be implemented with effect from 1 January 2015 so that interest that accrues or that is paid or that becomes due and payable on or after 1 January 2015 will be subject to a withholding tax of fifteen percent (15%).

The withholding tax will be imposed on the amount of any interest that is paid by any person (to the extent that the interest is regarded as being from a source within South Africa) to or for the benefit of any foreign person (i.e. a person that is not a South Africa tax resident). Accordingly, to the extent that any interest is paid to holders who are South African tax residents, the withholding tax will not apply.

The rate of the withholding tax may be reduced to the extent that any relevant double taxation treaty applies. An exemption from the withholding tax applies to interest paid in respect of any debt instrument listed on a recognised exchange. The Senior Notes constitute debt instruments, and the Irish Stock Exchange, with which we have filed a listing application, qualifies as a recognised exchange. Consequently, interest paid on the Senior Notes listed on the Irish Stock Exchange should not be subject to the withholding tax.

EU directive on the taxation of savings interest

Under EC Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments, each Member State of the European Union is required to provide to the tax or other relevant authorities of another Member State details of payments of interest or other similar income made by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg have instead opted to apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%, unless during that period they elect otherwise. The ending of such transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding).

The European Commission has published proposals for amendments to EC Council Directive 2003/48/EC, which, if implemented, would amend and broaden the scope of the requirements above. The European Parliament approved an amended version of this proposal on 24 April 2009.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

You are hereby notified that any statement herein regarding any U.S. federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding any tax-related penalties. Any such statement herein may have been written in connection with the marketing or promotion of the transactions or matters to which the statement relates. Each prospective investor should seek advice based on its particular circumstances from an independent tax adviser.

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of Senior Notes by a U.S. holder (as defined below) and does not purport to be a complete analysis of all potential tax effects relating to an investment in the Senior Notes. This summary deals only with Senior Notes that are held as capital assets (generally, property held for investment) by a U.S. holder (as defined below) who acquires our Senior Notes upon original issuance at their initial offering price.

For purposes of this discussion, a "U.S. holder" means a beneficial owner of Senior Notes that is, for U.S. federal income tax purposes, any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (i) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable U.S. Treasury Regulations (the "Treasury Regulations") to be treated as a U.S. person.

This summary is based upon provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), final, temporary and proposed Treasury Regulations promulgated thereunder, judicial authority, published administrative positions and procedures of the U.S. Internal Revenue Service (the "IRS") and other applicable authorities, all as in effect on the date of this Offering Memorandum. Changes in such rules, or new interpretations thereof, may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below. We have not sought any ruling from the IRS with respect to the statements made and the conclusions reached in the following summary and there can be no assurance that the IRS or a court will agree with our statements and conclusions or that a court would not sustain any challenge by the IRS in the event of litigation.

This summary is general in nature and does not purport to address all aspects of U.S. federal taxation or all tax considerations that may be relevant to a U.S. holder in light of its particular circumstances. In addition, it does not address the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, banks, financial institutions, individual retirement and other tax-deferred accounts, regulated investment companies, real estate investment trusts, S corporations, mutual funds, investors in partnerships or other pass-through entities for U.S. income tax purposes, tax-exempt entities or insurance companies;
- tax consequences to persons holding the Senior Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to a U.S. holder of the Senior Notes whose "functional currency" is not the U.S. dollar;
- tax consequences to a U.S. holder who holds the Senior Notes through a bank, financial institution or other entity, or a branch thereof, located, organised or resident outside the United States;
- tax consequences to U.S. expatriates or entities covered by the U.S. anti-inversion rules;
- tax consequences to persons who are not U.S. holders (as defined above);
- persons who are resident in South Africa or any other jurisdiction other than the United States or have a taxable presence therein;
- alternative minimum tax consequences, if any; or
- any U.S. federal tax consequences other than income taxation or any state, local or non-U.S. tax consequences.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds the Senior Notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partner and the partnership. If you are a partner of a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holding Senior Notes, you should consult your own tax adviser.

The following discussion is for informational purposes only and is not a substitute for careful tax planning and advice. If you are considering the purchase of Senior Notes, you should consult your own tax adviser concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of the Senior Notes, as well as the consequences to you arising under any other federal tax laws or under the laws of any other taxing jurisdiction.

Additional Payments

We may be required to pay additional amounts if certain taxes are withheld or deducted from payments on the Senior Notes (as described under "Description of the Senior Notes—Additional Amounts") or make additional payments in redemption of the Senior Notes in addition to their stated principal amount and accrued interest (as described under "Description of the Senior Notes—Purchase of Senior Notes upon a Change of Control" and "Description of the Senior Notes—Optional Redemption"). Although the issue is not free from doubt, we intend to take the position that the possibility of paying such additional amounts, or making additional payments in redemption of the Senior Notes, does not result in the Senior Notes being treated as contingent payment debt instruments under applicable Treasury Regulations. If we become obligated to pay additional amounts, then we intend to take the position that such amounts will be treated as ordinary interest income and taxed as described below under "—Payments of stated interest". If we become obligated to make additional payments in redemption, then we intend to take the position that such payments will be treated as additional proceeds and taxed as described under "—Sale, exchange or retirement of Senior Notes". These positions will be based in part on our determination that, as at the date of the issuance of the Senior Notes, the possibility that additional amounts will have to be paid, or additional payments in redemption of the Senior Notes will have to be made, was a remote or incidental contingency within the meaning of the applicable Treasury Regulations.

Our determination that these contingencies are remote or incidental is binding on a holder, unless the holder explicitly discloses to the IRS on its tax return for the year during which such holder acquires the Senior Notes that it is taking a different position. However, our position is not binding on the IRS. If the IRS takes a contrary position to that described above, a holder may be required to accrue interest income on the Senior Notes based upon a comparable yield, regardless of its method of accounting. The "comparable yield" is the yield at which we would issue a fixed rate debt instrument with no contingent payments, but with terms and conditions otherwise similar to those of the Senior Notes. In addition, any gain on the sale, exchange, redemption or other taxable disposition of the Senior Notes would be recharacterised as ordinary income. Each holder should consult its own tax adviser regarding the tax consequences of the Senior Notes being treated as contingent payment debt instruments. The remainder of this discussion assumes that the Senior Notes will not be treated as contingent payment debt instruments.

Payments of stated interest

Stated interest on a Senior Note (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be taxable to you as ordinary interest income at the time it is paid or accrued in accordance with your method of accounting for tax purposes.

If you use the cash basis method of accounting for U.S. federal income tax purposes, you will be required to include in income the U.S. dollar value of the amount received, determined by translating the euros received at the "spot rate" on the date such payment is received regardless of whether the payment is in fact converted into U.S. dollars.

If you use the accrual method of accounting for U.S. federal income tax purposes or are otherwise required to accrue interest prior to receipt, you may determine the amount of income recognized with respect to such stated interest in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the U.S. dollar value of the stated interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued. Under the second method, you may elect to translate stated interest income at the spot rate on (i) the last day of the accrual period, (ii) the last day of the taxable year if the accrual period straddles your taxable year or (iii) the date on which the stated interest payment is received if such date is within five business days of the end of the accrual period. This election will apply to all debt obligations you hold from year to year and cannot be changed without the consent of the IRS. You should consult your own tax advisor as to the availability and advisability of making such election.

Upon receipt of a stated interest payment on a Senior Note (including, upon the sale or exchange of a Senior Note, the receipt of proceeds that include amounts attributable to accrued interest previously included in income), a U.S. holder that uses the accrual method of accounting for tax purposes or is otherwise required to accrue interest prior to receipt generally will recognize U.S. source ordinary gain or loss in an amount equal to the difference between the U.S. dollar value of such payment received in respect of an accrual period (determined by translating the euros received at the ''spot rate'' on the date such payment is received) and the U.S. dollar value of the accrued interest as determined above.

You may be entitled to deduct or credit foreign taxes imposed on interest (including additional amounts), subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your other applicable foreign taxes for a particular tax year). Interest income (including any additional amounts) on a Senior Note generally will be considered foreign source income and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. You generally will be denied a foreign tax credit for foreign taxes imposed with respect to the Senior Notes if you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex and this paragraph discusses those rules only at a high level of generality. You are urged to consult your tax advisor regarding the availability of the foreign tax credit or deduction in your particular circumstances.

Sale, exchange or retirement of Senior Notes

If you sell or exchange a Senior Note, or if a Senior Note that you hold is retired, you generally will recognise gain or loss equal to the difference between the amount you realise on the transaction (less any amount attributable to accrued but unpaid interest that you have not previously included in income, which will be subject to tax in the manner described under "—Payments of stated interest") and your adjusted tax basis in the Senior Note. Your adjusted tax basis in a Senior Note generally will equal the U.S. dollar value of your purchase price for the Senior Note on the date of such purchase decreased by the U.S. dollar value of the aggregate amount of any payments (other than stated interest) on such Senior Note previously made to you. If you sell or exchange a Senior Note for euros, or receive euros on the retirement of a Senior Note, the amount you will realise for U.S. federal income tax purposes generally will be the U.S. dollar value of the euros that you receive on the date of such sale, exchange or retirement. If the Senior Note is traded on an established securities market, a cash-basis U.S. holder (or, if it so elects, an accrual-basis U.S. holder) will determine the U.S. dollar value of euros paid or received by translating such amount at the spot rate of exchange on the settlement date of the purchase. Any such election made by an accrual-basis U.S. holder must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to exchange gain or loss, any gain or loss that you recognise on the sale, exchange or retirement of a Senior Note generally will be U.S.-source capital gain or loss, and will be long-term capital gain or loss if you have held the Senior Note for more than one year on the date of disposition. Long-term capital gains of individuals generally are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Despite the foregoing, gain or loss that you recognise on the sale, exchange or retirement of a Senior Note generally will be treated as U.S.-source ordinary income or loss to the extent that the gain or loss is exchange gain or loss with respect to the principal of such Senior Note. For these purposes, the amount of exchange gain or loss recognised generally will be equal to the difference between (i) the U.S. dollar value of your purchase price for the Senior Note calculated in euro as at the date of such sale or exchange and (ii) the U.S. dollar value of your purchase price for the Senior Note calculated as at the date you purchased the Senior Note. The amount of exchange gain or loss (including with respect to accrued interest) will be limited to the amount of overall gain or loss realised on your disposition of the Senior Note.

Exchange of foreign currencies

Euro received as interest on a Senior Note will have a basis equal to the U.S. dollar value thereof based on the spot rate in effect on the date of receipt. Upon the sale, exchange, or retirement of a Senior Note, if the Senior Notes are traded on an established securities market, a cash basis U.S. holder (or, upon election, an accrual basis U.S. holder) will have a basis in the euro received equal to the U.S. dollar value thereof at the spot rate in effect on the settlement date of such sale, exchange or retirement. In all other cases, (i) the U.S. holder will realise exchange gain or loss to the extent the U.S. dollar value of the euro received (based on the spot rate in effect on the date of receipt) differs from the U.S. dollar value of the euro on the date of the sale, exchange or retirement of the Senior Note and (ii) the U.S. holder's basis in the euro received will equal the U.S. dollar value of the foreign currency, based on the spot rate in effect on the date of receipt. Any gain or loss recognised by a U.S. holder on a sale, exchange or other disposal of the euro will be ordinary income or loss and generally will be U.S. source income or loss for U.S. foreign tax credit purposes.

Reportable transactions

You may be required to report a sale or other disposition of your Senior Notes (or if you are an accrual basis U.S. holder, a payment of accrued interest) on IRS Form 8886 (Reportable Transaction Disclosure Statement) if you recognise foreign currency exchange loss that equals or exceeds certain threshold amounts. You are urged to consult your own tax adviser to determine the reporting obligations, if any, with respect to an investment in the Senior Notes, including any requirement to file IRS Form 8886.

Foreign financial asset reporting

Certain U.S. holders are required to report information on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds certain threshold amounts. The Senior Notes are expected to constitute foreign financial assets subject to these requirements, unless the Senior Notes are held in an account at certain financial institutions. U.S. holders should consult their tax advisers regarding the application of this reporting obligation.

Medicare contribution tax

Certain U.S. holders that are individuals, estates or trusts will be required to pay up to an additional 3.8% tax on interest and capital gains for taxable years beginning after 31 December 2012. You are urged to consult your own tax adviser regarding the effect, if any, of such additional tax on your ownership and disposition of the Senior Notes.

Backup withholding and information reporting

Payments in respect of the Senior Notes that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless you (i) properly establish you are a corporation or other exempt recipient or, (ii) in the case of backup withholding, provide an accurate taxpayer identification number and certify that no loss of exemption from backup withholding has occurred.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability. You may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

EXCHANGE CONTROLS

The following is a summary of certain exchange controls in force in South Africa as at the date of this Offering Memorandum as they may affect holders of the Senior Notes. These controls are subject to change at any time without notice. The information below is not intended as legal advice and does not purport to describe all of the considerations that may be relevant to a prospective purchaser of Senior Notes. Prospective purchasers of Senior Notes who are non-South African residents or emigrants from the Common Monetary Area are urged to seek further professional advice in regard to the purchase of Senior Notes. For the purposes of the discussion below, the "Common Monetary Area" means South Africa, Lesotho, Namibia and Swaziland.

General

The South African exchange control regulations restrict the export of capital from the Common Monetary Area. These regulations are administered by the Financial Surveillance Department (formerly called the Exchange Control Department) of the SARB, with certain powers of administration being delegated to the local commercial banks in South Africa, and serve to and regulate transactions involving South African residents. We expect that South African exchange controls will continue to operate for the foreseeable future. The South African government has, however, committed itself to gradually relaxing exchange controls and significant relaxation has occurred in recent years.

The issuance and sale of the Senior Notes (including the Senior Notes Guarantees) to the Initial Purchasers and any payment of interest or principal in respect thereof, requires the approval of the SARB. We have obtained the approval of the SARB for the issuance and sale of the Senior Notes to the Initial Purchasers and payments of interest and principal thereon. We will, however, be required to obtain the approval of the SARB for any redemption or repurchase of Senior Notes prior to their final maturity (including any repurchase of Senior Notes pursuant to a change of control, tax event or asset sale offer).

Under the terms of the SARB's approval for the Senior Notes, no South African entity or institution or any offshore subsidiary or branch thereof may subscribe for or purchase any Senior Note or beneficially hold or own any Senior Note unless such subscription, purchase or beneficial holding or ownership is otherwise permitted under the South African exchange control regulations or the rulings promulgated thereunder or specific approval has been obtained.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set out in a purchase agreement to be dated the date of this Offering Memorandum (the "Purchase Agreement") amongst us, J.P. Morgan Securities plc, Merrill Lynch International, Barclays Bank PLC, Goldman Sachs International and Morgan Stanley & Co. International plc, as Initial Purchasers, the Issuer has agreed to sell to each Initial Purchaser, and each of the Initial Purchasers has agreed, severally and not jointly, to purchase, all of the Senior Notes. The Purchase Agreement provides that the obligations of the Initial Purchasers thereunder are subject to certain conditions precedent.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Senior Notes from the Issuer, are several and not joint. The Purchase Agreement provides that the Initial Purchasers are obligated to purchase all of the Senior Notes, if any of them are purchased. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or this Offering may be terminated. We have agreed, subject to certain limited exceptions, not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, certain publicly listed debt securities of, or guaranteed by, the Issuer, or any of its subsidiaries having a maturity of more than one year during the period from the date of the Purchase Agreement through and including the date 45 days after the date of the Purchase Agreement, without the prior consent of J.P. Morgan Securities plc.

The Issuer and the Senior Notes Guarantors have jointly and severally agreed in the Purchase Agreement to indemnify the Initial Purchasers, their respective affiliates and their respective officers, directors, employees, representatives, agents and controlling persons against certain liabilities in connection with the offer and sale of the Senior Notes, including liabilities under the U.S. Securities Act, and to contribute to payments (including expenses) that the Initial Purchasers may be required to make in respect thereof.

The Initial Purchasers propose to offer the Senior Notes initially at the price indicated on the cover page of this Offering Memorandum. The issue price and other selling terms may be changed at any time without notice.

The Senior Notes and the Senior Notes Guarantees have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States or of any other jurisdiction. The Initial Purchasers have agreed that they will offer to sell the Senior Notes within the United States through their U.S.-registered broker-dealer affiliates only to persons who they reasonably believe to be QIBs in reliance on Rule 144A and outside the United States only to non-U.S. persons in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Senior Notes are restricted as described under "Notice to U.S. Investors" and "Notice to Non-U.S. Investors".

Until 40 days after the commencement of this Offering, an offer or sale of any Senior Notes, initially sold in reliance on Regulation S, within the United States by any dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the U.S. Securities Act.

No South African residents or their offshore subsidiaries may subscribe or purchase any Senior Notes or beneficially hold or own Senior Notes unless such subscription, purchase or beneficial holding or ownership is otherwise permitted under South African exchange control regulations or the rulings promulgated thereunder, or specific approval has been obtained from the SARB. Senior Notes will not be advertised to, or offers for subscription or sale solicited from, investors in South Africa.

Each of the Initial Purchasers has severally and not jointly represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the U.K. Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Senior Notes in circumstances in which section 21(1) of the FSMA does not apply to any Issuer or any Senior Notes Guarantor; and

(ii) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Senior Notes in, from or otherwise involving the United Kingdom.

Persons who purchase Senior Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set out on the cover page of this Offering Memorandum.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Senior Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Senior Notes in any jurisdiction where action for this purpose is required. Accordingly, the Senior Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Senior Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to purchase, Senior Notes in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to this Offering of the Senior Notes, the distribution of this Offering Memorandum and resale of the Senior Notes. See "Notice to U.S. Investors" and "Notice to Non-U.S. Investors".

The Senior Notes are new issues of securities with no established trading market. We have applied to list the Senior Notes on the Official List of the Irish Stock Exchange and to be admitted for trading on its Global Exchange Market. The Initial Purchasers have advised us that they currently intend to make a market in the Senior Notes as permitted by applicable law. However, the Initial Purchasers are not obligated to do so and any market-making may be discontinued by the Initial Purchasers at any time at their sole discretion without notice. Accordingly, no assurance can be given as to the liquidity of, or the trading market for, the Senior Notes.

In connection with this Offering, the Stabilisation Manager or any person acting for it may engage in over-allotment, stabilising transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act.

Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers.

Stabilising transactions permit bids to purchase the underlying security so long as the stabilising bids do not exceed a specified maximum.

Covering transactions involve purchases of the Senior Notes in the open market after the distribution has been completed in order to cover short positions.

Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Senior Notes originally sold by that broker/dealer are purchased in a stabilising or covering transaction to cover short positions.

These stabilising transactions, covering transactions and penalty bids may cause the price of the Senior Notes to be higher than it would otherwise be in the absence of these transactions. There is no obligation on the Stabilisation Manager or any person acting for it to undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Senior Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Senior Notes.

Such stabilisation activities will not be carried out by the Stabilisation Manager or any person acting for it as agent for the Issuer, and neither the Stabilisation Manager nor any person acting for it will account to the Issuer for any resulting profit nor will the Stabilisation Manager or any person acting for it be liable for any loss.

Certain of the Initial Purchasers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business for which they have received (and expect to continue to receive) customary fees and reimbursement of expenses. In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Senior Notes. Any such short positions could adversely affect future trading prices of Senior Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Each of J.P. Morgan Securities plc, Merrill Lynch International, Barclays Bank PLC, Goldman Sachs International and Morgan Stanley & Co. International plc, directly or through their respective affiliates, has provided from time to time, and expects to provide in the future, investment and commercial banking, financial advisory, trading and other services to us and our affiliates for which they have received and/or will receive customary compensation. In particular:

- Absa, an affiliate of Barclays Bank PLC, is the agent and a lender under the Super Senior Revolving Credit Facility, a lender under the ZAR Term Loan, a hedge counterparty under the Existing Hedging Arrangements and a party to our strategic partnership for our private label store card programme;

- J.P. Morgan Securities plc and/or one of their affiliates is a lender under the Super Senior Revolving Credit Facility, a dealer manager for the Tender Offer, a hedge counterparty under the Existing Hedging Arrangements, and is a lender under the ZAR Term Loan;

- Merrill Lynch International and/or one of its affiliates is a lender under the ZAR Term Loan and is a dealer manager for the Tender Offer;

- Goldman Sachs International and/or one of its affiliates is a hedge counterparty under the Existing Hedging Arrangements and is a lender under the ZAR Term Loan; and

- Morgan Stanley & Co. International plc and/or one of its affiliates is a lender under the Revolving Super Senior Credit Facility and is a lender under the ZAR Term Loan.

NOTICE TO U.S. INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Senior Notes offered hereby.

The Senior Notes and the Senior Notes Guarantees have not been registered under the U.S. Securities Act, or any securities laws of any state and, therefore, the Senior Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Senior Notes may only be offered and sold:

- in the United States to "qualified institutional buyers", commonly referred to as "QIBs", as defined in Rule 144A and in reliance on Rule 144A; and
- to non-U.S. persons in offshore transactions in reliance on Regulation S.

We use the terms "offshore transaction", "U.S. person" and "United States" with the meanings given to them in Regulation S.

In addition, until 40 days after the later of the commencement of this Offering and the closing date, an offer or sale of the Senior Notes within the United States by a dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

Each purchaser of the Senior Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

(1) It understands and acknowledges that neither the Senior Notes nor the Senior Notes Guarantees have been registered under the U.S. Securities Act or any other applicable securities law, are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities law, including sales pursuant to Rule 144A under the U.S. Securities Act, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set out in paragraph (5) below.

(2) It is not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer or any guarantor or acting on the Issuer or any guarantor's behalf and it is either:

 (i) a QIB and is aware that any sale of Senior Notes to it will be made in reliance on Rule 144A and the acquisition of the Senior Notes will be for its own account or for the account of another QIB; or

 (ii) a non-U.S. person purchasing the Senior Notes outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

(3) It acknowledges that none of the Issuer, the Senior Notes Guarantors or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to the offering or sale of any Senior Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Senior Notes. It has had access to such financial and other information concerning us and the Issuer, the Senior Notes Guarantors, the Senior Notes Indenture, the Senior Notes, the Senior Notes Guarantees and the security documents as it deemed necessary in connection with its decision to purchase any of the Senior Notes, including an opportunity to ask questions of, and request information from, the Issuer, the Senior Notes Guarantors and the Initial Purchasers.

(4) It is purchasing the Senior Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any other securities laws, subject to any requirement of law that the disposal of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell the Senior Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) Each holder of the Senior Notes agrees on its own behalf and on behalf of any investor account for which it is purchasing the Senior Notes, and each subsequent holder of the Senior Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Senior Notes prior to the date (the "Resale Restriction Termination Date") that is one year (in the case of Senior Notes issued in reliance on Rule 144A ("Rule 144A Notes")) or 40 days (in the case of Notes issued in reliance on Regulation S ("Regulation S Notes")) after the later of the date of the Issue Date and the last date on which the Issuer or any of its affiliates was the owner of such Senior Notes (or any predecessor thereto) only (i) to the Issuer, the Senior Notes Guarantors or a subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Senior Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales to non-U.S. persons that occur outside the United States in compliance with Regulation S under the U.S. Securities Act, (v) to an institutional accredited investor (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the U.S. Securities Act) that is not a QIB and that is purchasing for its own account or for the account of another institutional accredited investor, in each case in a minimum principal amount of Senior Notes of U.S. $250,000, or (vi) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposal of its property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer's and the trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (iv), (v) or (vi) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the other side of the security is completed and delivered by the transferor to the Trustee. Each purchaser acknowledges that each Senior Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE DATE WHEN THE SECURITIES WERE FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS IN RELIANCE ON REGULATION S AND THE DATE OF THE COMPLETION OF THE DISTRIBUTION ONLY (A) TO THE ISSUER, THE SENIOR NOTES GUARANTORS AND ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER

IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, (E) TO AN INSTITUTIONAL ACCREDITED INVESTOR (WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) UNDER THE U.S. SECURITIES ACT) THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER AND THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF SENIOR NOTES OF $250,000 OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If it purchases the Senior Notes, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Senior Notes as well as to holders of these Senior Notes.

(6) It agrees that it will give to each person to whom it transfers the Senior Notes notice of any restrictions on transfer of such Senior Notes.

(7) It acknowledges that until 40 days after the commencement of this Offering, any offer or sale of the Senior Notes within the United States by a dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

(8) It acknowledges that the Registrar will not be required to accept for registration of transfer any Senior Notes except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set out therein have been complied with.

(9) It acknowledges that we, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Senior Notes are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Senior Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(10) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Senior Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Senior Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Senior Notes will be subject to the selling restrictions set out under "Plan of Distribution".

NOTICE TO NON-U.S. INVESTORS

South Africa

No South African residents or other offshore subsidiary may subscribe for or purchase any of the Senior Notes or beneficially own or hold any of the Senior Notes unless such subscription, purchase or beneficial holding or ownership is otherwise permitted under the South African exchange control regulations or the rulings promulgated thereunder or specific approval has been obtained from the Financial Surveillance Department of the South African Reserve Bank. Senior Notes will not be advertised to or solicited from investors in South Africa. Senior Notes will not be advertised to, or offers for subscription or sale solicited from, investors in South Africa.

United Kingdom

In the United Kingdom the Senior Notes will only be available for purchase pursuant to the offering to a person who represents and agrees that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Senior Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or any Senior Notes Guarantor; and
- it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Senior Notes in, from or otherwise involving the United Kingdom.

European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of the Senior Notes will be made pursuant to an exemption under Article 3 of the Prospectus Directive, as implemented in member states of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of the Senior Notes. Accordingly, any person making or intending to make any offer within the EEA of the Senior Notes should only do so in circumstances in which no obligation arises for us or any of the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorised, nor do we or they authorise, the making of any offer of Senior Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Senior Notes contemplated in this Offering Memorandum.

In relation to each member state of the EEA that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, an offer is not being made and will not be made to the public of any Senior Notes which are the subject of the offering contemplated by this Offering Memorandum in that Relevant Member State, other than: (i) to any legal entity that is a "qualified investor" as defined in the Prospectus Directive; (ii) to fewer than 150 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive; *provided* that no such offer of the Senior Notes shall require us or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an "offer of Senior Notes to the public" in relation to the Senior Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Senior Notes to be offered so as to enable an investor to decide to purchase or subscribe the Senior Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State; and the expression "Prospectus Directive" means Directive 2003/71/EC (and the amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State; and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

Choice of Law

Our South African counsel has advised us that in any proceedings for the enforcement of the obligations of any South African party, the South African courts will generally give effect to the choice of foreign law as contemplated in the Senior Notes as the governing law thereof.

Jurisdiction

According to said counsel, subject as set out below, any party's (i) irrevocable submission under the Senior Notes Indenture and the Senior Notes to the jurisdiction of a New York court; and (ii) agreement not to claim any immunity to which it or its assets may be entitled, is generally legal, valid, binding and enforceable under the laws of South Africa, and any judgement obtained in the foreign jurisdiction will generally be recognised and be enforceable by the courts of South Africa without the need for re-examination of the merits (see below). The appointment by any party of an agent in a New York court to accept service of process in respect of the jurisdiction of the New York courts is generally valid and binding on that party.

Under South African law, a court will not accept a complete ouster of jurisdiction, although generally it recognises party autonomy and gives effect to choice of law and choice of jurisdiction provisions. However, jurisdiction remains within the discretion of the court and a court may, in certain instances, assume jurisdiction provided there are sufficient jurisdictional connecting factors. South African courts may, in rare instances, choose not to give effect to a choice of jurisdiction clause, if, for example, such choice is contrary to public policy. Proceedings before a court of South Africa may be stayed if the subject of the proceedings is concurrently before any other court.

Recognition of Foreign Judgements

We have also been advised by our South African counsel that subject to obtaining the permission of the South African Minister of Trade and Industry under the South African Protection of Businesses Act, No. 99 of 1978 (the "SA PB Act"), an authenticated judgement obtained in a competent court of jurisdiction other than South Africa will be recognised and enforced in accordance with procedures ordinarily applicable under South African law for the enforcement of foreign judgements, namely a provisional sentence summons, application or action claiming enforcement of the foreign judgement; *provided* that the judgement was pronounced by a proper court of law, was final and conclusive (in the case of a judgement for money, on the face of it), has not become stale, and has not been obtained by fraud or in any manner opposed to natural justice or contrary to the international principles of due process and procedural fairness, the enforcement thereof is not contrary to South African public policy and the foreign court in question had jurisdiction and competence according to the applicable South African rules on international competence. A foreign judgement will probably not be recognised in South Africa if the foreign court exercised jurisdiction over the defendant solely by virtue of an attachment to found jurisdiction or on the basis of domicile alone. South African courts will not enforce foreign revenue or penal laws (e.g. fines or governmental levy (distinct from private judgements)) and South African courts have, as a matter of public policy, generally not enforced awards for multiple or punitive damages. Permission from the Minister of Trade and Industry will similarly not be granted if it would result in the recovery of punitive damages.

Where obligations are to be performed in a jurisdiction outside South Africa they may not be enforceable under the laws of South Africa to the extent that such performance would be illegal or contrary to public policy under the laws of South Africa or the foreign jurisdiction, or to the extent that the law precludes South African courts from granting extra-territorial orders. South African courts have the discretion of refusing the granting of orders with extra-territorial effect if the granting of such order would be ineffectual.

Under the South African Recognition and Enforcement of Foreign Arbitral Awards Act, No. 40 of 1977 (the "SA Enforcement Act"), any foreign arbitral award may, subject to the provisions of sections 3 and 4 thereof, be made an order of court. Any such award which has been made an order of court pursuant to the provisions of the SA Enforcement Act may be enforced in the same manner as any judgement or order to the same effect (subject to the provisions of the SA PB Act, which apply *mutatis mutandis* to foreign arbitral awards).

Effect of Liquidation on Civil Proceedings

Said counsel has further advised us that, in general and subject to certain exceptions, civil proceedings (including arbitration proceedings) instituted by or against a company are automatically stayed upon the winding-up of the company until the appointment of a final liquidator. A plaintiff wishing to continue with such proceedings against the company in liquidation must give the final liquidator three weeks' notice of its intention to do so within a period of four weeks from the date that such liquidator is finally appointed, failing which, the proceedings lapse. A final liquidator is only appointed several months after the liquidation of the company (a provisional liquidator is appointed during this interim period). In circumstances where the court finds that there was a reasonable excuse for a failure to give the requisite notice, it has a discretion to allow a plaintiff to continue with proceedings on such conditions as it deems fit. Execution against the company in liquidation's assets is similarly stayed.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by Kirkland & Ellis International LLP, with respect to U.S. federal, New York and English law, and Edward Nathan Sonnenbergs Incorporated, Johannesburg, South Africa, with respect to South African law. Certain legal matters in connection with this Offering will be passed upon for the Initial Purchasers by Linklaters LLP, with respect to U.S. federal, New York and English law, and Webber Wentzel, Johannesburg, South Africa, with respect to South African law.

INDEPENDENT AUDITORS

In this Offering Memorandum, the historical financial statements for the Issuer for fiscal years 2011, 2012 and 2013 have been audited by Ernst & Young Inc., South Africa, independent auditors, as stated in their reports appearing herein. Ernst & Young Inc., South Africa, is a Registered Auditor with the Independent Regulatory Board for Auditors of South Africa.

AVAILABLE INFORMATION

We are currently not subject to the periodic reporting requirements of the U.S. Exchange Act. However, pursuant to the Senior Notes Indenture governing the Senior Notes, we will furnish periodic information to holders of the Senior Notes. See “Description of the Senior Notes—Reports to Holders”.

In addition, documents concerning this Offering can be inspected at the Issuer’s office at Edgardale, Press Avenue, Crown Mines, Johannesburg, Republic of South Africa. Copies of such documents and other information relating to the issuance of the Senior Notes will be available at the specified office of the Listing Agent.

For so long as any of the Senior Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to Section 13 or 15(d) under the U.S. Exchange Act nor exempt from reporting thereunder pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial holder of a Senior Note, or to any prospective purchaser of a Senior Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial holder. Any such request should be directed to us at the address given in the previous paragraph. It should be delivered to the attention of the Issuer’s company secretary.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to the Irish Stock Exchange to approve this this Offering Memorandum and admit the Senior Notes to to listing on the Official List of the Irish Stock Exchange and to trading on its Global Exchange Market in accordance with the rules and regulations of the Irish Stock Exchange. This Offering Memorandum constitutes "Listing Particulars" and does not constitute "a Prospectus" for such an application.

We will maintain a Listing Agent for as long as any of the Senior Notes are listed on the Global Exchange Market of the Irish Stock Exchange. We reserve the right to vary such appointment and will notify the Global Exchange Market of the Irish Stock Exchange of such change of appointment.

As long as any of the Senior Notes remain outstanding and listed on the Global Exchange Market of the Irish Stock Exchange, copies of this Offering Memorandum will be made available for inspection by physical means at the registered office of our Listing Agent for the Senior Notes, and at our registered office located at Edgardale, 1 Press Avenue, Crown Mines, Johannesburg, 2092, Republic of South Africa.

In addition, for as long as the Senior Notes remain listed on the Official List of the Irish Stock Exchange, copies of the following documents will be made available for inspection by physical means at the registered office of our Listing Agent for the Senior Notes, and at our registered office located at Edgardale, 1 Press Avenue, Crown Mines, Johannesburg, 2092, Republic of South Africa:

- the memorandum of incorporation of each of the Issuer and the Senior Notes Guarantors;
- the Senior Notes Indenture, including the Senior Notes Guarantees;
- our most recent audited financial statements, and any interim financial statements published by us;
- our audited financial statements for our the fiscal year ended 31 March 2012;
- the Purchase Agreement; and
- any other material documents relating to the listing.

The financial information contained in this Offering Memorandum contains information on a consolidated basis for the Issuer as well as the Senior Notes Guarantors and the Issuer's non-guarantor subsidiaries.

The total expenses related to the admission of the Senior Notes to trading on the Global Exchange Market of the Irish Stock Exchange are expected to be approximately €9,000. Except as disclosed in this Offering Memorandum, we have not been involved in any governmental, legal or arbitration proceedings that may have, or have had during the 12 months preceding the date of this Offering Memorandum, a significant effect on our financial position nor are we aware that any such proceedings are pending or threatened.

As at the date of this Offering Memorandum, our most recent audited financial statements available were as at and for the period ended 30 March 2013. Except as disclosed in this Offering Memorandum, as at the date of this Offering Memorandum, there has been no significant adverse change in our consolidated or company financial condition or trading position since 30 March 2013, the date of our last consolidated annual accounts, nor since 29 June 2013, the date of our last consolidated unaudited interim accounts.

This Offering Memorandum contains data provided by the South African Retailers' Liaison Committee (the "RLC") to estimate the size of the South African C&F market and the market share of individual C&F retailers. Unless otherwise specified, C&F market data provided in this Offering Memorandum refer to RLC data. The RLC collects and publishes sales and related data from RLC member companies, which are medium-sized and large-sized retailers operating in the C&F market. Members of the RLC change over time and therefore RLC data for different years may include different member companies. This information derived from RLC estimates has been accurately reproduced and, as far as we are aware and are able to ascertain from information published by RLC, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Prescription

Claims against the Issuer for the payment of principal or Additional Amounts, if any, on the Senior Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Senior Notes will be prescribed five years after the applicable due date for payment of interest.

Clearing Information

The Senior Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Senior Notes is set out below.

	ISIN	Common code
Rule 144A Global Notes	XS0982712878	098271287
Regulation S Global Notes	XS0982713173	098271317

Organisational Information

The issuer of the Senior Notes, Edcon Holdings Limited (the Issuer) is a company registered under the laws of South Africa and was incorporated on 27 February 2006 under Registration No. 2006/036903/06 pursuant to the Old Companies Act.

The Senior Notes will be guaranteed on a subordinated basis by: Edcon Limited, a company registered under the laws of South Africa and incorporated on 5 February 2007 under Registration No. 2007/03525/06 pursuant to the Old Companies Act; Edcon Acquisition Proprietary Limited a company registered under the laws of South Africa and incorporated on 12 January 2007 under Registration No. 2007/00518/07 pursuant to the Old Companies Act; and Edgars Consolidated Stores Limited a company registered under the laws of South Africa and incorporated on 7 August 1946 under Registration No. 1946/022751/06 pursuant to the Old Companies Act.

GEM Disclosure Requirements for Subsidiary Guarantor Structures

The following information is provided pursuant to Section 2(b) of the Disclosure Requirements for Subsidiary Guarantor Structures promulgated by the Irish Stock Exchange for its Global Exchange Market:

For and as at the 52 Weeks Ended 30 March 2013

	EBITDA	Net Assets	% of total consolidated EBITDA	% of total consolidated net assets
Consolidated Basis	R 219,000,000	R 26,696,000,000	---	---
Edcon Holdings Limited	R(360,000,000)(1)	R259,000,000(1)	(164%)	1%
Subsidiary guarantors	R14,000,000(1)	R24,621,000,000(1)	6%	92%
Subsidiary non-guarantors	R565,000,000(1)	R1,816,000,000(1)	258%	7%

(1) Excludes certain inter-group transactions which are eliminated upon consolidation.

Edcon Limited, a Guarantor under the Senior Notes, accounts for over 20% of the Group's consolidated net assets. Accordingly, the following information is provided pursuant to Section 4 of the Disclosure Requirements for Subsidiary Guarantor Structures promulgated by the Irish Stock Exchange for its Global Exchange Market, solely as to Edcon Limited:

- Edcon Limited EBITDA (for the 52-week period ended 30 March 2013): R14,000,000 (representing 6% of the Group's consolidated EBITDA for that period);
- Edcon Limited net assets (for the 52-week period ended 30 March 2013): R24,621,000,000 (representing 92% of the Group's net assets as at 30 March 2013);
- the address of Edcon Limited's registered office is: Edgardale, Press Avenue, Crown Mines, Johannesburg 2092, Republic of South Africa;
- Edcon Limited's registration number is: 2007/03525/06;
- Edcon Limited was incorporated on: 5 February 2007;
- for a description of risks that could impact on Edcon Limited's guarantee, please see "Risk Factors" herein; and

- for a description of any encumbrances on the assets of Edcon Limited that could materially affect its ability to meet is obligations under its guarantee, please see “Description of Certain Other Indebtedness” herein.

Corporate Information

Edcon Holdings Limited
Incorporated in the Republic of South Africa
Registration number 2006/036903/06

Non-executive directors
DM Poler* (Chairman), EB Berk*, MS Levin*,
ZB Ebrahim, MMV Valentiny**, DH Brown,
TF Mosololi, LL von Zeuner

Executive directors
J Schreiber *** (Managing Director and Chief Executive Officer),
MR Bower, Dr U Ferndale

*USA ** BELGIUM ***GERMANY
Independent non-executive director

Group Secretary
CM Vikisi

Registered office
Edgardale, Press Avenue
Crown Mines, Johannesburg 2092
Telephone: +27 11 495-6000
Fax: +27 11 837-5019
Website: www.edcon.co.za

Postal address
PO Box 100, Crown Mines 2025

Auditors
Ernst & Young Inc.
Wanderers Office Park
52 Corlett Drive, Illovo 2196
PO Box 2322, Johannesburg 2000
Telephone: +27 11 772-3000
Fax: +27 11 772-4000

Trustee, Transfer Agent and Principal Paying Agent
The Bank of New York Mellon
One Canada Square
London E14 SAL
United Kingdom

Tracy Sheridan, Listing Executive—
The Bank of New York Mellon Corporation
Corporate Trust Services
Phone +353 1 542 6991
Fax +353 1 542 6999
Tracy.x.sheridan@bankofny.com

Registrar
The Bank of New York Mellon
(Luxembourg) S.A.
Vertigo Building—Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

The Listing Agent
Bank of New York Mellon SA/NV
Dublin Branch
Hannover Building, Windmill Lane
Dublin 2
Republic of Ireland

INDEX TO FINANCIAL STATEMENTS OF EDCON HOLDINGS LIMITED

Unaudited Interim Condensed Consolidated Financial Statements

Edcon Holdings Limited ("Edcon")

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF EDCON HOLDINGS LIMITED

(Registration number 2006/036903/06)

FINANCIAL STATEMENTS
for the 13-weeks ended 29 June 2013

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

Unaudited Condensed Consolidated Statement of Financial Position

	2013 29 June	Restated 2013 30 March	Restated 2012 30 June
	Rm	Rm	Rm
ASSETS			
Non-current assets			
Properties, fixtures, equipment and vehicles	**2,745**	2,606	2,530
Intangible assets	**16,622**	16,697	17,394
Employee benefit asset	**129**	172	154
Derivative financial instruments	**734**	292	819
Deferred tax	**11**	33	1,163
Total non-current assets	**20,241**	19,800	22,060
Current assets			
Inventories	**3,852**	3,738	3,180
Trade receivables	**215**	373	143
Other receivables and prepayments	**458**	468	396
Derivative financial instruments	**800**	815	2
Cash and cash equivalents	**480**	710	1,115
	5,805	6,104	4,836
Assets classified as held-for-sale	**803**	1,160	10,091
Total current assets	**6,608**	7,264	14,927
Total assets	**26,849**	27,064	36,987
EQUITY AND LIABILITIES			
Share capital and premium	**2,153**	2,153	2,153
Other reserves	**76**	(61)	(733)
Retained loss	**(12,584)**	(11,870)	(7,072)
Shareholder's loan—equity	**8,290**	8,290	8,290
Equity attributable to shareholders	**(2,065)**	(1,488)	2,638
Non-controlling interests	**74**	72	59
Total equity	**(1,991)**	(1,416)	2,697
Non-current liabilities—shareholder's loan			
Shareholder's loan	**822**	801	665
Total equity and shareholder's loan	**(1,169)**	(615)	3,362
Non-current liabilities—third parties			
Interest-bearing debt	**19,990**	19,259	23,985
Deferred option premium	**274**	269	
Finance lease liability	**270**	273	303
Lease equalisation	**446**	432	406
Derivative financial instruments	**—**	—	52
Employee benefit liability	**187**	184	184
Deferred taxation	**345**	617	
Deferred revenue	**86**	86	
	21,598	21,120	24,930
Total non-current liabilities	**22,420**	21,921	25,595
Current liabilities			
Interest-bearing debt	**550**	1,516	2,371
Deferred option premium	**309**	36	
Finance lease liability	**34**	40	37
Current taxation	**34**	10	266
Deferred revenue	**108**	106	152
Derivative financial instruments	**140**	79	1,085
Trade and other payables	**5,245**	4,772	4,784
Total current liabilities	**6,420**	6,559	8,695
Total equity and liabilities	**26,849**	27,064	36,987
Total managed capital per IAS 1	**19,675**	20,473	30,058

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Note	2013 13 weeks to 29 June	Re-presented & restated 2012 13 weeks to 30 June
		Rm	Rm
Continuing operations			
Total revenues		**6,615**	6,320
Revenue—retail sales		**6,205**	6,013
Cost of sales		**(3,793)**	(3,735)
Gross profit		**2,412**	2,278
Other income		**243**	158
Store costs		**(1,295)**	(1,207)
Other operating costs		**(1,138)**	(821)
Income from joint operations		**174**	150
Trading profit		**396**	558
Derivative gains		**323**	1
Foreign exchange losses		**(999)**	(189)
(Loss)/profit before net financing costs		**(280)**	370
Finance income		**6**	11
(Loss)/profit before financing costs		**(274)**	381
Financing costs		**(619)**	(783)
Loss before taxation from continuing operations		**(893)**	(402)
Taxation		**192**	121
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(701)**	(281)
Discontinued operations			
(Loss)/profit after tax for the period from discontinued operations	4	**(11)**	68
LOSS FOR THE PERIOD		**(712)**	(213)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**24**	3
Gain/(loss) on cash flow hedges		**113**	(41)
Other comprehensive income for the period after tax		**137**	(38)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(575)**	(251)
(Loss)/profit attributable to:			
Owners of the parent		**(714)**	(214)
Non-controlling interests		**2**	1
		(712)	(213)
Total comprehensive income attributable to:			
Owners of the parent		**(577)**	(252)
Non-controlling interests		**2**	1
		(575)	(251)

Unaudited Condensed Consolidated Statement of Changes in Equity

	Share capital and premium	Foreign currency translation reserve	Cash flow hedging reserve	Revaluation surplus	Retained loss	Shareholder's loan	Non-controlling interests	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Balance at 31 March 2012	2,153	(40)	(661)	6	(6,858)	8,290	58	2,948
(Loss)/profit for the period					(214)		1	(213)
Other comprehensive income for the period		3	(41)					(38)
Total comprehensive income		3	(41)		(214)		1	(251)
Balance at 30 June 2012	2,153	(37)	(702)	6	(7,072)	8,290	59	2,697
Balance at 30 March 2013	2,153	(30)	(37)	6	(11,870)	8,290	72	(1,416)
(Loss)/profit for the period					(714)		2	(712)
Other comprehensive income for the period		24	113					137
Total comprehensive income		24	113		(714)		2	(575)
Balance at 29 June 2013	**2,153**	**(6)**	**76**	**6**	**(12,584)**	**8,290**	**74**	**(1,991)**

Unaudited Condensed Consolidated Statement of Cash Flows

	2013 13 weeks to 29 June	Re-presented & restated 2012 13 weeks to 30 June
	Rm	Rm
Cash retained from operating activities		
Loss before taxation from continuing operations	**(893)**	(402)
(Loss)/profit before taxation from discontinued operations	**(15)**	95
Finance income	**(6)**	(11)
Finance costs	**619**	783
Derivative gains	**(323)**	(1)
Deferred revenue	**2**	72
Foreign exchange losses	**999**	189
Amortisation of intangible assets	**78**	87
Depreciation	**190**	185
Net loss on disposal of properties, fixtures, equipment and vehicles	**—**	14
Other non-cash items	**47**	53
Operating cash inflow before changes in working capital	**698**	1,064
Working capital movement	**497**	355
Inventories	**(94)**	61
Trade accounts receivable	**57**	(76)
Proceeds from sale of trade accounts receivable	**461**	
Other receivables and prepayments	**(2)**	51
Trade and other payables	**75**	319
Cash inflow from operating activities	**1,195**	1,419
Finance income received	**6**	11
Financing costs paid	**(209)**	(643)
Taxation paid	**(1)**	(4)
Net cash inflow from operating activities	**991**	783
Cash utilised in investing activities		
Investment in fixtures, equipment and vehicles	**(246)**	(198)
Other investing activities	**(2)**	
Net cash outflow from investing activities	**(248)**	(198)
Cash effects of financing activities		
Settlement of derivatives	**654**	
Decrease in interest-bearing debt	**(1,622)**	(534)
Decrease in finance lease liability	**(10)**	(12)
Net cash outflow from financing activities	**(978)**	(546)
(Decrease)/increase in cash and cash equivalents	**(235)**	39
Cash and cash equivalents at the beginning of the period	**710**	1,074
Currency adjustments	**5**	2
Cash and cash equivalents at the end of the period	**480**	1,115

Notes to the unaudited Condensed Consolidated Financial Statements

1. Basis of preparation

Basis of accounting

Edcon Holdings Limited's Condensed 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, 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 Consolidated Financial Statements of Edcon Holdings Limited on 30 March 2013 and for the period then ended except those relating to new and amended standards and interpretations.

These Financial Statements should be read in conjunction with the audited Consolidated Financial Statements as at and for the period ended 30 March 2013 as included in the 2013 Audited Consolidated Annual Financial Statements of Edcon Holdings Limited.

Comparability

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial period, except for the following new and amended IFRS standards and IFRIC interpretations effective as of 31 March 2013.

- IFRS 10, Consolidated financial statements
- IFRS 10, Consolidated financial statements—amendment effective 1 January 2014
- IFRS 11, Joint arrangements
- IFRS 12, Disclosure of interests in other entities
- IFRS 10, 11 and 12, Transition guidance (Amendments to IFRS 10, 11 and 12)
- IFRS 13, Fair value measurement
- IAS 1, Presentation of items of other comprehensive income (amendment to IAS 1)
- IAS 27, Separate financial statements
- IAS 28, Investments in associates and joint ventures
- IFRS 7, Disclosures—offsetting financial assets and financial liabilities (amendments to IFRS 7).
- Improvements to IFRS's (May 2012)

The implementation of the May 2012 improvements and IFRS 13, Fair Value Measurement has resulted in additional disclosures in these Financial Statements. These are included under note 5 relating to the valuation techniques for financial instruments and disclosures of market values relating to non-current interest-bearing debt.

The implementation of IFRS 10, Consolidated Financial Statements and the related amendments listed above has resulted in a restatement of these Financial Statements as discussed below.

Restatements

IFRS 10, Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements, was issued in May 2011 and became effective for financial periods beginning on or after 1 January 2013. In the implementation of IFRS 10, Edgars Zimbabwe was re-assessed in the consolidated financial statements, and the results of Edgars Zimbabwe have been consolidated. In the previous years, Edgars Zimbabwe was not material to the Group.

As a result of this, on the Condensed Consolidated Statement of Financial Position, trade receivables at 29 June 2013 comprise mainly of trade receivables from Edgars Zimbabwe of R192 million (30 March 2013: R192 million and 30 June 2012: R143 million) which are not classified as held-for-sale. Non-controlling interests of R74 million at 29 June 2013 (30 March 2013: R72 million and 30 June 2012: R59 million) have been included in total equity. Refer to the segment results (note 2) of the Group for additional details on Edgars Zimbabwe.

IFRS 11, Joint Arrangements

This standard was issued in May 2011 and became effective for financial periods beginning on or after 1 January 2013. In accordance with this standard a joint arrangement is accounted for as either a:

- Joint operation—by showing the investor's interest/relative interest in the assets, liabilities, revenues and expenses of the joint arrangement; or
- Joint venture—by applying the equity accounting method. Proportionate consolidation is no longer permitted.

As a result of applying the principles of the standard, the Group no longer recognises income from joint ventures as previously reported but rather income from joint operations on the Condensed Consolidated Statement of Comprehensive Income. The Condensed Consolidated Statement of Financial Position no longer discloses a line item for equity accounted investment in joint venture. Rather, the Group has recognised its assets, revenue and expenses relating to the interest in the joint operation.

The transition provisions of IFRS 11 require that the standard is applied retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. In line with these transitional provisions, the restatement on the Condensed Consolidated Statement of Financial Position has been applied retrospectively. There have been no other material affects for each financial statement line item.

Re-presentation

The comparative numbers in these Financial Statements have been re-presented to take into account the discontinued operation for the trade accounts receivable sold to Absa Limited ("Absa") on 1 November 2012 in the third quarter of the prior financial period, the additional sale in the first quarter of the current financial period and the trade accounts receivable classified as held-for-sale at 29 June 2013 on the Condensed Consolidated Statement of Financial Position.

Reclassification

On the Condensed Consolidated Statement of Comprehensive income for the 13-week period to 30 June 2012, a reclassification of R143 million was made from other income to other operating costs for comparative presentation to the Audited Annual Consolidated Financial Statements of Edcon Holdings Limited at 30 March 2013.

Significant movements on the Condensed Consolidated Statement of Financial Position

Assets classified as held-for-sale

Trade accounts receivable of R461 million were sold to Absa on 30 April 2013 and assets classified as held-for sale have as a result decreased from R1 160 million at 30 March 2013 to R803 million at 29 June 2013 (note 4).

Interest-bearing debt

Non-current interest-bearing debt

The senior secured floating rate notes €387 million were redeemed on 20 May 2013 with the proceeds of the R4 120 million senior secured term loan.

Current interest-bearing debt

The current interest-bearing debt decreased by R966 million from R1,516 million at 30 March 2013 to R550 million at 29 June 2013 mainly due to proceeds received from the sale of the South African trade accounts receivable on 30 April 2013.

Derivative financial instruments and deferred option premium

The Group's net derivative financial instruments at 29 June 2013 were an asset of R1,394 million compared to an asset of R1,028 million at 30 March 2013. To increase the extent of hedge cover on the Euro denominated senior secured fixed rate notes, a series of derivative contracts were entered into in April 2013:

- Cross currency swaps were entered into which, (i) protect against interest rate variability in future interest cash flows on liabilities, (ii) protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedge the repayment of €230 million in principal and interest on the notes to 15 March 2015. The hedges create an effective annual average fixed interest rate of 15.55% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.
- A cross currency swap was entered into which protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is €70 million and provides cover on the coupon of the notes up to 15 March 2015. The hedge creates an effective annual average fixed interest rate of 10.2% over the period of cover. The cross currency swap has been designated as a cash flow hedge.
- Foreign currency call options were entered into which hedge the repayment of €237 million in principal on the notes to 12 March 2015. The premiums payable on the foreign currency call options of R317 million have been deferred to 13 March 2015. These options have not been designated as cash flow hedges.

On 17 May 2013, Edcon Limited terminated cross currency swaps as a consequence of the repurchase of the senior secured floating rate notes with a nominal value of €387 million and received proceeds of R654 million which were applied to the redemption of the senior secured floating rate notes.

Going concern

The Condensed Consolidated Statement of Financial Position at 29 June 2013 reports share capital and premium of R2,153 million in equity attributable to shareholders and a shareholder's loan recognised in equity of R8,290 million offset by an accumulated retained loss of R12,584 million and a net credit of R76 million in other reserves, resulting in negative equity attributable to shareholders at 29 June 2013 of R2,065 million. After considering non-controlling interests of R74 million, total equity of the Group is a deficit of R1,991 million. The shareholder's loan of R9,112 million has been subordinated to the claims of all the creditors of the Group and the total negative equity and shareholder's loan is R1,169 million.

Notwithstanding the fact that the Group's liabilities exceed its assets in accordance with IFRS, the Condensed Consolidated Financial Statements have been prepared on the going-concern basis as the Group's assets at fair value (including unrecognised fair value of intangible assets) exceed the liabilities. The directors have every reason to believe that the Group has adequate resources to continue in operation for the foreseeable future and is considered both solvent and liquid.

	2013 29 June Rm	Re-presented & restated 2012 30 June Rm
2. SEGMENTAL RESULTS		
2.1 Revenues		
Edgars	**3,198**	3,152
CNA	**445**	426
Discount	**2,584**	2,472
Edgars Zimbabwe[1]	**120**	94
Manufacturing	**23**	16
Credit and Financial Services	**239**	159
Group Services	**6**	1
	6,615	6,320
2.2 Retail sales		
Edgars	**3,119**	3,083
CNA	**445**	426
Discount	**2,527**	2,413
Edgars Zimbabwe[1]	**114**	91
	6,205	6,013
2.3 Number of stores		
Edgars	**408**	341
CNA	**195**	195
Discount	**658**	615
Edgars Zimbabwe[1]	**40**	36
	1,301	1,187
2.4 Operating (loss)/profit from continuing operations		
Edgars	**483**	595
CNA	**—**	13
Discount	**337**	304
Edgars Zimbabwe[1]	**7**	7
Manufacturing	**(3)**	5
Credit and Financial Services	**229**	162
Group Services[2]	**(1,333)**	(716)
	(280)	370

1 Edgars Zimbabwe has been disclosed as a separate segment as the business activities are monitored separately.
2 Included in the allocation to the Group Services segment is corporate overheads, derivative gain or loss, foreign exchange gain or loss and amortisation of intangible assets and additional depreciation as a result of the private equity transaction in 2007 and transitional projects related expenditure.

	2013 29 June Rm	Re-presented & restated 2012 30 June Rm
3. REVENUES		
Retail sales	**6,205**	6,013
Club fees	**136**	128
Finance charges on trade receivables	**17**	13
Revenue from joint operations	**161**	139
Finance income	**6**	11
Administration fee	**67**	
Manufacturing sales to third parties	**23**	16
	6,615	6,320

4. DISCONTINUED OPERATIONS

On 6 June 2012, the Group announced the intended sale of its private label store card to Absa as well as the implementation of a long-term strategic agreement. On 30 April 2013, all conditions required for the second closing of the South African trade accounts receivable were satisfied and a further R461 million of the South African private label store card portfolio was sold to Absa.

A portion of the remaining card portfolio in South Africa was sold on 30 June 2013 and disclosed in note 6. The card portfolio in Lesotho, Namibia, Botswana and Swaziland is still expected to be sold as soon as Absa has completed compliance screening processes in respect of these accounts and the relevant regulatory approvals are obtained. These trade receivables have been classified as held-for-sale on the Condensed Consolidated Statement of Financial Position.

The results of the discontinued operation are as follows:

	2013 29 June Rm	Re-presented 2012 30 June Rm
Total revenues	**38**	539
Income from credit	**38**	539
Expenses from credit	**(53)**	(444)
Trading (loss)/profit before taxation	**(15)**	95
Taxation	**4**	(27)
(Loss)/profit for the period	**(11)**	68

5. FINANCIAL INSTRUMENTS

The Group uses a three-level hierarchy to prioritise the inputs used in measuring fair value. Level 1 has the highest priority and level 3 has the lowest. Fair value is principally applied to financial assets and financial liabilities. These are measured at fair value on a recurring basis as of 29 June 2013, aggregated by the level in the fair value hierarchy within which these measurements fall.

The following table presents the Group's assets and liabilities that are measured at fair value at the period end:

	Total—level 2 Rm
29 June 2013	
Financial assets	
Cross currency swaps	**653**
Foreign currency call options	**858**
Foreign currency forward contracts	**23**
Total financial assets	**1,534**
Financial liabilities	
Interest rate swaps	**55**
Cross currency swaps	**85**
Total financial liabilities	**140**
30 March 2013	
Financial assets	
Cross currency swaps	813
Foreign currency call options	292
Foreign currency forward contracts	2
Total financial assets	1,107
Financial liabilities	
Interest rate swaps	68
Foreign currency forward contracts	11
Total financial liabilities	79
30 June 2012	
Financial assets	
Cross currency swaps	821
Total financial assets	821
Financial liabilities	
Cross currency swaps	1,011
Interest rate swaps	87
Foreign currency forward contracts	39
Total financial liabilities	1,137

The above are classified as level 2 inputs. No financial instruments at 29 June 2013, 30 March 2013 and 30 June 2012 have been classified as either level 1 or level 3 inputs in the hierarchy. The fair value under level 2 is based on observable inputs such as quoted prices for similar financial assets or financial liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial assets or financial liabilities.

All financial instruments have been recognised in the Condensed Consolidated Statement of Financial Position and there is no material difference between their fair values and carrying values, except for the notes issued.

The following methods and assumptions were used by the Group in establishing fair values:

Liquid resources, trade accounts receivable and loans: the carrying amounts reported in the statement of financial position approximate fair values due to the short period to maturity of these instruments.

Short-term interest-bearing debt: the fair values of the Group's loans are estimated using discounted cash flow analyses applying the RSA yield curve. The carrying amount of short-term borrowings approximates their fair value, due to the short period to maturity of these instruments.

Notes issued: the notes issued are fair valued based on the exchange rate ruling at the reporting date. The market values at 29 June 2013 was R13 890 million (30 March 2012 R18 066 million and 30 June 2012 R18 400 million) and have been determined based on the closing prices of the relevant stock exchange.

Derivative financial instruments: foreign currency forward exchange contracts are entered into to cover import orders, and fair values are determined using foreign exchange market rates at 29 June 2013. Foreign currency forward contracts, foreign currency call options, cross currency swaps and interest rate swaps are entered into to hedge interest rate and foreign exchange rate exposure of interest-bearing debt and fair values are determined using market related rates at 29 June 2013.

6. EVENTS AFTER THE REPORTING DATE

On 30 June 2013, all conditions required for the third closing of the South African trade accounts receivable were satisfied and a further R126 million of the South African private label store card portfolio was sold to Absa.

Corporate Information

Edcon Holdings Limited
Incorporated in the Republic of South Africa
Registration number 2006/036903/06

Non-executive directors
DM Poler* (Chairman), EB Berk*, MS Levin*, ZB Ebrahim₸, MMV Valentiny**, DH Brown₸, TF Mosololi₸, LL von Zeuner₸

Executive directors
J Schreiber *** (Managing Director and Chief Executive Officer), MR Bower, Dr U Ferndale

*USA ** BELGIUM ***GERMANY
₸Independent non-executive director

Group Secretary
CM Vikisi

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1 Canada Square
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United Kingdom

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

JSE Debt Sponsor
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1 Merchant Place
Cnr Fredman & Rivonia Road
Sandton
Republic of South Africa
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Audited Consolidated and Company Annual Financial Statements

Edcon Holdings Limited

For the period ended 30 March 2013

Consolidated and Company Financial Statements of Edcon Holdings Limited

(Registration number 2006/036903/06)

Contents

These annual financial statements were prepared by the finance department of the Edcon Holdings Limited Group acting under the supervision of MR Bower CA (SA), the Chief Financial Officer of the Group.

Certificate by the Company Secretary

In my capacity as Company Secretary, I hereby confirm, in terms of the Companies Act, No. 71 of 2008 (the "Act") of South Africa, that for the period ended 30 March 2013, the Company has filed with the Commissioner all such returns and notices as are required of a public company in terms of the Act and that all such returns and notices are true, correct and up to date.

CM Vikisi
Group Secretary

Johannesburg
30 May 2013

Approval of the Consolidated and Company Financial Statements of Edcon Holdings Limited

The directors' responsibility for the Consolidated and Company Financial Statements is set out on page F25 and F26 of the directors' report.

The Consolidated and Company annual financial statements, which appear on pages F22 to F139, were approved by the board of directors on 30 May 2013 and are signed on its behalf by:

DM Poler, Chairman

J Schreiber, Group Chief Executive Officer

Johannesburg
30 May 2013

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Independent Auditor's Report

TO THE SHAREHOLDERS OF EDCON HOLDINGS LIMITED

We have audited the consolidated and separate financial statements of Edcon Holdings Limited and its subsidiaries, set out on pages F29 to F138, which comprise the consolidated and separate statements of financial position as at 30 March 2013, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the 52 week period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Edcon Holdings Limited as at 30 March 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the 52 week period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the 52 week period ended 30 March 2013, we have read the Directors' Report, the Audit Committee Report and the

Independent Auditor's Report *(continued)*

Certificate of the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an op inion on these reports.

Ernst & Young Inc.

Ernst & Young Inc.
Director—Jane Margaret Fitton
Registered Auditor
Chartered Accountant (SA)

30 May 2013

Consolidated and Company Financial Statements of Edcon Holdings Limited

(Registration number 2006/036903/06)

DIRECTORS' REPORT

For the period ended 30 March 2013

The directors submit their report on the state of affairs, the business and profit or loss of Edcon Holdings Limited (the "Company") and the Edcon Holdings Limited Group (the "Group") together with the Consolidated and Company financial statements for the 52–week period ended 30 March 2013.

Nature of business

The Company is incorporated and domiciled in the Republic of South Africa. Its principal trading subsidiary Edcon Limited is engaged in the retailing of fashion apparel and related merchandise. The Group operates primarily in southern Africa. The Consolidated Financial Statements of Edcon Holdings Limited are set out on pages F30 to F115 and the Company Financial Statements are set out on pages F117 to F138.

Results of operations

The results for the period are detailed in the Consolidated and Company financial statements that follow.

Loans and Notes issued

On 31 October 2012, OntheCards Investments II Proprietary Limited ("OtC") completed an early redemption of all its Class A and Class B Notes in issue, in accordance with the terms and conditions of its R6,500 million Receivables Backed Domestic Term Note Program. The notes redemption was necessary so that the OtC receivables asset could be sold to Edcon Limited, and as such facilitate the sale of Edcon Limited's storecard receivables portfolio to ABSA Bank Limited ("Absa"). On 31 October 2012, the subordinated loan was repaid and OtC became dormant.

On 13 February 2013, Edcon Limited issued new senior secured fixed rate notes, in terms of its e xisting program which mature in March 2018, with a face value of €300 milion. The notes were issued at 96.5% of face value, are guaranteed on a senior secured basis and are secured, along with the revolving credit facility, the super senior secured term lo an, and the senior secured fixed rate notes, by security interests over substantially all the assets of Edcon Holdings Limited and its subsidiaries.

On 14 February 2013 Edcon Limited completed a repurchase of senior secured floating rate notes with a nominal value of €754 million at 100.1% of the face value. The notes were redeemed out of the combined proceeds raised from the issuance of the new senior secured fixed rate notes, a portion of the proceeds from the sale of the private label store card receivables portfolio and through proceeds on termination of certain in-the-money derivative contracts over the related notes of being repurchased.

Dividends

No dividends were paid by the Company for the period ended 30 March 2013 (2012 and 2011: RNil).

Property, fixtures, equipment and vehicles

There were no major changes in the nature of the Group's property, fixtures, equipment and vehicles during the period.

Shareholding

Edcon Holdings Limited's shareholders are Edcon (BC) S.A.R.L, The Edcon Staff Empowerment Trust (the "Empowerment Trust") and seven further trusts. Edcon (BC) S.A.R.L is a société à responsabilité limitée incorpo rated in Luxembourg and holds 85% of the ordinary shares of Edcon Holdings Limited. The Empowerment Trust was created in July 2005 as part of our Black

Empowerment Equity (BEE) program and its beneficiaries are predominantly black employees. The Staff Empowerment Trust holds shares entitling it in aggregate to 11% of the votes at any general meeting of Edcon Holdings Limited. The remaining shareholders in Edcon Holdings Limited are the Founder Investor Trusts and the Independent Investor Trusts. These trusts, the beneficiaries of which include member s of Edcon management and directors of Edcon, collectively hold 4% of the shares of Edcon Holdings Limited.

Subsidiaries

The Company has a 100% shareholding in Edcon Acquisition Proprietary Limited, and indirectly owns 100% of the issued capital of Edcon Limited. A list of significant subsidiaries is reflected in Annexure 1 on page F138.

Share capital

Details of the authorised and issued share capital of the Company and any movements during the period are disclosed in note 8 of the Company Financial Statements.

Special resolutions

During the financial period the Company issued the following special resolutions:

- to resolve that the Company's memorandum of incorporation be replaced with the new memorandum of incorporation in terms of the Companies Act, No. 71 of 2008 as amended;
- to recategorise the Company as a public company and cease as a private company;
- to approve the providing of financial assistance in terms of Section 45 of the Companies Act of South Africa;
- to approve the remuneration payable to non-executive directors of the Company with effect 1 January 2013; and
- to approve the sale of trade receivables to Absa Bank Limited ("Absa").

Non-executive directors

DM Poler (Chairman)*	(appointed on 25 May 2007)
EB Berk*	(appointed on 25 May 2007)
ZB Ebrahim	(appointed on 23 July 2007)
MMV Valentiny**	(appointed on 4 November 2009)
MS Levin*	(appointed on 2 June 2010)
DH Brown	(appointed on 1 January 2013)
TF Mosololi	(appointed on 1 January 2013)
LL von Zeuner	(appointed on 1 April 2013)

Executive directors

J Schreiber***	(appointed on 1 April 2011)
Dr U Ferndale	(appointed on 30 May 2007)
MR Bower	(appointed on 1 July 2012)
SM Ross*	(resigned 14 May 2012)

*USA **Belgian ***German

Prescribed officers

C Claassen—Chief Executive Discount Division

The directors' and prescribed officers' emoluments are included in the Consolidated Financial Statements in note 30.2.1 on page F84.

Auditors

Ernst & Young Inc. are the auditors of Edcon Holdings Limited and its significant subsidiaries.

Secretary

The Group secretary is CM Vikisi.

Registered Office

Edgardale, Press Avenue
Crown Mines, Johannesburg
2092

Postal Address

PO Box 100
Crown Mines
2025

Events after the reporting period

No events occurred between the financial period end and the date of this report which would have a material impact on the Company's Financial Statements.

In terms of the Consolidated Financial Statements, the following events have occurred after the reporting period:

Repayment of senior secured floating rate notes

On 20 May 2013, the Group completed the repurchase of all its senior secured floating rate notes (note 19.2) at the face value of €387 million. The repurchase was funded from the proceeds drawn from the senior secured term loan (note 19.7), as well as net proceeds derived on termination of the derivative contracts that were hedging the exchange rate risk on the notes repurchased (included in note 7.5).

RCF extension

On 17 May 2013, the Group received commitments of R 3,717 million from certain financial institutions to extend the revolving credit facility from a maturity of 31 March 2014 at reporting date to 31 December 2016. The other terms of the facility remain substantially the same (note 21).

Update to long-term hedging strategy

In April 2013, a series of derivative contracts were entered into to increase the extent of hedge cover on the euro denominated senior secured fixed rate notes:

- Cross currency swaps were entered into which, (i) protect against interest rate variability in future interest cash flows on liabilities, (ii) protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedge the repayment of €230 million in principal and interest on the notes to 15 March 2015. The hedges create an effective annual average fixed interest rate of 15.55% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

- A cross currency swap was entered into which protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is €70 million and provides cover on the coupon of the notes up to 15 March 2015. The hedge creates an effective annual average fixed interest rate of 10.2% over the period of cover. The cross currency swap has been designated as a cash flow hedge.
- Foreign currency call options were entered into which hedge the repayment of €237 million in principal on the notes to 12 March 2015. The premiums payable on the foreign currency call options of R317 million have been deferred to 13 March 2015. These options have not been designated as cash flow hedges.

Sale of trade accounts receivable

On 30 April 2013, we sold an additional R469 million of the South African trade receivables to Absa. We expect to complete the sale of all the remaining eligible trade accounts receivables of R1 134 million, classified as held-for-sale on the Consolidated Statement of Financial Position of Edcon Holdings Limited in the 2014 financial period (refer to note 13 of the Consolidated Financial Statements).

Going concern

The Consolidated Statement of Financial Position at 30 March 2013 reports share premium of R2,153 million in equity attributable to shareholders and a shareholder's loan recognised in equity of R8,290 million offset by an accumulated retained loss of R11,908 million and a net debit of R51 million in other reserves, resulting in negative equity at 30 March 2013 of R1,516 million. The shareholder's loan of R9,091 million has been subordinated to the claims of all the creditors of the Group and the total negative equity and shareholder's loan is R715 million.

The directors' have considered the solvency and liquidity of the business in accordance with the Act and in doing so, have focused on the fair value of the assets and liabilities of the business ("solvency") and the ability of the business to meet its financial obligations for the 12 months following approval of the Consolidated Financial Statements ("liquidity"). The analysis considered planned future sales growth, margin growth, expected operating costs, refinancing of debt, the tax settlement of the Group, the terms of the shareholder's loan, all guarantors and cross guarantors and the fair values of the Group's assets and liabilities. The directors have assessed after taking into consideration the analysis performed including the issue of the R3 598 million senior secured fixed rate notes and their related derivative hedging strategy, the repurchase of all the senior secured floating rate notes and the extension of the revolving credit facility that for the next 12 months, following the approval of the Consolidated Financial Statements, the Group will have adequate facilities and the assets at fair value exceed the liabilities of the Group.

Notwithstanding the fact that the Group's liabilities exceed its assets in accordance with International Financial Reporting Standards, the Consolidated Financial Statements set out on pages F29 to F115 have been prepared on the going-concern basis as the Group's assets at fair value exceed the liabilities. The directors have every reason to believe that the Group has adequate resources to continue in operation for the foreseeable future and is considered both solvent and liquid.

The Company Financial Statements set out on pages F117 to F138 have been prepared on the going-concern basis. The directors have every reason to believe that the Company has adequate resources to continue in operation for the foreseeable future.

Directors' responsibility for financial reporting

The directors' are ultimately responsible for the preparation of the Consolidated and Company financial statements and related financial information that fairly present the state of affairs and the

DIRECTORS' REPORT *(continued)*

For the period ended 30 March 2013

results of Edcon Holdings Limited. The external auditors are responsible for independently auditing and reporting on these financial statements in conformity with International Standards on Auditing.

The financial statements set out in this report have been prepared by management in accordance with In ternational Financial Reporting Standards and the South African Companies Act, No 71, of 2008. They incorporate full and reasonable disclosures and are based on appropriate accounting policies, which have been consistently applied and which are supported by reasonable and prudent judgements and estimates.

Adequate accounting records have been maintained throughout the period under review.

AUDIT COMMITTEE REPORT

For the period ended 30 March 2013

This report is provided by the Audit and Risk Committee (the "Committee"), in respect of the 2013 financial period of Edcon Holdings Limited, in compliance with section 94 of the Companies Act 71 of 2008 (the "Act"), as amended from time to time. The Committee's operation is guided by a detailed charter that is informed by the Act and the King Code of Good Corporate Governance.

Charter

The Committee is appointed by the board of directors (the "board") and the shareholders annually and has adopted a comprehensive and formal Charter which has been approved by the board and reviewed on an annual basis.

Execution of functions

The Committee has executed its duties and responsibilities during the financial period in accordance with its terms of reference as they relate to the Group's accounting, internal auditing, internal controls and financial reporting practices.

During the period under review the Committee, amongst other matters, considered the following:

In respect of the **external auditors** and the **external audit**:

- approved the external auditors' terms of engagement, the audit plan and budgeted audit fees payable;
- reviewed the audit process and audit reports and evaluated the effectiveness of the audit; and
- obtained assurance from the external auditors that their independence was not impaired.

In respect of the **financial statements**:

- confirmed the going concern concept as the basis of preparation of the quarterly and annual financial statements;
- examined and reviewed the quarterly and annual financial statements prior to submission and approval by the board;
- reviewed any significant legal and tax matters that could have a material impact on the financial statements;
- reviewed and discussed the external auditors' audit report; and
- ensured that the financial statements fairly present the financial position of the Company and of the Group as at the reporting dates and the results of operations and cash flows for the reporting period and based on the above, the Committee was satisfied that at the date of this report, the financial statements complied with accounting practices of the Group.

In respect of **internal financial controls** and **internal audit**:

- reviewed and approved the internal audit charter and audit plan and evaluated the independence, effectiveness and performance of the internal audit department;
- considered reports of the internal auditors on the Group's systems of internal control, including internal financial controls and maintenance of effective internal control systems;
- assessed the adequacy of the performance of the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory;
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to such findings; and
- noted that there were no significant differences of opinion between the internal audit function and management; and based on the above, the Committee was satisfied that at the date of this report there were no material breakdowns in internal control, including internal financial controls, resulting in any material loss to the Group.

AUDIT COMMITTEE REPORT *(continued)*

For the period ended 30 March 2013

In respect of **legal**, **regulatory** and **compliance** requirements:

- reviewed with management matters that could have a material impact on the Group;
- monitored compliance with the Act, JSE debt listing requirements, Irish Stock Exchange requirements and all other applicable legislation and governance codes as well as financial covenants; and
- noted that no complaints were received through the Group's ethics and fraud hotline concerning accounting matters, internal audit, internal financial controls, contents of financial statements, potential violations of the law and questionable accounting or auditing matters.

In respect of **risk management** and **information technology**

- considered and reviewed reports from management on risk management, including fraud risks and information technology risks as they pertain to financial reporting, internal controls and the going concern assessment.

Solvency and liquidity review

The Committee considered the solvency and liquidity tests as stipulated in section 4 and 46 of the Act. The Committee is satisfied that the board has performed a solvency and liquidity test and that the Group met all the requirements.

Going concern

The Committee considered the going concern status of the Company and the Group on the basis of a review of the financial statements and the budgeted and forecast earnings and cash flow information as well as liquid ity forecasts available to the Committee and recommended such going concern status for adoption by the board. The board statement on the going concern status of the Group and Company is contained on page F25 in the directors' report.

Independence of the external auditors

The Committee is satisfied that Ernst & Young Inc. are independent of the Group. This conclusion was arrived at, inter alia, after taking into account the following factors:

- the representations made by Ernst & Young Inc. to the Committee;
- the auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the Group;
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditors;
- the auditors' independence was not prejudiced as a result of any previous appointment as auditor; and
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies were met.

The Committee has reviewed the Consolidated and Company Financial Statements of Edcon Holdings Limited and recommended them to the board for approval.

On behalf of the Committee

David H Brown
Chairman of the Audit & Risk Committee
30 May 2013

Currency of the Consolidated and Company Financial Statements of Edcon Holdings Limited

The presentation currency of the financial statements is South African Rand (R). The approximate Rand cost of a unit of the following currencies at each reporting period end was:

	30 March 2013	31 March 2012	2 April 2011
US Dollar	**9.16**	7.71	6.69
Sterling	**14.02**	12.36	10.87
Botswana Pula	**1.12**	1.05	1.04
Euro	**11.78**	10.29	9.53
Zambian Kwacha—ZMW	**1.70**		
Zambian Kwacha—ZMK		0.0014	
Mozambique Metical	**0.31**		
Singapore Dollar	**7.44**		
Bangladeshi Taka	**0.12**		
Chinese Yuan Renminbi	**1.47**		
Hong Kong Dollar	**1.19**		

Consolidated Statement of Financial Position of Edcon Holdings Limited

	Note	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
ASSETS				
Non-current assets				
Properties, fixtures, equipment and vehicles	3	**2,559**	2,471	2,246
Intangible assets	4	**16,697**	17,481	18,024
Employee benefit asset	30.3	**172**	154	—
Equity accounted investment in joint ventures	6	**4**	67	6
Derivative financial instruments	7.1	**292**	472	30
Deferred tax	8	**33**	1,030	887
Total non-current assets		**19,757**	21,675	21,193
Current assets				
Inventories	9	**3,659**	3,170	2,626
Trade receivables	10	**181**	10,002	8,853
Sundry receivables and prepayments	11	**455**	424	342
Derivative financial instruments	7.2	**815**		
Cash and cash equivalents	12	**669**	1,083	2,315
		5,779	14,679	14,136
Assets classified as held-for-sale	13.2.2	**1,160**		
Total current assets		**6,939**	14,679	14,136
Total assets		**26,696**	36,354	35,329
EQUITY AND LIABILITIES				
Equity attributable to shareholders				
Share capital	14	**—**	—	—
Share premium	14	**2,153**	2,153	2,148
Other reserves	15	**(51)**	(688)	(600)
Retained loss	16	**(11,908)**	(6,887)	(4,972)
Shareholder's loan—equity	18	**8,290**	8,290	
		(1,516)	2,868	(3,424)
Non-controlling interest		**—**	—	—
Total equity		**(1,516)**	2,868	(3,424)
Non-current liabilities—shareholder's loan				
Shareholder's loan	18	**801**	659	8,184
Total equity and shareholder's loan		**(715)**	3,527	4,760
Non-current liabilities—third parties				
Interest-bearing debt	19	**19,137**	23,533	24,440
Deferred option premium	20	**269**		
Finance lease liability	22.2	**273**	301	
Lease equalisation		**432**	399	392
Derivative financial instruments	7.3	**—**	63	308
Employee benefit liability	30.5	**184**	182	130
Deferred tax	8	**596**		
Deferred revenue	24	**86**		
		20,977	24,478	25,270
Total non-current liabilities		**21,778**	25,137	33,454
Current liabilities				
Interest-bearing debt	21	**1,456**	2,901	
Deferred option premium	20	**36**		
Finance lease liability	22.2	**40**	28	
Current taxation		**12**	241	244
Deferred revenue	24	**106**	80	
Derivative financial instruments	7.4	**79**	797	946
Trade and other payables	23	**4,705**	4,302	4,109
Total current liabilities		**6,434**	8,349	5,299
Total equity and liabilities		**26,696**	36,354	35,329
Total managed capital per IAS 1	35	**20,191**	30,290	29,200

Consolidated Statement of Comprehensive Income of Edcon Holdings Limited

	Note	2013 52 weeks to 30 March	Re-presented 2012 52 weeks to 31 March	Re-presented 2011 52 weeks to 2 April
		Rm	Rm	Rm
Continuing operations				
Total revenues	26	**26,719**	25,925	23,844
Revenue—retail sales		**25,169**	24,664	22,716
Cost of sales		**(15,985)**	(15,642)	(14,332)
Gross profit		**9,184**	9,022	8,384
Other income	27	**774**	719	581
Store costs		**(4,990)**	(4,622)	(4,348)
Other operating costs	28	**(4,271)**	(3,830)	(3,229)
Income from joint ventures		**666**	541	487
Trading profit		**1,363**	1,830	1,875
Derivative loss	7.6	**(897)**	(10)	(2,343)
Foreign exchange (loss)/gain	29	**(1,108)**	(680)	230
Discount on repurchase of senior secured notes			36	
Fees incurred on funding facilities				(10)
Impairment of brands and goodwill	4	**(465)**	(126)	
(Loss)/profit before net financing costs		**(1,107)**	1,050	(248)
Finance income	31.1	**114**	68	60
(Loss)/profit before financing costs		**(993)**	1,118	(188)
Financing costs	31.2	**(3,127)**	(3,756)	(2,557)
Loss before taxation from continuing operations		**(4,120)**	(2,638)	(2,745)
Taxation	32	**(1,107)**	176	713
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(5,227)**	(2,462)	(2,032)
Discontinued operations				
Profit after tax for the period from discontinued operations	13.1.3	**199**	463	389
LOSS FOR THE PERIOD		**(5,028)**	(1,999)	(1,643)
Other comprehensive income after tax:				
Gain/(loss) on cash flow hedges		**624**	(93)	(177)
Exchange difference on translating foreign operations		**13**	5	(15)
Actuarial gains on employee benefits		**7**	84	
Other comprehensive income for the period after tax		**644**	(4)	(192)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(4,384)**	(2,003)	(1,835)
Loss attributable to:				
Owners of the parent		**(5,028)**	(1,999)	(1,643)
Non-controlling interest		**—**	—	—
Total comprehensive income attributable to:				
Owner of the parent		**(4,384)**	(2,003)	(1,835)
Non-controlling interest		**—**	—	—

Consolidated Statement of Changes in Equity of Edcon Holdings Limited

	Share Capital	Share premium	Foreign currency translation reserve	Cash flow hedging reserve	Revaluation surplus	Retained loss	Share-holder's loan	Total attributable to owners of the parent	Non-controlling interest	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Balance as at 3 April 2010	—	2,148	(20)	(391)	3	(3,329)		(1,589)	—	(1,589)
Loss for the period					—	(1,643)		(1,643)	—	(1,643)
Other comprehensive income for the period			(15)	(177)				(192)	—	(192)
Total Comprehensive income			(15)	(177)	—	(1,643)		(1,835)	—	(1,835)
Balance as at 2 April 2011	—	2,148	(35)	(568)	3	(4,972)		(3,424)	—	(3,424)
Loss for the period					—	(1,999)		(1,999)	—	(1,999)
Other comprehensive income for the period			5	(93)		84		(4)	—	(4)
Total Comprehensive income			5	(93)	—	(1,915)		(2,003)	—	(2,003)
Ordinary shares issued	—							—		—
Preference shares issued	—	5						5		5
Shareholder's loan							8,290	8,290		8,290
Balance as at 31 March 2012	—	2,153	(30)	(661)	3	(6,887)	8,290	2,868	—	2,868
Loss for the period					**—**	**(5,028)**		**(5,028)**	**—**	**(5,028)**
Other comprehensive income for the period			**13**	**624**		**7**		**644**	**—**	**644**
Total Comprehensive Income			**13**	**624**	**—**	**(5,021)**		**(4,384)**	**—**	**(4,384)**
Balance as at 30 March 2013	**—**	**2,153**	**(17)**	**(37)**	**3**	**(11,908)**	**8,290**	**(1,516)**	**—**	**(1,516)**
Note	14.7	14.7	15	15	15	16	18			

Consolidated Disclosure of Tax Effects on Other Comprehensive Income of Edcon Holdings Limited

	2013 52 weeks to 30 March	2012 52 weeks to 31 March	2011 52 weeks to 2 April
	Rm	Rm	Rm
Disclosure of tax effects relating to each component of other comprehensive income:			
Before tax amount			
Cash flow hedges	**868**	(130)	(246)
Exchange differences on translating foreign operations	**13**	5	(15)
Actuarial gain on employee benefits	**10**	116	
Other comprehensive income for the period before tax	**891**	(9)	(261)
Tax (expense)/income			
Cash flow hedges	**(244)**	37	69
Employee benefits	**(3)**	(32)	
Tax (expense)/income	**(247)**	5	69
After tax amount			
Cash flow hedges	**624**	(93)	(177)
Exchange differences on translating foreign operations	**13**	5	(15)
Actuarial gain on employee benefits	**7**	84	
Other comprehensive income for the period after tax	**644**	(4)	(192)

Consolidated Statement of Cash Flows of Edcon Holdings Limited

	Note	2013 52 weeks to 30 March	Re-presented 2012 52 weeks to 31 March	Re-presented 2011 52 weeks to 2 April
		Rm	Rm	Rm
Cash retained from operating activities				
Loss before taxation from continuing operations		**(4,120)**	(2,638)	(2,745)
Profit before taxation from discontinued operations		**277**	643	541
Finance income		**(114)**	(68)	(60)
Financing costs		**3,127**	3,756	2,557
Impairment of intangibles	4	**465**	126	
Derivative loss	7.6	**897**	10	2,343
Deferred revenue	24	**112**	80	
Foreign exchange loss/(gain)	29	**1,108**	680	(230)
Discount on repurchase of senior secured notes			(36)	
Amortisation of intangible assets	28.1	**319**	417	418
Depreciation	28.2	**730**	755	798
Net loss/(gain) on disposal of properties, fixtures, equipment and vehicles	28.5	**22**	22	(8)
Other non-cash items	33.1	**84**	(56)	8
Operating cash inflow before changes in working capital		**2,907**	3,691	3,622
Working capital movement	33.2	**8,447**	(1,603)	(69)
Cash inflow from operating activities		**11,354**	2,088	3,553
Finance income received		**100**	68	60
Financing costs paid		**(2,890)**	(2,996)	(2,191)
Taxation paid	33.3	**(90)**	(145)	(97)
Net cash inflow/(outflow) from operating activities		**8,474**	(985)	1,325
Cash utilised in investing activities				
Investment to maintain operations	33.4	**(560)**	(543)	(349)
Investment to expand operations	33.5	**(209)**	(151)	(25)
Net cash outflow from investing activities		**(769)**	(694)	(374)
Cash effects of financing activities				
Increase in shareholder funding	33.6		5	
Super senior secured term loan (decrease)/increase	33.7		(985)	985
Non-current interest-bearing debt (decrease)/increase	33.8	**(5,512)**	672	4,616
Settlement of derivatives	33.9	**1,021**		(5,001)
Receivables-backed notes (decrease)	33.10	**(4,300)**		
Current interest-bearing debt increase/(decrease)	33.11	**705**	751	(350)
Capitalised finance lease (decrease)/increase	33.12	**(34)**	4	
Net cash (outflow)/inflow from financing activities		**(8,120)**	447	250
(Decrease)/increase in cash and cash equivalents	33.13	**(415)**	(1,232)	1,201
Cash and cash equivalents at the beginning of the period		**1,083**	2,315	1,125
Currency adjustments		**1**	—	(11)
Cash and cash equivalents at the end of the period		**669**	1,083	2,315

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

1.1 Corporate information

Edcon Holdings Limited (the "Company") is a limited liability company which is incorporated and domiciled in South Africa. The address of the Company's registered office is Edgardale, Press Avenue, Crown Mines, Johannesburg, 2092. The consolidated financial statements of the Company for the year ended 30 March 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

1.2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and the Companies Act of South Africa (No. 71 of 2008). The financial statements are presented in Rand (ZAR), the currency of South Africa where Edcon Holdings Limited is incorporated. On 30 May 2013, the financial statements were authorised for issue by the Board of Directors.

The financial statements have been prepared on a historical cost basis except for land and buildings and certain financial instruments that have been measured at fair value.

The 2013, 2012 and 2011 financial period consisted of 52 weeks respectively.

The Consolidated and Company Financial Statements incorporate the following accounting policies:

1.3 Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the parent company, Edcon Holdings Limited, its subsidiaries, the Staff Empowerment Trust and OntheCards Investment Limited II Proprietary Limited ("OtC") (securitisation program), presented as a single economic entity and, consolidated at the same reporting date of Edcon Holdings Limited. The Consolidated Financial Statements are prepared using uniform accounting policies for similar transactions and other events. The comparative periods in the Consolidated Financial Statements have been re- presented where applicable to take into account the discontinued operation (note 13). Transactions and balances between Group companies are eliminated.

Edcon Holdings Limited controls an entity when it has the power to govern the financial and operating policies of the entity. Generally this is indicated by a direct or indirect shareholding of more than one half of the voting rights. Subsidiaries, which are directly or indirectly controlled by the Group, are consolidated from the date control is transferred to the Group, and are de-consolidated from the date control ceases.

Business combinations

Business combinations are accounted for using the acquisition method. As of the acquisition date, the Group recognises the identifiable assets acquired and the liabilities assumed at their acquisition date fair values. For each business combination, the Group measures the non-controlling interests in the acquiree (being present ownership interests providing entitlement to a proportionate share of the net assets of the acquiree in the event of liquidation) either at fair value or at their proportionate share of the aquiree's identifiable net assets.

The cost of an acquisition is the aggregate of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity instruments issued, measured at acquisition-date fair values. Acquisition related costs are expensed as incurred. Any contingent consideration that may be transferred by the Group is recognized at fair value at the acquisition date. If the contingent consideration is classified as an asset or liability, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as equi ty, it is not remeasured until it is finally settled.

Any excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests over the net identifiable assets acquired and liabilities assumed is considered goodwill and is recognized as a separate asset on the Statement of Financial Position, initially measured at cost. If the fair value of the net assets of the subsidiary acquired exceeds the aggregate of the consideration transferred and the amount recognized for non-controlling interests, the difference is recognized in profit or loss on the acquisition date.

1.4 Use of estimates and judgments and assumptions made in the preparation of the Financial Statements

In preparing the financial statements in accordance with IFRS, management is required to make estimates, assumptions and judgements that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Assessing available information and the application of judgement are necessary elements in making estimates. Actual results in the future could differ from such estimates, and such differences may be material to the financial statements. Estimates and their underlying assumptions are reviewed on an on-going basis. Any revisions to estimates resulting from these reviews are recognised in the period in which such estimates are revised.

Significant estimates, assumptions and judgements made at the reporting date relate to credit risk valuation adjustments in determining the fair value of derivative instruments to reflect non-performance risk (note 1.10.4), fair value of financial instruments (note 1.10 and 36.8) a provision for impairment of receivables (note 1.10.1), derecognition of financial instruments (note 1.10.1 and 1.10.2), allowances for slow-moving inventory (note 1.11), residual values, useful lives and depreciation methods for property, fixtures, equipment and vehicles (note 1.13), impairment of non-financial assets including goodwill and intangibles with indefinite lives (note 1.7 and note 1.13.5), pension fund and medical aid obligations (note 1.18, 30.3.6 and 30.5.4), operating lease (note 1.12), current and deferred tax (note 1.15), discontinued operations (note 1.14 and note 13) and loyalty points deferred revenue (note 1.22.2). Other judgments made relate to classifying financial assets and liabilities into categories (note 1.10).

1.5 Foreign currency transactions and balances—Group companies

The presentation currency of the Consolidated Financial Statements is the South African Rand, which is also the functional currency of Edcon Holdings Limited. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Subsequent to initial recognition, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translat ed at the spot rate of exchange at the reporting date.

1.6 Foreign currency translations—Group companies

On consolidation, the assets and liabilities of entities with a functional currency other than the Rand are translated into Rand at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at the weighted average exchange rates for the period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income (foreign currency translation reserve). On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income (foreign currency translation reserve) relating to that particular foreign operation is recognised in profit or loss.

1.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired entity at the date of acquisition. Goodwill is not amortised; it is tested annually for impairment and, additionally, when an indication of impairment exists at the end of each reporting period. For goodwill impairment testing purposes, the segments reported in note 5 are separate cash-generating units, since this is the level at which the performance of investments is reviewed and assessed by management. The recoverable amount of a segment is determined on the basis of its value in use. Refer to note 5 for details.

1.8 Joint ventures

The Group has interests in joint ventures, which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the venturers.

The Group's interest in jointly controlled entities is classified as investments in joint ventures and accounted for using the equity method. Under the equity method, the investment in joint ventures is at cost plus post acquisition changes in the Group's share of net assets of the joint ventures on the Consolidated Statement of Financial Position. Goodwill relating to the joint ventures is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The Consolidated Statement of Comprehensive Income reflects the Group's share of the results of operations of the jointly controlled entity. The Group's share of profit or loss of a jointly controlled entity is shown on the face of the Consolidated Statement of Comprehensive Income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the jointly controlled entities. When there has been a change recognised directly in the equity of the jointly controlled entity, the Group recognises its share of any changes, when applicable, in the Consolidated Statement of Other Comprehensive Income. Where the Group transacts with a jointly controlled entity, unrealised profits or losses are eliminated to the extent of the Group's interest in the joint ventures. Losses on transactions are recognised immediately if there is evidence of a reduction in the net realisable value of current assets or an impairment loss.

The reporting period for jointly controlled entities is the same as the Group's. W here necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The investment in joint ventures are considered for impairment on an annual basis. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss in the Consolidated Statement of Comprehensive Income.

The joint venture is equity accounted until the date on which the Group ceases to have joint control over the joint venture. Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. The difference between the carrying amount of the investment upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

1.9 Intangible assets

Intangible assets comprise separately identifiable intangible items arising from business combinations and certain purchased intangibles. Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination are measured at their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised using the straight-line method over their estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of the indefinite life is reviewed annually to determine whether the indefinite life basis continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group's intangible assets and their associated useful lives are as follows:

	Estimated useful life
Edgars brand	Indefinite
Jet brand	Indefinite
CNA brand	Indefinite
Boardmans brand	Indefinite
Red Square brand	10 years
Legit brand	10 years
Customer relationships	5 – 10 years
Trademarks	5 – 15 years
Customer lists	5 – 10 years
Technology	7 years

Intangible assets are derecognised on disposal or when no future economic benefits are expected through use of the intangible asset. 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. Expenditure on internally developed and maintained intangible assets are expensed through profit or loss. Expenditure incurred to maintain brand names is charged in full to profit or loss as incurred.

1.10 Financial instruments

The Group recognises financial instruments on the statement of financial position when the Group becomes party to the contractual provisions of the instruments.

1.10.1 Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans an d receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value, including transaction costs except those at fair value directly through profit or loss, when the Group becomes a party to contractual arrangements.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets includes trade and other receivables, derivatives and cash and cash equivalents which are classified as either loans and receivables or as derivatives at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge as appropriate.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group does not undertake any trading activity in financial assets.

The Group does not have any financial assets, other than derivative financial instruments, designated at fair value through profit or loss. Derivatives are discussed in note 1.10.4.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

Financial assets designated at fair value through profit or loss upon initial recognition cannot be reclassified after initia l recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Any gains and losses realized are recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, not classified as held-for-trading, not designated as at fair value through profit or loss or available-for-sale. Financial assets classified as loans and receivables include originated loans where funding is provided direct ly to the borrower. Loans and receivables are recognized when the Group becomes a party to the contractual provisions of the instrument, which is when funding is advanced to borrowers. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the Consolidated Statement of Comprehensive Income. The losses arising from impairment are recognised in the Consolidated Statement of Comprehensive Income in other operating expenses for trade receivables.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost and comprise cash on hand and demand deposits together with any highly liquid investments readily convertible to known amounts of cash.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measureme nt, held-to-maturity investments are measured at amortised cost using the effective interest rate, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The Group did not have any held-to-maturity investments for the 2013, 2012 and 2011 financial periods.

Available-for-sale financial investments

Investments classified as available-for-sale are those that are neither classified as held-for-trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from other comprehensive income to the statement of comprehensive income.

The Group did not have any available-for-sale investments for the 2013, 2012 and 2011 financial periods.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of th e asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not indivi dually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characterist ics and collectively assesses them for impairment. Assets 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 there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account; to the extent the carrying value of the receivable does not exceed its cost at any reversal date.

If a write-off is later recovered, the recovery is credited to other income in the statement of comprehensive income.

For trade receivables, evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. A provision for impairment is made when there is objective evidence that the Group will not be able to collect all amounts due under the original terms of the trade receivable transactions. Delinquent accounts are impaired by applying the Group'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 is estimated on the basis of historical loss experience, adjusted on the basis of current observable data, to reflect the effects of current conditions.

1.10.2 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss , loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initial ly at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, deferred option premium and derivative financial instruments and are classified as either loans and borrowings and derivatives at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge, as appropriate.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. The Group has not designated any financial liabilities as held for trading in the 2013, 2012 and 2011 financial period.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held -for- trading unless they are designated as effective hedging instruments.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied.

Any gains and losses realized are recognized in profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the extinguishment of the original liability or part of it and the recognition of a new financial liability. The difference in the respective carrying amounts is recognised in profit or loss.

1.10.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.10.4 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as foreign currency forward contracts, foreign currency call options, cross currency swaps 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 portfolio contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedg es, which is recognised in other comprehensive income.

The fair value of foreign currency forward contracts, foreign currency call options and the cross currency swaps is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market interest rates 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 measurement. 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 the derivative depends upon the contractual terms of, and specific risks inherent in the instrument as well as the availability 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 for the Group's own credit spread are based on estimated fair market spreads for entities with similar credit ratings as the Group. 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 not 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 purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; and
- Hedges of a net investment in a foreign operation

The Group does not have any fair value or net investment in a foreign operation hedges.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for 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 forecasted 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.

Current versus non-current classification

Derivative instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

When the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non- current portions) consistent with the classification of the underlying item.

Embedded derivatives that are not closely related to the host contract are classified consistent with the cas h flows of the host contract.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non- current portion only if a reliable allocation can be made.

1.11 Inventories

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 deemed to be readily disposable.

1.12 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

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 the Group as lessee. 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 the Group 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 classified as an operating lease, lease rentals received are included in profit or loss on a straight-line basis.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rentals are recognised as revenue in the period in which they are earned.

1.13 Properties, fixtures, equipment and vehicles

1.13.1 Fixtures, equipment and vehicles

Fixtures, equipment and vehicles are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the fixtures, equipment and vehicles and borrowing costs for long- term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

1.13.2 Properties (Land and buildings)

Land is initially measured at cost and subsequently revalued by recognised professional valuers, to net realisable open-market value using the alternative or existing-use basis as appropriate, ensuring carrying amounts do not differ materially from those which would be determined using fair value at the reporting date. Buildings are also measured at fair value (as per above) less accumulated depreciation and impairment losses at the date of revaluation. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature , location and condition of the property.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the revaluation surplus reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

The amount in the revaluation surplus reserve is transferred to retained earnings/loss upon disposal of a particular asset. Additionally, accumulated depreciation, for buildings, as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

1.13.3 Lease premiums and leasehold improvements

Expenditure relating to leased premises is capitalised as appropriate and depreciated to expected residual value over the remaining period of the lease on a straight-line basis.

Leasehold improvements for leasehold land and buildings are depreciated over the lease periods which range from 5 to 10 years, or such shorter periods as may be appropriate.

1.13.4 Depreciation rates

Fixtures, equipment and vehicles are depreciated on a straight-line basis to their expected residual values over the estimated useful lives as follows:

Fixtures and fittings	7 – 8 years
Leased assets	5 – 50 years
Computer equipment	3 – 5 years
Computer software	2 – 3 years
Machinery	9 – 10 years
Vehicles	4 – 5 years
Buildings	48 – 50 years

1.13.5 Impairment of properties, fixtures, equipment and vehicles

Property, fixtures, equipment and vehicles are reviewed at each reporting date, to determine whether there is any indication of impairment. When impairment indicators are present, the impairment recognised in the profit or loss (or other comprehensive income for revalued property limited to the extent of the revaluation surplus) is the excess of the carrying value over the recoverable amount (the greater of fair value less costs to sell and value in use).

Recoverable amounts are estimated for individual assets or, when an individual asset does not generate cash flows independently, the recoverable amount is determined for the larger cash-generating unit to which the asset belongs.

A previously recognised impairment will be reversed in so far as estimates change as a result of an event occurring after the impairment was recognised. This assessment is made at each reporting date. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in profit or loss.

1.13.6 Derecognition of properties, fixtures, equipment and vehicles

An item of property, fixtures, equipment and vehicles is derecognised on disposal or when no future economic benefits are expected through its continued use. Gains or losses which arise on derecognition, are included in profit or loss in the year of derecognition. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the property, fixtures, equipment or vehicles at the date of sale.

1.13.7. Asset lives and residual values

Buildings, fixtures, equipment and vehicles are depreciated over their useful life taking into account any residual values where appropriate. The estimated useful life of these assets and depreciation methods are assessed at each reporting date and could vary as a result of technological innovations and maintenance programs. In addition, residual values are reviewed at each reporting date after considering future market conditions, the remaining life of the asset and projected disposal values. Changes in asset lives and residual values are accounted for on a prospective basis as a change in estimate.

1.13.8. Software costs

Packaged software and the direct costs associated with the development and installation thereof are capitalised as computer software and are an integral part of computer hardware. The total cost is capitalised and depreciated in accordance with note 1.13.1. and 1.13.4.

1.14 Non-current assets held–for-sale and discontinued operations

Non-current assets (or a disposal group) are classified as held for sale if the carrying amount will be recovered through a highly probable sale transaction, rather than through continuing use. The sale is considered to be highly probable where the assets (or a disposal group) are available for immediate sale, management is committed to the sale and the sale is expected to be completed within a period of one year from the date of classification. Assets classified as held for sale are measured at the lower of the asset's carrying amount and fair value less costs to sell.

Where the sale is more than one year into the future due to circumstances beyond the Group's control, the costs to sell are measured at the present value. Any increase in the present value of costs to sell are recognised in the Group statement of comprehensive income as a financing cost.

An impairment loss is recognised in profit or loss for any initial or subsequent write-down of the asset or disposal group to fair value less costs to sell. A gain, for any subsequent increase in fair value less costs to sell, is recognised in profit or loss to the extent that it does not exceed the cumulative impairment loss previously recognised.

Non-current assets classified as held for sale are not depreciated or amortised.

Where a component of the Group, being either a separate major line of business, a geographical area of operations or a subsidiary is acquired exclusively with a view to resell and management is committed to the sale and it is expected to be completed within a period of one year or has been sold, that component is classified as a discontinued operation.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

1.15 Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable deductible differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction tha t is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, which will result in deductible amounts in future periods, but only to the extent that it is probable that sufficient taxable profits will be available against which these deductible temporary differences, and carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled, based on enacted or substantively enacted rates at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity, and relate to the same tax authority, and when the legal right to offset exists. Where applicable, non-resident shareholders' taxation is provided for in respect of foreign dividends receivable.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Refer to note 8 and 32 for further details around current and deferred tax.

1.16 Financing costs

Finance costs comprises interest paid and payable on borrowings, calculated using the effective interest rate method, and foreign currency gains and losses in respect of borrowings. Financing costs are recognised in profit or loss in the period in which they are incurred.

1.17 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, regardless of when payment is made. Revenue is measured at the fair value of the consideration received net of returns and customer loyalty points excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue comprises retail sales of merchandise, manufacturing sales, club fees, revenue from joint ventures, dividends, finance charges and administration fees accrued to the Group.

The specific recognition criteria described below must also be met before revenue is recognised.

Sales of merchandise

Revenue from sale of merchandise is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of goods. Such income represents the net invoice value of merchandise provided to such third parties – excluding discounts, value-added and general sales tax. The Group chains that contribute to the revenue from sale of merchandise are the Edgars division, CNA division and the Discount division.

Loyalty points program

The Group operates a loyalty points program that allows customers to accumulate points when they purchase merchandise, subject to certain criteria, in the Group's retail stores. The points can then be redeemed as discount against merchandise purchases. The fair value which includes the expected redemption rate, attributed to the credits awarded, is deferred as a provision and recognised as revenue on redemption of the points by customers.

Manufacturing sales

Revenue from manufacturing and other operations is recognised when the sale transactions giving rise to such revenue are concluded.

Club fees

Club fees are recognised as revenue as incurred.

Finance charges

Finance charges on arrear account balances are accrued on a time proportion basis, recognising the effective yield on the underlying assets.

Revenue from joint ventures

Group customers are offered Edgars and Jet branded insurance products, in pursuance of a joint venture formed with Hollard Insurance (Hollard). Hollard underwrites all insurance products and further provides the joint venture with actuarial and compliance support. The Group provides product distribution, marketing and billing and premium collection services. The joint venture sells to both credit customers and cash customers. The joint venture is managed by a dedicated team of people from both Hollard and the Group. The interest in joint ventures is accounted for using the equity method. Under the provisions of the joint venture agreement, the Group charges the joint venture a fee for the continued management of the debtors and maintenance of systems. The Group also charges the joint venture a fee for the use of the Group's brands in the marketing of the insurance products. This fee income is recognised by the Group as and when it is accrued.

The profit share is done on a product by product basis with the profit share percentage as agreed between the parties from time to time.

The Group has a closed book for the *Edgars* and *Jet* Legal Plan underwritten by Zurich Insurance Ltd. Europ Assistance provides risk management and policy fulfillment services. Under the provisions of the joint venture agreement, if the policy premiums exceed the claims and expenses, the net profit is distributed as a dividend. New business on the Legal Plans is underwritten by Hollard as from 13 April 2011. Hollard replaced Zurich as the underwriter from the start of the 2011 financial period.

Dividends

Dividends are recognised when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.

Interest received

Interest received is recognised using the effective interest rate method.

Administration fees

Administration fees are recognised as they are accrued based on the services provided.

1.18 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The accruals for employee entitlements to wages, salaries, annual and sick leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the reporting date. The short-term employee benefits have been calculated at undiscounted amounts based on current wage and salary rates.

Post employment benefits

The Group operates a number of retirement benefit plans for its employees. These plans include both defined benefit and defined contribution provident funds and other retirement benefits such as medical aid benefit plans.

Defined contribution plans—Provident fund benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension, provident and retirement funds are recognised as an employee benefit expense in pr ofit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans—Pension and Post-retirement Medical Aid benefits

The Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related current service cost and, where applicable, past service costs. Contribution rates to defined benefit plans are adjusted for any unfavourable experience adjustments. Favorable experience adjustments are retained within the funds. Net benefit assets are only brought into account in the Group's Financial Statements when it is certain that economic benefits will be available to the Group. Actuarial gains or losses are recognised in full the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

Unvested past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits have already vested immediately following the introduction of, or changes to, a plan.

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less unrecognised past service costs and less the fair value of any plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

1.19 Share capitalisation awards and cash dividends

The full cash equivalent of capitalisation share awards and cash dividends paid by the Group are recorded and disclosed as dividends declared in the statement of changes in equity. Dividends declared subsequent to the period -end are not charged against shareholders' equity at the reporting date as no liability exists. Upon allotment of shares in terms of a capitalisation award, the election amounts are transferred to the share capital and share premium account; cash dividend election amounts are paid and the amount deducted from equity.

1.20 Treasury shares

Shares held by the Staff Empowerment Trust are classified in the Group's shareholders' equity as treasury shares. These shares are treated as a deduction from the issued number of shares, and the cost price of the shares is deducted from share capital and premium, in the Group statement of financial position. Any dividends received on treasury shares are eliminated on consolidation.

1.21 Operating Segment Report

The Group is organised into business units based on their target markets and product offering, and the business is structured under six reportable operating segments. The segments were selected on the basis of internal reports in order to allocate resources to the segment and assess its performance. Sales of merchandise in three main operating divisions gives rise to the Edgars, Discount and CNA division which targets different domains of income, age and products. Manufacturing Sales gives rise to the Manufacturing division which is an apparel manufacturer, focusing on mid to high- end garments of mostly woven construction. This operating segment, manufactures ladies and men's outerwear for the Edgars and Discount divisions. The Credit and Financial division focuses on the management of the Group's trade debtors and administration of trade accounts receivable sold to Absa Limited and offers consumer credit and insurance products. The Credit and Financial division incorporates revenue from the joint venture between Edcon and Hollard and administration fees earned on the administration of the Absa Limited trade accounts receivable sold to Absa Limited.

1.22 Provisions

1.22.1 General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision will be reassessed at each statement of financial position date taking into account the latest estimates of expenditure required and the probability of the outflows. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability except those that have been taken into account in the estimate of future cash flows. Where discounting is used, the increase in a provision due to the passage of time is recognised as an interest expense in profit or loss. A provision is used only for the expenditures for which the provision was originally recognised.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

1.22.2 Loyalty points deferred revenue

The Group operates a loyalty points program which allows customers to accumulate points when they purchase merchandise, subject to certain criteria, in the Groups retail stores. The points can then be redeemed as discount against merchandise purchases. The Group accounts for award credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to award credits at their fair value and is accounted for as a provision (deferred revenue) in the statement of financial position.

The fair value of an individual award credit is determined using estimation techniques reflecting the weighted average of a number of factors. A rolling 12-month historical trend forms the basis of the calculations. The number of points not expected to be redeemed by members are also factored into the estimation of fair value. Historical redemption trends are also used to determine the long and short-term portion of the deferred revenue liability. A level of judgement is exercised by management in determining the fair value of the points (note 24).

1.23 Investments in subsidiaries

Investments in subsidiaries are equity interests which are held for the purposes of Edcon Holdings Limited business activities or for strategic reasons. They include all directly held subsidiaries through which Edcon Holdings Limited conducts its business. The investments are carried at cost less impairment. The carrying value is tested for impairment when indicators for a decrease in value exist, which include incurrence of significant operating losses. If an investment in a subsidiary is impaired, its value is generally written down to the net asset value. Subsequent recoveries in value are recognized up to the original cost value based on the increase net asset.

1.24 Changes in Accounting policies and disclosures

1.24.1 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial period, except for the following new and amended IFRS standards and IFRIC interpretations effective as of 1 April 2012.

- IAS 12 Income Taxes (Amendment)—Deferred Taxes: Recovery of Underlying Assets
- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment)—Severe Hyperinflation and
- Removal of Fixed Dates for First time Adopters
- IFRS 7 Financial Instruments—Disclosures (Amendment)

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment)—Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis.

The amendment is effective for annual periods beginning on or after 1 January 2012 and has no effect on the Group's financial position, performance or its disclosures.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment)—Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011.

The amendment had no impact to the Group.

IFRS 7 Financial Instruments—Disclosures (Amendment)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, suc h involvement. The amendment is effective for annual periods beginning on or after 1 July 2011.

The Group sold its private label store card portfolio to Absa Bank Limited ("Absa") on 1 November 2012. All conditions required for the first closing of the South African trade accounts receivable were satisfied on this date and R8 667 million of the South African private label store card portfolio was sold to Absa for cash. In terms of the strategic agreement with Absa, 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.

1.25 Future changes in accounting policies

The following standards, amendments to standards and interpretations have been issued but are not yet effective at the financial period end.

IFRS 9, Financial Instruments

This standard was issued in stages in November 2009, October 2010 and December 2011 and becomes effective for financial periods beginning on or after 1 January 2015. It sets out the requirements for recognising and measuring financial assets, including some hybrid contracts. It requires all financial assets to be classified on the basis of an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The standard requires all financial assets to initially be measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Financial assets are subsequently measured at amortised cost or fair value.

For fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the fair value option.

The Group is assessing the expected impact of IFRS 9 and what impact, if any, it could have on the Group's accounting for its financial instruments. The Group does not expect these changes to have a material effect on the results of the financial statements.

IFRS 10, Consolidated financial statements

This standard was issued in May 2011 and becomes effective for financial periods on or after 1 January 2013. The amendment creates a new, broader definition of control than under IAS 27 *Consolidated and Separate Financial Statements* and has resulted in SIC 12 *Consolidation—Special Purpose Entities* being withdrawn.

IFRS 10 does not change the consolidation process; rather it changes whether an entity is consolidated by revising the definition of control.

The revised definition of control will require consideration of aspects such as de-facto control, substantive vs. protective rights, agency relationships, silo accounting and structured entities when evaluating whether or not an entity is controlled by the investor.

The Group has evaluated the effect of adopting this standard and has determined that Edgars Zimbabwe Limited will be consolidated on adoption of this standard in the 2014 financial period.

IFRS 10, Consolidated financial statements—amendment effective 1 January 2014

The amendment provides an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9, Financial Instruments.

The Group has evaluated the effect of the above amendment and has determined it will have no impact on the financial statements.

IFRS 11, Joint arrangements

This standard was issued in May 2011 and becomes effective for financial periods on or after 1 January 2013. IFRS 1 1 replaces IAS 31 *Interest in Joint Ventures* and SIC 13 *Jointly Controlled Entities—Non-monetary Contributions by Venturers* and refers to IFRS 10's revised definition of 'control' when referring to 'joint control'.

Under IFRS 11 a joint arrangement (previously a 'joint venture' under IAS 31) is accounted for as either a:

- joint operation—by showing the investor's interest/ relative interest in the assets, liabilities, revenues and expenses of the joint arrangement; or
- joint venture—by applying the equity accounting method. Proportionate consolidation is no longer permitted.

Under IFRS 11 the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or joint venture.

The Group has evaluated the effect of adopting this standard and does not expect that adoption thereof, will impact the financial statements based on current contractual agreements in existence. A change in any of these agreements could impact the accounting on adoption of this standard.

IFRS 12, Disclosure of interests in other entities

This standard was issued in May 2011 and becomes effective for financial periods on or after 1 January 2013. The new standard applies to entities that have in interest in subsidiaries, joint arrangements, associates and/ or structured entities.

Many of the disclosures are those previously included in IAS 27, IAS 28 *Investments in Associates* and IAS 31. Many new disclosures have however also been added, but has no impact on the Group's financial position or performance.

The Group will include the relevant disclosure information in the financial statements in the year that it adopts this standard. The necessary evaluation and the effects thereof will be completed before the effective date of adoption.

IFRS 10, 11 and 12, Transition guidance (Amendments to IFRS 10, 11 and 12)

This amendment states that IFRS 10 must be applied using a modified retrospective approach. The entity will need to make an assessment of whether control exists at the date of initial application (i.e., the beginning of the annual reporting period in which IFRS 10 is applied for the first time). If the control assessment is the same between IFRS 10 and IAS 27/SIC-12, no retrospective application is required. However, if the control assessment under the two standards is different retrospective adjustments have to be made. If more than one comparative period is presented, additional relief is given to require only one period to be restated.

Similar to IFRS 10, IFRS 11 must be applied using a modified retrospective approach. Relief is also given to require only one period to be restated, if more than one comparative period is presented.

IFRS 12 must be applied retrospectively in accordance with the requirements of IAS 8 for changes in accounting policy, with some relief being provided:

- Disclosure requirements of IFRS 12 need to be applied only for the current period, and only one comparative period, if more than one is presented
- Comparatives for disclosures relating to unconsolidated structured entities are not required

As mentioned above, these standards will have no impact on the Group's financial position or performance except for the consolidation of Edgars Stores Limited Zimbabwe.

IFRS 13, Fair value measurement

This standard was issued in May 2011 and becomes effective for financial periods on or after 1 January 2013. The new standard describes how to measure fair value where fair value is required or permitted to be used as a measurement basis under IFRS (with certain standards being excluded from the scope of IFRS 13). Under IFRS 13 fair value is presumed to be an 'exit price'. New disclosures related to fair value measurements are also introduced.

The Group has evaluated the expected impact of IFRS 13 on its valuations of derivative instruments and property valuations and, has determined that it already calculates fair value consistent with IFRS 13, including applying an adjustment to the fair value to reflect the non-performance risk of the parties to its derivatives. As the Group has already been incorporating the credit risk associated with our derivatives, it does not expect any material changes to our financial results going forward.

IAS 1, Presentation of items of other comprehensive income (amendment to IAS 1)

This amendment was issued in June 2011 and becomes effective for financial periods on or after 1 July 2012. The amendment to IAS 1 requires that items presented within other comprehensive income be grouped separately into those items that will be recycled into profit or loss at a future point in time, and those items that will never be recycled.

The amendment affects presentation only and has no impact on the Group's financial position or performance.

IAS 27, Separate financial statements

This amendment was issued in May 2011 and becomes effective for financial periods on or after 1 January 2013. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separa te financial statements of the investor.

The Group has evaluated the effect of adopting this revised standard and does not expect that adoption thereof, will impact the financial statements.

IAS 28, Investments in associates and joint ventures

This amendment was issued in May 2011 and becomes effective for financial periods on or after 1 January 2013. The revised standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates.

The Group has evaluated the effect of adopting this revised standard and does not expect that adoption thereof, will impact the consolidated financial statements.

IFRS 7, Disclosures—offsetting financial assets and financial liabilities (amendments to IFRS 7).

This amendment was issued in December 2011 and becomes effective for financial periods on or after 1 January 2013. The amendment provides additional disclosures due to the offsetting amendments made to IAS 32 *Financial Instruments: Presentation*.

The Group has evaluated the effect of adopting this amendment and does not expect that adoption thereof, will impact the financial statements.

IAS 32, Offsetting financial assets and financial liabilities (amendments to IAS 32)

This amendment was issued in December 2011 and becomes effective for financial periods on or after 1 January 2014. The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities as well as the application of IAS 32 offsetting criteria to settlement systems (such as clearing houses).

The Group has evaluated the effect of adopting this amendment and does not expect that adoption thereof, will impact the financial statements.

IFRS 9 and IFRS 7, Mandatory effective date and transition disclosures (amendments to IFRS 9 and IFRS 7)

This amendment was issued in December 2011 and becomes effective for financial periods on or after 1 January 2013. The amendment changes the mandatory effective date for IFRS 9 to 1 January 2015.

The amendments to IFRS 7 adopted by the Group will depend on when IFRS 9 is adopted and effect the extent of comparative information required to be disclosed.

The Group is still evaluating the effect of adopting this standard and expects that the adoption of this standard will not materially impact the financial statements. However the necessary evaluation and the effects thereof will be completed before the effective date of adoption.

IFRIC 20, Stripping costs in the production phase of a surface mine

This amendment was issued in October 2011 and becomes effective for financial periods on or after 1 January 2013.

The amendment has no impact on the Group.

IFRS 1 Government Loans—Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013.

The amendment has no impact on the Group.

Improvements to IFRS's (May 2012)

In May 2012, the IASB issued an omnibus of amendments to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendments is not expected to have any impact on the financial position nor financial performance of the Group. The amendments are effective for annual periods beginning on or after 1 January 2013.

- IFRS 1, First-time Adoption of International Financial Reporting Standards. Repeated application of IFRS 1 and
- Borrowing costs.
- IAS 1, Presentation of Financial Statements. Clarification of the requirements for comparative information.
- IAS 16, Property, Plant and Equipment. Classification of servicing equipment
- IAS 32, Financial Instruments: Presentation. Tax effect of distribution to holders of equity instruments.
- IAS 34, Interim Financial Reporting. Interim financial reporting and segment information for total assets and liabilities.

2. OPERATING SEGMENT REPORT

For management purposes, the Group is organised into business units based on their target markets and product offering, and the business is structured under six reportable operating segments. Management monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. The reportable segments are as follows:

Edgars division

The department store division is targeted at middle to upper income consumers. The speciality store chains included in this division are Edgars, Boardmans, Red Square, Temptations, Edgars Active, and Edgars Shoe Gallery. The products within this operating segment include mainly clothing, footwear, cosmetics, mobile phones, homewares and accessories.

CNA division

The CNA division is targeted at middle to upper income consumers and its product offering includes stationery, books, magazines, greeting cards, mobile phones, music, toys, photographic and digital equipment.

Discount division

The discount division sells value merchandise targeted at lower to middle income consumers. The largest brand in discount division is Jet, with associated brands that include Jet Mart, Jet Shoes and Legit. The Discom chain was also part of the Discount division operating segment. The product offering within this operating segment includes mainly clothing, footwear, mobile phones, cosmetics, homewares and accessories.

Manufacturing division

Celrose, the manufacturing division, is an apparel manufacturer, focusing on mid to high-end garments of mostly woven construction. This operating segment, manufactures ladies and men's outerwear for the Edgars and Discount divisions and the outside market.

Credit and Financial Services

Credit and financial services focuses on the management of the Group's trade debtors and offers consumer credit and insurance products. For the Group's trade debtors, this operating segment issues private label credit cards to qualifying customers who can use these credit cards in all the Group's chains. Credit and financial services performs all aspects of the credit management process in-house including credit scoring activation, servicing and collection.

For the third party's debtors, the third party extends credit to our private label store card customers while this operating segment remains responsible for all customer-facing activities, including the distribution of the store cards and credit collection. A net fee is paid by the third party for the administration of the accounts.

In addition, all private label store card customers are offered insurance products in partnership with insurance providers through joint venture agreements. The operating segment does not bear underwriting risk with respect to these insurance products.

Group Services

Group Services performs the Group's shared services functions which include, human resources, treasury, tax, finance, internal audit, property management, logistics, loyalty, business intelligence and secretarial. Additionally, the trade accounts payable function for the Group is managed centrally by Group Services and the accounting for trademarks and goodwill is accounted for centrally.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Operating segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Consolidated Financial Statements.

Group financing (including all treasury functions such as finance costs and income and related borrowings), income taxes, trade accounts payable, trademarks and goodwill are managed on a group basis and are not allocated to operating segments.

	REVENUES			REVENUE-RETAIL SALES			(LOSS) OR PROFIT BEFORE FINANCING[3]		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Edgars Division	**13,622**	13,062	12,014	**13,318**	12,796	11,772	**2,248**	2,636	2,540
CNA Division	**2,065**	2,051	1,891	**2,065**	2,051	1,891	**100**	163	128
Discount Division	**10,006**	10,034	9,244	**9,786**	9,817	9,053	**1,057**	1,117	974
Manufacturing Division	**100**[1]	82[1]	57[1]				**10**	(4)	(4)
Credit and Financial Services	**841**	661	608				**839**[4]	668[4]	570[4]
Group Services[2]	**85**	35	30				**(5,361)**[7]	(3,530)[7]	(4,456)[7]
Group	**26,719**	25,925	23,844	**25,169**	24,664	22,716	**(1,107)**[7]	1,050[7]	(248)[7]
South Africa	**24,933**	24,227	22,435	**23,384**	23,107	21,432	**(1,277)**	631	(377)
Other[6]	**1,786**	1,698	1,409	**1,785**	1,557	1,284	**170**	419	129

	DEPRECIATION AND AMORTISATION			IMPAIRMENT OF INTANGIBLES[5]			EXPENDITURE FOR ASSETS		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Edgars Division	**178**	158	139				**302**	204	199
CNA Division	**24**	22	22	**386**			**41**	20	20
Discount Division	**123**	116	111		126		**238**	167	122
Manufacturing Division	**4**	3	2				**9**	9	1
Credit and Financial Services	**6**	6	7	**79**			**9**	4	2
Group Services[2]	**714**	867	935				**239**	614	130
Group	**1,049**	1,172	1,216	**465**	126		**838**	1,018	474
South Africa	**1,029**	1,157	1,205	**465**	126		**766**	955	454
Other[6]	**20**	15	11				**72**	63	20

Notes

1. Represents manufacturing sales to third parties. In deriving the revenue, inter-group manufacturing sales of R143 million (52 weeks to 31 March 2012: R178 million and 52 weeks to 2 April 2011: R143 million) have been eliminated.
2. Incorporating corporate divisions and consolidation adjustments, including additional depreciation and amortisation which aro se on formation of the Group.
3. The segmental result is stated after impairment of intangibles.
4. Includes revenue from joint ventures of R662 million (52 weeks to 31 March 2012: R541 million and 52 weeks to 2 April 2011: R487 million).
5. Impairment of intangibles is accounted for by Group Services and included in Group Services operating profit but, the split of these impairments in relation to each operating segment has been disclosed here.
6. Comprising Botswana, Lesotho, Swaziland, Namibia, Zambia and Mozambique.
7. Net financing costs of R3 013 million (52 weeks to 31 March 2012: R3 688 million and 52 weeks to 2 April 2011: R2 497 million) are reported in Group Services. The loss before taxation as reflected in the Consolidated Statement of Comprehensive Income is reconciled by including these costs.
8. The tables above have been re-presented for the discontinued operations (note 13).

The following is an analysis of the consolidated income from continuing operations by reportable segment:

	Edgars	CNA	Discount Division	Manufacturing	Credit and Financial Services	Group Services	Total
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
52 weeks 30 March 2013							
Retail sales	**13,318**	**2,065**	**9,786**				**25,169**
Club revenue	**304**		**220**				**524**
Manufacturing sales[1]				**100**			**100**
Finance charges ontrade receivables					**69**		**69**
Revenue from joint ventures					**662**		**662**
Finance income					**29**	**85**	**114**
Administration fee					**81**		**81**
Total revenue	**13,622**	**2,065**	**10,006**	**100**	**841**	**85**	**26,719**
52 weeks 31 March 2012							
Retail sales	12,796	2,051	9,817				24,664
Club revenue	266		217				483
Manufacturing sales[1]				82			82
Finance charges on trade receivables					154		154
Revenue from joint ventures					474		474
Finance income					33	35	68
Total revenue	13,062	2,051	10,034	82	661	35	25,925
52 weeks to 2 April 2011							
Retail sales	11,772	1,891	9,053				22,716
Club revenue	242		191				433
Manufacturing sales[1]				57			57
Finance charges on trade receivables					91		91
Revenue from joint ventures					487		487
Finance income					30	30	60
Total revenue	12,014	1,891	9,244	57	608	30	23,844

Note

1 Represents manufacturing sales to third parties. In deriving the revenue, inter-group manufacturing sales of R143 million (52 weeks to 31 March 2012: R178 million and 52 weeks to 2 April 2011: R143 million) have been eliminated.

2.1 Information on products

The following is an analysis of the Group's retail sales from continuing operations by product line:

	2013 52 weeks to 30 March	2012 52 weeks to 31 March	2011 52 weeks to 2 April
	Rm	Rm	Rm
Clothing	**11,699**	11,264	10,459
Footwear	**3,732**	3,419	3,117
Cosmetics	**2,432**	2,462	2,442
Homeware	**1,068**	1,624	1,547
Cellular	**2,470**	2,498	1,951
Stationery, books, magazines etc	**1,679**	1,705	1,615
Hardlines and FMCG	**2,201**	1,719	1,585
Loyalty points program	**(112)**	(27)	
Total retail sales	**25,169**	24,664	22,716

2.2 Information about major customers

Revenues arise from direct sales to a broad base of public customers. The following is an analysis of the number of stores in the Group through which the Group's product offering is distributed:

	2013 30 March Number	2012 31 March Number	2011 2 April Number
Edgars Division	**392**	308	261
CNA Division	**195**	194	202
Discount Division	**646**	665	718
Group	**1,233**	1,167	1,181

2.3 Reportable operating segment assets and liabilities

The following is an analysis of the operating segments assets and liabilities:

	TOTAL ASSETS[4]			TOTAL LIABILITIES		
	2013	2012	2011	2013	2012	2011
	Rm	Rm	Rm	Rm	Rm	Rm
Edgars Division	**2,830**	2,497	2,213	**236**	188	386
CNA Division	**485**	428	387	**50**	30	57
Discount Division	**2,354**	2,134	1,795	**49**	79	215
Manufacturing Division	**62**	42	51	**17**	8	46
Credit and Financial Services	**238**[1]	11,028[1]	9,718[1]	**345**	4,451	4,464
Group Services[2]	**19,567**	20,225	21,165	**27,515**	28,730	33,585
Assets classified as held-for- sale	**1,160**					
Group	**26,696**	36,354	35,329	**28,212**	33,486	38,753
South Africa—continuing operations	**25,046**	35,364	34,603	**28,138**	33,448	38,710
South Africa—discontinued operations	**487**					
Other[3]—continuing operations	**490**	990	726	**74**	38	43
Other[3]—discontinued operations	**673**					

Notes

1 Includes investment in joint ventures of R4 million (2012: R67 million and 2011: R6 million).

2 Incorporating corporate divisions and consolidation adjustments, including additional depreciation and amortisation.

3 Compromising Botswana, Lesotho, Swaziland, Namibia, Zambia and Mozambique.

4 Included in total assets are non-current assets of R18 109 million (2012: R20 174 million and 2011: R20 270 million) which are part of group services. 99% of non-current assets are domiciled in South Africa.

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
3. PROPERTIES, FIXTURES, EQUIPMENT AND VEHICLES			
Historic cost except for revalued land and buildings			
Land and buildings			
Historic cost	**4**	4	4
Revaluation surplus	**—**	—	—
Leased assets	**327**	308	
Leasehold improvements	**785**	707	626
Fixtures and fittings	**3,592**	3,106	2,842
Computer equipment and software	**1,691**	1,528	1,246
Machinery and vehicles	**191**	178	170
	6,590	5,831	4,888
Accumulated depreciation			
Buildings	**1**	1	1
Leased assets	**40**	17	
Leasehold improvements	**513**	432	345
Fixtures and fittings	**2,120**	1,762	1,405
Computer equipment and software	**1,232**	1,042	805
Machinery and vehicles	**125**	106	86
	4,031	3,360	2,642
Net carrying value			
Comprising:			
Land and buildings	**3**	3	3
Leased assets	**287**	292	
Leasehold improvements	**272**	275	281
Fixtures and fittings	**1,472**	1,344	1,437
Computer equipment and software	**459**	486	441
Machinery and vehicles	**66**	71	84
	2,559	2,471	2,246
Opening net carrying value	**2,471**	2,246	2,663
Movements for the period			
Land and buildings—revaluation, cost less accumulated depreciation	**—**	—	—
Additions			
Leased assets	**19**	308	
Leasehold improvements	**87**	88	81
Fixtures and fittings	**530**	322	261
Computer equipment and software	**189**	293	127
Machinery and vehicles	**13**	7	5
	838	1,018	474
Other			
Currency adjustments	**2**	(1)	(1)
	840	1,017	473
Disposals (net carrying value)			
Land and buildings			35
Leasehold improvements	**4**	6	12
Fixtures and fittings	**16**	25	44
Computer equipment and software	**2**	6	1
Machinery and vehicles	**—**	—	—
	22	37	92
Depreciation (note 28.2)	**730**	755	798
Closing net carrying value	**2,559**	2,471	2,246

Land and buildings were revalued at 30 March 2013 to open market value based on the open market net rentals and current replacement cost of each property. Deferred taxation has been raised on the revaluation surplus. The independent valuations were carried out by professional valuers. No other categories of assets were revalued.

A register of the Group's land and buildings is available for inspection at the Company's registered office. If the land and buildings were measured using the cost model the cost would have been R4 million (2012: R4 million and 2011: R4 million) and the accumulated depreciation R1 million (2012: R1 million and 2011: R1 million).

At 30 March 2013, the properties, fixtures, equipment and vehicles have an estimated replacement cost and insurance value of R8 billion (2012: R7 billion and 2011: R6 billion) which excludes input value added-tax where appropriate.

These assets are security in terms of the floating rate notes (note 19), fixed rate notes (note 19), the super senior secured notes (note 19) and the revolving credit facility (note 21).

The leased assets are secured by the lease liabilities (note 22.2).

4. INTANGIBLE ASSETS

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
Goodwill represents the excess of the purchase consideration over the fair value of the identifiable assets at the date of acquisition purchased as part of a business combination. Other intangible assets represent registered rights to the exclusive use of certain trademarks and brand names.			
Balance at the beginning of the period	**17,481**	18,024	18,442
Movement of intangible assets:			
Charge for the period (note 28.1)	**(319)**	(417)	(418)
Derecognition/impairment of goodwill	**(79)**	(86)	
Impairment of finite life brands		(40)	
Impairment of indefinite life brands	**(386)**		
Balance at the end of the period	**16,697**	17,481	18,024
Comprising:			
Goodwill at cost	**8,434**	8,513	8,513
Intangible assets at cost	**11,979**	11,979	11,979
Impairment of intangibles including goodwill	**(1,346)**	(960)	(834)
Accumulated amortisation of intangible assets	**(2,370)**	(2,051)	(1,634)
	16,697	17,481	18,024
Intangible assets (excluding goodwill)			
Intangible assets at cost:			
Indefinite life brands	**8,492**	8,492	8,492
Finite life brands	**229**	229	229
Customer relationships	**1,974**	1,974	1,974
Trademarks recognised	**206**	206	206
Customer lists	**561**	561	561
Technology	**517**	517	517
	11,979	11,979	11,979
Impairment of intangibles:			
Indefinite life brands	**(1,137)**	(751)	(751)
Finite life brands	**(40)**	(40)	
	(1,177)	(791)	(751)

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
Accumulated amortisation of intangible assets:			
Finite life brands	**(126)**	(111)	(87)
Customer relationships	**(1,285)**	(1,110)	(885)
Trademarks recognised	**(115)**	(101)	(80)
Customer lists	**(407)**	(366)	(292)
Technology	**(437)**	(363)	(290)
	(2,370)	(2,051)	(1,634)
Carrying value of intangible assets:			
Indefinite life brands	**7,355**	7,741	7,741
Finite life brands	**63**	78	142
Customer relationships	**689**	864	1,089
Trademarks recognised	**91**	105	126
Customer lists	**154**	195	269
Technology	**80**	154	227
	8,432	9,137	9,594

The remaining useful life of the finite life brands, customer relationships and customer lists is 4 years (2012: 5 years and 2011: 6 years), trademarks range from 4 to 9 years (2012: 5 to 10 years and 2011: 6 to 10 years) and technology is 1 year (2012: 2 years and 2011: 3 years).

Indefinite life brands principally comprise those brands for which there is no foreseeable limit to the period over which the y are expected to generate net cash inflows.

The Edgars, Jet, CNA and Boardmans brands are considered to have an indefinite life as each has been in existence for a significant period, have strength and durability and require a low level of marketing support.

During the 2012 financial period an impairment of R40 million was recognised on the finite life brands due to a change in product offering.

Goodwill and indefinite life brands are tested annually for impairment (note 5).

5. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated to individual cash-generating units for impairment testing as follows:

- Edgars Division—includes Edgars, Red Square, Temptations, Boardmans, Edgars Active and
- Edgars Shoe Gallery, offering clothing, footwear and homeware products. CNA—offers stationery and electronic products.
- Discount Division—includes Jet, JetMart, Legit and Jet Shoes chains offering clothing, footwear, beauty and homeware products.
- Credit and Financial Services.

Impairment testing of this goodwill and intangibles with indefinite lives was undertaken on the following basis:

The recoverable amount of cash-generating units has been determined based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering no more than a five- year period. The discount rate applied to the cash flow projections for Edgars and the Discount Division is 12% (2012: 16% and 2011: 15%), for CNA, 14% (2012: 16% and 2011: 15%) and for the Credit and Financial Services Division, 12% (2012 and 2011: 17%). The average growth rates used to extrapolate the cash flow projection of each cash -generating unit beyond the periods covered by the financial forecasts for Edgars, the Discount Division and the Credit and Financial Services Division is 6% (2012 and 2011: 6%) and for CNA, 4% (2012 and 2011: 6%) as future benefits are expected beyond the periods of the financial forecasts.

As a result, forecast sales assumptions were based on estimated growths over the short-term and the growth rates beyond the forecasted period were held constant for Edgars and the Discount Division at 6%, and for CNA, 4% (2012 and 2011: 6%).

Carrying amount of goodwill and intangibles with indefinite lives (Rm)	Edgars	CNA	Discount Division	Credit and Financial Services	Total
2013					
Carrying amount of goodwill	**1,753**		**2,922**	**3,590**	**8,265**
Carrying amount of indefinite life intangibles	**4,535**	**160**	**2,660**		**7,355**
2012					
Carrying amount of goodwill	1,753		2,922	3,669	8,344
Carrying amount of indefinite life intangibles	4,535	546	2,660		7,741
2011					
Carrying amount of goodwill	1,753		3,008	3,669	8,430
Carrying amount of indefinite life intangibles	4,535	546	2,660		7,741

During the current period an impairment of R386 million was recognised on the indefinite life brand for CNA due to economic trading conditions and a change in the mix of products sold by CNA stores. In addition, R79 million goodwill relating to OtC was derecognised as the securitisation program was terminated during the period. During the 2012 financial period an impairment of R86 million was recognised on the goodwill allocated to Discom due to a change in product offering.

Key assumptions applied in value-in-use calculation of the cash generating units

The calculation of value-in-use is most sensitive to gross margin, store expenses, discount rates, market share and growth rates used to extrapolate cash flows beyond the financial forecast period.

Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvement and therefore based on financial forecasts for the Edgars, CNA and the Discount Divisions.

Store expenses are applied as a percentage of sales to the forecast based on historic performance, adjusted for any future impacts.

Discount rates reflect management’s estimate of the risks specific to each unit.

Market share assumptions (based on external market information) are important as management considers how the unit’s position relative to its competitors might change over the forecast period. Management expects the market share of Edgars, CNA and the Discount Division to be reasonably stable over the forecast period.

Growth rate estimates are conservatively applied to each unit having considered industry expected growth rates and internal targets. The Group is not expected to exceed the long-term average growth rates of the industry.

A reasonable possible change in any of the key assumptions would not result in the carrying amount of any of the cash generating units exceeding their recoverable amount.

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
6. EQUITY ACCOUNTED INVESTMENT IN JOINT VENTURES			
Hollard Insurance—50% holding offering long and short-term insurance products to account holders	**—**	62	1
Europe Assistance	**4**	5	5
Total equity accounted in joint venture	**4**	67	6
6.1 Share of joint ventures' reserves			
Balance at the beginning of the period	**67**	6	—
Income for the period	**666**	541	487
Paid as follows:			
Administration fee received	**(439)**	(401)	(381)
Dividends received	**(290)**	(79)	(100)
Carrying value of joint ventures	**4**	67	6
6.2 Share of joint ventures' net assets, revenue and expenses			
Current assets	**4**	67	6
Revenue	**1,575**	1,331	1,124
Expenses	**879**	727	582
7. DERIVATIVE FINANCIAL INSTRUMENTS[1]			
7.1 Non-current derivative assets			
Interest rate swaps	**—**	—	30
Cross currency swaps	**—**	472	—
Foreign currency call options	**292**	—	—
	292	472	30
7.2 Current derivative assets			
Cross currency swaps	**813**	—	—
Foreign currency forward contracts	**2**	—	—
	815	—	—
7.3 Non-current derivative liabilities			
Interest rate swaps	**—**	42	—
Foreign currency forward contracts	**—**	21	55
Cross currency swaps	**—**	—	253
	—	63	308
7.4 Current derivative liabilities			
Interest rate swaps	**68**	42	111
Foreign currency forward contracts	**11**	24	146
Cross currency swaps	**—**	731	689
	79	797	946
7.5 Total derivatives			
Interest rate swaps liability	**(68)**	(84)	(81)
Foreign currency forward contracts liability	**(9)**	(45)	(201)
Cross currency swaps asset/(liability)	**813**	(259)	(942)
Foreign currency call options asset	**292**		
	1,028	(388)	(1,224)
Credit risk valuation adjustments[1]			
Interest rate swaps	**(4)**	(9)	(2)
Foreign currency forward contracts	**—**	(6)	(13)
Cross currency swaps	**7**	(61)	(154)
Foreign currency call options	**1**		
	4	(76)	(169)

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
Total derivatives before credit risk valuation adjustments			
Interest rate swaps liability	**(72)**	(93)	(83)
Foreign currency forward contracts liability	**(9)**	(51)	(214)
Cross currency swaps asset/(liability)	**820**	(320)	(1,096)
Foreign currency call options asset	**293**		
	1,032	(464)	(1,393)

1 Credit risk valuation adjustments are included in the total fair value of derivatives above.

Refer to note 36.2 for details of hedging activities.

On 13 February 2013, Edcon Limited terminated cross currency swaps as a consequence of the repurchase of the senior secured floating rate notes with a nominal value of €754 million and received proceeds of R1 021 million which were applied to the buy- back transaction (note 19.2).

On 1 March 2011, Edcon Limited issued 9.5% senior secured fixed rate notes due 2018, comprising of a €317 million tranche and a US$250 million tranche (note 19.4). These funds were utilised to settle a derivative liability of R5 001 million on 2 March 2011 (note 33.9).

Prior to the early redemption of OtC's note program, the interest rate risk relating to OtC receivables had been hedged with dynamic interest rate swaps with Rand Merchant Bank, a division of FirstRand Bank Limited. The fair value at financial period end of 2013 is RNil million (2012: liability R154 million and 2011: liability R156 million). The interest rate swap balance was offset by the movement for finance charges on eligible receivables.

7.6 Derivative loss

Derivative loss recognised in profit or loss	**(897)**	(10)	(2,343)
	(897)	(10)	(2,343)

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
8. DEFERRED TAXATION			
Balance at the beginning of the period—asset	**1,030**	887	153
Recognised in profit or loss—current year (note 32.1)	**697**	133	693
Recognised in profit or loss—prior year (note 32.1)	**(2,028)**		
Deferred tax in other comprehensive income—currency forwards (note 32.2)	**(233)**	1	19
Deferred tax in other comprehensive income—cash flow hedges and employee benefits (note 32.2)	**(3)**	9	22
Balance at the end of the period—(liability)/asset	**(537)**	1,030	887
Comprising:			
Appro sales			13
Intangible assets	**1,500**	1,659	1,426
Property, fixtures, equipment and vehicles	**236**	261	209
Prepayments	**3**	4	4
Unearned finance income	**—**	38	20
Employee benefits	**35**	32	
Fair value gain on interest rate hedges	**14**		
Other	**2**	29	26
Deferred tax liability	**1,790**	2,023	1,698
Provision for impairment of receivables	**28**	205	183
Other payables	**196**	175	138
Leave pay accrual	**41**	40	39
Operating lease adjustment	**119**	104	112
Finance leases	**88**	92	
Fair value loss on interest rate hedges	**29**	245	232
Assessed loss	**675**	2,185	1,852
Deferred option premium	**77**		
Other	**—**	7	29
Deferred tax asset	**1,253**	3,053	2,585
Net deferred tax (liability) / asset	**(537)**	1,030	887
Reflected in the Statement of Financial Position as follows:			
Deferred tax assets—continuing operations	**33**	1,030	887
Deferred tax assets—discontinued operations	**26**		
Deferred tax liabilities—continuing operations	**(596)**		
Net deferred tax (liability)/asset	**(537)**	1,030	887

The deferred tax asset relating to the assessed loss will be realised through the normal course of business.

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
9. INVENTORIES			
Merchandise	3,621	3,140	2,605
Raw materials	29	22	13
Work in progress	9	8	8
Total inventories on hand	3,659	3,170	2,626
Inventory write-downs included above	143	86	153
Cost of inventories expensed	15,874	15,574	13,923

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
10. TRADE RECEIVABLES			
Trade accounts receivable—retail	**200**	10,867	9,586
Provision for impairment of receivables	**(19)**	(865)	(733)
Total trade receivables	**181**	10,002	8,853

R118 million (2012 and 2011: R6,864 million and R6,017 million) of the balances are covered by an account protection policy whereby the Group is the beneficiary in the event of the customer's death, the customer being retrenched or becoming permanently disabled. The policy does not provide cover for insolvency or inability to pay.

The Group's total trade receivables (net of related impairment losses) moved from an asset of R10,002 million at 31 March 2012 to an asset of R181 million at 30 March 2013 as a result of the sale of the Group's private label store card portfolio to Absa on 1 November 2012. All conditions required for the first closing of the South African trade receivables were satisfied on this date and R8,667 million of the South African private label store card portfolio was sold to Absa for cash.

The balance of the Group's trade receivables has been disclosed as R181 million in the consolidated financial statements, as the remainder of the trade receivables balance of R1,134 million, has been disclosed as "Assets classified as held-for-sale" (refer note 13). The remaining portion of the card portfolio (in South Africa, Lesotho, Namibia, Botswana and Swaziland) of R1,134 million is expected to be sold as soon as Absa has completed compliance screening processes in respect of these accounts and the relevant regulatory approvals have been obtained.

In terms of the strategic agreement with Absa, Absa will provide retail credit to Group customers, while the Group continues to be responsible for all customer-facing activities, including sales and marketing, customer services and collections.

At 31 March 2012, all obligations under the OtC receivables–backed notes issued (note 19 and 21) were secured by pledge and cession of the eligible receivables that OtC acquired from time to time. As at 31 March 2012, R5,991 million (2011: R6,146 million) was designated as eligible receivables.

Refer to note 38 for details on the additional sale of South African trade receivables which took place after the reporting period.

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
10.1 Analysis of trade receivables past due but not impaired			
Overdue 30 days – 60 days	**22**	1,386	1,011
Overdue 60 days – 90 days	**3**	184	134
Overdue 90 days – 120 days	**2**	98	71
Greater than 120 days	**3**	242	236
	30	1,910	1,452
10.2 Interest on impaired receivables			
Interest recognised on impaired receivables—continuing operations	**4**	5	7
Interest recognised on impaired receivables discontinued operation (refer note 13)	**18**	184	247
Total interest recognised on impaired receivables	**22**	189	254

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
10.3 Provision for impairment of receivables			
Balance at the beginning of the period	**865**	733	1,126
(Decrease)/increase in impairment provision	**(2)**	132	(393)
Decrease in impairment provision—discontinued operation (refer note 13)	**(844)**		
Balance at the end of the period	**19**	865	733

11. SUNDRY RECEIVABLES AND PREPAYMENTS

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
Sundry receivables	**434**	392	326
Staff loans	**6**	13	4
Prepayments	**15**	19	12
	455	424	342

12. CASH AND CASH EQUIVALENTS

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
Cash on hand	**386**	265	1,370
Cash on deposit	**283**	818	945
	669	1,083	2,315

13. DISCONTINUED OPERATIONS

On 6 June 2012, the Group announced the intended sale of its private label store card portfolio to 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 the Group's customers, while the Group continues to be responsible for all customer-facing activities, including sales, marketing, customer services and collections. On 1 November 2012, all conditions required for the first closing of the South African trade accounts receivable were satisfied and R8,667 million of the South African private label store card portfolio was sold to Absa.

A portion of the card portfolio in South Africa and the card portfolio in Lesotho, Namibia, Botswana and Swaziland, is expected to be sold as soon as Absa has completed compliance screening processes in respect of these accounts and the relevant regulatory approvals have been obtained. Accordingly, the provision of credit relating to the portion of the trade accounts receivable not yet sold has been disclosed as a discontinued operation, the prior period profit and loss has been re-presented and trade receivables in the current financial period classified as assets held-for-sale.

	2013 52 weeks to 30 March	2012 52 weeks to 31 March	2011 52 weeks to 2 April
	Rm	Rm	Rm

The results of the discontinued operation are as follows:

13.1 Statement of Comprehensive Income

13.1.1 Trade receivables disposed of

	2013 Rm	2012 Rm	2011 Rm
Revenues	**1,072**	1,745	1,552
Other income	**1,072**	1,745	1,552
Other operating costs	**(840)**	(1,142)	(1,081)
Profit before taxation	**232**	603	471
Taxation	**(65)**	(169)	(132)
Profit for the period	**167**	434	339

13.1.2 Trade receivables held-for-sale

	2013 Rm	2012 Rm	2011 Rm
Revenues	**238**	214	190
Other income	**238**	214	190
Other operating costs	**(193)**	(174)	(120)
Profit before taxation	**45**	40	70
Taxation	**(13)**	(11)	(20)
Profit for the period	**32**	29	50

13.1.3 Total discontinued operations

	2013 Rm	2012 Rm	2011 Rm
Revenues	**1,310**	1,959	1,742
Other income	**1,310**	1,959	1,742
Other operating costs	**(1,033)**	(1,316)	(1,201)
Profit before taxation	**277**	643	541
Taxation	**(78)**	(180)	(152)
Profit for the period	**199**	463	389

	2013 30 March	2012 31 March	2011 2 April
	Rm	Rm	Rm

13.2 Statement of Financial Position

The major classes of assets sold on 1 November 2012 and held-for-sale as at 30 March 2013 are as follows:

13.2.1 Trade receivables disposed of Assets

	2013 Rm	2012 Rm	2011 Rm
Trade receivables	**8,667**		
Total assets disposed of	**8,667**		

13.2.2 Trade receivables held-for-sale Assets

	2013 Rm	2012 Rm	2011 Rm
Trade receivables	**1,134**		
Deferred tax asset	**26**		
Total assets held-for-sale	**1,160**		

	2013 52 weeks to 30 March	2012 52 weeks to 31 March	2011 52 weeks to 2 April
	Rm	Rm	Rm
13.3 Statement of Cash Flows			
The net cash flows incurred by the discontinued operations are as follows:			
13.3.1 Trade receivables disposed of			
Operating	**8,899**	(122)	369
Investing			
Financing			
Net cash inflow/(outflow)	**8,899**	(122)	369
13.3.2 Trade receivables held-for-sale			
Operating	**(174)**	(100)	51
Investing			
Financing			
Net cash (outflow)/inflow	**(174)**	(100)	51
13.3.3 Total discontinued operations			
Operating	**8,725**	(222)	420
Investing			
Financing			
Net cash (outflow)/inflow	**8,725**	(222)	420

	2013 30 March	2012 31 March	2011 2 April
	Rm	Rm	Rm
14. SHARE CAPITAL AND PREMIUM			
14.1 Authorised ordinary share capital			
1,000,000,000 "A "ordinary shares with a par value of 0.00001 cent each	—	—	—
100,000,000 "B" ordinary shares with a par value of 0.00001 cent each	—	—	—
1,000,000,000 "C" ordinary shares with a par value of 0.00001 cent each	—	—	—
1,000,000,000 "D" ordinary shares with a par value of 0.00001 cent each	—	—	—
1,000,000,000 "E" ordinary shares with a par value of 0.00001 cent each	—	—	—
	—	—	—
14.2 Authorised preference share capital			
1,000,000,000 "A" preference shares of R0.00001 each	—	—	—
1,000,000,000 "B" preference shares of R0.00001 each	—	—	—
	—	—	
14.3 Number of ordinary shares in issue			
Number of shares at the beginning of the period	**564,375**	560,133	560,133
"C" ordinary shares issued		1,414	
"D" ordinary shares issued		1,414	
"E" ordinary shares issued		1,414	
Number of shares at the end of the period	**564,375**	564,375	560,133
Number of ordinary shares in issue comprise:			
"A" ordinary shares issued	**500,133**	500,133	500,133
"B" ordinary shares issued	**69,213**	69,213	69,213
"C" ordinary shares issued	**21,414**	21,414	20,000
"D" ordinary shares issued	**21,414**	21,414	20,000

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
"E" ordinary shares issued	**21,414**	21,414	20,000
Treasury shares—Staff Empowerment Trust	**(69,213)**	(69,213)	(69,213)
	564,375	564,375	560,133

14.4 Number of preference share capital in issue

	2013 30 March	2012 31 March	2011 2 April
Number of shares at the beginning of the period	**256,707**	252,449	252,449
"B" preference shares of R0.00001 each issued		4,258	
Number of shares at the end of the period	**256,707**	256,707	252,449
Number of preference shares in issue comprise:			
"A" preference shares of R0.00001 each	**200,866**	200,866	200,866
"B" preference shares of R0.00001 each	**55,841**	55,841	51,583
	256,707	256,707	252,449

14.5 Voting rights of ordinary and preference shares

Each "A" ordinary share of the Group shall entitle the holder thereof to 1,000 votes on all matters upon which shareholders have the right to vote.

Each "A" redeemable cumulative preference share of the Group shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company Edcon Holdings Limited, save where a resolution affecting a matter contemplated in section 37(3)(a) of the Companies Act of South Africa is proposed.

The total "B" ordinary shareholder of the Group at any time shall, in aggregate, have the right to exercise such number of votes as is equal to 10.6% of the aggregate voting rights of the total "A" ordinary shares then in issue.

Each "B" redeemable cumulative preference share of the Group shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company Edcon Holdings Limited, save where a resolution affecting a matter contemplated in section 37(3)(a) of the Companies Act of South Africa is proposed.

Each "C", "D" and "E" ordinary share shall entitle the holder thereof to one vote on all matters upon which shareholders have the right to vote.

14.6 Redemption of preference shares

The "A" and "B" Preference Shares may not be redeemed within three years and one day of their date of issue and will thereafter be redeemed at a date fixed by the Company.

The Company shall pay to the member, all monies payable in respect of the redemption of such "A" and "B" Preference Shares as calculated in accordance with the provisions of the memorandum of incorporation of the Company.

The "A" and "B" Preference Shares shall not confer on the holders thereof any further rights to participate in the profits or assets of the Company.

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
14.7 Issued shares and premium			
Balance at the beginning of the period	**2,153**	2,148	2,148
Ordinary shares issued		—	
Preference shares issued—share capital		—	
Preference shares issued—share premium		5	
Balance at the end of the period	**2,153**	2,153	2,148
Comprising:			
Share capital	**—**	—	—
Share premium	**2,153**	2,153	2,148
Total	**2,153**	2,153	2,148
15. OTHER RESERVES			
Balance at the beginning of the period comprising:			
Revaluation reserve net of deferred taxation	**3**	3	3
Foreign currency translation reserve	**(30)**	(35)	(20)
Cash flow hedges net of tax	**(661)**	(568)	(391)
	(688)	(600)	(408)
Movements			
Net decrease in revaluation reserve	**—**	—	—
Foreign currency translation reserve	**13**	5	(15)
Cash flow hedges recognised in other comprehensive income	**1,483**	(289)	(1,075)
Cash flow hedges released to derivative losses as hedge ineffectiveness	**(3)**	12	82
Cash flow hedges released to financing costs	**1,033**	985	443
Cash flow hedges released to foreign exchange (gain)/loss	**(2,215)**	(838)	304
Cash flow hedges released due to discontinued hedge accounting	**570**		
Tax impact of cash flow hedges (note 32.2)	**(244)**	37	69
Balance at the end of the period	**(51)**	(688)	(600)
Comprising:			
Revaluation reserve net of deferred taxation	**3**	3	3
Foreign currency translation reserve	**(17)**	(30)	(35)
Cash flow hedges net of tax	**(37)**	(661)	(568)
	(51)	(688)	(600)

The foreign denominated floating and fixed rate notes expose the Group to both interest rate risk and foreign exchange risk. Derivative instruments have been executed to limit the exposure to both interest rate and/or foreign exchange risk. Certain derivative instruments have been designated as a cash flow hedge. Refer to note 36.2 for details of the hedging strategy.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

16. RETAINED (LOSS)/SURPLUS

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
Comprising:			
Holding company—Edcon Holdings Limited	**2,357**	2,084	2,070
Consolidated subsidiaries	**(14,265)**	(8,971)	(7,042)
	(11,908)	(6,887)	(4,972)

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
17. FOREIGN SUBSIDIARY DISTRIBUTIONS			

Distributions by certain foreign subsidiaries will give rise to withholding taxes of R26 million (2012: R21 million and 2011: R70 million). No deferred tax is raised until dividends are declared as the Group controls the timing of the reversal and it is probable that there will be no reversal in the foreseeable future. Deferred tax not raised was R68 million (2012: R82 million and 2011: R242 million).

18. SHAREHOLDER'S LOAN

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
Loan recognised in equity	**8,290**	8,290	
Loan recognised in non-current liabilities	**801**	659	8,184
Loan by Edcon (BC) S.A.R.L.	**9,091**	8,949	8,184
Comprising:			
Principal at the beginning of the period	**8,949**	8,184	6,597
Interest capitalised during the period		765	831
Interest accrued during the period Loan derecognised		(8,949)	756
Loan recognised in equity		8,290	
Loan recognised in non-current liabilities		659	
Notional interest charged for the period	**142**		
Principal at the end of the period	**9,091**	8,949	8,184
Principal at the end of the period excluding notional interest	**8,949**	8,949	8,184

The loan is denominated in South African Rands and accrued interest at the South African prime rate plus 2% p.a. on the principal up to and including 7 February 2012. Thereafter, no interest will accrue up to and including the date of repayment. The principal is repayable in May 2037. This shareholder's loan is regarded as capital for IAS 1 purposes (note 35).

As a result of the fact that the loan became interest-free the terms of the loan are substantially different and as a result it was necessary to derecognise the loan in terms of IAS 39. Applying initial measurement in terms of IAS 39 resulted in R8,290 million being recognised in equity and R659 million being recognised in non-current liabilities.

The directors' have considered the going concern assumption and have included the total shareholder's loan of R9,091 million in the assessment (refer to note 35, management of capital). To the extent required to maintain the solvency of the Group, the shareholder's loan has been subordinated to the claims of all of the creditors of the Group.

19. NON-CURRENT INTEREST-BEARING DEBT

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
Super senior secured notes (note 19.1)	**1,010**	1,010	
Senior secured floating rate notes (note 19.2)	**4,543**	11,559	11,094
Senior floating rate notes (note 19.3)	**4,406**	3,802	3,527
Senior secured fixed rate notes (note 19.4)	**9,178**	5,012	4,534
Senior notes	**19,137**	21,383	19,155
OtC receivables-backed notes (note 19.5)		2,150	4,300
Super senior secured term loan (note 19.6)			985
	19,137	23,533	24,440

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
19.1 Super senior secured notes			
Notes issued	**1,010**	1,010	
	1,010	1,010	

During the 2012 financial period, super senior secured notes of R1,010 million were issued by Edcon Limited and guaranteed on a super senior secured basis, and are secured along with the revolving credit facility, the senior secured term loan, the senior secured floating rate notes and the senior secured fixed rate notes by security interests over the assets of Edcon Holdings Limited and its subsidiaries. Interest is payable quarterly in arrears at a rate of three-month JIBAR, plus 6.25%. The notes mature on 4 April 2016, subject to a springing maturity structure:

— Investors have a put back to Edcon Limited on 31 March 2015 to the extent that the 2015 senior floating rate notes are not refinanced to 30 June 2016 or beyond, or have been redeemed in full.

There have been no defaults or breaches of the principal or interest during the period.

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
19.2 Senior secured floating rate notes			
Notes issued	**3,698**	10,890	11,259
Foreign currency	**867**	781	(9)
Fees capitalised	**(22)**	(112)	(156)
	4,543	11,559	11,094
Balance at the beginning of the period	**11,559**	11,094	11,397
Foreign currency movement	**1,795**	795	(340)
Fees amortised	**90**	44	37
Repurchased	**(8,901)**	(374)	
Balance at end of period	**4,543**	11,559	11,094

The senior secured floating notes of €387 million (2012: €1,141 million and 2011: €1,180 million) are issued by Edcon Limited and guaranteed on a senior secured basis and are secured, along with the revolving credit facility, the super senior secured notes, the senior secured term loan and the senior secured fixed rate notes, by security interests over substantially all the assets of Edcon Holdings Limited and its subsidiaries.

Interest is payable quarterly in arrears at a rate of three month EURIBOR, reset quarterly, plus 3.25%. The notes mature on 15 June 2014. There have been no defaults or breaches of the principal or interest during the period. The market value of the senior secured floating rate notes at 30 March 2013 was R4,542 million (2012: R10,234 million and 2011: R9,618 million).

On 14 February 2013, the Group completed a note repurchase of the senior secured floating rate notes with a nominal value of €754 million being 100.1% of the face value. The notes were redeemed out of the combined proceeds raised from the issuance of new senior secured fixed rate notes (refer note 19.4), a portion of the proceeds from the sale of the Group's private label store card portfolio to Absa and through proceeds received on termination of certain in-the-money derivative contracts over the related notes being repurchased.

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
In May 2011, the Group completed a note repurchase of the senior secured floating rate notes with a nominal value of €39 million being 90% of the face value.			
19.3 Senior floating rate notes			
Notes issued	**3,606**	3,606	3,606
Foreign currency	**846**	259	(2)
Fees capitalised	**(46)**	(63)	(77)
	4,406	3,802	3,527
Balance at the beginning of the period	**3,802**	3,527	3,623
Foreign currency movement	**587**	261	(108)
Fees amortised	**17**	14	12
Balance at end of period	**4,406**	3,802	3,527

The senior floating notes of €378 million are issued by Edcon Holdings Limited and guaranteed on a senior subordinated basis and secured by a third ranking pledge of the proceeds of the loan between Edcon Holdings Limited and Edcon Limited.

Interest is payable quarterly in arrears at a rate of three month EURIBOR, reset quarterly, plus 5.5%. The notes mature on 15 June 2015. There have been no defaults or breaches of the principal or interest during the period. The market value of the senior floating rate notes at 30 March 2013 was R4,059 million and (2012: R3,200 million and 2011: R3,009 million).

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
19.4 Senior secured fixed rate notes			
Notes issued	**8,379**	4,781	4,781
Foreign currency	**1,179**	376	(86)
Fees capitalised	**(380)**	(145)	(161)
	9,178	5,012	4,534
Balance at the beginning of the period	**5,012**	4,534	
Notes issued	**3,598**		4,781
Foreign currency movement	**803**	462	(86)
Fees and discount capitalised	**(261)**		(165)
Fees and discount amortised	**26**	16	4
Balance at end of period	**9,178**	5,012	4,534

On 13 February 2013, Edcon Limited issued new senior secured fixed rate notes which mature in March 2018, with a face value of €300 million. The notes were issued at 96.5% of the face value, are guaranteed on a senior secured basis and are secured, along with the revolving credit facility, the super senior secured notes, the senior secured floating rate notes and the senior secured term loan, by security interests over substantially all the assets of Edcon Holdings Limited and its subsidiaries.

The senior secured fixed rate notes of €317 million and US$250 million were issued by Edcon Limited in March 2011 respectively and guaranteed on a senior secured basis and are secured, along with the revolving credit facility, the super senior secured notes, the senior secured floating rate notes and the senior secured term loan, by security interests over substantially all the assets of Edcon Holdings Limited and its subsidiaries.

Interest is payable semi-annually in arrears at a rate of 9.5% per annum for all the above notes and they mature in March 2018.

	2013 30 March	2012 31 March	2011 2 April
	Rm	Rm	Rm

The market value of the senior secured fixed rate notes at 30 March 2013 was R3,695 million (2012: R2,939 million and 2011: R2,886 million) for the €317 million notes, R2,274 million (2012: R1,745 million and 2011: R1,623 million) for the US$250 million notes and R3,496 million for the €300 million notes. There have been no defaults or breaches of the principal or interest during the period.

19.5 OtC receivables-backed notes

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
Notes issued		4,300	4,300
Current		(2,150)	
Non-current		2,150	4,300

On 31 October 2012, OtC completed an early redemption of all its Class A and Class B notes in issue, in accordance with the terms and conditions of its R6,500 million Receivables Backed Domestic Medium Term Note Program. The notes redemption was necessary so that OtC's receivables asset could be sold to Edcon Limited, and as such, facilitate the sale of the Group's private label store card portfolio to Absa. As from 31 October 2012 OtC became dormant.

The receivables backed notes comprised unlisted notes and notes listed on the Johannesburg Securities Exchange. The applicable interest rate and margin, maturity date and fair value is detailed below:

OtC receivables—backed notes	Amount and Fair Value 31 March 2012	Maturity Date	Applicable Interest	Margin
	Rm			%
Current				
Listed	555	31 Jul 2012	3m Jibar	2.5
Unlisted	1,545	31 Oct 2012	3m Jibar	2.5
Unlisted	50	31 Oct 2012	3m Jibar	4.5
Total Current	2,150			
Non-Current				
Listed	427	30 Apr 2013	3m Jibar	2.3
Listed	968	30 Apr 2013	3m Jibar	2.2
Listed	323	30 Apr 2014	3m Jibar	2.5
Listed	182	30 Apr 2014	3m Jibar	2.3
Listed	250	30 Apr 2017	Fixed 10.09%	
Total non-current	2,150			
Total receivables-backed notes	4,300			

OtC receivables—backed notes	Amount and Fair Value 2 April 2011	Maturity Date	Applicable Interest	Margin
	Rm			%
Non-current				
Listed	555	31 Jul 2012	3m Jibar	2.5
Unlisted	1,545	31 Oct 2012	3m Jibar	2.5
Unlisted	50	31 Oct 2012	3m Jibar	4.5
Listed	427	30 Apr 2013	3m Jibar	2.3
Listed	968	30 Apr 2013	3m Jibar	2.2
Listed	323	30 Apr 2014	3m Jibar	2.5
Listed	182	30 Apr 2014	3m Jibar	2.3
Listed	250	30 Apr 2017	Fixed 10.09%	
Total receivables-backed notes	4,300			

	2013 30 March	2012 31 March	2011 2 April
	Rm	Rm	Rm
19.6 Super senior secured term loan			
Balance at the beginning of the period		985	
Loan raised			985
Loan repaid		(985)	
Balance at end of period			985

During the 2011 financial period a loan of R985 million was raised by Edcon Limited and guaranteed on a super senior secured basis, and was secured along with the revolving credit facility, the super senior notes, the senior secured floating rate notes and the senior secured fixed rate notes by security interests over the assets of Edcon Holdings Limited and its subsidiaries. Interest was payable quarterly in arrears at a rate of three-month JIBAR, plus 4.0%. The loan was repaid with the proceeds of the super senior secured notes on 4 April 2011 (refer note 19.1).

19.7 Super senior secured term loan

On 28 March 2013, Edcon Limited concluded an agreement with certain financial institutions to provide a R4,120 million term loan, guaranteed on a senior secured basis and secured, along with the revolving credit facility, the super senior secured notes, the senior secured floating rate notes and the senior secured fixed rate notes, by security interests over substantially all the assets of Edcon Holdings Limited and its subsidiaries. The proceeds from the senior secured term loan will be used to repurchase all outstanding senior secured floating rate notes. The loan is repayable four years from drawdown, while interest is payable quarterly at an initial rate of three-month JIBAR, plus 7.0%.

At the reporting date this facility had not been utilised due to certain conditions precedent to draw down that were in the process of being fulfilled (refer to note 38, Events after the reporting period).

	2013 30 March	2012 31 March	2011 2 April
19.8 Foreign exchange (loss)/gain and fees amortised			
Foreign exchange (loss)/gain	**(3,186)**	(1,518)	534
Released from other comprehensive income (note 15)	**2,215**	838	(304)
Foreign exchange (loss)/gain	**(971)**	(680)	230
Fees amortised recognised in financing costs (note 31.1)	**133**	74	53

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
20. DEFERRED OPTION PREMIUM			
Deferred option premium raised during the period	**351**		
Deferred option premium settled during the period	**(51)**		
Effective interest	**5**		
	305		
Current	**36**		
Non-current	**269**		
	305		

In December 2012, a series of foreign currency call options were entered into, with notional values of €150 million and US$250 million to buy foreign currency and sell Rand. These foreign currency call options hedge a portion of our principal obligations on the senior secured fixed rate notes. The premiums payable on the foreign currency call options have been deferred to between March 2014 and April 2014 and are interest-free.

21. CURRENT INTEREST-BEARING DEBT

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
Revolving credit facility	**1,456**	751	
OtC receivables-backed notes (note 19.5)		2,150	
	1,456	2,901	

The revolving credit facility provides senior secured financing of up to R3,967 million (2012 and 2011: R3,117 million) for general corporate and working capital purposes. All obligations under the facility are secured by substantially all the assets of Edcon Holdings Limited and its subsidiaries. The revolving credit facility accrues interest at applicable JIBAR plus a margin of 4% (2012 and 2011: 4%) for Tranche B, payable monthly in arrears and 2.5% for Tranche A in 2012 and 2011. The facility includes R2,700 million (2012: R1,450 million and 2011: R2,100 million) borrowing capacity available for bank guarantees, letters of credit, forward exchange contracts and for borrowings under bilateral ancillary facilities. These ancillary facilities accrue interest at ruling over-night market related lending rates.

On 31 October 2012, 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 R6,500 million Receivables Backed Domestic Medium Term Note Program. The notes redemption was necessary so that OtC's receivables asset could be sold to Edcon Limited, and as such facilitate the sale of the Group's private label store card portfolio to Absa. As from 31 October 2012, OtC became dormant and its short-term facilities cancelled.

There have been no defaults or breaches of principal, interest or redemption terms during the current or prior periods.

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm

22. LEASE OBLIGATIONS

22.1 Operating lease obligations

The Group leases the majority of its properties and computer equipment under operating leases whereas other operating assets are generally owned. The lease agreements of certain of the Group's store premises provide for a minimum annual rental payment and additional payments determined on the basis of turnover. Lease agreements have an option of renewal in terms of the lease agreement ranging between 5 to 10 years.

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
The future minimum property operating lease commitments are due as follows:	**8,926**	7,553	6,654
Within one year	**1,606**	1,492	1,323
Between two and five years	**4,746**	4,266	3,808
In more than five years	**2,574**	1,795	1,523

The future revenue expected from sub-leases is estimated to be R19 million (2012: R22 million and 2011: R24 million).

The Group also leases certain computer equipment. The agreements provide for minimum annual rental payments and additional payments depending on usage.

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
The future minimum computer equipment operating lease commitments are due as follows:	**288**	436	312
Within one year	**148**	137	139
Between two and five years	**140**	299	173

22.2 Finance lease liability

The finance lease is recognised in respect of a building and information technology ("IT") equipment for which the present value of the minimum lease payments due in terms of the lease agreements amounted substantially to the fair value of the building and IT equipment at the time the agreement was entered into. The average borrowing rate on the lease of the building is 11.0% and the average borrowing rate on the IT equipment is 8.6%.

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
Minimum lease payments	**537**	586	
Within one year	**72**	62	
Between two and five years	**162**	177	
In more than five years	**303**	347	
The present value of the lease obligation is due as follows:	**313**	329	
Within one year	**40**	28	
Between two and five years	**51**	60	
In more than five years	**222**	241	
The present value of the interest payments is due as follows:	**224**	257	
Within one year	**32**	34	
Between two and five years	**111**	116	
In more than five years	**81**	107	

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
23. TRADE AND OTHER PAYABLES			
Trade accounts payable	**3,218**	2,858	2,752
Sundry accounts payable and accrued expenses	**1,194**	971	940
Lease equalisation	**1**	5	9
Leave pay accrual	**149**	143	139
Value added taxation payable	**28**	57	83
Interest accrued	**115**	268	186
	4,705	4,302	4,109

The trade and sundry payables amounts are interest-free and mature no later than 30 to 60 days. Other payables mature no later than one year.

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
24. DEFERRED REVENUE			
Balance at the beginning of the period	**80**		
Loyalty points earned	**252**	80	
Loyalty points redeemed	**(140)**	—	
Balance at the end of the period	**192**	80	
Current	**106**	80	
Non-current	**86**		
	192	80	

The deferred revenue arises from the Thank U rewards program that was launched during February 2012.

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
25. FUTURE CAPITAL EXPENDITURE			
Contracted:			
Properties, fixtures, equipment and vehicles	**835**	315	244
Authorised by the directors but not yet contracted:			
Properties, fixtures, equipment and vehicles	**191**	778	572
	1,026	1,093	816

	2013 52 weeks to 30 March Rm	Re-presented 2012 52 weeks to 31 March Rm	Re-presented 2011 52 weeks to 2 April Rm
26. REVENUE			
Retail sales	**25,169**	24,664	22,716
Club fees	**524**	483	433
Finance charges on trade receivables	**69**	154	91
Revenue from joint ventures	**662**	474	487
Finance income (note 31.1)	**114**	68	60
Administration fee	**81**		
Manufacturing sales to third parties	**100**	82	57
	26,719	25,925	23,844

	Note	2013 52 weeks to 30 March Rm	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm
27. OTHER INCOME				
Club fees		**524**	483	433
Finance charges on trade receivables[1]		**69**	154	91
Administration fee		**81**		
Manufacturing sales to third parties		**100**	82	57
		774	719	581

1 2012 and 2011 have been re-presented for the discontinued operation (note 13).

	Note	2013 Rm	2012 Rm	2011 Rm
28. OTHER OPERATING COSTS				
Trading profit is stated after taking account inter alia the following items:				
28.1 Amortisation of trademarks				
Charge for the period (note 4)		**319**	417	418
28.2 Depreciation of properties, fixtures, equipment and vehicles				
Buildings		**—**	—	1
Leased assets		**23**	16	
Leasehold improvements		**86**	88	97
Fixtures and fittings		**387**	389	418
Computer equipment and software		**215**	242	259
Machinery		**19**	20	23
Total charge for the period (note 3)		**730**	755	798
28.3 Fees payable				
Managerial, technical, administrative and secretarial fees paid				
outside the Group		**481**	456	158
Outsourcing of IT function		**373**	345	317
		854	801	475
28.4 Operating lease expenses				
Properties:				
Minimum lease payments		**1,544**	1,414	1,312
Turnover clause payments		**21**	9	13
Operating lease adjustment		**29**	3	(2)
Sublease rental income		**(35)**	(47)	(39)
Equipment		**227**	187	204
		1,786	1,566	1,488
28.5 Net (loss)/gain on disposal of properties, fixtures, equipment and vehicles		**(22)**	(22)	8
29. FOREIGN EXCHANGE (LOSSES)/GAINS				
Foreign exchange (loss)/gain on foreign notes	19.8	**(3,186)**	(1,518)	534
Foreign exchange gain/(loss) on cash flow hedge	19.8	**2,215**	838	(304)
Other foreign exchange loss		**(137)**		
		(1,108)	(680)	230

	2013 52 weeks to 30 March	2012 52 weeks to 31 March	2011 52 weeks to 2 April
	Rm	Rm	Rm
30. DIRECTORS AND EMPLOYEES			
30.1 Employees			
The aggregate remuneration and associated cost of permanent and casual employees including directors was:			
Salaries and wages	**2,989**	2,832	2,392
Retirement benefit costs	**291**	278	258
Medical aid contributions:			
Current	**60**	59	62
Post-retirement	**8**	6	7
	3,348	3,175	2,719

	2013 52 weeks to 30 March	2012 52 weeks to 31 March	2011 52 weeks to 2 April
	R000 Directors and prescribed officers	R000 Directors and prescribed officers	R000 Directors and prescribed officers
30.2 Directors' and prescribed officers remuneration			
Non-executive directors:			
Fees	**668**	326	295
	668	326	295
Executive directors and prescribed officers:			
Remuneration	**23,148**	34,957	21,498
Retirement, medical, accidental and death benefits	**2,449**	2,848	2,534
Relocation payment	**1,830**	1,744	1,660
Performance bonuses		18,241	4,631
Loyalty bonuses	**4,685**	4,400	4,400
Other benefits	**14,272**	13,577	480
	46,384	75,767	35,203
Retired ex-directors	**85**	80	76
Total	**47,137**	76,173	35,574

1. Prescribed officers are members of the executive committee.
2. The comparatives have been restated to include prescribed officers and to reflect the performance bonuses in the period it was accrued.

30.2.1 Directors emoluments

Name Non-executive directors	Fees R000	Remuneration R000	Retirement, medical, accident and death benefits R000	Relocation R000	Performance bonus R000	Loyalty bonus R000	Other benefits R000	Total R000
ZB Ebrahim	468							468
DH Brown	100							100
TF Mosololi	100							100
						Total		668
Executive directors and prescribed officers	**Months paid**							
J Schreiber	12	11,059	66					11,125
SM Ross	2	824	6			1,035	7,058	8,923
MR Bower	12	4,367	954			1,700		7,021
Dr U Ferndale	12	2,635	572			350	96	3,653
SR Binnie	3	516	126			350	89	1,081
C Claassen	12	2,480	478					2,958
H Witvoet	5	1,267	247	1,830		1,250	7,029	11,623
								46,384
								47,052
Pension for past managerial services-retired ex directors								85
					Total emoluments			47,137

Executive directors

The executive board members at 30 March 2013 are the Group Chief Executive Officer (CEO), the deputy CEO and Chief Financial Officer and the Chief Operations Officer. The remuneration committee has set their remuneration with due consideration to their performance, experience and responsibility after conducting extensive benchmarking of similar roles in companies comparable to the Group's size, industry and risk profile.

Jurgen Schreiber, the CEO, entered into a five year employment contract with the Group to 1 April 2016. In terms of his contract, he is entitled to a basic annual remuneration, payment in lieu of benefits and annual performance bonus. The employment of the CEO can be terminated by either party upon 6 months prior notice.

Mark R. Bower, the Deputy CEO and CFO, entered into a contract with the Group to 1 July 2017. In terms of his contract, he is entitled to a basic annual remuneration, loyalty bonus and annual performance bonus. His employment can be terminated by either party upon 6 months prior notice.

Dr Urin Ferndale, the COO, entered into a five year contract with the Group to 1 July 2017. In terms of his contract, he is entitled to a basic annual remuneration, loyalty bonus and annual performance bonus. The employment of the COO can be terminated by either party upon 6 months prior notice.

Executive Management

Christo Claassen, the Chief Executive of Discount Division, entered into a non-fixed term contract with the Group effective 1 December 2011. In terms of his contract, he is entitled to a basic annual remuneration and annual performance bonus. The employment of the Executive can be terminated by either party upon 1 months prior notice.

2012

Name Non-executive directors	Fees R000	Remuneration R000	Retirement, medical, accident and death benefits R000	Relocation fee R000	Performance Bonus R000	Loyalty bonus R000	Other benefits R000	Total R000
ZB Ebrahim	326							326
						Total		326
Executive directors and prescribed officers	**Months paid**							
J Schreiber	12	10,588	64		11,543		13,482[1]	35,677
SM Ross	12	10,942	36					10,978
MR Bower	12	3,379	756		1,994	700		6,829
Dr U Ferndale	12	2,350	518		1,300	350	95	4,613
SR Binnie	12	2,125	518		1,197	350		4,190
C Claassen	12	2,187	435		1,192			3,814
H Witvoet	12	3,386	521	1,744	1,015	3,000		9,666
								75,767
								76,093
Pension for past managerial services-retired ex directors								80
					Total emoluments			76,173

1 Represents sign-on fee.

2011

Name Non-executive directors	Fees R000	Remuneration R000	Retirement, medical, accident and death benefits R000	Relocation fee R000	Performance R000	Loyalty bonus R000	Other benefits R000	Total R000
ZB Ebrahim	295							295
						Total		295
Executive directors	**Months paid**							
SM Ross	12	9,374	35		1,728			11,137
MR Bower	12	2,994	672		1,173	700	2	5,541
Dr U Ferndale	12	2,162	473		463	350	92	3,540
SR Binnie	12	1,964	481		608	350		3,403
C Claassen	12	2,061	414		378			2,853
H Witvoet	12	2,943	459	1,660	281	3,000	386	8,729
								35,203
								35,498
Pension for past managerial services-retired ex directors								76
					Total emoluments			35,574

30.3 Employee benefit asset

The Edcon Pension Fund is a defined benefit fund that offers, amongst other benefits, a pension of 2% of final pensionable salary per year of service at retirement for 14 active members. A statutory valuation of the Fund as of 31 December 2002 was carried out by Alexander Forbes Financial Services, using the projected unit method of valuation. The actuarial value of liabilities for all pensioners and members was R328 million and the contingency reserves were determined at R60 million. The fair value of the assets calculated by reference to the market value was R644 million. The fund was accordingly fully funded and showed a surplus of R256 million. The Group is required to contribute at a rate of 19.1% of salaries.

In the current period an actuarial estimate was performed using the projected unit credit method, and the fair value of the assets and liabilities is reflected below. The actuarial estimate was based on the principle assumptions as set out in note 30.3.6.

The main risks associated with the Fund are as follows:

- Risk of underfunding. The Fund is currently in a significant surplus position.
- Longevity risk: The Fund has purchased annuities from a registered insurer to provide monthly pensions to pensioners.
- Risk of insurer default on pension payments: Should the insurer default on the pension payments, the Fund would still be liable for the monthly pensions.

	2013 52 weeks to 30 March Rm	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm
Edcon Pension Fund			
Actuarially determined amounts recognised in profit or loss:			
Current service cost	**(2)**	—	—
Finance income	**13**	—	—
Net gain recognised in profit or loss	**11**	—	—

The contribution for the 2014 financial period is estimated to be approximately R1 million.

	2013 Rm	2012 Rm	2011 Rm
Actuarially determined amounts recognised in other comprehensive income:			
Actuarial (loss)/gain on plan assets	**(59)**	71	(11)
Actuarial loss on defined benefit obligation	**(50)**	(320)	(6)
Change in the effect of limiting the net benefit to the asset ceiling	**117**	403	17
Net amount recognised in other comprehensive income for the period	**8**	154	—
Total cumulative gain recognised in other comprehensive income	**162**	154	—

	2013 30 March	2012 31 March	2011 2 April
	Rm	Rm	Rm
30.3.1 Analysis of net defined benefit asset—pension fund			
Defined benefit obligation	**(739)**	(808)	(494)
Fair value of plan assets	**915**	1,075	966
Effect of the asset ceiling	**(4)**	(113)	(472)
Net asset	**172**	154	—

	2013 52 weeks to 30 March	2012 52 weeks to 31 March	2011 52 weeks to 2 April
	Rm	Rm	Rm
30.3.2 Reconciliation of defined benefit obligation			
Balance at the beginning of the period	**808**	494	490
Current service cost	**2**	—	—
Finance cost	**59**	43	45
Actuarial loss in other comprehensive income—financial adjustments	**50**	320	6
Benefits paid	**(180)**	(49)	(47)
Balance at the end of the period	**739**	808	494
30.3.3 Reconciliation of fair value plan assets			
Balance at the beginning of the period	**1,075**	966	941
Finance income	**81**	87	85
Employer contributions	**1**	1	1
Benefits paid	**(180)**	(49)	(47)
Actuarial (loss)/gain in other comprehensive income—financial adjustments	**(59)**	71	(11)
Expenses and premiums	**(3)**	(1)	(3)
Balance at the end of the period	**915**	1,075	966
The assets of the Edcon Pension Fund were invested as follows:			
Cash	**336**	291	290
Equity	**10**	12	8
Bonds	**78**	224	208
International offshore assets			2
Property and other	**491**	548	458
	915	1,075	966
30.3.4 Reconciliation of the effect of the asset ceiling—pension fund			
Balance at the beginning of the period	**113**	473	452
Interest on asset ceiling	**9**	43	30
Change in the effect of limiting the net defined benefit asset to the asset ceiling	**(118)**	(403)	(9)
Balance at the end of the period	**4**	113	473

30.3.5 Surplus apportionment

As reported in the previous period, proposals were submitted to the Financial Services Board (FSB) in 2002 to offer pensioners an enhanced pension in exchange for assuming all their medical aid liabilities. Similarly, a portion of the surplus was to be utilised to pay the lump sum to medical aid members' provident fund accounts to meet the existing post-retirement medical aid liability for service rendered to date.

The FSB did not accept the proposal and therefore a formal surplus apportionment scheme was prepared in accordance with Section 15B of the Pension Fund Act. The aim of the scheme was to distribute the surplus as at 31 December 2002 between the various stakeholders of the fund. This surplus scheme was submitted to the Financial Services Board for consideration in January 2011 and it was approved in February 2012. On completion of the surplus apportionment, the statutory valuations subsequent to 31 December 2002 have been prepared and are in the process of approval.

The surplus scheme showed a total surplus of R256 million as at 31 December 2002, which corresponds with the statutory valuation of the fund at the same date. Of this surplus, Edcon Limited was apportioned with R100 million and members and former members were apportioned R156 million.

The surplus apportioned to members and former members has been increased with the returns earned on the surplus assets since the surplus apportionment scheme. The balance as at 30 March 2013 amounted to R209 million. This amount has been included in the assets and liabilities of the fund.

The surplus apportioned to Edcon Limited has increased with the returns earned on the surplus assets since the surplus apportionment date and adjusted for estimated amounts of the surplus utilised by Edcon Limited after the surplus apportionment date and amounts to R214 million as at 30 March 2013.

Following the approval of the surplus scheme in February 2012, the Group is entitled to the amount that was apportioned to the employer surplus account, which was estimated to be R214 million. However, the economic benefit available to Edcon Limited as a refund in future contributions, as described in paragraph 20 of IFRIC 14, was determined to be R172 million. The total asset recognised on the statement of financial position therefore amounts to R172 million (2012: R154 million and 2011: RNil).

30.3.6 Valuation assumptions used

The valuation is based on assumptions which include a discount rate of 9.5% (2012: 8.25% and 2011: 9.25%) per annum, an inflation rate and pension increase rate of 7.1% (2012: 5.5% and 2011: 6%) per annum, a salary increase rate of 8.1% plus age-related merit increases (2012: 6.5% and 2011: 7%) per annum. The discount rate is determined at the reporting date with reference to the yield curve for South African government bonds. The inflation rate assumes an underlying future rate of consumer price inflation of 7.1% per annum based on the relationship between current conventional bond yields and current index-linked bond yields. The inflation assumption was calculated as the difference between discount rate and a real bond yield and adjusted for an inflation risk premium which was assumed to be 0.5%. The salary increase is based on the assumption that the increase will be 1% above inflation. The Fund has adopted a pension increase policy that targets 100% of inflation and, as a result, a pension increase of 7.1% is used in the valuation.

30.3.7 Sensitivity analysis

The defined benefit obligation is largely insensitive to changes in the assumptions as the majority of the liabilities are in respect of outsourced pensioners, where the liabilities have been set equal to the annuity values provided by the insurer.

The sensitivity results below were calculated using an approximate formula to estimate the impact of a change in the assumptions.

	Central assumption								
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Inflation rate sensitivity	7.1%	5.5%	6.0%	Decrease 1%			Increase 1%		
Defined benefit obligation Rm	739	808	494	735	805	490	746	814	499
Discount Rate sensitivity	9.5%	8.25%	9.25%	Decrease 1%			Increase 1%		
Defined benefit obligation Rm	739	808	494	746	814	499	735	805	490

30.4 Defined contribution plans

Contributions to the Group's significant defined contribution funds are at a rate of 17.3% of benefit salary and where funds are contributory, members pay a maximum of 7.5%. The employer's portion is charged against profit or loss.

Separate funds, independent of the Group, provide retirement and other benefits for all permanent employees and their dependants. During the period there were three defined contribution funds of significance, namely Edcon Provident Fund, SACCAWU National Provident Fund and FEDCRAW Provident Fund. A defined contribution fund is available to employees in Namibia, Botswana, Swaziland and Zambia, namely Edcon Namibia Retirement Fund, Edcon Botswana Retirement Fund, Swaziland Provident Fund and Zambia Provident Fund.

	Pensioners Number	Members Number	Contributions Rm
Membership of, and employer contributions to each of the funds were:			
2013 at 30 March			
Edcon Pension Fund	**1,032**	**15**	**1**
Edcon Provident Fund		**15,438**	**266**
Edcon Namibia Retirement Fund		**777**	**3**
Botswana Retirement Fund		**435**	**1**
SACCAWU National Provident Fund		**1,181**	**6**
FEDCRAW Provident Fund		**216**	**2**
Swaziland Provident Fund		**552**	**—**
Zambia Provident Fund		**69**	**—**
	1,032	**18,683**	**279**
2012 at 31 March			
Edcon Pension Fund	1,067	15	1
Edcon Provident Fund		15,306	241
Edcon Namibia Retirement Fund		645	2
Botswana Retirement Fund		409	1
SACCAWU National Provident Fund		1,182	6
FEDCRAW Provident Fund		225	2
Swaziland Provident Fund		525	—
	1,067	18,307	253
2011 at 2 April			
Edcon Pension Fund	1,141	17	1
Edcon Provident Fund		14,556	217
Edcon Namibia Retirement Fund		600	2
Botswana Retirement Fund		300	1
SACCAWU National Provident Fund		1,297	6
FEDCRAW Provident Fund		134	2
	1,141	16,904	229

All funds are subject to the Pension Funds Acts of the various countries and, where required by law, actuarial valuations are conducted every three years. The market value of investments of the various Edcon funds as at 30 March 2013 was R3,825 million (2012: R3,512 million and 2011: R3,430 million).

30.5 Employee benefit liability

The Group operates a defined benefit medical aid scheme for the benefit of permanent employees. Effective 1 January 2012 the Group amalgamated this scheme with Discovery Health. The contributions of the short-term benefit for current employees amounted to R60 million for the period ending 30 March 2013 (2012: R59 million and 2011: R62 million). Membership of the medical aid scheme is voluntary for all employees. Total membership currently stands at 4,356 principal members.

In terms of employment contracts and the rules of the schemes certain post-retirement medical benefits are provided to 1,334 current and past employees by subsidising a portion of the medical aid contribution of members, after retirement. The medical aid payments for these employees for 2014 are estimated to be approximately R9 million. The actuarial valuation was based on the main assumptions set out in note 30.5.4.

	2013 52 weeks to 30 March	2012 52 weeks to 31 March	2011 52 weeks to 2 April
	Rm	Rm	Rm
30.5.1 Actuarially determined amounts recognised in profit or loss:			
Current service cost	**3**	3	3
Financing costs	**15**	11	19
	18	14	22
30.5.2 Actuarially determined amounts recognised in other comprehensive income:			
Actuarial gain/(loss) recognised in other comprehensive income for the period	**2**	(38)	—
Total cumulative loss recognised in other comprehensive income	**(36)**	(38)	—
30.5.3 The status of the Edcon Medical Aid Fund liability determined in terms of IAS 19 is as follows:			
Reconciliation of employee benefit liability:			
Balance at the beginning of the period	**182**	130	114
Current service cost	**3**	3	3
Financing cost	**15**	11	19
Actuarial (gain)/loss in other comprehensive income—demographic changes	**(24)**		
Actuarial (gain)/loss in other comprehensive income—financial adjustments	**22**	44	—
Employee benefit payments	**(14)**	(6)	(6)
Recognised employee benefit liability	**184**	182	130

30.5.4 Employee benefit liability valuation assumptions

The valuation is based on assumptions which include a discount rate of 8.6% (2012: 8.25% and 2011: 9%) per annum, inflation rate of 6.3% (2012: 5.5% and 2011: 5.8%) per annum, income at retirement would increase by 7.8% (2012: 7% and 2011: 7.25%) per annum, demographic assumptions based on a standard set of best estimate demographic assumptions, membership continuation and an expected retirement age of 63. The discount rate is based on current bond yields with an average term of 16 years, gross of tax and is primarily determined by reference to current market yields on government bonds in South Africa. The inflation rate is based on the relationship between current conventional bond yields and current index-linked bond yields. The inflation risk premium is assumed to be 0.5% and the future rate of the consumer price index inflation will be 6.3%. It was assumed that health care cost inflation would be the same as CPI inflation and that remuneration increases, including promotional increases would exceed inflation by 1.5% over the long-term and that income at retirement would be 60% of final salary. It was further assumed that no current in-service members eligible for benefits would discontinue membership upon reaching retirement with the Group and that they would retire on their current medical scheme option and no changes would occur on retirement.

30.5.5 Sensitivity analysis

The valuation results are extremely sensitive to the assumptions used. The value of the liability could turn out to be overstated or understated depending on the extent to which actuarial experience differs from the above assumptions.

	Central assumption								
	2013	**2012**	**2011**	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
Inflation (CPI and health care costs) sensitivity	**6.3%**	5.5%	5.8%	**Decrease 1%**			**Increase 1%**		
Accrued liability—Rm	**184**	182	130	**161**	158	113	**214**	212	151
Current service and interest cost—Rm	**18**	14	13	**15**	12	11	**21**	17	15
Retirement age sensitivity	**63 years**			**One year younger**			**One year older**		
Accrued liability—Rm	**184**	182	130	**192**	190	135	**177**	174	124
Discount rate sensitivity	**8.6%**	8.25%	9%	**Decrease 1%**			**Increase 1%**		
Accrued liability—Rm	**184**	182	130	**214**	212	150	**161**	158	113
Post employment mortality tables sensitivity	**PA (90) ult rated down 1 year to 0.75% improvement p.a. from 2006**			**PA (90) ult rated down 2 years with 1% improvement p.a. from 2006**					
Accrued liability—Rm	**184**	182	130	**195**	203	136			

	30 March 2013	31 March 2012	2 April 2011
	Rm	Rm	Rm
30.5.6 Analysis of employee benefit liability			
Accrued liability for post-retirement medical aid	**184**	182	130

	2013 52 weeks to 30 March Rm	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm
31. FINANCING INCOME AND COSTS			
31.1 Finance income			
Interest received from independent third parties	**101**	68	60
Employee benefits	**13**	—	—
	114	68	60
31.2 Financing costs			
Interest on senior secured floating rate notes	**1,310**	1,466	808
Interest on senior floating rate notes	**403**	382	302
Interest on senior secured fixed rate notes	**602**	465	48
Interest on other facilities	**403**	467	457
Interest on super senior secured term loan			9
Interest on super senior secured term notes	**119**	119	
Interest accrued on shareholder's loan (note 18)		765	843
Notional interest charged on shareholder's loan (note 18)	**142**		
Fees amortised on senior secured floating rate notes (note 19.2)	**90**	44	37
Fees amortised on senior floating rate notes (note 19.3)	**17**	14	12
Fees and discount amortised on senior secured fixed rate notes (note 19.4)	**26**	16	4
Employee benefits	**15**	15	13
Foreign currency losses		3	24
	3,127	3,756	2,557
32. TAXATION			
32.1 Taxation charge			
Current taxation — this year	**(2)**	62	43
— prior years	**226**	(19)	(23)
Total current taxation income/(expense)	**224**	43	20
Deferred taxation — this year	**697**	490	696
— prior years	**(2,028)**	5	(3)
— rate change		(362)	
Total deferred taxation (expenses)/income	**(1,331)**	133	693
Total	**(1,107)**	176	713
Comprising:			
South African normal taxation	**(1,045)**	294	802
Foreign taxes	**(62)**	(118)	(89)
	(1,107)	176	713

1. Re-presented for the discontinued operation (note 13)

	2013 52 weeks to 30 March Rm	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm
32.2 Taxation charge to other comprehensive income			
Current income tax related to items charged or credited directly to other comprehensive income:			
Unrealised gain on cash flow hedges	**11**	5	(27)
Deferred income tax related to items charged or credited directly to other comprehensive income:			
Unrealised gain on cash flow hedges	**233**	(42)	(42)
Employee benefits	**3**	32	
Income tax expense reported in other comprehensive income	**247**	(5)	(69)
32.3 Deferred income tax comprises:			
Arising on deferred tax assets (note 8)			
Provision for impairment of receivables	**(177)**	22	(99)
Other payables	**21**	37	6
Leave pay accrual	**1**	1	1
Operating lease adjustment	**15**	(8)	(1)
Interest rate hedges	**—**	(31)	43
Deferred option premium	**77**		
Assessed loss	**(1,507)**	332	459
Finance lease	**(4)**	—	
Other	**(7)**	(3)	22
Arising on deferred tax liabilities (note 8)			
Appro sales		13	1
Property, fixtures, equipment and vehicles	**25**	38	150
Intangible assets	**159**	(233)	117
Prepayments	**1**	—	(2)
Unearned finance income	**38**	(18)	(1)
Interest rate hedges	**—**		
Other	**27**	(22)	
	(1,331)	128	696
Prior year adjustment	**—**	5	(3)
Net deferred tax movement (expense)/income	**(1,331)**	133	693
32.4 Reconciliation of rate of taxation (%)			
Standard rate—South Africa	**(28)**	(28)	(28)
Adjusted for:			
Equity accounted revenue of joint venture	**(3)**	2	1
Disallowable expenditure	**14**	4	
Prior year charges	**44**	1	—
Capital gain tax inclusion rate change		18	
Foreign taxes	**—**	3	2
Effective tax rate	**27**	—	(25)

32.5 Section 24I application

In terms of section 24I of the Income Tax Act, the ruling exchange rate to be used in determining the foreign exchange gains/losses on currency swaps, foreign currency forward contracts and forward exchange contracts (forward exchange contracts) on translation, is the market related forward rate for the remaining period of the forward exchange contract or such alternative rate used for accounting purposes in terms of IFRS, as prescribed by the Commissioner (“alternative rate”). Refer to tax settlement note below.

32.6 Tax Settlement

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 financial periods since the acquisition of the Group by Bain Capital, being financial periods 2008 through 2013, as well as future financial periods. 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, the Group 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 the financial period 2008 through to 2013, we agreed to reduce our tax losses carry forward by approximately R9 billion;
- for the financial period from the beginning of 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 senior secured floating rate notes and the senior floating rate notes or any refinancing thereof (the "acquisition indebtedness") to 50% of such interest, on an aggregate principal amount of indebtedness of approximately €1.3 billion or the equivalent thereof in rand or U.S. dollars, subject to certain adjustments. Interest on the portion, if any, of the acquisition indebtedness exceeding such cap will not be deductible for tax purposes. As at 30 March 2013 acquisition indebtedness amounted to €1 billion and therefore was 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 €711.1 million or the equivalent thereof in rand or U.S. dollars. Interest on the portion, if any, of the acquisition indebtedness exceeding approximately €711.1 million or the equivalent thereof in rand or U.S. dollars will not be deductible for tax purposes; and
- for the period from and following the 2014 financial period, interest payable on the shareholder's 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 the Group that it is reviewing certain other tax matters, none of which we believe are material to the Group.

	2013 52 weeks to 30 March	2012 52 weeks to 31 March	2011 52 weeks to 2 April
	Rm	Rm	Rm
33. CASH FLOW			
33.1 Other non-cash items			
Equity accounted investment in joint ventures	**63**	(61)	(6)
Operating lease adjustment	**29**	3	(2)
Other non cash items	**(8)**	2	16
	84	(56)	8
33.2 Working capital movement			
Increase in inventories	**(486)**	(543)	(224)
Decrease/(increase) in trade accounts receivable	**21**	(1,094)	(159)
Proceeds from sale of trade accounts receivable	**8,667**		
Increase in other receivables	**(26)**	(135)	(58)
Increase in trade and other payables	**271**	169	372
	8,447	(1,603)	(69)
33.3 Taxation paid			
Taxation liability at the beginning of the period	**(241)**	(244)	(236)
Current taxation recognised in profit or loss from continuing operations (note 32.1)	**224**	(137)	(132)
Current taxation recognised in profit or loss from discontinued operations (note 13.1.3)	**(78)**		
Current taxation recognised in other comprehensive income (note 32.2)	**(11)**	(5)	27
Non-cash adjustment	**4**		
Taxation liability at the end of the period	**12**	241	244
	(90)	(145)	(97)
33.4 Investment to maintain operations			
Replacement of properties, fixtures, equipment and vehicles	**(560)**	(559)	(449)
Proceeds on disposal of properties, fixtures, equipment and vehicles	**—**	16	100
	(560)	(543)	(349)
33.5 Investment to expand operations			
Additions to leased premises	**(87)**	(26)	(7)
Additions to properties, fixtures, equipment and vehicles	**(122)**	(125)	(18)
	(209)	(151)	(25)
33.6 Shareholder funding—increase			
Share capital and share premium issued		5	
		5	
33.7 Super senior secured term loan			
(Decrease)/increase in super senior secured term loan (note 19.6)		(985)	985
(Decrease) / increase in super senior secured term loan		(985)	985
33.8 Non-current interest-bearing debt			
Super senior secured notes issued (note 19.1)		1,010	
Senior secured floating rate notes repurchased (note 19.2)	**(8,901)**	(374)	
Discount on repurchase of senior floating rate notes (note 19.3)		36	
Senior secured fixed rate notes issued (note 19.4)	**3,598**		4,781
Discount on senior secured fixed rate notes issued	**(126)**		
Fees paid for senior secured fixed rate notes issued (note 19.4)	**(83)**		(165)
(Decrease)/increase in non-current interest-bearing debt	**(5,512)**	672	4,616

	2013 52 weeks to 30 March	2012 52 weeks to 31 March	2011 52 weeks to 2 April
	Rm	Rm	Rm
33.9 Settlement of derivatives			
Settlement of derivatives (note 7.5)	**1,021**		(5,001)
33.10 Receivables-backed notes—(decrease)/increase			
Receivables-backed notes issued (note 19.5 and 21)			1,400
Repurchase of receivables-backed notes (note 19.5)	**(4,300)**		(1,400)
	(4,300)		—
33.11 Current interest-bearing debt—increase/(decrease)			
Current interest-bearing debt	**705**	751	(350)
	705	751	(350)
33.12 Capitalised finance lease—(decrease)/increase			
Capitalised finance lease	**(34)**	4	
	(34)	4	
33.13 Cash and cash equivalents—(decrease)/increase			
Cash on hand	**121**	(1,105)	299
Cash on deposit	**(535)**	(127)	891
Currency adjustments	**(1)**	—	11
	(415)	(1,232)	1,201

34. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

34.1 Financial assets by category

	Loans and receivables	Fair value through other comprehensive income	Fair value through profit or loss	Available-for-sale	Total
	Rm	Rm	Rm	Rm	Rm
At 30 March 2013					
Derivative financial instruments (note 36.8)		**166**	**941**		**1,107**
Trade receivables (note 10)	**181**				**181**
Sundry receivables and prepayments (note 11)	**455**				**455**
Cash and equivalents (note 12)	**669**				**669**
	1,305	**166**	**941**		**2,412**
At 31 March 2012					
Derivative financial instruments (note 36.8)		472			472
Trade receivables (note 10)	10,002				10,002
Sundry receivables and prepayments (note 11)	424				424
Cash and cash equivalents (note 12)	1,083				1,083
	11,509	472			11,981
At 2 April 2011					
Derivative financial instrument (note 36.8)		30			30
Trade receivables (note 10)	8,853				8,853
Other receivables and prepayments (note 11)	342				342
Cash and cash equivalents (note 12)	2,315				2,315
	11,510	30			11,540

34.2 Financial liabilities by category

	Financial liabilities at amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Rm	Rm	Rm	Rm
At 30 March 2013				
Shareholder's loan (note 18)	**801**			**801**
Interest-bearing debt (note 19 and 21)	**20,593**			**20,593**
Derivative financial instruments (note 36.8)		**11**	**68**	**79**
Deferred option premium (note 20)	**305**			**305**
Trade and other payables (note 23)	**4,705**			**4,705**
Finance lease (note 22.2)	**313**			**313**
	26,717	**11**	**68**	**26,796**
At 31 March 2012				
Shareholder's loan (note 18)	659			659
Interest-bearing debt (note 19 and 21)	26,434			26,434
Derivative financial instruments (note 36.8)			860	860
Trade and other payables (note 23)	4,097			4,097
Finance lease (note 22.2)	329			329
	31,519		860	32,379
At 2 April 2011				
Shareholder's loan (note 18)	8,184			8,184
Interest-bearing debt (note 19 and 21)	24,440			24,440
Derivative financial instruments (note 36.8)		120	1,134	1,254
Trade and other payables (note 23)	3,878			3,878
	36,502	120	1,134	37,756

35. MANAGEMENT OF CAPITAL

The Group considers share capital including ordinary and preference shares, share premium, the shareholder's loan, reserves and interest-bearing debt as capital.

The shareholder's loan is considered to be capital as the amount is repayable in May 2037 and all notional interest is capitalised. The "A" and "B" preference shares are cumulative and redeemable at the option of the issuer and are therefore regarded as capital. The long-term interest-bearing debt primarily consists of:

- Senior secured floating rate notes, maturing June 2014;
- Senior floating rate notes, maturing June 2015;
- Senior secured fixed rate notes, maturing March 2018; and
- Super senior secured notes, maturing April 2016.

The senior secured floating rate notes and the senior floating rate notes were issued to finance the purchase of the assets from Edgars Consolidated Stores Proprietary Limited and as such are regarded as permanent capital. The senior secured fixed rate notes issued during the 2011 financial period and the super senior secured notes were issued to finance the settlement of the negative mark-to-market positions on the foreign currency swap contracts, which hedged the foreign currency exposure on the principal of the senior secured and the senior floating rate notes. The senior secured fixed rate notes issued in the current period were used to repay a portion of the senior secured floating rate notes. The senior secured term loan will be utilised to repay the remaining senior secured floating rate notes during the 2014 financial period.

The objectives in managing this capital are to:

- Ensure appropriate access to equity debt markets.
- Ensure sufficient resilience against economic turmoil.

- Safeguard the Group's ability to continue as a going concern, be flexible and take advantage of opportunities that are expected to provide an adequate return to shareholders.
- Optimise weighted average cost of capital, given inherent constraints.

The Group manages its capital and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the current period.

The notes and banking facilities contain substantially the same covenants and events of default, other than the senior secured term loan which contains its own facility specific maintenance covenants. Covenants are set out in the Offering Memorandum for the floating rate notes dated 8 June 2007, the Offering Memoranda for the senior secured fixed rate notes dated 22 February 2011 and 8 February 2013 and the Program Memorandum for the super senior secured notes dated 31 March 2011. During the period there have been no defaults.

The Group takes cognisance of select rating agency ratios that evaluate the ability of the capital to absorb losses and the flexibility that a combination of capital instruments provide. The value placed on the corporate rating is important as the Group has issued notes on the Irish Stock Exchange and the Johannesburg Securities Exchange.

36. FINANCIAL RISK MANAGEMENT

36.1 Treasury risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to moderate certain risk exposures.

- A treasury workgroup consisting of senior management meets on a regular basis to update treasury policies and objectives, analyse currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts. Compliance with Group Treasury policies and objectives of the Board and exposure limits is reviewed at meetings of the Risk Management Workgroup.

36.2 Hedging strategy

- The foreign denominated floating and fixed rate notes expose the Group to both interest rate risk and/or foreign exchange risk. The Group has executed the following hedging strategy:

Euro Denominated Senior Secured Floating Rate Notes due 2014

From June 2007 to February 2011

- A series of interest rate swaps were entered into at a swap rate of pay of 4.529% fixed, receive three months EURIBOR, quarterly. Settlement dates match the quarterly payment dates for coupons on the notes up to 15 June 2011. The transaction hedges the interest rate risk on the cash flows occurring during the first four years of the senior secured floating rate notes (note 19) and was designated as a cash flow hedge.
- A series of foreign currency forward contracts were entered into to buy EUR and sell ZAR corresponding to the EUR scheduled payments on the fixed leg of the interest rate swap above at each payment date up to 15 June 2011. Settlement dates match the payment dates of the interest rate swap. These foreign currency forward contracts therefore hedge the EUR/ZAR currency risk on the combined cash flows of the interest rate swap and the first four years of anticipated interest payments on the senior secured floating rate notes and were designated as a cash flow hedge.
- A foreign currency swap was entered into to hedge the repayment of the €1,180 million principal on the senior secured floating rate notes and matures on 15 June 2012. This swap was early-settled, and its mark-to-market position extinguished, on 2 March 2011.

February 2011 onwards

- Cross currency swaps were entered into which, (i) protect against interest rate variability in future interest cash flows on liabilities, (ii) protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedges the repayment of €963 million in principal on the notes to 15 March 2014 and €178 million to 15 June 2014. The hedges create an effective annual average fixed interest rate of 13.96% over the period of cover. The cross currency swaps have been designated as a cash flow hedge up to 2 February 2013, when hedge accounting was discontinued on the basis that it became highly probable that the underlying hedged transaction would not occur. On 13 February 2013 cross currency swaps with a notional value of €754 million were terminated immediately prior to the repurchase of the related amount of senior secured floating rate notes (note 19.2). The remaining cross currency swap with a notional value of €387 million is hedging the outstanding principal at an effective annual interest rate of 12.86%.

Euro Denominated Senior Floating Rate Notes due 2015

From June 2007 to February 2011

- A series of interest rate swaps were entered into at a swap rate of pay of 4.529% fixed, receive three months EURIBOR, quarterly. Settlement dates match the quarterly payment dates for coupons on the notes up to 15 June 2011. The transaction hedges the interest rate risk on the cash flows occurring during the first four years of the senior floating rate notes (note 19) and was designated as a cash flow hedge.
- A series of foreign currency forward contracts were entered into to buy EUR and sell ZAR corresponding to the EUR scheduled payments on the fixed leg of the interest rate swap above at each payment date. Settlement dates match the payment dates of the interest rate swap. These foreign currency forward contracts hedge the EUR/ZAR currency risk on the combined cash flows of the interest rate swap and the first four years of anticipated interest payments on the senior floating rate notes and were designated as a cash flow hedge.
- A foreign currency swap was entered into to economically hedge the repayment of the €378 million principal on the senior floating rate notes and matures on 15 June 2012. This swap was early-settled, and its mark-to-market position extinguished, on 2 March 2011.

From February 2011 onwards

- Based on a notional value of €303 million, an interest rate swap was entered into at a swap rate of pay of 2.3437% fixed, receive three months EURIBOR, quarterly. Settlement dates match the quarterly payment dates for coupons on the notes up to 15 March 2014. The transaction hedges the interest rate risk on the cash flows occurring during the three years of the senior floating rate notes (note 19) and have been designated as a cash flow hedge.
- Based on a notional value of €303 million, a series of foreign currency forward contracts were entered into to buy EUR and sell ZAR corresponding to the EUR scheduled payments on the fixed leg of the interest rate swap above at each payment date up to 15 March 2014. Settlement dates match the payment dates of the interest rate swap. These foreign currency forward contracts therefore hedge the EUR/ZAR currency risk on the combined cash flows of the interest rate swap and the three years of anticipated interest payments on the senior floating rate notes and have been designated as a cash flow hedge.
- A cross currency swap was entered into which, (i) protects against interest rate variability in future interest cash flows on liabilities, (ii) protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedges the repayment of €75 million in principal on the notes to 15 March 2014. The hedges create an effective annual average fixed interest rate of 17.29% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

Euro Denominated Senior Secured Fixed Rate Notes due 2018

From February 2011 onwards

- A series of cross currency swaps were entered into which protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is €317 million and provides cover on the coupon of the notes up to 15 March 2014. The hedges create an effective annual average fixed interest rate of 10.86% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.
- In December 2012 a series of foreign currency call options were entered into which hedge the repayment of €150 million in principal on the notes to 31 March 2014. The premiums payable on the option contracts have been deferred to between March and April 2014 (note 20). The foreign currency call options have not been designated as cash flow hedges.
- At the 2013 reporting date, the Group had entered into a foreign currency forward contract for €347 million to partially protect against the variability in foreign exchange rate exposure on the uncovered principal on the euro denominated notes. The forward contract matures 5 April 2013 and has not been designated for hedge accounting.

US Dollar Denominated Senior Secured Fixed Rate Notes due 2018

- A cross currency swap was entered into which protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is US$190 million and provides cover on the coupon of the notes up to 15 March 2014. The hedge creates an effective annual average fixed interest rate of 10.99% over the period of cover. The cross currency swap has been designated as a cash flow hedge.
- A series of foreign currency forward contracts were entered into, with a notional value of US$60 million, to buy USD and sell ZAR corresponding to the USD scheduled fixed rate interest payments on the senior secured 9.5% fixed rate notes at each payment date. These foreign currency forward contracts have been designated as a cash flow hedge.
- In December 2012 a series of foreign currency call options were entered into which hedge the repayment of US$250 million in principal on the notes to 31 March 2014. The premiums payable on the option contracts have been deferred to between March and April 2014 (refer note 20). The foreign currency call options have not been designated as cash flow hedges.

36.3 Sensitivity analysis

36.3.1 Sensitivity analysis of non-derivative financial liabilities

The Group recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might impact the value of its variable rate financial liabilities and also the amounts recorded in its other comprehensive income and its profit or loss for the period. Therefore the Group has assessed:

(a) what would be reasonably possible changes in the risk variables at the reporting date; and

(b) the effects on profit or loss and other comprehensive income if such changes in the risk variables were to occur.

The sensitivity analysis takes into account the incremental change in value arising from a parallel fall or rise in the interest rate and the exchange rate. The table on the following page shows the approximate interest rate and exchange rate sensitivities of variable rate financial liabilities and the resulting impact on profit or loss, and other comprehensive income for financial liabilities held at the reporting date:

30 March 2013

Floating rate liabilities	Index	Sensitivity	Other comprehensive income	Profit or loss effect
			Rm	Rm
ZAR denominated	**JIBAR**	**-50bps**		**12**
	JIBAR	**+50bps**		**(12)**
EUR denominated	**EUR-ZAR**	**-10%**		**1,628**
	EUR-ZAR	**-5%**		**814**
	EUR-ZAR	**5%**		**(814)**
	EUR-ZAR	**10%**		**(1,628)**
USD denominated	**USD-ZAR**	**-10%**		**229**
	USD-ZAR	**-5%**		**115**
	USD-ZAR	**5%**		**(115)**
	USD-ZAR	**10%**		**(229)**

31 March 2012

Floating rate liabilities	Index	Sensitivity	Other comprehensive income	Profit or loss effect
			Rm	Rm
ZAR denominated	JIBAR	-50bps		25
	JIBAR	+50bps		(25)
EUR denominated	EUR-ZAR	-10%		638
	EUR-ZAR	-5%		319
	EUR-ZAR	5%		(319)
	EUR-ZAR	10%		(638)
USD denominated	USD-ZAR	-10%		193
	USD-ZAR	-5%		96
	USD-ZAR	5%		(96)
	USD-ZAR	10%		(193)

2 April 2011

Floating rate liabilities	Index	Sensitivity	Other comprehensive income	Profit or loss effect
			Rm	Rm
ZAR denominated	JIBAR	-50bps		26
	JIBAR	+50bps		(26)
EUR denominated	EUR-ZAR	-10%		1,789
	EUR-ZAR	-5%		894
	EUR-ZAR	5%		(894)
	EUR-ZAR	10%		(1,789)
USD denominated	USD-ZAR	-10%		167
	USD-ZAR	-5%		(84)
	USD-ZAR	5%		(84)
	USD-ZAR	10%		(167)

The impact of changes in interest rates on profit or loss relating to the foreign denominated senior secured floating rate notes and the senior floating rate notes, after considering the effect of the hedging instruments which hedge the coupon payments, is nil (2012 and 2011: Nil).

36.3.2 Sensitivity analysis of derivatives

The Group recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might impact the value of its derivatives and also the amounts recorded in its other comprehensive income and its profit or loss for the period. Therefore the Group has assessed:

(a) what would be reasonably possible changes in the risk variables at the reporting date; and

(b) the effects on profit or loss and other comprehensive income if such changes in the risk variables were to occur.

The sensitivity analysis takes into account the incremental change in value arising from a parallel fall or rise in the yield curve and the exchange rate.

The table considers sensitivities to forward interest rate curves, of +/-50 and +/-100 basis points respectively. If these sensitivities were to occur, the impact on the profit or loss, and other comprehensive income for each category of financial instrument held at the reporting date is shown below:

30 March 2013

	Index	Sensitivity	Derivative asset / (liability)	Other Comprehensive income	Profit or loss effect
			Rm	Rm	Rm
	EURIBOR	-100bps	(8)	8	
	EURIBOR	-50bps	(8)	8	
Interest rate swaps	EURIBOR	+50bps	14	(14)	
	EURIBOR	+100bps	27	(27)	
	EURIBOR	-100bps	(42)	7	35
Cross currency swaps	EURIBOR	-50bps	(19)	3	16
	EURIBOR	+50bps	16	(3)	(13)
	EURIBOR	+100bps	31	(5)	(26)
	EUR-ZAR	-10%	(599)	128	471
Cross currency swaps	EUR-ZAR	-5%	(299)	64	235
	EUR-ZAR	5%	299	(64)	(235)
	EUR-ZAR	10%	599	(128)	(471)
	USD-ZAR	-10%	(16)	16	
Cross currency swaps	USD-ZAR	-5%	(8)	8	
	USD-ZAR	5%	8	(8)	
	USD-ZAR	10%	16	(16)	
	EUR-ZAR	-10%	(78)		78
Foreign currency call options	EUR-ZAR	-5%	(45)		45
	EUR-ZAR	5%	57		(57)
	EUR-ZAR	10%	124		(124)
	USD-ZAR	-10%	(110)		110
Foreign currency call options	USD-ZAR	-5%	(63)		63
	USD-ZAR	5%	77		(77)
	USD-ZAR	10%	166		(166)

	Index	Sensitivity	Derivative asset / (liability)	Other Comprehensive income	Profit or loss effect
			Rm	Rm	Rm
Foreign currency forward contracts	**EUR-ZAR**	**-10%**	**(436)**	**27**	**409**
	EUR-ZAR	**-5%**	**(218)**	**14**	**204**
	EUR-ZAR	**5%**	**218**	**(14)**	**(204)**
	EUR-ZAR	**10%**	**436**	**(28)**	**(408)**
Foreign currency forward contracts	**USD-ZAR**	**-10%**	**(5)**	**5**	
	USD-ZAR	**-5%**	**(3)**	**3**	
	USD-ZAR	**5%**	**3**	**(3)**	
	USD-ZAR	**10%**	**5**	**(5)**	

31 March 2012

	Index	Sensitivity	Derivative asset / (liability)	Other Comprehensive income	Profit or loss effect
			Rm	Rm	Rm
Interest rate swaps	EURIBOR	-100bps	(56)	56	
	EURIBOR	-50bps	(27)	27	
	EURIBOR	+50bps	27	(27)	
	EURIBOR	+100bps	53	(53)	
Cross currency swaps	EURIBOR	-100bps	(220)	220	
	EURIBOR	-50bps	(103)	103	
	EURIBOR	+50bps	102	(102)	
	EURIBOR	+100bps	202	(202)	
Cross currency swaps	EUR-ZAR	-10%	(1,384)	1,384	
	EUR-ZAR	-5%	(692)	692	
	EUR-ZAR	5%	692	(692)	
	EUR-ZAR	10%	1,384	(1,384)	
Cross currency swaps	USD-ZAR	-10%	(27)	27	
	USD-ZAR	-5%	(14)	14	
	USD-ZAR	5%	14	(14)	
	USD-ZAR	10%	27	(27)	
Foreign currency forward contracts	EUR-ZAR	-10%	(45)	45	
	EUR-ZAR	-5%	(23)	23	
	EUR-ZAR	5%	23	(23)	
	EUR-ZAR	10%	46	(46)	
Foreign currency forward contracts	USD-ZAR	-10%	(8)	8	
	USD-ZAR	-5%	(4)	4	
	USD-ZAR	5%	4	(4)	
	USD-ZAR	10%	8	(8)	

1. The above table assumes all designated hedges will change in fair value through other comprehensive income.

2 April 2011

	Index	Sensitivity	Derivative asset / (liability)	Other Comprehensive income	Profit or loss effect
			Rm	Rm	Rm
Interest rate swaps	EURIBOR	-100bps	(76)	76	
	EURIBOR	-50bps	(38)	38	
	EURIBOR	+50bps	37	(37)	
	EURIBOR	+100bps	73	(73)	
Cross currency swaps	EURIBOR	-100bps	(312)	312	
	EURIBOR	-50bps	(154)	154	
	EURIBOR	+50bps	151	(151)	
	EURIBOR	+100bps	300	(300)	
Cross currency swaps	EUR-ZAR	-10%	(1,330)	1,330	
	EUR-ZAR	-5%	(665)	665	
	EUR-ZAR	5%	665	(665)	
	EUR-ZAR	10%	1,330	(1,330)	
Cross currency swaps	USD-ZAR	-10%	(36)	36	
	USD-ZAR	-5%	(18)	18	
	USD-ZAR	5%	18	(18)	
	USD-ZAR	10%	36	(36)	
Foreign currency forward contracts	EUR-ZAR	-10%	(86)	9	77
	EUR-ZAR	-5%	(43)	4	39
	EUR-ZAR	5%	43	(4)	(39)
	EUR-ZAR	10%	86	(9)	(77)
Foreign currency forward contracts	USD-ZAR	-10%	(10)	10	
	USD-ZAR	-5%	(5)	5	
	USD-ZAR	5%	5	(5)	
	USD-ZAR	10%	10	(10)	

1. The above table assumes all designated hedges will change in fair value through other comprehensive income.

36.4 Foreign currency management

Material foreign currency forward contracts, cross currency swaps and foreign currency call options at 30 March 2013 are summarised below. Foreign currency call options are only purchased as a cost-effective alternative to forward exchange contracts.

	Foreign currency	Derivative fair value	Contract equivalent	Average rate
	m	Rm	Rm	
Foreign currency exposure against Rand hedged import forward orders				
2013 US dollar	**50**	**5**	**456**	**9.12**
2012 US dollar	50	26	407	8.14
2011 US dollar	46	12	328	7.12
Foreign currency exposure against Rand hedged notes				
2013 Euro	**733**	**900**[1]	**7,571**	**10.33**
2012 Euro	1,682	(297)[1]	16,557	9.84
2011 Euro	1,882	(1,088)[1]	18,655	9.92
2013 US dollar	277	196	2,512	9.07
2012 US dollar	53	(8)	399	7.51
2011 US dollar	81	(55)	603	7.46

1 Included in the fair value are cross currency swaps of R648 million (2012: R224 million and 2011: R778 million) hedging the senior secured floating rate notes, R115 million (2012: R24 million and 2011: R67 million) hedging the senior floating rate notes, which also hedges the interest rate risk on the floating rate notes.

The Group, in terms of approved policy limits, manages short-term foreign currency exposures relating to trade imports and exports. Net uncovered Rand transaction exposures to the US dollar at 30 March 2013 amounted to RNil million (2012: RNil million and 2011: RNil million). The Group policy is to restrict the net aggregate cover to between 80% and 145% of total foreign order exposure.

At 30 March 2013, in respect of future import commitments, if the South African Rand had weakened 5% against the US dollar, with all other variables held constant, profit or loss for the period would have increased by R20 million (2012: R19 million and 2011: R15 million). Conversely at 30 March 2013, in respect of future import commitments, if the South African Rand had strengthened by 5% against the US dollar, with all other variables held constant, profit or loss for the period would have decreased by R20 million (2012: R19 million and 2011: R15 million). Changes in the Rand/US dollar exchange rates of foreign currency creditors are largely offset by fair value changes on the forward exchange contracts.

The principal on the floating rate notes up to a nominal of €462 million, have been hedged through cross currency swaps. The principal on fixed rate notes up to a nominal value of €497 million and US$250 million, have been hedged through a combination of foreign currency call options and a foreign currency forward contract (note 7). The interest cash flows payable quarterly on the floating rate notes maturing 2014 and 2015, and interest payable semi-annually for the €317 million, US$250 million and €300 million of senior secured fixed rate notes maturing in 2018, have been hedged (note 7 and 36.2).

At 30 March 2013, in respect of the notes exposures, if the South African Rand had weakened 5% against the Euro and US dollar, with all other variables held constant, profit or loss for the period would have decreased by R814 million (2012: R1,035 million and 2011: R977 million). Conversely, at 30 March 2013, in respect of the notes exposures, if the South African Rand had strengthened 5% against other currencies, with all other variables held constant, profit or loss for the period would have increased by R814 million (2012: R1,035 million and 2011: R977 million). Gains and losses on translation of the floating and fixed rate notes will be offset by foreign exchange gains and losses on the cross currency swaps, foreign currency forward contracts and all foreign currency call options to the extent hedges are in place.

36.5 Interest rate management

As part of the process of managing the Group's fixed and floating rate interest-bearing debt and cash and cash equivalents mix, the interest rate characteristics of new and the refinancing of existing loans are positioned according to expected movements in interest rates. The maximum interest rate exposure and the repricing profile is summarised as follows:

	Fixed Rate		Floating Rate	
	Short-term	Long-term	Short-term	Long-term
	Rm	Rm	Rm	Rm
30 March 2013				
Interest-bearing debt		**8,379**	**1,456**	**8,308**
Rate %		**Refer to note 19**	**Refer to note 21**	**Refer to note 19**
31 March 2012				
Interest-bearing debt		4,781	2,901	17,656
Rate %		Refer to note 19	Refer to note 21	Refer to note 19
2 April 2011				
Interest-bearing debt		4,781		20,150
Rate %		Refer to note 19	Refer to notes 19 and 21	Refer to note 19

At 30 March 2013, if all interest rates on local borrowings had been 100 basis points lower, with all other variables held constant, profit or loss would have been R28 million (2012: R55 million and 2011: R45 million) higher. Conversely, at 30 March 2013, if all interest rates on local borrowings had been 100 basis points higher with all other variables held constant, profit or loss would have been R28 million (2012: R55 million and 2011: R45 million) lower.

At 30 March 2013, if all interest rates on interest-bearing trade receivables and short-term cash investments at that date had been 100 basis points lower, with all other variables held constant, profit or loss would have been R18 million (2012: R102 million and 2011: R101 million) lower. Conversely, at 30 March 2013, if all interest rates at that date had been 100 basis points higher, with all other variables held constant, the profit or loss would have been R18 million (2012: R102 million and 2011: R101 million) higher. This sensitivity is due to the high value of trade receivables attracting the Usury rate interest income.

Cash and cash equivalents are held as follows:

	Total Rm	Floating rate Rm
2013		
Cash and cash equivalents by currency		
US dollar	—	—
Chinese Yuan Renminbi	5	5
Mozambican Metical	6	6
Bangladeshi Taka	1	1
Botswana Pula	26	26
Zambian Kwacha	1	1
South African Rand	630	630
2012		
Cash and cash equivalents by currency		
US dollar	6	6
Euro	1	1
Sterling	5	5
Botswana Pula	9	9
Zambian Kwacha	4	4
South African Rand	1,058	1,058
2011		
Cash and cash equivalents by currency		
US dollar	16	16
Euro	515	515
Sterling	(4)	(4)
Botswana Pula	46	46
South African Rand	1,742	1,742

The following interest rate swaps and cross currency swaps are in place to hedge against interest rate risk exposures:

	Notes notional amount hedged Rm			Notes fixed interest % payable			Fair value of the interest rate hedges Rm		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Pay fixed / receive floating interest rate hedges > 1 year-Senior secured floating rate notes	**3,698**	10,890	11,259	**12.86**	13.96	13.98[1]	**648[2]**	224[2]	854[2]
Pay fixed / receive floating interest rate hedges > 1 year-Senior floating rate notes									
• Cross currency swaps	**714**	714	714	**17.29**	17.29	17.29[1]	**115[2]**	24[2]	67[2]
• Interest rate swaps	**2,892**	2,892	2,892	**9.43**	9.43	9.43[1]	**(68)**	(84)	6

Refer to note 36.2 for details of hedging strategy.

1 Effective rate from 16 June 2011. There is still one payment due in June 2011 with an effective rate of 10.03% on the 2015 Senior floating rate notes and 7.78% on the 2014 Senior secured floating rate notes.

2 Included in the fair value are cross currency swaps of R648 million (2012: R224 million and 2011: R778 million), hedging the Senior secured floating rate notes and R115 million (2012: R24 million and 2011: R67 million), hedging the Senior floating rate notes, which also hedges the foreign currency risk on the principle on the floating rate notes (note 36.4).

36.6 Credit risk management

Maximum exposure to credit risk is represented by the carrying amounts of derivative assets, trade accounts receivable and assets held for sale and short-term cash investments in the Consolidated Statement of Financial Position. The Group only deposits short-term cash surpluses with financial institutions of high-quality credit standing. Credit limits per financial institution are established within the Group's treasury policies and are approved by the Risk Management Workgroup. Trade accounts receivable and the assets held for sale comprise a large, widespread customer base and risk exists on delinquent accounts and possible defaults by customers. The Group performs ongoing credit evaluations of the financial condition of customers. The granting of credit is controlled by application and behavioural scoring models, and the assumptions therein are reviewed and updated on an ongoing basis.

At 30 March 2013, 31 March 2012 and 2 April 2011, the Group did not consider there to be any material concentration of credit risk.

The derivatives are held with four counterparties of high credit worthiness. The credit worthiness is assessed on a regular basis. At period end all counterparties were classified as investment grade.

36.7 Liquidity risk

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
The Group has minimised risk of working capital illiquidity as shown by its substantial banking facilities and reserve borrowing capacity.			
Total banking and loan facilities	**3,967**	7,605	7,605
Actual borrowings (notes 19 and 21)	**(1,456)**	(5,051)	(4,300)
Unutilised borrowing facilities	**2,511**	2,554	3,305
Total banking and loan facilities of the Group comprise:			
Revolving credit facility—Tranche A		650	650[3]
Revolving credit facility—Tranche B1	**250**	250	250
Revolving credit facility—Tranche B2	**3,717**[1]	2,217[2]	2,217[4]
OtC receivables-backed notes		4,300	4,300
Receivable purchase facility		43	43
OtC liquidity facility		145	145
	3,967	7,605	7,605

1 Includes R2,700 million ancillary facilities.

2 Includes R1,450 million ancillary facilities.

3 Includes R350 million ancillary facilities.

4 Includes R1,750 million ancillary facilities.

		2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
The maturity dates of the facilities are:				
• Revolving credit facility	— Tranche A		June 2012	June 2012
	— Tranche B1	December 2013	December 2013	December 2013
	— Tranche B2	March 2014	March 2014	March 2014
• Revolving credit ancillary facilities		Reviewed annually	Reviewed annually	Reviewed annually
• OtC receivables-backed notes (note 19.5)			July 2012 to April 2017	July 2012 to April 2017
• Receivables purchase facility			April 2017	April 2017
• OtC liquidity facility			April 2017	April 2017

36.7.1 Maturity analysis of derivative financial instruments' cash flows

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
Cash outflows			
Due within one year	**10,152**	2,561	2,580
Total due within one year	**10,152**	2,561	2,580
After one year but within two years	**4,118**	12,741	2,472
After two years but within three years		1,810	12,536
After three years but within four years			1,810
Total due after one year	**4,118**	14,551	16,818
Total	**14,270**	17,112	19,398
Cash inflows			
Due within one year	**10,920**	1,326	1,443
Total due within one year	**10,920**	1,326	1,443
After one year but within two years	**4,269**	13,235	1,490
After two years but within three years		2,081	12,940
After three years but within four years			2,032
Total due after one year	**4,269**	15,316	16,462
Total	**15,189**	16,642	17,905
Net cash inflows/(outflows)			
Due within one year	**768**	(1,235)	(1,137)
Total due within one year	**768**	(1,235)	(1,137)
After one year but within two years	**151**	494	(982)
After two years but within three years		271	404
After three years but within four years			222
Total due after one year	**151**	765	(356)
Total	**919**	(470)	(1,493)

The maturity analysis of derivative financial instruments' cash flows reflects the expected cash outflows and inflows of the Group using undiscounted cash flows, settlement terms and expected movements in floating rates.

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
36.7.2 Maturity analysis of non-derivative financial liabilities (including interest payments)			
Trade and other payables (note 23)	**4,527**	4,097	3,878
Deferred option premium (note 20)	**36**		
Short-term interest-bearing debt (note 21)	**3,268**	4,709	1,799
Total due within one year	**7,831**	8,806	5,677
After one year but within two years	**5,440**	3,087	3,940
After two years but within three years	**5,428**	12,722	3,143
After three years but within four years	**1,987**	4,566	12,924
After four years but within five years	**10,544**	1,597	4,154
After 5 years	**9,252**	15,179	14,034
Total due after one year	**32,651**	37,151	38,195
Total debt	**40,482**	45,957	43,872

The maturity analysis of non-derivative financial liabilities are prepared on an undiscounted cash flow basis. The contractual maturity of the hedged coupon cash flows of the foreign denominated notes are calculated using forward Euribor rates (where applicable) and the exchange of principal at the derivative hedged rate. In respect of the cash flows that are not hedged, and subsequent to the hedge maturing, the period end floating interest rates and foreign exchange rates are used to calculate the cash flows of the foreign denominated notes.

36.8 Fair value of financial instruments

The Group uses a three-level hierarchy to prioritise the inputs used in measuring fair value. The levels within the hierarchy are described below with level 1 having the highest priority and level 3 having the lowest. Fair value is principally applied to financial assets and financial liabilities. These are measured at fair value on a recurring basis as of 30 March 2013, aggregated by the level in the fair value hierarchy within which these measurements fall.

The following table presents the Group's assets and liabilities that are measured at fair value at the period end:

		Fair value measurement using		
	Total Rm	Level 1[(a)] Rm	Level 2[(b)] Rm	Level 3[(c)] Rm
30 March 2013				
Financial assets				
Cross currency swaps	**813**		813	
Foreign currency call options	**292**		292	
Foreign currency forward contracts	**2**		2	
Total financial assets	**1,107**		1,107	
Financial liabilities				
Interest rate swaps	**68**		68	
Foreign currency forward contracts	**11**		11	
Total financial liabilities	**79**		79	
31 March 2012				
Financial assets				
Interest rate swaps	472		472	
Total financial assets	472		472	

	Total	Fair value measurement using		
		Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
	Rm	Rm	Rm	Rm
Financial liabilities				
Interest rate swaps	84		84	
Foreign currency forward contracts	45		45	
Cross currency swaps	731		731	
Total financial liabilities	860		860	
2 April 2011				
Financial assets				
Interest rate swaps	30		30	
Total financial assets	30		30	
Financial liabilities				
Interest rate swaps	111		111	
Foreign currency forward contracts	201		201	
Foreign currency swaps	942		942	
Total financial liabilities	1,254		1,254	

a) Level 1—Based on quoted market prices in active markets.

b) Level 2—Based on observable inputs other than Level 1 prices, such as quoted prices for similar financial assets or financial liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial assets or financial liabilities.

c) Level 3—Based on unobservable inputs that are supported by little or no market activity and are financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgement or estimation.

All financial instruments have been recognised in the statement of financial position and there is no material difference between their fair values and carrying values, except for the notes issued.

The following methods and assumptions were used by the Group in establishing fair values:

Liquid resources, trade accounts receivable and loans: the carrying amounts reported in the statement of financial position approximate fair values due to the short period to maturity of these instruments.

Short-term interest-bearing debt: the fair values of the Group's loans are estimated using discounted cash flow analyses applying the RSA yield curve. The carrying amount of short-term borrowings approximates their fair value, due to the short period to maturity of these instruments.

Notes issued: the notes issued are fair valued based on the exchange rate ruling at the reporting date. The market values are disclosed in note 19 and have been determined based on the closing prices of the relevant stock exchange.

Derivative financial instruments: foreign currency forward exchange contracts are entered into to cover import orders, and fair values are determined using foreign exchange market rates at 30 March 2013. Foreign currency forward contracts, foreign currency call options, cross currency swaps and interest rate swaps are entered into to hedge interest rate and foreign exchange rate exposure of interest-bearing debt and fair values are determined using market related rates at 30 March 2013.

37. RELATED-PARTY TRANSACTIONS

The Consolidated Financial Statements include the financial statements of Edcon Holdings Limited and its subsidiaries and equity accounted earnings. Related party relationships exist within the Group. During the period all purchasing and selling transactions were concluded at arm's length. Edcon Holdings Limited is the ultimate South African parent entity and the ultimate parent of the Group is Edcon (BC) S.A.R.L. ("Bain Capital"). The following table provides the total amount of transactions, which have been entered into with related parties:

	2013	
	Fee paid to related parties	Amounts owed to related parties
	Rm	Rm
Loan including interest to shareholder—recognised in non-current liabilities		**801**
Loan including interest to shareholder—recognised in equity		**8,290**
Fees paid to Bain Capital affiliate for consulting fees	**241**	

	2012	
	Paid to related parties	Amounts owed to related parties
	Rm	Rm
Loan including interest to shareholder—recognised in non-current liabilities		659
Loan including interest to shareholder—recognised in equity		8,290
Fee paid to Bain Capital affiliate for consulting fees	134	

	2011	
	Paid to related parties	Amounts owed to related parties
	Rm	Rm
Loan including interest to shareholder		8,184
Fee paid to Bain Capital affiliate for consulting fees	39	

Transactions with joint ventures are detailed in note 6.

37.1 Compensation relating to key management personnel

	52 weeks to 30 March 2013	52 weeks to 31 March 2012	52 weeks to 2 April 2011
	Total including directors and prescribed officers	Total including directors and prescribed officers	Total including directors an prescribed officers
	Rm	Rm	Rm
Remuneration	**36**	50	31
Retirement, medical, accident and death benefits	**5**	5	4
Relocation	**2**	2	2
Loyalty bonus	**5**	6	6
Performance bonus[1]		26	5
Other benefits	**14**	14	—
	62	103	48
Comprising:			
Short-term employee benefits	**57**	98	44
Post-employment benefits	**5**	5	4

[1] The comparatives have been restated to include the performance bonus accrued in the period.

[2] Key management personnel includes directors and prescribed officers (note 30.2.1) and members of the Chief Executive's Forum.

38. EVENTS AFTER THE REPORTING PERIOD

Repayment of senior secured floating rate notes

On 20 May 2013, the Group completed the repurchase of all its senior secured floating rate notes at the face value of €387 million. The repurchase was funded from the proceeds drawn from the senior secured term loan (refer note 19.7), as well as net proceeds derived on termination of the derivative contracts that were hedging the exchange rate risk on the notes repurchased.

RCF extension

On 17 May 2013, the Group received commitments of R3,717 million from certain financial institutions to extend the revolving credit facility from a maturity of 31 March 2014 at reporting date to 31 December 2016. The other terms of the facility remain substantially the same (refer note 21).

Update to long term hedging strategy

In April 2013, a series of derivative contracts were entered into to increase the extent of hedge cover on the euro denominated senior secured fixed rate notes:

- Cross currency swaps was entered into which, (i) protects against interest rate variability in future interest cash flows on liabilities, (ii) protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedges the repayment of €230 million in principal and interest on the notes to 15 March 2015. The hedges create an effective annual average fixed interest rate of 15.55% over the period of cover. The cross currency swaps have been designated as cash flow hedges.
- A cross currency swap was entered into which protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is €70 million and provides cover on the coupon of the notes up to 15 March 2015. The hedge creates an effective annual average fixed interest rate of 10.2% over the period of cover. The cross currency swap has been designated as a cash flow hedge.
- Foreign currency call options were entered into which hedge the repayment of €237 million in principal on the notes to 12 March 2015. The premiums payable on the foreign currency call options of R317 million have been deferred to 13 March 2015. These options have not been designated as cash flow hedges.

Sale of trade accounts receivable

On 30 April 2013, we sold an additional R469 million of the South African trade receivables to Absa. We expect to complete the sale of all the remaining eligible trade accounts receivables of R1,134 million, classified as held-for-sale on the Consolidated Statement of Financial Position of Edcon Holdings Limited in the 2014 financial period (refer to note 13).

39. CONSOLIDATION OF ON THE CARDS INVESTMENTS II PROPRIETARY LIMITED (OtC)

Included in the Consolidated Statement of Financial Position by line are the following balances relating to the consolidation of OtC:

	2013 30 March Rm	2012 31 March Rm	2011 2 April Rm
ASSETS			
Non-current assets			
Intangible assets		79	79
Held-to-maturity investments			(78)[1]
Loan-Edcon Limited		(2,062)	(2,062)
Deferred tax		53	117
Total non-current assets		(1,930)	(1,944)
Current assets			
Held-to-maturity investments		(78)[1]	
Trade, other receivables and prepayments		5,708	5,646
Cash and cash equivalents		818	639
Total current assets		6,448	6,285
Total assets		4,518	4,341
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Retained profit/(loss)		33	(92)
Total equity		33	(92)
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		2,150	
Trade and other payables		185	133
Total current liabilities		2,335	133
Total equity and liabilities		4,518	4,341
Total managed capital per IAS 1		4,333	4,208

1 In November 2009, OtC issued R78 million of three-year receivables-backed notes to Edcon Limited. These notes matured on 31 October 2012 and accrued interest at applicable JIBAR plus a margin of 4.5% payable quarterly in arrears. Refer to note 19.5.

	2013 52 weeks to 30 March	Re-presented 2012 52 weeks to 31 March	Re-presented 2011 52 weeks to 2 April
	Rm	Rm	Rm
Included in the Consolidated Statement of Comprehensive Income by line, are the following amounts relating to the consolidation of OtC:			
Continuing operations			
Total revenues	**66**	33	29
Finance income[1]	**66**	33	29
Write off of intangible assets	**(79)**		
(Loss)/profit before financing costs	**(13)**	33	29
Financing costs	**(259)**	(353)	(398)
Loss before taxation	**(272)**	(320)	(369)
Taxation	**65**	90	103
Loss for the period from continuing operations	**(207)**	(230)	(266)
Discontinued operations			
Profit for the period from discontinued operations	**419**	493	434
Taxation	**(112)**	(138)	(120)
Profit for the period	**100**	125	48

1 Comprises interest earned on cash balances.

	2013 52 weeks to 30 March	Re-presented 2012 52 weeks to 31 March	Re-presented 2011 52 weeks to 2 April
	Rm	Rm	Rm
Included in the Consolidated Statement of Cash Flows by line, are the following amounts relating to the consolidation of OtC:			
Cash retained from operating activities			
Loss before taxation from continuing operations	**(272)**	(320)	(369)
Profit before taxation from discontinued operations	**419**	493	434
Finance income	**(66)**	(33)	(29)
Financing costs	**259**	353	398
Write-off of intangible assets	**79**		
Other non-cash items			29
Operating cash inflow before changes in working capital	**419**	493	463
Working capital movement	**5,523**	6	377
Trade accounts receivables	**5,708**	(62)	309
Trade and other payables	**(185)**	68	68
Cash inflow from operating activities	**5,942**	499	840
Finance income received	**66**	33	29
Financing costs paid	**(259)**	(353)	(398)
Dividends paid	**(133)**	—	—
Taxation refund	**6**	—	—
Net cash inflow from operating activities	**5,622**	179	471
Cash utilised in investing activities			
Held-to-maturity investments	**(78)**		
Net cash outflow from investing activities	**(78)**		

	2013 52 weeks to 30 March	Represented 2012 52 weeks to 31 March	Represented 2011 52 weeks to 2 April
	Rm	Rm	Rm
Cash effects of financing activities			
Proceeds from receivables-backed notes issued			1,400
Buy-back of receivables backed notes	**(4,300)**		(1,400)
Purchase of trade receivables			(516)
Decrease in group company loans	**(2,062)**		
Net cash outflow from financing activities	**(6,362)**		(516)
(Decrease)/increase in cash and cash equivalents	**(818)**	179	(45)
Cash and cash equivalents at the beginning of the period	**818**	639	684
Cash and cash equivalents at the end of the period		818	639

Company Annual Financial Statements

Edcon Holdings Limited

For the period ended 30 March 2013

Company Statement of Financial Position

	Note	2013 30 March Rm	2012 31 March Rm
ASSETS			
Non-current assets			
Loans owing by subsidiary	1	**7,057**	6,519
Investment in subsidiaries	2	**8,350**	8,350
Investment in joint venture	3	**367**	
Derivative financial instruments	4.1		35
Deferred tax	5	**29**	41
Total non-current assets		**15,803**	14,945
Current-assets			
Loans owing by subsidiaries	6	**3,174**	3,174
Current taxation		**4**	
Derivative financial instruments	4.2	**115**	
Cash and cash equivalents	7	**111**	—
Total current assets		**3,404**	3,174
Total assets		**19,207**	18,119
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Share capital	8.7	**—**	—
Share premium	8.7	**2,973**	2,973
Cash flow hedges	9	**(74)**	(129)
Retained profit		**2,357**	2,084
Shareholder's loan—equity	10	**8,290**	8,290
Total equity		**13,546**	13,218
Non-current liabilities—shareholder's loan			
Shareholder's loan	10	**801**	659
Total equity and shareholder's loan		**14,347**	13,877
Non-current liabilities—third parties			
Interest-bearing debt	11	**4,406**	3,802
Derivative financial instruments	4.3		61
		4,406	3,863
Total non-current liabilities		**5,207**	4,522
Current liabilities			
Loans owing to subsidiaries	12	**368**	1
Current taxation			240
Derivative financial instruments	4.4	**68**	121
Sundry payables	13	**18**	17
Total current liabilities		**454**	379
Total equity and liabilities		**19,207**	18,119
Total managed capital per IAS 1	18	**18,753**	17,679

Company Statement of Comprehensive Income

	Note	2013 52 weeks to 30 March	2012 52 weeks to 31 March
		Rm	Rm
Total revenues	14	**1,053**	1,407
Derivative loss	4.6	**—**	(5)
Foreign exchange loss	11.1	**(471)**	(210)
Foreign exchange loss on notes issued	11.1	**(587)**	(261)
Foreign exchange gain on cash flow hedge	11.1	**116**	51
Dividend income		**111**	
Loss before interest received		**(360)**	(215)
Finance income	15.1	**942**	1,407
Profit before financing costs		**582**	1,192
Financing costs	15.2	**(562)**	(1,161)
Profit before taxation		**20**	31
Taxation	16	**253**	(17)
Profit for the period		**273**	14
Other comprehensive income after tax:			
Gain/(loss) on cash flow hedges		**55**	(45)
Other comprehensive income for the period, after tax		**55**	(45)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**328**	(31)
Profit attributable to:			
Owners of the parent		**273**	14
Total comprehensive income attributable to:			
Owners of the parent		**328**	(31)

Company Statement of Changes in Equity

	Share capital	Share premium	Cash flow hedging reserve	Retained profit	Share-holders loan	Total
	Rm	Rm	Rm	Rm	Rm	Rm
Balance at 2 April 2011	—	2,968	(84)	2,070		4,954
Profit for the period				14		14
Other comprehensive income for the period			(45)			(45)
Total comprehensive income			(45)	14		(31)
Ordinary shares issued	—					—
Preferences shares issued	—	5				5
Shareholder's loan					8,290	8,290
Balance at 31 March 2012	—	2,973	(129)	2,084	8,290	13,218
Profit for the period				273		273
Other comprehensive income for the period			55			55
Total comprehensive income			55	273		328
Balance at 30 March 2013	**—**	**2,973**	**(74)**	**2,357**	**8,290**	**13,546**
Note	8.7	8.7	9		10	

Company Disclosure of Tax Effects on Other Comprehensive Income

	Note	2013 52 weeks to 30 March Rm	2012 52 weeks to 31 March Rm
Disclosure of tax effects relating to each component of other comprehensive income:			
Before tax amount			
Cash flow hedges		**76**	(63)
Other comprehensive income for the period before tax		**76**	(63)
Tax (expense)/income			
Cash flow hedges	9	**(21)**	18
Tax (expense)/income		**(21)**	18
After tax amount			
Cash flow hedges		**55**	(45)
Other comprehensive income for the period after tax		**55**	(45)

Company Statement of Cash Flows

	Note	2013 52 weeks to 30 March Rm	2012 52 weeks to 31 March Rm
Cash from operating activities			
Profit before taxation		**20**	31
Finance income	15.1	**(942)**	(1,407)
Financing costs	15.2	**562**	1,161
Foreign exchange loss	11.1	**471**	210
Derivative losses	4.6	**—**	5
Dividends received	14	**(111)**	
Operating cash before changes in working capital		**—**	—
Decrease in sundry payables		**—**	(6)
Net cash outflow from operating activities		**—**	(6)
Finance income received		**403**	465
Financing costs paid		**(403)**	(455)
Taxation paid	17.1	**—**	(9)
Net cash inflow/(outflow)		**—**	(5)
Cash effects of investing activities			
Dividends received	17.2	**111**	
Net cash inflow		**111**	
Cash effects of financing activities			
Increase in share capital and premium			5
Net cash inflow			5
Increase in cash and cash equivalents	17.3	**111**	—
Cash and cash equivalents at the beginning of the period		**—**	—
Cash and cash equivalents at the end of the period		**111**	—

Notes to the Company Financial Statements

	2013 30 March Rm	2012 31 March Rm
1. NON-CURRENT LOANS OWING BY SUBSIDIARY		
Interest-free loan owing by Edcon Limited, shareholder's loan advanced	**581**	477
Interest-bearing loan owing by Edcon Limited	**6,476**	6,042
	7,057	6,519
The interest-free loan with Edcon Limited comprises:		
Principal at beginning of the period	**477**	6,859
Loan recognised in investments in subsidiaries (note 2)		(6,382)
Notional interest charged	**104**	—
Principal at the end of the period	**581**	477
Loan recognised in investments in subsidiaries (note 2)	**6,382**	6,382
Total principal loan at the end of the period	**6,963**	6,859
Total principal loan at the end of the period excluding notional interest	**6,859**	6,859
The interest-bearing loan with Edcon Limited comprises:		
Principal at beginning of the period	**6,042**	5,100
Interest capitalised during the period	**657**	970
Settlement during the period	**(223)**	(28)
Principal at the end of the period	**6,476**	6,042
Total principal loans owing by Edcon Limited	**13,335**	12,901

In June 2007, the Company advanced R5,057 million from the proceeds of the initial shareholder's loan from Edcon (BC) S.A.R.L. to Edcon Limited. Interest accrued daily at prime plus 2.25% p.a. up to and including 7 February 2012. From 7 February 2012, the terms of the loan were changed and the loan accrued interest of 0% as from that date up to and including the date of repayment. The loan is repayable by no later than 25 May 2037. As a result of the change to the terms of the loan, R6,859 million was derecognised on that date and R6,382 million recognised in investments in subsidiaries and R477 million in non-current assets in accordance with the principles of IAS 39.

The proceeds raised of R6,250 million on the issuance of the senior floating rate notes were advanced to Edcon Limited on 1 June 2007. Interest accrues on the outstanding amount as agreed between the parties from time to time but shall at least be equal to the aggregate of the following:

a) interest incurred by the lender;

b) foreign exchange differences incurred by or accrued to the lender;

c) any amounts incurred by or accrued to the lender in respect of interest rate agreement or option contracts that are taken out by the lender as hedging arrangements in relation to the debt; and

d) a 25 point basis premium to the amounts in a) to c) above.

The interest, as set out in a) to c) above, is payable 5 business days prior to the date that the corresponding amounts fall due by the lender. The interest, as set out in d) above is payable 5 business days after payment by the lender. The lender pays interest quarterly in arrears. The principal amount becomes due on the day it becomes payable by the lender, i.e. the note matures on 15 June 2015.

To the extent required to maintain the solvency of Edcon Limited, these loans are subordinated to the claims of all of the creditors of Edcon Limited.

	2013 30 March Rm	2012 31 March Rm
2. INVESTMENT IN SUBSIDIARIES		
100% holding in Edcon Acquisition Proprietary Limited	**1,968**	1,968
Loan advanced to Edcon Limited recognised in investments (note 1)	**6,382**	6,382
Total investment in subsidiaries	**8,350**	8,350
3. INVESTMENT IN JOINT VENTURE		
Hollard Business Partners Proprietary Limited (HBP)	**367**	
	367	

On 2 January 2013 Edcon Limited sold the HBP shares to the Company for R367 million. A loan was created against the Company on that date in favour of Edcon Limited (note 12).

	2013 30 March Rm	2012 31 March Rm
4. DERIVATIVE FINANCIAL INSTRUMENTS		
4.1 Non-current derivative assets		
Cross currency swaps		35
		35
4.2 Current derivative assets		
Cross currency swaps	**115**	
	115	
4.3 Non-current derivative liabilities		
Interest rate swaps		(43)
Foreign currency forward contracts		(18)
		(61)
4.4 Current derivative liabilities		
Cross currency swaps		(60)
Interest rate swaps	**(68)**	(40)
Foreign currency forward contracts	**—**	(21)
	(68)	(121)
4.5 Total derivatives		
Cross currency swaps liability	**115**	(25)
Interest rate swaps liability	**(68)**	(83)
Foreign currency forward contracts liability	**—**	(39)
	47	(147)
Credit risk valuation adjustments		
Cross currency swaps	**1**	(5)
Interest rate swaps	**(4)**	(9)
Foreign currency forward contracts	**—**	(4)
	(3)	(18)
Total derivatives before credit risk valuation adjustments		
Cross currency swaps liability	**116**	(30)
Interest rate swaps liability	**(72)**	(92)
Foreign currency forward contracts liability	**—**	(43)
	44	(165)
4.6 Derivative losses	**—**	(5)

	2013 30 March Rm	2012 31 March Rm
5. DEFERRED TAXATION		
Balance at the beginning of the period—deferred tax asset	**41**	34
Deferred tax expense in profit or loss (note 16.1 and note 16.3)	**(1)**	(17)
Cash flow hedges (note 16.2)	**(11)**	24
Balance at the end of the period—deferred tax asset	**29**	41
Comprising:		
Fair value loss on interest rate hedges	**29**	41
Deferred tax asset	**29**	41
6. CURRENT LOANS OWING BY SUBSIDIARIES		
Edcon Limited	**820**	820
Edgars Consolidated Stores Proprietary Limited	**2,354**	2,354
	3,174	3,174

The loans are interest-free and payable on demand by the lender Edcon Holdings Limited.

	2013 30 March Rm	2012 31 March Rm
7. CASH AND CASH EQUIVALENTS		
Cash on deposit	**111**	—
	111	—
8. SHARE CAPITAL AND PREMIUM		
8.1 Authorised ordinary share capital		
1,000,000,000 “A “ordinary shares with a par value of R0.00001 each	**—**	—
100,000,000 “B” ordinary shares with a par value of R0.00001 each	**—**	—
1,000,000,000 “C” ordinary shares with a par value of R0.00001 each	**—**	—
1,000,000,000 “D” ordinary shares with a par value of R0.00001 each	**—**	—
1,000,000,000 “E” ordinary shares with a par value of R0.00001 each	**—**	—
	—	—
8.2 Authorised preference share capital		
1,000,000,000 “A” preference shares of R0.00001 each	**—**	—
1,000,000,000 “B” preference shares of R0.00001 each	**—**	—
	—	—

	2013 30 March Number	2012 31 March Number
8.3 Number of ordinary shares in issue		
Number of ordinary shares in issue comprise:		
A ordinary shares issued	**500,133**	500,133
B ordinary shares issued	**69,213**	69,213
C ordinary shares issued	**21,414**	21,414
D ordinary shares issued	**21,414**	21,414
E ordinary shares issued	**21,414**	21,414
	633,588	633,588

	2013 30 March Rm	2012 31 March Rm
8.4 Number of preference shares in issue		
"A" preference shares of R0.00001 each	**200,866**	200,866
"B" preference shares of R0.00001 each	**55,841**	55,841
	256,707	256,707

8.5 Voting rights of ordinary and preference shares

Each "A" Ordinary Share shall entitle the holder thereof to 1,000 votes on all matters upon which shareholders have the right to vote.

Each "A" redeemable cumulative preference Share shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the Company save in the circumstances prescribed by the Companies Act of South Africa.

The total "B" Ordinary Shares at any time shall, in aggregate, have the right to exercise such number of votes as is equal to 10.6% of the aggregate voting rights of the total "A" Ordinary Shares then in issue.

Each "B" redeemable cumulative preference Share shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the Company, save in the circumstances prescribed by the Companies Act of South Africa.

Each "C", "D" and "E" Ordinary Share shall entitle the holder thereof to one vote on all matters upon which shareholders have the right to vote.

8.6 Redemption of Preference Shares

The "A" and "B" Preference Shares may not be redeemed within three years and one day of their date of issue and will thereafter be redeemed at a date fixed by the Company.

The Company shall pay to the member, all monies payable in respect of the redemption of such "A" and "B" Preference Shares as calculated in accordance with the provisions of the articles of the Company.

The "A" and "B" Preference Shares shall not confer on the holders thereof any further rights to participate in the profits or assets of the Company.

	2013 30 March Rm	2012 31 March Rm
8.7 Issued share capital and premium		
Balance at the beginning of the period	**2,973**	2,968
Ordinary shares issued—share capital		—
Preference shares issued—share capital		—
Preference shares issued—share premium		5
Balance at the end of the period	**2,973**	2,973
Comprising:		
Share capital	**—**	—
Share premium	**2,973**	2,973
	2,973	2,973

During the prior financial period the Company issued 4,258 "B" preference shares with a par value of R0.00001, at a premium of R1,174 per share, and 1,414 "C", "D" and "E" ordinary shares with a par value of R0.00001 each, at par value.

	2013 30 March Rm	2012 31 March Rm
9. CASH FLOW HEDGING RESERVE		
Balance at the beginning of the period—net of tax	**(129)**	(84)
Movements		
Cash flow hedges recognised in other comprehensive income	**40**	(126)
Ineffective portion of cash flow hedges, released to derivative losses as hedge ineffectiveness	**—**	5
Cash flow hedges released to financing costs	**152**	109
Cash flow hedges released to foreign exchange gain	**(116)**	(51)
Tax impact of cash flow hedges (note 16.2)	**(21)**	18
Balance at the end of the period	**(74)**	(129)
Comprising		
Cash flow hedges net of tax	**(74)**	(129)

The foreign denominated floating rate notes expose the Company to both interest rate risk and foreign exchange risk. Derivative instruments have been executed to limit the exposure to both interest rate risk and foreign exchange risk. These derivative instruments have been designated as a cash flow hedge. Refer to note 19.2 for details of the hedging strategy.

	2013 30 March Rm	2012 31 March Rm
10. SHAREHOLDER'S LOAN		
Loan recognised in equity	**8,290**	8,290
Loan recognised in non-current liabilities	**801**	659
Loan by Edcon (BC) S.A.R.L.	**9,091**	8,949
Comprising:		
Principal at the beginning of the period	**8,949**	8,184
Interest capitalised during the period		765
Notional interest charged for the period	**142**	
Loan derecognised		(8,949)
Loan recognised in equity		8,290
Loan recognised in non-current liabilities		659
Principal at the end of the period	**9,091**	8,949
Principal at the end of the period excluding notional interest	**8,949**	8,949

In June 2007 the parent company, Edcon (BC) S.A.R.L., provided a shareholder loan for R5,057 million as proceeds of capital investment into the Company.

The loan is denominated in South African Rands and accrued interest at the South African prime rate plus 2% p.a. up to and including 7 February 2012. Thereafter, no interest will accrue up to and including the date of repayment. The principal is repayable in May 2037.

As a result of the loan being interest-free, the terms of the loan are substantially different and it was necessary to derecognise the loan in terms of IAS 39. Applying initial measurement in terms of IAS 39, resulted in R8,290 million being recognised in equity and R659 million being recognised in non-current liabilities.

This shareholder's loan is regarded as capital for IAS 1 purposes (note 18). To the extent required to maintain the solvency of the Edcon Holdings Limited Group, the shareholder's loan is subordinated to the claims of all of the creditors of the Edcon Holdings Limited Group.

	2013 30 March Rm	2012 31 March Rm
11. NON-CURRENT INTEREST-BEARING DEBT		
Senior floating rate notes issued	**3,606**	3,606
Foreign currency on senior floating rate notes	**846**	259
Fees capitalised on senior floating rate notes	**(46)**	(63)
	4,406	3,802
11.1 Reconciliation of non-current interest-bearing debt:		
Balance at the beginning of the period	**3,802**	3,527
Foreign currency movement on senior floating rate notes	**587**	261
Fees amortised on senior floating rate notes	**17**	14
Balance at the end of the period	**4,406**	3,802
Foreign exchange loss on notes issued	**(587)**	(261)
Release from other comprehensive income	**116**	51
Total	**(471)**	(210)
Fees amortised recognised in financing costs (note 15.2)	**17**	14

The senior floating notes of €378 million are issued by the Company and guaranteed on a senior subordinated basis and secured by a third ranking pledge of the proceeds of the loan between the Company and Edcon Limited. Interest is payable quarterly in arrears at a rate of three month EURIBOR, reset quarterly, plus 5.5%. The notes mature on 15 June 2015.

There have been no defaults or breaches of the principal or interest during the period. The market value of the senior floating rate notes at 30 March 2013 was R4,059 million (2012: R3,200 million).

	2013	2012
12. CURRENT LOANS OWING TO SUBSIDIARIES		
Edcon Acquisition Proprietary Limited	**1**	1
Edcon Limited	**367**	
	368	1

On 2 January 2013, a loan was granted to the Company by Edcon Limited for the purchase of the HBP shares sold by Edcon Limited to the Company. The loan bears interest at a rate determined by the board of the Company (currently 0%) and is repayable as cash is available. The Company shall utilise any distributions received on or disposed of the HBP shares towards repayment of the loan.

The loan with Edcon Acquisition Proprietary Limited is interest-free and payable on demand.

	2013	2012
13. SUNDRY PAYABLES		
Sundry payables	**—**	—
Interest accrued on senior floating notes	**18**	17
	18	17

The sundry payables are interest-free and mature no later than one year. Interest accrued is settled quarterly.

	2013 52 weeks to 30 March Rm	2012 52 weeks to 31 March Rm
14. TOTAL REVENUES		
Finance income	**942**	1,407
Dividends received	**111**	
	1,053	1,407
15. FINANCE INCOME AND FINANCE COSTS		
15.1 Finance income		
Interest received from subsidiaries	**942**	1,407
	942	1,407
15.2 Finance costs		
Interest on shareholder's loan		765
Notional interest on shareholder's loan	**142**	
Interest on senior notes	**403**	382
Fees amortised on senior floating rate notes	**17**	14
	562	1,161
16. TAXATION		
16.1 Taxation income/(expense)		
Current taxation this period	**10**	5
Current taxation prior period	**244**	(5)
Total current tax income	**254**	—
Deferred taxation this period	**—**	(17)
Deferred taxation prior period	**(1)**	
Total deferred taxation expense	**(1)**	(17)
Total	**253**	(17)
Comprising:		
South African normal taxation income/(expense)	**253**	(17)
16.2 Taxation charge to other comprehensive income		
Current income tax related to items charged or credited directly to other comprehensive income:		
Unrealised gain on cash flow hedges	**10**	6
Deferred income tax related to items charged or credited directly to other comprehensive income:		
Unrealised gain/(loss) on cash flow hedges	**11**	(24)
Income tax expense reported in other comprehensive income	**21**	(18)
16.3 Deferred income tax comprises		
Interest rate swaps		(1)
Other payables		—
Cash flow hedges		18
Net deferred tax expense		17
Prior year adjustment	**—**	—
Net deferred tax expense	**—**	17
16.4 Reconciliation of rate of taxation (%)	**%**	%
Standard rate—South Africa	**28**	28
Adjusted for:		
Non-taxable income	**(301)**	
Disallowable expenditure	**223**	11
Prior year	**(1,215)**	16
Effective tax rate	**(1,265)**	55

	2013 52 weeks to 30 March Rm	2012 52 weeks to 31 March Rm

16.5 Tax settlement

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 financial periods since the acquisition of the Group by Bain Capital, being financial periods 2008 through 2013, as well as future financial periods and in relation to both Edcon Holdings Limited and Edcon Limited. The terms of the agreement cannot be bifurcated between both companies and needs to be viewed holistically.

17. CASH FLOW

	2013 Rm	2012 Rm
17.1 Taxation paid		
Taxation liability at the beginning of the period	**(240)**	(243)
Current taxation recognised in profit or loss	**254**	—
Current taxation provided in other comprehensive income	**(10)**	(6)
Taxation (asset)/liability at the end of the period	**(4)**	240
	—	(9)
17.2 Dividends received	**111**	
17.3 Increase in cash and cash equivalents		
Cash on deposit	**111**	—
	111	—

18. MANAGEMENT OF CAPITAL

The Company considers share capital including ordinary and preference shares, share premium, the shareholder's loan and interest-bearing debt as capital.

The shareholder's loan is repayable in May 2037. The "A" and "B" preference shares are cumulative and redeemable at the option of the issuer and are therefore regarded as capital. Long-term interest-bearing debt consists of the senior floating rate notes which have a maturity of June 2015. These notes were issued to finance the purchase of Edgars Consolidated Stores Proprietary Limited and as such are regarded as permanent capital.

The objectives in managing this capital are to:

- Ensure appropriate access to other comprehensive income debt markets.
- Ensure sufficient resilience against economic turmoil.
- Safeguard the Company's ability to continue as a going concern, be flexible and take advantage of opportunities that are expected to provide an adequate return to shareholders.
- Optimise weighted average cost of capital, given inherent constraints.

The Company manages its capital and makes adjustments to it in light of the changes in economic conditions. No changes were made in the objectives, policies or processes during the current period. The notes contain substantially the same covenants and events of default as set out in the Offering Memorandum for the notes dated 8 June 2007. During the period there have been no defaults.

The Company takes cognisance of select rating agency ratios that evaluate the ability of the capital to absorb losses and the flexibility that a combination of capital instruments provide. The value placed on the corporate rating is important as the Company has issued notes on the Irish Stock Exchange to facilitate funding.

19. FINANCIAL RISK MANAGEMENT

19.1 Treasury risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Company's financial performance. The Company uses derivative financial instruments to moderate certain risk exposures.

A treasury workgroup consisting of senior management meets on a regular basis to update treasury policies and objectives, analyse currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts. Compliance with Company Treasury policies and objectives of the Board and exposure limits is reviewed at meetings of the Risk Management Workgroup.

19.2 Hedging strategy

Euro Denominated Senior Floating Rate Notes due 2015

Based on a notional value of €303 million, an interest rate swap was entered into at a swap rate of pay 2.3437% fixed; receive three months EURIBOR, quarterly. Settlement dates match the quarterly payment dates for coupons on the notes up to 15 March 2014. The transaction hedges the interest rate risk on the cash flows occurring during three years of the senior floating rate notes (note 11) and have been designated as a cash flow hedge.

Based on a notional value of €303 million, a series of foreign currency forward contracts were entered to buy EUR and sell ZAR corresponding to the EUR scheduled payments on the fixed leg of the interest rate swap above at each payment date up to 15 March 2014. Settlement dates match the payment dates of the interest rate swap. These foreign currency forward contracts therefore hedge the EUR/ZAR currency risk on the combined cash flows of the interest rate swap and three years of anticipated interest payments on the senior floating rate notes and have been designated as a cash flow hedge.

A cross currency swap was entered which, (i) protects against interest rate variability in future interest cash flows on liabilities, (ii) protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedges the repayment of €75 million in principal on the notes to 15 March 2014. The hedges create an effective annual fixed interest rate of 17.29% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

19.3.1 Sensitivity analysis of non-derivative financial liabilities

The Company recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might impact the value of its variable rate financial liabilities and also the amounts recorded in its other comprehensive income and its profit or loss for the period. Therefore the Company has assessed:

what would be reasonably possible changes in the risk variables at the reporting date; and the effects on profit or loss and other comprehensive income if such changes in the risk variables were to occur.

The sensitivity analysis takes into account the incremental change in value arising from a parallel fall or rise in the interest rate and the exchange rate. The following table shows the approximate interest rate and exchange rate sensitivities of variable rate financial liabilities and the resulting impact on profit or loss, and other comprehensive income for financial liabilities held at the reporting date:

30 March 2013

Floating rate liabilities	Index	Sensitivity	Other comprehensive income Rm	Profit or loss effect Rm
EUR denominated	**EUR-ZAR**	**-10%**		**445**
	EUR-ZAR	**-5%**		**223**
	EUR-ZAR	**5%**		**(223)**
	EUR-ZAR	**10%**		**(445)**

31 March 2012

Floating rate liabilities	Index	Sensitivity	Other comprehensive income Rm	Profit or loss effect Rm
EUR denominated	EUR-ZAR	-10%		312
	EUR-ZAR	-5%		156
	EUR-ZAR	5%		(156)
	EUR-ZAR	10%		(312)

The impact of changes in interest rates on profit or loss relating to the foreign denominated senior floating rate notes, after considering the effect of the hedging instruments which hedge the coupon payments, is nil.

19.3.2 Sensitivity analysis of derivatives

The Company recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might impact the value of its derivatives and also the amounts recorded in its other comprehensive income and its profit or loss for the period. Therefore the Company has assessed:

a) what would be reasonably possible changes in the risk variables at the reporting date; and

b) the effects on profit or loss and other comprehensive income if such changes in the risk variables were to occur.

The sensitivity analysis takes into account the incremental change in value arising from a parallel fall or rise in the yield curve and the exchange rate. The following table assumes all designated hedges will change in fair value through other comprehensive income (100% effective), and considers sensitivities to forward interest rate curves, of +/- 50 and +/-100 basis points respectively. If these sensitivities were to occur, the impact on profit or loss, and other comprehensive income for each category of financial instrument held at the reporting date is shown below:

31 March 2013

	Index	Sensitivity	Derivative asset/ (liability)	Other comprehensive income	Profit or loss effect
			Rm	Rm	Rm
Interest rate swaps	**EURIBOR**	**-100bps**	**(8)**	**8**	
	EURIBOR	**-50bps**	**(8)**	**8**	
	EURIBOR	**+50bps**	**13**	**(13)**	
	EURIBOR	**+100bps**	**27**	**(27)**	
Cross currency swaps	**EURIBOR**	**-100bps**	**(7)**	**7**	
	EURIBOR	**-50bps**	**(3)**	**3**	
	EURIBOR	**+50bps**	**3**	**(3)**	
	EURIBOR	**+100bps**	**5**	**(5)**	
Cross currency swaps	**EUR-ZAR**	**-10%**	**(93)**	**93**	
	EUR-ZAR	**-5%**	**(46)**	**46**	
	EUR-ZAR	**5%**	**46**	**(46)**	
	EUR-ZAR	**10%**	**93**	**(93)**	
Foreign currency forward contracts	**EUR-ZAR**	**-10%**	**(27)**	**27**	
	EUR-ZAR	**-5%**	**(14)**	**14**	
	EUR-ZAR	**5%**	**14**	**(14)**	
	EUR-ZAR	**10%**	**28**	**(28)**	

30 March 2012

	Index	Sensitivity	Derivative asset / (liability)	Other comprehensive income	Profit or loss effect
			Rm	Rm	Rm
Interest rate swaps	EURIBOR	-100bps	(56)	56	
	EURIBOR	-50bps	(27)	27	
	EURIBOR	+50bps	27	(27)	
	EURIBOR	+100bps	53	(53)	
Cross currency swaps	EURIBOR	-100bps	(13)	13	
	EURIBOR	-50bps	(6)	6	
	EURIBOR	+50bps	6	(6)	
	EURIBOR	+100bps	12	(12)	
Cross currency swaps	EUR-ZAR	-10%	(85)	85	
	EUR-ZAR	-5%	(42)	42	
	EUR-ZAR	5%	42	(42)	
	EUR-ZAR	10%	85	(85)	
Foreign currency forward contracts	EUR-ZAR	-10%	(45)	45	
	EUR-ZAR	-5%	(23)	23	
	EUR-ZAR	5%	23	(23)	
	EUR-ZAR	10%	46	(46)	

19.4 Foreign currency management

Material forward exchange contracts at 30 March 2013 are summarised below. Currency options are only purchased as a cost-effective alternative to forward exchange contracts. Currently no currency options are in place.

	Foreign currency	Derivative fair value	Contract equivalent	Average rate
	€m	Rm	Rm	
Foreign currency against Rand hedged floating rate notes exposure				
2013 Euro	**112**	**115**[1]	**1,151**	**10.28**
2012 Euro	149	(63)[1]	1,555	10.44

1 Included in the fair value are cross currency swaps of R115 million asset (2012: R25 million liability) hedging the senior floating rate notes, which also hedges the interest rate risk on the senior floating rate notes.

A cross currency swap was entered into, which cash flow hedges the repayment of €75 million in principal on the notes to 15 March 2014. The interest cash flows payable quarterly on the €378 million notes have been comprehensively hedged to 15 March 2014 through the €75 million cross currency swap and foreign currency forward contracts.

At 30 March 2013, in respect of the floating rate notes exposures, if the South African Rand had weakened 5% against the Euro, with all other variables held constant, profit for the period would have decreased by R223 million (2012: R194 million). Conversely, at 30 March 2013, in respect of the floating rate notes exposures, if the South African Rand had strengthened 5% against other currencies, with all other variables held constant, profit for the period would have increased by R223 million (2012: R194 million). Foreign exchange gains and losses on the foreign currency issues would be partially offset by gains and losses on the foreign currency derivatives.

19.5 Interest rate management

As part of the process of managing the Company's floating rate interest-bearing debt and cash and cash equivalents mix, the interest rate characteristics of new and the refinancing of existing loans are positioned according to expected movements in interest rates. The interest rate repricing profile is summarised as follows:

	Floating rate	Total interest-bearing debt
30 March 2013		
Interest-bearing debt (Rm)—non-current	**3,606**	**3,606**
% of total interest-bearing debt	**100**	**100**
31 March 2012		
Interest-bearing debt (Rm)—non-current	3,606	3,606
% of total interest-bearing debt	100	100

The following interest rate swaps and cross currency swaps are in place to hedge against interest payment exposures:

Interest rate hedges	Notes notional amount hedged—Rm		Notes fixed interest % payable		Fair value of the interest rate hedges—Rm	
	2013	2012	2013	2012	2013	2012
Cross currency swaps	714	714	17.29[1]	17.29[1]	115[1]	(25)[1]
Interest rate swaps	2,892	2,892	9.43[1]	9.43[1]	(68)	(83)

1 The cross currency swaps of R115 million asset (2012: R25 million liability) hedges the interest rate risk as well as the foreign currency risk on the principal of the senior floating rate note.

19.6 Credit risk management

Potential concentrations of credit risk consist principally of short-term cash investments. The Company only deposits short-term cash surpluses with financial institutions of high-quality credit standing. Credit limits per financial institution are established within the Group's treasury policies approved by the Risk Management Workgroup.

The derivatives are held with one counterparty of high credit worthiness. The credit worthiness is assessed on a regular basis. At period end this counterparty was classified as investment grade.

19.7 Liquidity risk

The Company has minimised risk of liquidity as shown by its substantial banking facilities and reserve borrowing capacity at a consolidated level.

19.7.1 Maturity analysis of derivative financial instruments' cash flows

	2013 30 March Rm	2012 31 March Rm
Cash outflows		
Due within one year	**1,239**	480
Total due within one year	**1,239**	480
After one year but within two years		1,231
Total due after one year		1,231
Total	**1,239**	1,711
Cash inflows		
Due within one year	**1,281**	331
Total due within one year	**1,281**	331
After one year but within two years		1,201
Total due after one year		1,201
Total	**1,281**	1,532
Net cash flows		
Due within one year	**42**	(149)
Total due within one year	**42**	(149)
After one year but within two years		(30)
Total due after one year		(30)
Total	**42**	(179)

19.7.2 Maturity analysis of non-derivative financial liabilities (including interest payments)

	2013 30 March Rm	2012 31 March Rm
Sundry payables (note 13)	**18**	17
Interest-bearing debt	**356**	331
Total due within one year	**374**	348
After one year but within two years	**257**	350
After two years but within three years	**4,367**	246
After three years but within four years		3,894
After four years but within five years		—
After five years	**8,949**	8,949
Total due after one year	**13,573**	13,439
Total debt	**13,947**	13,787

The maturity analysis of non-derivative financial liabilities are prepared on an undiscounted cash flow basis. The contractual maturity of the hedged coupon cash flows of the foreign denominated notes are calculated using forward Euribor rates (where applicable) and the exchange of principal at the derivative hedged rate. In respect of the cash flows that are not hedged, and subsequent to the hedge maturing, the period end floating interest rates and foreign exchange rates are used to calculate the cash flows of the foreign denominated notes.

19.8 Fair value of financial instruments

The Company uses a three-level hierarchy to prioritise the inputs used in measuring fair value. The levels within the hierarchy are described in the table below with level 1 having the highest priority and level 3 having the lowest. Fair value is principally applied to financial assets and financial liabilities. These are measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which these measurements fall.

The following table presents the company's assets and liabilities that are measured at fair value at the period end:

30 March 2013	Total	Fair value measurement using		
		Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
	Rm	Rm	Rm	Rm
Financial assets				
Cross currency swaps	**115**		**115**	
Total financial assets	**115**		**115**	
Financial liabilities				
Interest rate swaps	**68**		**68**	
Foreign currency forward contracts	**—**		**—**	
Total financial liabilities	**68**		**68**	

	Total	Fair value measurement using		
		Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
	Rm	Rm	Rm	Rm
31 March 2012				
Financial assets				
Interest rate swaps	**35**		**35**	
Total financial assets	**35**		**35**	
Financial liabilities				
Cross currency swaps	**60**		**60**	
Interest rate swaps	**83**		**83**	
Foreign exchange forwards	**39**		**39**	
Total financial liabilities	**182**		**182**	

Level 1 — Based on quoted market prices in active markets.

Level 2 — Based on observable inputs other than Level 1 prices, such as quoted prices for similar financial assets or financial liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial assets or financial liabilities.

Level 3 — Based on unobservable inputs that are supported by little or no market activity and are financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgement or estimation.

All financial instruments have been recognised in the statement of financial position and there is no material difference between their fair values and carrying values, except for the notes issued.

The following methods and assumptions were used by the Company in establishing fair values:

Liquid resources, investments and loans: the carrying amounts reported in the statement of financial position approximate fair values due to the short period to maturity of these instruments.

Notes issued: the floating rate notes issued are fair valued based on the exchange rate ruling at the reporting date. The market values are disclosed in note 11.1.

Forward instruments: Foreign currency forward contracts, interest rate swaps and cross currency swaps are entered into to hedge interest rate and foreign exchange rate exposure of interest-bearing debt and fair values are determined using market related derivative rates at 30 March 2013.

20. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Financial assets by category

	Loans and receivables	Fair value through other comprehensive income	Held-to-maturity investments	Available-for-sale	Total
	Rm	Rm	Rm	Rm	Rm
At 30 March 2013					
Derivative financial instruments (note 4.2)		**115**			**115**
Non-current loans owing by subsidiary (note 1)	**7,057**				**7,057**
Current loans owing by subsidiaries (note 6)	**3,174**				**3,174**
Cash and equivalents (note 7)	**111**				**111**
	10,342	**115**			**10,457**
At 31 March 2012					
Derivative financial instruments (note 4.1)		35			35
Non-current loans owing by subsidiary (note 1)	6,519				6,519
Current loans owing by subsidiaries (note 6)	3,174				3,174
Cash and cash equivalents (note 7)	—				—
	9,693	35			9,728

Financial liabilities by category

	Financial liabilities at amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Rm	Rm	Rm	Rm
At 30 March 2013				
Shareholder's loan (note 10)	**801**			**801**
Interest-bearing debt (note 11)	**4,406**			**4,406**
Loans owing to subsidiaries (note 12)	**368**			**368**
Derivative financial instruments (note 19.8)			**68**	**68**
Sundry payables (note 13)	**18**			**18**
	5,593		**68**	**5,661**
At 31 March 2012				
Shareholder's loan (note 10)	659			659
Interest-bearing debt (note 11)	3,802			3,802
Loans owing to subsidiaries (note 12)	1			1
Derivative financial instruments (note 19.8)			182	182
Sundry payables (note 13)	17			17
	4,479		182	4,661

21. RELATED-PARTY TRANSACTIONS

Related party relationships exist within the Company. During the period all purchasing and selling transactions were concluded at arm's length. Edcon Holdings Limited is the ultimate South African parent entity and the ultimate parent of the Company is Edcon (BC) S.A.R.L. The following table provides the total amount of transactions, which have been entered into with related parties:

	2013		
	Received/ (charged) from/to related parties	Amounts owed by related parties	Amounts owed to related parties
	Rm	Rm	Rm
Loan including interest to Edcon (BC) S.A.R.L -recognised in non-current liabilities			**801**
Loan including interest to Edcon (BC) S.A.R.L -recognised in equity			**8,290**
Interest-free loan owing to Edcon Acquisition Proprietary Limited			**1**
Interest-free loan owing to Edcon Limited			**367**
Interest-free loan owing by Edcon Limited		**820**	
Interest-free loan owing by Edgars Consolidated Stores Proprietary Limited		**2,354**	
Interest-bearing loan receivable from Edcon Limited		**6,476**	
Interest-free loan receivable from Edcon Limited—recognised in non-current assets		**581**	
Interest-free loan receivable from Edcon Limited—recognised in investments		**6,382**	
Interest charged to Edcon Limited	**942**		
Notional interest charged by Edcon (BC) S.A.R.L	**(142)**		

	2012		
	Received/ (charged) from/to related parties	Amounts owed by related parties	Amounts owed to related parties
	Rm	Rm	Rm
Loan including interest to Edcon (BC) S.A.R.L -recognised in non-current liabilities			659
Loan including interest to Edcon (BC) S.A.R.L -recognised in equity			8,290
Interest-free loan owing to Edcon Acquisition Proprietary Limited			1
Interest-free loan owing by Edcon Limited		820	
Interest-free loan owing by Edgars Consolidated Stores Proprietary Limited		2,354	
Interest-bearing loan receivable from Edcon Limited		6,042	
Interest-free loan receivable from Edcon Limited—recognised in non-current assets		477	
Interest-free loan receivable from Edcon Limited—recognised in investments		6,382	
Interest charged to Edcon Limited	1,407		
Interest charged by Edcon (BC) S.A.R.L	(765)		

22. GUARANTEES

The Company has guaranteed the following interest-bearing debt of Edcon Limited:

- the super senior secured notes of R1,010 million on a super senior secured basis;
- the senior secured floating rate notes of €387 million on a senior secured basis;
- the senior secured fixed rate notes of €617 million and US$250 million on a senior secured basis;
- the revolving credit facility of R1,456 million on a super senior secured basis; and
- the senior secured term loan of R4,120 million on a senior secured basis.

ANNEXURE 1—INTERESTS IN SIGNIFICANT SUBSIDIARIES

	Nature of business*	Issued ordinary capital 2013	Issued ordinary capital 2012	% interest in capital 2013	% interest in capital 2012	Book value-shares 2013	Book value-shares 2012
		R	R	%	%	Rm	Rm
Direct investment in subsidiaries							
Edcon Acquisition Proprietary Limited	A	**1**	1	**100**	100	**1,968**	1,968
Indirect investment in subsidiaries							
Celrose Proprietary Limited	M	**100**	100	**49**	49	**51**	51
Edcon Limited	R	**897**	897	**100**	100	**5,429**	5,429
National Security Corporation Proprietary Limited	G	**2,000**	2,000	**100**	100	**7**	7
Edgars Consolidated Stores Proprietary Limited	R	**5,435,097**	5,435,097	**100**	100	**6**	6
Incorporated in Botswana		**P**	P				
Jet Supermarkets Botswana Proprietary Limited	R	**300,000**	300,000	**100**	100	**405**	405
Incorporated in Namibia		**N$**	N$				
Edgars Stores (Namibia) Limited	R	**1,050,000**	1,050,000	**100**	100	**264**	264
Incorporated in Swaziland		**L**	L				
Edgars Stores Swaziland Limited	R	**1,500,000**	1,500,000	**100**	100	**136**	136
Incorporated in Lesotho		**M**	M				
Edgars Stores Lesotho (Pty) Limited	R	**200,000**	200,000	**100**	100	**—**	—
Incorporated in Zambia		**K**	K				
Jet Supermarkets Zambia Limited	R	**5,000**	5,000	**100**	100	**—**	—
Incorporated in Mozambique		**MZM**					
Edcon Limitada	R	**50,000**		**100**		**—**	
Interest in subsidiaries						**8,266**	8,266

* Nature of business A: Acquisition company, M: Manufacturing, R: Retailing, G: Group Services, D: Dormant.

Corporate Information

Edcon Holdings Limited
Incorporated in the Republic of South Africa
Registration number 2006/036903/06

Non-executive directors
DM Poler* (Chairman), EB Berk*, MS Levin*, ZB Ebrahim₸, MMV Valentiny**, DH Brown₸ (appointed 1 January 2013), TF Mosololi₸ (appointed 1 January 2013), LL von Zeuner₸ (appointed 1 April 2013).

Executive directors
J Schreiber *** (Managing Director and Chief Executive Officer), MR Bower (Deputy Chief Executive Officer and Chief Financial Officer), Dr U Ferndale (Chief Operations Officer).

*USA **BELGIUM ***GERMAN

₸ Independent Non-Executive Director

Group Secretary
CM Vikisi

Registered office
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Crown Mines, Johannesburg, 2092
Telephone: +27 11 495-6000
Fax: +27 11 837-5019
Web site: www.edcon.co.za

Postal address
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Auditors
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52 Corlett Drive, Illovo, 2196
Private Bag X14, Northlands, 2116
Telephone: +27 11 772-3000
Fax: +27 11 772-4000

Trustee, Transfer Agent and Principal Paying Agent
The Bank of New York Mellon Limited
1 Canada Square
London E14 5AL
United Kingdom

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

JSE Debt Sponsor
Rand Merchant Bank (a division of FirstRand Bank Limited)
1 Merchant Place
Cnr Fredman and Rivonia Road
Sandton
Republic of South Africa
Telephone: +27 11 282-8118

Audited Group Financial Statements

Edcon Holdings Proprietary Limited

For the period ended 31 March 2012

Group Financial Statements of Edcon Holdings Proprietary Limited

(Registration number 2006/036903/07)

The Group Financial Statements were prepared by Group Finance Executive P. Minnaar (Chartered Accountant (SA)) and reviewed by Chief Financial Officer S. R. Binnie (Chartered Accountant (SA)).

Group Financial Statements of Edcon Holdings Proprietary Limited

(Registration number 2006/036903/07)

Certificate by Group Secretary

In my capacity as Group Secretary, I hereby confirm, in terms of the Companies Act of South Africa, that for the period ended 31 March 2012, the Company has lodged with the Registrar of Companies all such returns as are required of a company in terms of this Act and that all such returns are true, correct and up to date.

CM Vikisi
Group Secretary

Johannesburg
5 June 2012

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Independent Auditor's Report

TO THE MEMBERS OF EDCON HOLDINGS PROPRIETARY LIMITED

We have audited the Group Financial Statements of Edcon Holdings Proprietary Limited and its subsidiaries ('the Group'), which comprise the Group statement of financial position as at 31 March 2012 and the Group statement of comprehensive income, Group statement of changes in equity and Group statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages F145 to F217.

Director's Responsibility for the Financial Statements

The Group's directors are responsible for the preparation and fair presentation of these Group Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the Group Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Group Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Group Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the Group Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Group Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Group Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Group Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Group Financial Statements present fairly, in all material respects, the financial position of the Group as at 31 March 2012, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Director—Jane M. Fitton
Registered Auditor
Chartered Accountant (SA)
5 June 2012

Group Financial Statements of Edcon Holdings Proprietary Limited

(Registration number 2006/036903/07)

Going Concern and Directors' Responsibilities for Financial Reporting
For the period 31 March 2012

Going concern

The Group's statement of financial position at 31 March 2012 reports share premium of R2,153 million in equity attributable to shareholders and a shareholder's loan recognised in equity of R8,290 million offset by an accumulated retained loss of R6,887 million and a net debit of R688 million in other reserves therefore, the total surplus reported in equity at 31 March 2012 is R2,868 million.

The directors' having considered the going concern assumption have included the shareholder's loan recognised in equity of R8,290 million and the shareholder's loan recognised in non-current liabilities of R659 million in the assessment (refer to note 32, management of capital). To the extent required to maintain the solvency of the Group, the total Shareholder's loan has been subordinated to the claims of all of the creditors of the Group.

As a result, the Group Financial Statements set out on pages F145 to F217 have been prepared on the going-concern basis. The directors have every reason to believe that the Group has adequate resources to continue in operation for the foreseeable future.

In the context of their audit, carried out for the purposes of expressing an opinion on the fair presentation of the Group Financial Statements, the external auditors have concurred with the disclosures of the directors on going concern.

SEPARATE ANNUAL FINANCIAL STATEMENTS

The Company Financial Statements of the parent company Edcon Holdings Proprietary Limited have not been included in these Group Financial Statements. A copy thereof can be provided on request.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors' are ultimately responsible for the preparation of the Group Financial Statements and related financial information that fairly present the state of affairs and the results of the Group. The external auditors are responsible for independently auditing and reporting on these Group Financial Statements in conformity with International Standards on Auditing.

EVENTS AFTER THE REPORTING PERIOD

No events occurred between the financial period end and the date of this report which would have a material impact on these Group Financial Statements, other than referred in note 35.

The Group Financial Statements set out in this report have been prepared by management in accordance with International Financial Reporting Standards and the Companies Act of South Africa. They incorporate full and reasonable disclosure and are based on appropriate accounting policies, which have been consistently applied and which are supported by reasonable and prudent judgments and estimates.

Adequate accounting records have been maintained throughout the period under review.

The Group Financial Statements have been approved by the Board of Directors and are signed on its behalf by:

DM Poler, Chairman

J SCHREIBER, GROUP CHIEF EXECUTIVE OFFICER

Johannesburg
5 June 2012

Currency of Group Financial Statements

The presentation currency of the Group Financial Statements is South African Rand (R).

The approximate Rand cost of a unit of the following currencies at 31 March 2012 was:

	2012	2011	2010
US Dollar	**7.71**	**6.69**	7.24
Sterling	**12.36**	**10.87**	11.07
Botswana Pula	**1.05**	**1.04**	1.07
Euro	**10.29**	**9.53**	9.82
Zambian Kwacha	**0.0014**		

Group Statement of Financial Position

	Note	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
ASSETS				
Non-current assets				
Properties, fixtures, equipment and vehicles	3	**2,471**	2,246	2,663
Intangible assets	4	**17,481**	18,024	18,442
Employee benefit asset	27.3	**154**	—	—
Equity accounted investment in joint ventures	6	**67**	6	—
Derivative financial instruments	7.1	**472**	30	
Deferred tax	8	**1,030**	887	153
Total non-current assets		**21,675**	21,193	21,258
Current assets				
Inventories	9	**3,170**	2,626	2,402
Trade, other receivables and prepayments	10	**10,426**	9,195	8,983
Cash and cash equivalents	11	**1,083**	2,315	1,125
Total current assets		**14,679**	14,136	12,510
Total assets		**36,354**	35,329	33,768
EQUITY AND LIABILITIES				
Equity attributable to shareholders				
Share capital	12	**—**	—	—
Share premium	12	**2,153**	2,148	2,148
Other reserves	13	**(688)**	(600)	(408)
Retained loss	14	**(6,887)**	(4,972)	(3,329)
Shareholder's loan—equity	16	**8,290**		
		2,868	(3,424)	(1,589)
Non-controlling interest		**—**	—	—
Total equity		**2,868**	(3,424)	(1,589)
Non-current liabilities—shareholder's loan				
Shareholder's loan	16	**659**	8,184	7,341
Total equity and shareholder's loan		**3,527**	4,760	5,752
Non-current liabilities—third parties				
Interest bearing debt	17	**23,533**	24,440	18,875
Finance lease liability	19.2	**301**		
Lease equalisation		**399**	392	386
Derivative financial instruments	7.2	**63**	308	3,093
Employee benefit liability	27.5	**182**	130	114
		24,478	25,270	22,468
Total non-current liabilities		**25,137**	33,454	29,809
Current liabilities				
Interest bearing debt	18	**2,901**		795
Finance lease liability	19.2	**28**		
Current taxation		**241**	244	236
Deferred revenue	21	**80**		
Derivative financial instruments	7.3	**797**	946	817
Trade and other payables	20	**4,302**	4,109	3,700
Total current liabilities		**8,349**	5,299	5,548
Total equity and liabilities		**36,354**	35,329	33,768
Total managed capital per IAS 1	32	**30,290**	29,200	25,422

Group Statement of Comprehensive Income

	Note	2012 52 weeks to 31 March	2011 52 weeks to 2 April	2010 53 weeks to 3 April
		Rm	Rm	Rm
Total revenues	23	**27,884**	25,586	24,876
Revenue—retail sales		**24,664**	22,716	21,888
Cost of sales		**(15,642)**	(14,332)	(13,848)
Gross profit		**9,022**	8,384	8,040
Other income	24	**565**	490	473
Store costs		**(4,622)**	(4,348)	(4,078)
Other operating costs	25	**(3,803)**	(3,221)	(3,028)
Retail trading profit		**1,162**	1,305	1,407
Income from credit	26.1	**2,113**	1,833	2,049
Expenses from credit	26.2	**(1,343)**	(1,209)	(1,771)
Income from joint ventures		**541**	487	435
Trading profit		**2,473**	2,416	2,120
Derivative loss	7.5	**(10)**	(2,343)	(5,081)
Foreign exchange (loss)/gain	17.7	**(680)**	230	4,622
Foreign exchange (loss)/gain on foreign notes	17.7	**(1,518)**	534	4,622
Foreign exchange gain/(loss) on cash flow hedge	13	**838**	(304)	
Discount on repurchase of senior secured notes		**36**		
Fees incurred on funding facilities			(10)	(33)
Impairment of brands and goodwill	4	**(126)**		(137)
Profit before net financing costs		**1,693**	293	1,491
Interest received	28.2	**68**	60	31
Profit before financing costs		**1,761**	353	1,522
Financing costs	28.1	**(3,756)**	(2,557)	(2,946)
Loss before taxation		**(1,995)**	(2,204)	(1,424)
Taxation	29	**(4)**	561	370
LOSS FOR THE PERIOD		**(1,999)**	(1,643)	(1,054)
Other comprehensive income after tax:				
Loss on cash flow hedges		**(93)**	(177)	(60)
Exchange difference on translating foreign operations		**5**	(15)	(48)
Employee benefits		**84**		
Other				(1)
Other comprehensive income for the period after tax		**(4)**	(192)	(109)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(2,003)**	(1,835)	(1,163)
Loss attributable to:				
Owners of the parent		**(1,999)**	(1,643)	(1,054)
Non-controlling interest		**—**	—	—
Total comprehensive income attributable to:				
Owner of the parent		**(2,003)**	(1,835)	(1,163)
Non-controlling interest		**—**	—	—

Group Statement of Changes in Equity

	Share capital	Share premium	Foreign currency translation reserve	Cash flow hedging reserve	Revaluation surplus	Retained loss	Share-holders loan	Total attributable to owners of the parent	Non-controlling interest	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Balance at 28 March 2009										
Opening Balance	—	2,143	28	(331)	23	(2,289)		(426)	—	(426)
Total Comprehensive income			(48)	(60)		(1,055)		(1,163)	—	(1,163)
Loss for the period						(1,054)		(1,054)	—	(1,054)
Other comprehensive income for the period			(48)	(60)		(1)		(109)	—	(109)
Transfer to retained earnings					(20)	20				
Preference share capital issued	—	180						180		180
Ordinary share capital repurchased	—	(175)						(175)		(175)
Preference dividends						(5)		(5)		(5)
Balance at 3 April 2010	—	2,148	(20)	(391)	3	(3,329)		(1,589)	—	(1,589)
Total Comprehensive income			(15)	(177)	—	(1,643)		(1,835)	—	(1,835)
Loss for the period					—	(1,643)		(1,643)	—	(1,643)
Other comprehensive income for the period			(15)	(177)				(192)	—	(192)
Balance at 2 April 2011	—	2,148	(35)	(568)	3	4,972)		(3,424)	—	(3,424)
Total Comprehensive income			5	(93)	—	(1,915)		(2,003)	—	(2,003)
Loss for the period					—	(1,999)		(1,999)	—	(1,999)
Other comprehensive income for the period			5	(93)	—	84		(4)	—	(4)
Ordinary shares issued	—							—		—
Preference shares issued	—	5						5		5
Shareholders loan							8,290	8,290		8,290
Balance at 31 March 2012	**—**	**2,153**	**(30)**	**(661)**	**3**	**(6,887)**	**8,290**	**2,868**	**—**	**2,868**
Note	12.6	12.6	13	13	13	14	16			

Group Disclosure of Tax Effects on Other Comprehensive Income

	2012 52 weeks to 31 March	2011 52 weeks to 2 April	2010 53 weeks to 3 April
	Rm	Rm	Rm
Disclosure of tax effects relating to each component of other comprehensive income:			
Before tax amount			
Cash flow hedges	**(130)**	(246)	(83)
Exchange differences on translating foreign operations	**5**	(15)	(48)
Employee benefits	**116**		
Other			(1)
Other comprehensive income for the period before tax	**(9)**	(261)	(132)
Tax income			
Cash flow hedges	**37**	69	23
Employee benefits	**(32)**		
Tax income	**5**	69	23
After tax amount			
Cash flow hedges	**(93)**	(177)	(60)
Exchange differences on translating foreign operations	**5**	(15)	(48)
Employee benefits	**84**		
Other			(1)
Other comprehensive income for the period after tax	**(4)**	(192)	(109)

Group Statement of Cash Flows

	Note	2012 52 weeks to 31 March	2011 52 weeks to 2 April	2010 53 weeks to 3 April
		Rm	Rm	Rm
Cash retained from operating activities				
Loss before taxation		**(1,995)**	(2,204)	(1,424)
Interest received		**(68)**	(60)	(31)
Financing costs		**3,756**	2,557	2,946
Impairment of intangibles	4	**126**		137
Derivative loss	7.5	**10**	2,343	5,081
Foreign exchange loss/(gain)	17.7	**680**	(230)	(4,622)
Discount on repurchase of senior secured notes		**(36)**		
Amortisation	25.1	**417**	418	418
Depreciation	25.3	**755**	798	807
Other non-cash items	30.1	**46**	—	40
Operating cash inflow before changes in working capital		**3,691**	3,622	3,352
Working capital movement	30.2	**(1,603)**	(69)	952
Cash inflow from operating activities		**2,088**	3,553	4,304
Interest received		**68**	60	31
Financing costs paid		**(2,996)**	(2,191)	(2,190)
Taxation paid	30.3	**(145)**	(97)	(368)
Net cash (outflow)/inflow from operating activities		**(985)**	1,325	1,777
Cash utilised in investing activities				
Investment to maintain operations	30.4	**(543)**	(349)	(264)
Investment to expand operations	30.5	**(151)**	(25)	(89)
Net cash outflow from investing activities		**(694)**	(374)	(353)
Cash effects of financing activities				
Increase in shareholder funding	30.6	**5**		
Increase in super senior secured notes	30.7	**1,010**		
(Decrease)/increase in long-term debt	30.8	**(985)**	5,601	
Settlement of derivatives			(5,001)	
Buy-back of senior floating rate notes	30.9	**(338)**		
Proceeds from receivables-backed notes issued	30.10		—	4,300
Increase/(decrease) in short-term debt	30.11	**751**	(350)	(4,950)
Decrease in capitalised finance lease	30.12	**4**		
Net cash inflow/(outflow) from financing activities		**447**	250	(650)
(Decrease)/increase in cash and cash equivalents	30.13	**(1,232)**	1,201	774
Cash and cash equivalents at the beginning of the period		**2,315**	1,125	379
Currency adjustments		**—**	(11)	(28)
Cash and cash equivalents at the end of the period		**1,083**	2,315	1,125

Notes to the Group Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

1.1. Corporate information

Edcon Holdings Proprietary Limited is a limited liability company which is incorporated and domiciled in South Africa.

1.2. Basis of preparation

In preparing these Group 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, except for employee benefits as reflected in note 1.24.2.

Edcon Holdings Proprietary Limited's Group Financial Statements (Financial Statements) are presented in Rands and all values are rounded to the nearest Rand million except when otherwise indicated.

The Financial Statements have been prepared on a historical cost basis except for land and buildings and certain financial instruments that have been measured at fair value.

The 2012 and 2011 financial period consisted of 52 weeks respectively while the 2010 financial period consisted of 53 weeks.

The Group Financial Statements conform to International Financial Reporting Standards. The Group Financial Statements incorporate the following policies:

1.3. Basis of consolidation

Basis of Consolidation from 4 April 2010

The Group Financial Statements comprise the financial statements of the parent company (Edcon Holdings Proprietary Limited), its subsidiaries, the Staff Empowerment Trust, OntheCards Investment Limited II Proprietary Limited ("OtC") (securitisation programme) and jointly controlled entities, presented as a single economic entity and, consolidated at the same reporting date of the parent company. The Group Financial Statements are prepared using uniform accounting policies for like transactions and events. All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries, which are directly or indirectly controlled by the Group, are included in the Group Financial Statements as from the date of acquisition, where control is transferred to the Group, and cease to be consolidated from the date on which control no longer exists.

Total comprehensive income within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the asset (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings/loss, as appropriate.

Basis of Consolidation prior to 4 April 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Loss prior to 4 April 2010 was not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained as its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 4 April 2010 have not been restated.

1.4. Use of estimates and judgments and assumptions made in the preparation of the Financial Statements

In preparing the Financial Statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgment are inherent in the formation of estimates.

Significant estimates and judgements made relate to credit risk valuation adjustments in determining the fair value of derivative instruments to reflect non-performance risk (refer to note 1.10.1), a provision for impairment of receivables (refer to note 1.10.2), derecognition of financial instruments (refer to note 1.10.6), allowances for slow-moving inventory (refer to note 1.11), residual values, useful lives and depreciation methods for property, fixtures, equipment and vehicles (refer to note 1.13), pension fund and employee obligations (refer to note 1.19, 27.3 and 27.5), operating lease (refer to note 1.12), deferred tax asset (refer to note 1.16), loyalty points deferred revenue (refer to note 1.23.1) and intangible asset impairment tests (refer to note 5). Other judgments made relate to classifying financial assets and liabilities into categories (refer to note 1.10).

1.5. Foreign currency transactions

The presentation currency of the Group Financial Statements is the South African Rand. Transactions in foreign currencies are initially recorded in the presentation currency at the rate ruling at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the presentation currency, at exchange rates ruling at the reporting date.

Exchange differences arising on the settlement of foreign currency balances, at rates different from those at the date of the transaction, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary item is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

1.6. Foreign currency translations

The functional currencies of the foreign subsidiaries are as follows:

- Pula—(Jet Supermarkets Botswana (Pty) Limited).
- Maloti—(Edgars Stores Lesotho (Pty) Limited).
- Namibian Dollar—(Edgars Stores (Namibia) Limited).

- Lilangeni—(Edgars Stores Swaziland Limited, Central News Agency (Swaziland) (Pty) Limited).
- British Pound—(Bellfield Limited).
- Zambian Kwacha—(Jet Supermarkets Zambia Limited).

The Maloti, Namibian Dollar and the Lilangeni are pegged at one to one to the South African Rand.

As at the reporting date, the assets and liabilities of these foreign subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their statements of comprehensive income are translated at the weighted average exchange rates for the period. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

1.7. Business Combinations and Goodwill

1.7.1. Business combinations from 4 April 2010

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.

1.7.2 Business combinations prior to 4 April 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

1.8 Joint ventures

The Group has interests in joint ventures which is jointly controlled by the Group and one or more other venturer under a contractual arrangement. The Group's interest in jointly controlled entities is accounted for using the equity method. Under the equity method, the investment in joint ventures is carried in the Group statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint ventures. Goodwill relating to the joint ventures is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The Group statement of comprehensive income reflects the share of the results of operations of the joint ventures. Where the Group transacts with a jointly controlled entity, unrealised profits or losses are eliminated to the extent of the Group's interest in the joint ventures. The reporting period for jointly controlled entities is the same as the Group's. The investment in joint ventures are considered for impairment on an annual basis. When impairment indicators are present, amounts are written off through profit or loss if the carrying value is greater than the recoverable amount.

1.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are measured at their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised on a straight line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of the indefinite life is reviewed annually to determine whether the indefinite life basis continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group's intangible assets and their associated useful lives are as follows:

	Estimated useful life
Edgars brand	Indefinite
Jet brand	Indefinite
CNA brand	Indefinite
Boardmans brand	Indefinite
Red Square brand	10 years
Legit brand	10 years
Discom brand	10 years
Customer relationships	5 – 10 years
Trademarks	5 – 15 years
Customer lists	5 – 10 years
Technology	7 years

Intangible assets are derecognised on disposal or when no future economic benefits are expected through use of the intangible asset. 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. Expenditure on internally developed and maintained intangible assets are expensed through profit or loss. Expenditure incurred to maintain brand names is charged in full to profit or loss as incurred.

1.10 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 a party to contractual arrangements. The subsequent measurement of financial instruments is dealt with in subsequent notes. 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's financial assets includes trade and other receivables, derivatives and cash and cash equivalents which are classified as either loans and receivables or as derivatives at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge as appropriate. The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments and are classified as either loans and borrowings and derivatives at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge, as appropriate.

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.

1.10.1 Derivative Financial instruments

The Group uses derivative financial instruments such as foreign currency contracts, cross currency swaps 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 portfolio 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 as appropriate.

The fair value of forward exchange contracts and cross currency swaps is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market interest rates 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 measurement. 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 the derivative depends upon the contractual terms of, and specific risks inherent in the instrument as well as the availability 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 for the Group's own credit spread are based on estimated fair market spreads for entities with similar credit ratings as the Group. 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 not 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 forecasted transaction.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised 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 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 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 forecasted 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.

1.10.2 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 the Group 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 the Group'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 is estimated on the basis of historical loss experience, adjusted on the basis of current observable data, to reflect the effects of current conditions. The Group 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.

1.10.3 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost and comprise cash on hand and demand deposits together with any highly liquid investments readily convertible to known amounts of cash.

1.10.4 Impairment of financial assets

At each reporting date an assessment of financial assets other than trade receivables (refer note 1.10.2) is made of whether there is any objective evidence of impairment of these financial assets. If there is evidence of defaults and current market conditions indicate that an impairment loss on these financial assets has been incurred, the impairment loss is measured as the difference between the assets' carrying amounts and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rates. The loss is recognised in profit or loss.

1.10.5 Financial liabilities

Financial liabilities, other than derivatives, are subsequently measured at amortised cost. Discounts arising from the difference between the net proceeds of debt instruments issued and the amounts repayable at maturity, are charged to net financing costs over the life of the instruments using the effective interest rate method.

1.10.6 Derecognition of financial instruments

Financial assets are derecognised when the Group transfers the rights to receive cash flows associated with the financial asset. Derecognition normally occurs when the financial asset is sold or all the cash flows associated with the financial asset are passed to an independent third party. Where the contractual rights to receive the cash flows of certain receivables are retained but a contractual obligation is assumed to pay those cash flows to a third party, those receivables are derecognised provided:

- there is no obligation to pay amounts to the third party, unless equivalent amounts are collected from the original receivable;
- the Group is prohibited from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- the Group has an obligation to remit any cash flows it collects on behalf of the third party without material delay and is not entitled to reinvest such cash flows except for investments in cash and cash equivalents during the short settlement period, from the collection date to the date of required remittance to the third party and the interest earned on such investments, is passed on to the third party.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the extinguishment of the original liability or part of it and the recognition of a new financial liability. The difference in the respective carrying amounts is recognised in profit or loss.

1.11 Inventories

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 deemed to be readily disposable.

1.12 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 the Group as lessee. The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Assets subject to finance leases are capitalised at the lower of the fair value of the asset, and the present value of the minimum lease payments, with the related lease obligation recognised at the same value. Capitalised leased assets are depreciated over the shorter of the lease term and the estimated useful life if the Group 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 classified as an operating lease, lease rentals received are included in profit or loss on a straight-line basis.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rentals are recognised as revenue in the period in which they are earned.

1.13 Properties, fixtures, equipment and vehicles

1.13.1 Properties

Properties are initially measured at cost and subsequently revalued by recognised professional valuers, to net realisable open-market value using the alternative or existing-use basis as appropriate, ensuring carrying amounts do not differ materially from those which would be determined using fair value at the reporting date. Any revaluation surplus is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

1.13.2 Lease premiums and leasehold improvements

Expenditure relating to leased premises is capitalised as appropriate and depreciated to expected residual value over the remaining period of the lease on a straight-line basis.

Leasehold improvements for leasehold land and buildings are depreciated over the lease periods which range from 5 to 10 years, or such shorter periods as may be appropriate.

1.13.3 Depreciation rates

Fixtures, equipment and vehicles are carried at cost less accumulated depreciation and impairment loss, and are depreciated on a straight-line basis to their expected residual values over the estimated useful lives as follows:

Fixtures and fittings	7 – 8 years
Computer equipment	3 – 5 years
Computer software	2 – 3 years
Machinery	9 – 10 years
Vehicles	4 – 5 years
Buildings	48 – 50 years

1.13.4 Impairment of property, fixtures, equipment and vehicles

Property, fixtures, equipment and vehicles are reviewed at each reporting date, to determine whether there is any indication of impairment. When impairment indicators are present, the impairment recognised in the profit or loss (or other comprehensive income for revalued property limited to the extent of the revaluation surplus) is the excess of the carrying value over the recoverable amount (the greater of fair value less cost to sell and value in use). Recoverable amounts are estimated for individual assets or, when an individual asset does not generate cash flows independently, the recoverable amount is determined for the larger cash-generating unit to which the asset belongs.

A previously recognised impairment will be reversed in so far as estimates change as a result of an event occurring after the impairment was recognised. This assessment is made at each reporting date. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in profit or loss.

1.13.5 Derecognition of properties, fixtures, equipment and vehicles

An item of property, fixtures, equipment and vehicles is derecognised on disposal or when no future economic benefits are expected through its continued use. Gains or losses which arise on derecognition, are included in profit or loss in the year of derecognition. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the property, fixtures, equipment or vehicles at the date of sale.

1.13.6 Asset lives and residual values

Buildings, fixtures, equipment and vehicles are depreciated over their useful life taking into account any residual values where appropriate. The estimated useful life of these assets and depreciation methods are assessed at each reporting date and could vary as a result of technological innovations and maintenance programmes. In addition, residual values are reviewed at each reporting date after considering future market conditions, the remaining life of the asset and projected disposal values. Changes in asset lives and residual values are accounted for on a prospective basis as a change in estimate.

1.14 Software costs

Packaged software and the direct costs associated with the development and installation thereof are capitalised as computer software and are an integral part of computer hardware. The total cost is capitalised and depreciated in accordance with note 1.13.3.

1.15 Non-current assets held for sale and discontinued operations

Non-current assets (or a disposal group) are classified as held for sale if the carrying amount will be recovered through a highly probable sale transaction, rather than through continuing use. The sale is considered to be highly probable where the assets (or a disposal group) are available for immediate sale, management is committed to the sale and the sale is expected to be completed within a period of one year from the date of classification. Assets classified as held for sale are measured at the lower of the asset's carrying amount and fair value less costs to sell.

Where the sale is more than one year into the future due to circumstances beyond the Group's control, the costs to sell are measured at the present value. Any increase in the present value of costs to sell are recognised in the Group statement of comprehensive income as a financing cost.

An impairment loss is recognised in profit or loss for any initial or subsequent write-down of the asset or disposal group to fair value less costs to sell. A gain, for any subsequent increase in fair value less costs to sell, is recognised in profit or loss to the extent that it does not exceed the cumulative impairment loss previously recognised.

Non-current assets classified as held for sale are not depreciated.

Where a component of the Group, being either a separate major line of business, a geographical area of operations or a subsidiary is acquired exclusively with a view to resell and management is committed to the sale and it is expected to be completed within a period of one year or has been sold, that component is classified as a discontinued operation.

1.16 Income taxes

Income tax payable on profits, based on the applicable tax laws, is recognised as an expense in the period in which profits arise. Current income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in profit or loss. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for temporary differences arising between the carrying amounts of assets and liabilities at the reporting date and their amounts as measured for tax purposes, irrespective of whether it will result in taxable amounts in future periods, unless the deferred tax liability arises from the initial recognition of goodwill.

Deferred tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, which will result in deductible amounts in future periods, but only to the extent that it is probable that sufficient taxable profits will be available against which these deductible temporary differences, and carry forward of unused tax credits and unused tax losses can be utilised. Neither a deferred tax asset nor liability is recognised where it arises from a transaction, which is not a business combination, and, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled, based on enacted or substantively enacted rates at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity, and relate to the same tax authority, and when the legal right to offset exists. Where applicable, non-resident shareholders' taxation is provided in respect of foreign dividends receivable.

Secondary tax on companies (STC), is provided for at a rate of 10% on the amount by which dividends declared by the Group exceed dividends received. STC is charged to profit or loss at the applicable ruling rate and included in the taxation expense for the period.

1.17 Financing costs

Financing costs are recognised in profit or loss in the period in which they are incurred.

1.18 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 net of returns and customer loyalty points excluding discounts, rebates and sales taxes or duty.

Revenue comprises retail sales of merchandise, manufacturing sales, club fees, revenue from joint ventures, dividends, interest and finance charges accrued to the Group.

Sales of merchandise

Revenue from sale of merchandise is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of goods. Such income represents the net invoice value of merchandise provided to such third parties—excluding discounts, value-added and general sales tax. The Group chains that contribute to the revenue from sale of merchandise the Edgars division, CNA division and the Discount division.

Loyalty points programme

The Group operates a loyalty points programme that allows customers to accumulate points when they purchase merchandise, subject to certain criteria, in the Group's retail stores. The points can then be redeemed as discount against merchandise purchases. The fair value which includes the expected redemption rate, attributed to the credits awarded, is deferred as a provision and recognised as revenue on redemption of the vouchers by customers.

Manufacturing sales

Revenue from manufacturing and other operations is recognised when the sale transactions giving rise to such revenue are concluded.

Club fees

Club fees are recognised as revenue as incurred.

Finance charges

Finance charges on arrear account balances are accrued on a time proportion basis, recognising the effective yield on the underlying assets.

Revenue from joint ventures

Group customers are offered Edgars and Jet branded insurance products, in pursuance of a joint venture formed with Hollard Insurance (Hollard). Hollard underwrites all insurance products and further provides the joint venture with actuarial and compliance support. The Group provides product distribution, marketing and billing and premium collection services. The joint venture sells to both credit customers and cash customers. The joint venture is managed by a dedicated team of people from both Hollard and the Group. The interest in joint ventures is accounted for using the equity method. Under the provision of the joint venture agreement, the Group charges the joint venture a fee for the continued management of the debtors and maintenance of systems. The Group also charges the joint venture a fee for the use of the Group's brands in the marketing of the insurance products.

The profit share is done on a product by product basis with the profit share percentage as agreed between the parties from time to time.

The Group has a closed book for the *Edgars* and *Jet* Legal Plan underwritten by Zurich Insurance Ltd. Europ Assistance provides risk management and policy fulfillment services. Under the provisions of the joint venture agreement, if the policy premiums exceed the claims and expenses, the net profit is distributed as a dividend. New business on the Legal Plans is underwritten by Hollard as from 13 April 2011. Hollard replaced Zurich as the underwriter from the start of the 2011 financial year.

Dividends

Dividends are recognised when the right to receive payment is established.

Interest received

Interest received is recognised using the effective interest rate method.

1.19 Employee benefits—post retirement benefits

The Group operates a number of retirement benefit plans for its employees. These plans include both defined benefit and defined contribution provident funds and other retirement benefits such as medical aid benefit plans. Current contributions incurred with respect to the defined contribution provident funds, are charged against profit or loss when incurred.

The Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related current service cost and, where applicable, past service costs. Contribution rates to defined benefit plans are adjusted for any unfavourable experience adjustments. Favorable experience adjustments are retained within the funds. Net benefit assets are only brought into account in the Group's Financial Statements when it is certain that economic benefits will be available to the Group. Actuarial gains or losses are recognised in the period in which they occur in total comprehensive income.

1.20 Share capitalisation awards and cash dividends

The full cash equivalent of capitalisation share awards and cash dividends paid by the Group are recorded and disclosed as dividends declared in the statement of changes in equity. Dividends declared subsequent to the period-end are not charged against shareholders' equity at the reporting date as no liability exists. Upon allotment of shares in terms of a capitalisation award, the election amounts are transferred to the share capital and share premium account; cash dividend election amounts are paid and the amount deducted from equity.

1.21 Treasury shares

Shares held by the Staff Empowerment Trust are classified in the Group's shareholders' equity as treasury shares.

These shares are treated as a deduction from the issued number of shares, and the cost price of the shares is deducted from share capital and premium, in the Group statement of financial position. Any dividends received on treasury shares are eliminated on consolidation.

1.22 Operating Segment Report

The Group is organised into business units based on their target markets and product offering, and the business is structured under six reportable operating segments. The segments were selected on the basis of internal reports in order to allocate resources to the segment and assess its performance. Sales of merchandise in three main operating divisions gives rise to the Edgars, Discount and CNA division which targets different domains of income, age and products. Manufacturing Sales gives rise to the Manufacturing division which is an apparel manufacturer, focusing on mid to high-end garments of mostly woven construction. This operating segment, manufactures ladies and men's outerwear for the Edgars and Discount divisions. The Credit and Financial division focuses on the management of the Group's trade debtors and offers consumer credit and insurance products. The Credit and Financial division incorporates revenue from the joint venture between Edcon and Hollard. This includes interest, dividends, administration fee, management fee and brand fee.

1.23 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision will be reassessed at each statement of financial position date taking into account the latest estimates of expenditure required and the probability of the outflows. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability except those that have been taken into account in the estimate of future cash flows. Where discounting is used, the increase in a provision due to the passage of time is recognised as an interest expense in profit or loss. A provision is used only for the expenditures for which the provision was originally recognised.

1.23.1. Loyalty points deferred revenue

The Group operates a loyalty points programme which allows customers to accumulate points when they purchase merchandise, subject to certain criteria, in the Groups retail stores. The points can then be redeemed as discount against merchandise purchases. The Group accounts for award credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to award credits at their fair value through profit or loss and is accounted for as a provision (deferred revenue) in the statement of financial position.

The fair value of an individual award credit is determined using estimation techniques reflecting the weighted average of a number of factors. A rolling 12-month historical trend forms the basis of the calculations. The number of points not expected to be redeemed by members are also factored into the estimation of fair value. Historical redemption trends are also used to determine the long and short-term portion of the deferred revenue liability. A level of judgement is exercised by management in determining the fair value of the points (Refer to note 21).

1.24 Changes in Accounting policies and disclosures

1.24.1 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS standards and IFRIC interpretations effective as of 4 April 2010.

- IAS 24, Related party disclosure (Revised)
- IFRIC 14, Prepayments of a minimum funding requirement—(Amendment)
- IFRIC 19, Extinguishing financial liabilities with equity instruments.
- Improvements to IFRSs

The adoption of the standards or interpretations is described below:

IAS 24, Related party disclosures (revised)

The revision of the definition of related party clarifies a distinction in significant influence and joint control. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group. Effective 1 January 2011.

IFRIC 14, Prepayments of a minimum funding requirement

The amendment provides further guidance on assessing the recoverable amount of a net pension asset.

The Group has concluded that the amendment will have no impact on the financial position or performance of the Group. Effective 1 January 2011.

IFRIC 19, Extinguishing financial liabilities with equity instruments

The interpretation clarifies that equity instruments issued to extinguish a financial liability are considered to be 'paid' in accordance with IAS 39. Equity instruments are required to be measured at their fair value, unless fair value cannot be reliably measured in which case they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss.

The Group has concluded that the amendment will have no impact on the financial position or performance of the Group. Effective 1 July 2010.

Other Standards and Interpretations adopted

The Group has adopted the following new and amended accounting standards and interpretations which have not had a material effect on the financial position, total comprehensive income or cash flows of the Group:

- IFRS 1, First time adoption amendment
- IFRS 3, Business combination
- IFRS 7, Statement of cash flows
- IAS 1, Presentation of financial statements
- IAS 27, Consolidated and separate financial statements
- IAS 34, Interim financial statements

Improvements to IFRS's (May 2010)

In May 2010, the IASB issued an omnibus of amendments to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendments did not have any impact on the financial position nor financial performance of the Group.

- IFRS 3, Business Combinations: Provides transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS relating to the measurement of non-controlling interests; and un-replaced and voluntarily replaced share-based payment awards.

Other amendments resulting from Improvements to IFRS to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 1, Revaluation basis as deemed cost
- IFRS 1, Use of deemed cost for operations subject to rate regulation
- IAS 1, Clarification of disclosures
- IAS 34, Significant events and transactions

- IFRS 7, Clarification of disclosures
- IAS 27, Transitional requirements for amendments arising as a result of IAS 27.

1.24.2 Early Adoptions

IAS 19, Employee Benefits

The Group has assessed its accounting policy with regard to the recognition of actuarial gains and losses arising from its defined benefit plans. The Group previously recognised only the net cumulative unrecognised actuarial gains and losses of the previous period, which exceed 10% of the higher of the defined benefit obligation and the fair value of the plan assets in accordance with IAS 19.93.

During 2012, the Group determined that it would early adopt IAS 19 (revised) and thus change its accounting policy to recognise actuarial gains and losses in the period in which they occur in total in other comprehensive income, as it believes this policy is more consistent with the practice of its immediate industry peers. Changes have been applied retrospectively in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors,* resulting in the restatement of prior year financial information.

As a result of the voluntary accounting policy change, the following adjustments were made to the financial statements:

	Employee benefit asset	Employee benefit liability	Current tax liability	Equity
	Rm	Rm	Rm	Rm
Balance as reported at 3 April 2010	—	(114)	(236)	1,589
Effect of early application of IAS19 (as revised in 2011)	—	—	—	—
Restated balance at 3 April 2010	—	(114)	(236)	1,589
Balance as reported at 2 April 2011	—	(130)	(244)	3,424
Effect of early application of IAS19 (as revised in 2011)	—	—	—	—
Restated balance at 2 April 2011	—	(130)	(244)	3,424

	2012 31 March	2011 2 April	2010 3 April
	Rm	Rm	Rm
Employee benefits recognised through profit or loss	**(15)**	—	—
(Increase)/decrease of income tax relating to components in profit or loss	**4**	—	—
Employee benefits recognised through other comprehensive income	**116**	—	—
(Increase)/decrease of income tax relating to components of other comprehensive income	**(32)**	—	—
	73	—	—

1.25 Future changes in accounting policies

The following standards, amendments to standards and interpretations have been issued but are not yet effective at the financial year end.

IFRS 9, Financial Instruments

This standard was issued in stages in November 2009, October 2010 and December 2011 and becomes effective for financial periods beginning on or after 1 January 2015. It sets out the requirements for recognising and measuring financial assets, including some hybrid contracts. It requires all financial assets to be classified on the basis of an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The standard requires all financial assets to initially be measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Financial assets are subsequently measured at amortised cost or fair value.

For fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the fair value option.

The Group is still evaluating the effect of adopting this standard and expects that adoption of this standard will materially impact the Group Financial Statements. However the necessary evaluation and the effects thereof will be completed before the effective date of adoption.

IFRS 10, Consolidated financial statements

This standard was issued in May 2011 and becomes effective for financial periods on or after 1 January 2013. The amendment creates a new, broader definition of control than under the current IAS 27 and has resulted in SIC 12 being withdrawn.

IFRS 10 does not change the consolidation process; rather it changes whether an entity is consolidated by revising the definition of control.

The revised definition of control will require consideration of aspects such as de-facto control, substantive vs. protective rights, agency relationships, silo accounting and structured entities when evaluating whether or not an entity is controlled by the investor.

The Group has evaluated the effect of adopting this interpretation and does not expect that adoption thereof, will impact the Group Financial Statements.

IFRS 11, Joint arrangements

This standard was issued in May 2011 and becomes effective for financial periods on or after 1 January 2013. IFRS 11 replaces IAS 31 and SIC 13 and refers to IFRS 10's revised definition of 'control' when referring to 'joint control'.

Under IFRS 11 a joint arrangement (previously a 'joint venture' under IAS 31) is accounted for as either a:

- joint operation—by showing the investor's interest/ relative interest in the assets, liabilities, revenues and expenses of the joint arrangement; or
- joint venture—by applying the equity accounting method. Proportionate consolidation is no longer permitted.

Under IFRS 11 the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or joint venture.

The Group has evaluated the effect of adopting this interpretation and does not expect that adoption thereof, will impact the Group Financial Statements.

IFRS 12, Disclosure of interests in other entities

This standard was issued in May 2011 and becomes effective for financial periods on or after 1 January 2013. The new standard applies to entities that have in interest in subsidiaries, joint arrangements, associates and/ or structured entities.

Many of the disclosures are those previously included in IAS 27, IAS 28 and IAS 31. Many new disclosures have however also been added.

The Group is still evaluating the effect of adopting this standard and expects that adoption of this standard will materially impact the Group Financial Statements. However the necessary evaluation and the effects thereof will be completed before the effective date of adoption.

IFRS 13, Fair value measurement

This standard was issued in May 2011 and becomes effective for financial periods on or after 1 January 2013. The new standard describes how to measure fair value where fair value is required or permitted to be used as a measurement basis under IFRS (with certain standards being excluded from the scope of IFRS 13). Under IFRS 13 fair value is presumed to be an 'exit price'. New disclosures related to fair value measurements are also introduced.

The Group has evaluated the effect of adopting this interpretation and does not expect that adoption thereof, will impact the Group Financial Statements.

IAS 1, Presentation of items of other comprehensive income (amendment to IAS 1)

This amendment was issued in June 2011 and becomes effective for financial periods on or after 1 January 2013. The amendment to IAS 1 requires that items presented within other comprehensive income be grouped separately into those items that will be recycled into profit or loss at a future point in time, and those items that will never be recycled.

The Group has evaluated the effect of adopting these amendments which on adoption thereof, will not impact the Group Financial Statements.

IAS 27, Separate financial statements

This amendment was issued in May 2011 and becomes effective for financial periods on or after 1 January 2013. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor.

The Group has evaluated the effect of adopting this interpretation and does not expect that adoption thereof, will impact the Group Financial Statements.

IAS 28, Investments in associates and joint ventures

This amendment was issued in May 2011 and becomes effective for financial periods on or after 1 January 2013. The revised standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates.

The Group has evaluated the effect of adopting this interpretation and does not expect that adoption thereof, will impact the Group Financial Statements.

IFRS 7, Disclosures—offsetting financial assets and financial liabilities (amendments to IFRS 7).

This amendment was issued in December 2011 and becomes effective for financial periods on or after 1 January 2013. The amendment provides additional disclosures due to the offsetting amendments made to IAS 32.

The Group has evaluated the effect of adopting this interpretation and does not expect that adoption thereof, will impact the Group Financial Statements.

IAS 32, Offsetting financial assets and financial liabilities (amendments to IAS 32)

This amendment was issued in December 2011 and becomes effective for financial periods on or after 1 January 2014. The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities as well as the application of IAS 32 offsetting criteria to settlement systems (such as clearing houses).

The Group has evaluated the effect of adopting this interpretation and does not expect that adoption thereof, will impact the Group Financial Statements.

IFRS 9 and IFRS 7, Mandatory effective date and transition disclosures (amendments to IFRS 9 and IFRS 7)

This amendment was issued in December 2011 and becomes effective for financial periods on or after 1 January 2013. The amendment changes the mandatory effective date for IFRS 9 to 1 January 2015.

The amendments to IFRS 7 adopted by the Group will depend on when IFRS 9 is adopted and effect the extent of comparative information required to be disclosed.

The Group is still evaluating the effect of adopting this standard and expects that the adoption of this standard will materially impact the Group Financial Statements. However the necessary evaluation and the effects thereof will be completed before the effective date of adoption.

IFRIC 20, Stripping costs in the production phase of a surface mine

This amendment was issued in October 2011 and becomes effective for financial periods on or after 1 January 2013.

The Group has evaluated the effect of adopting this interpretation and does not expect that adoption thereof, will impact the Group Financial Statements.

Improvements to IFRS's (May 2012)

In May 2012, the IASB issued an omnibus of amendments to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendments is not expected to have any impact on the financial position nor financial performance of the Group. The amendments are effective for annual periods beginning on or after 1 January 2013.

- IFRS 1, First-time Adoption of International Financial Reporting Standards. Repeated application of IFRS 1 and Borrowing costs.
- IAS 1, Presentation of Financial Statements. Clarification of the requirements for comparative information.
- IAS 16, Property, Plant and Equipment. Classification of servicing equipment
- IAS 32, Financial Instruments: Presentation. Tax effect of distribution to holders of equity instruments.
- IAS 34, Interim Financial Reporting. Interim financial reporting and segment information for total assets and liabilities.

2. OPERATING SEGMENT REPORT

For management purposes, the Group is organised into business units based on their target markets and product offering, and the business is structured under six reportable operating segments. Management monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. The reportable segments are as follows:

Edgars division

The department store division is targeted at middle- to upper-income consumers. The speciality store chains included in this division are *Edgars, Boardmans, Red Square, Temptations, Prato* and *Edgars Active*. The products within this operating segment include mainly clothing, footwear, cosmetics, mobile phones, homewares and accessories.

CNA division

The CNA division is targeted at middle- to upper-income consumers and its product offering includes stationery, books, magazines, greeting cards, mobile phones, music, toys, photographic and digital equipment.

Discount division

The discount division sells value merchandise targeted at lower- to middle-income consumers. The largest brand in discount division is Jet, with associated brands that include Jet Mart, Jet Shoes and Jet Home. The Legit and Discom chains are also part of the Discount division operating segment. The product offering within this operating segment includes mainly clothing, footwear, mobile phones, cosmetics, homewares and accessories.

Manufacturing division

Celrose, the manufacturing division, is an apparel manufacturer, focusing on mid to high-end garments of mostly woven construction. This operating segment, manufactures ladies and men's outerwear for the Edgars and Discount divisions.

Credit and Financial Services

Credit and Financial Services focuses on the management of the Group's trade debtors and offers consumer credit and insurance products.

This operating segment issues private label credit cards to qualifying customers who can use these credit cards in all the Group's chains. Credit and financial services performs all aspects of the credit management process in-house including credit scoring activation, servicing and collection and also provides credit management services to third parties. In addition, credit card holders are offered insurance products in partnership with insurance providers through joint venture agreements. The operating segment does not bear underwriting risk with respect to these insurance products.

Group Services

Group Services performs the Group's shared services functions which include, human resources, treasury, tax, finance, internal audit, property management, logistics, and secretarial. Additionally, the trade accounts payable function for the Group is managed centrally by Group Services and the accounting for trademarks and goodwill is accounted for centrally.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Operating segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Group Financial Statements.

Group financing (including all treasury functions such as finance costs and income and related borrowings) income taxes, trade accounts payable, trademarks and goodwill are managed on a group basis and are not allocated to operating segments.

	REVENUES			REVENUE-RETAIL SALES			SEGMENT RESULT-OPERATING PROFIT[3]		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Edgars Division	**13,062**	12,014	11,425	**12,796**	11,772	11,213	**2,636**	2,540	2,457
CNA Division	**2,051**	1,891	1,851	**2,051**	1,891	1,851	**163**	128	138
Discount Division	**10,034**	9,244	9,039	**9,817**	9,053	8,824	**1,117**	974	1,011
Manufacturing Division	**82**[1]	57[1]	46[1]				**(4)**	(4)	6
Credit and Financial Services	**2,620**	2,350	2,504				**1,311**[4]	1,111[4]	713[4]
Group Services[2]	**35**	30	11				**(3,530)**	(4,456)	(2,834)
Group	**27,884**	25,586	24,876	**24,664**	22,716	21,888	**1,693**[8]	293[8]	1,491[8]
South Africa	**26,186**	24,177	23,533	**23,107**	21,432	20,688	**1,274**	164	1,123
Other[6]	**1,698**	1,409	1,343	**1,557**	1,284	1,200	**419**	129	368

	DEPRECIATION AND AMORTISATION			IMPAIRMENT OF INTANGIBLES[5]			CAPITAL EXPENDITURE		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Edgars Division	**158**	139	126			17	**204**	199	156
CNA Division	**22**	22	21			71	**20**	20	24
Discount Division	**116**	111	110	**126**		49	**167**	122	114
Manufacturing Division	**3**	2	2				**9**	1	1
Credit and Financial Services	**6**	7	5				**4**	2	1
Group Services[2]	**867**	935	961				**614**	130	177
Group	**1,172**	1,216	1,225	**126**		137	**1,018**	474	473
South Africa	**1,157**	1,205	1,214	**126**		137	**955**	454	467
Other[6]	**15**	11	11				**63**	20	6

Notes

1 Represents manufacturing sales to third parties. In deriving the revenue, inter-group manufacturing sales of R178 million (52 week to 2 April 2011 R143 million, 53 weeks to 3 April 2010 R96 million) have been eliminated.

2 Incorporating corporate divisions and consolidation adjustments, including additional depreciation and amortisation which arose on formation of the Group.

3 The segmental result is stated after impairment of intangibles.

4 Includes revenue of joint ventures of R541 million (52 weeks to 2 April 2011 R487 million, 53 weeks to 3 April 2010 R435 million).

5 Impairment of intangibles is accounted for by Group Services and included in Group Services operating profit but, the split of these impairments in relation to each operating segment has been disclosed here.

6 Comprising Botswana, Lesotho, Swaziland, Namibia and Zambia.

7 2012 and 2011 financial data is presented for 52 weeks and 2010 financial data is presented for 53 weeks.

8 Net financing costs of R3,688 million (2011: R2,497 and 2010: R2,915 million) have not been included in operating profit. Net financing costs form part of Group Services.

The following is an analysis of the Group's income from continuing operations by reportable segment:

	Edgars	CNA	Discount Division	Manufacturing	Credit and Financial Services	Group Services	Total
52 weeks 31 March 2012							
Retail sales	**12,796**	**2,051**	**9,817**				**24,664**
Club revenue	**266**		**217**				**483**
Manufacturing sales[1]				**82**			**82**
Finance charges on trade receivables					**2,113**		**2,113**
Income from joint ventures					**474**		**474**
Interest received					**33**	**35**	**68**
Total revenue	**13,062**	**2,051**	**10,034**	**82**	**2,620**	**35**	**27,884**
52 weeks to 2 April 2011							
Retail sales	11,772	1,891	9,053				22,716
Club revenue	242		191				433
Manufacturing sales[1]				57			57
Finance charges on trade receivables					1,833		1,833
Income from joint ventures					487		487
Interest received					30	30	60
Total revenue	12,014	1,891	9,244	57	2,350	30	25,586
53 weeks to 3 April 2010							
Retail sales	11,213	1,851	8,824				21,888
Club revenue	212		215				427
Manufacturing sales[1]				46			46
Finance charges on trade receivables					2,049		2,049
Income from joint ventures					435		435
Interest received					20	11	31
Total revenue	11,425	1,851	9,039	46	2,504	11	24,876

Note

1 Represents manufacturing sales to third parties. In deriving the revenue, inter-group manufacturing sales of R178 million (53 weeks to 2 April 2011 R143 million) and (53 weeks to 3 April 2010 R96 million) have been eliminated.

2.1 Information on products

The following is an analysis of the Group's retail sales from continuing operations by product line:

	2012 52 weeks to 31 March	2011 52 weeks to 2 April	2010 53 weeks to 3 April
	Rm	Rm	Rm
Clothing	**11,264**	10,459	10,197
Footwear	**3,419**	3,117	3,066
Cosmetics	**2,462**	2,442	2,370
Homeware	**1,624**	1,547	1,480
Cellular	**2,498**	1,951	1,531
Stationery, books, magazines etc	**1,705**	1,615	1,627
Hardlines and FMCG	**1,719**	1,585	1,617
Loyalty points programme	**(27)**		
Total retail sales	**24,664**	22,716	21,888

2.2 Information about major customers

Revenues arise from direct sales to a broad base of public customers. The following is an analysis of the number of stores in the Group through which the Group's product offering is distributed:

	2012 31 March Number	2011 2 April Number	2010 3 April Number
Edgars division	**308**	261	263
CNA division	**194**	202	203
Discount division	**665**	718	762
Group	**1,167**	1,181	1,228

2.3 Reportable operating segment assets and liabilities

The following is an analysis of the operating segments assets and liabilities:

	TOTAL ASSETS[4]			TOTAL LIABILITIES		
	2012	2011	2010	2012	2011	2010
	Rm	Rm	Rm	Rm	Rm	Rm
Edgars Division	**2,497**	2,213	2,181	**188**	386	327
CNA Division	**428**	387	420	**30**	57	58
Discount Division	**2,134**	1,795	1,879	**79**	215	242
Manufacturing Division	**42**	51	46	**8**	46	6
Credit and Financial Services	**11,028**	9,718[1]	9,656[1]	**4,451**	4,464	4,457
Group Services[2]	**20,225**	21,165	19,586	**28,730**	33,585	30,267
Group	**36,354**	35,329	33,768	**33,486**	38,753	35,357
South Africa	**35,364**	34,603	33,086	**33,448**	38,710	35,326
Other[3]	**990**	726	682	**38**	43	31

Notes

1 Includes investment in joint ventures of R67 million (2011 and 2010 : R6 million and R0 million).

2 Incorporating corporate divisions and consolidation adjustments, including additional depreciation and amortisation.

3 Compromising Botswana, Lesotho, Swaziland, Namibia and Zambia.

4 Included in total assets are non-current assets of R20,174 million (2011 : R20,270 million and 2010 : R21,105 million) which are part of group services. 99% of non-current assets are domiciled in South Africa.

3. PROPERTIES, FIXTURES, EQUIPMENT AND VEHICLES

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
Historic cost except for revalued land and buildings			
Land and buildings			
Historic cost	**4**	4	40
Revaluation surplus	**—**	—	1
Leased assets	**308**		
Leasehold improvements	**707**	626	564
Fixtures and fittings	**3,106**	2,842	2,656
Computer equipment and software	**1,528**	1,246	1,122
Machinery and vehicles	**178**	170	170
	5,831	4,888	4,553
Accumulated depreciation			
Buildings	**1**	1	3
Leased assets	**17**		
Leasehold improvements	**432**	345	254
Fixtures and fittings	**1,762**	1,405	1,018
Computer equipment and software	**1,042**	805	547
Machinery and vehicles	**106**	86	68
	3,360	2,642	1,890
Net carrying value	**2,471**	2,246	2,663
Comprising:			
Land and buildings	**3**	3	38
Leased assets	**292**		
Leasehold improvements	**275**	281	310
Fixtures and fittings	**1,344**	1,437	1,638
Computer equipment and software	**486**	441	575
Machinery and vehicles	**71**	84	102
	2,471	2,246	2,663
Opening net carrying value	**2,246**	2,663	3,128
Movements for the period			
Land and buildings—revaluation, cost less accumulated depreciation	**—**	—	—
Capital expenditure			
Leasehold improvements	**88**	81	68
Leased assets	**308**		
Fixtures and fittings	**322**	261	230
Computer equipment and software	**293**	127	174
Machinery and vehicles	**7**	5	1
	1,018	474	473
Other			
Currency adjustments	**(1)**	(1)	(4)
	1,017	473	469
Disposals (net book value)			
Land and buildings		35	113
Leasehold improvements	**6**	12	3
Fixtures and fittings	**25**	44	11
Computer equipment and software	**6**	1	
Machinery and vehicles	**—**	—	
	37	92	127
Depreciation (note 25.3)	**755**	798	807
Closing net carrying value	**2,471**	2,246	2,663

Land and buildings were revalued at 31 March 2012 to open market value based on the open market net rentals and current replacement cost of each property. Deferred taxation has been raised on the revaluation surplus. The independent valuations were carried out by professional valuers. No other categories of assets were revalued.

A register of the Group's land and buildings is available for inspection at the company's registered office.

If the land and buildings were measured using the cost model the cost would have been R4 million (2011 and 2010 : R4 million and R40 million) and the accumulated depreciation R1 million (2011 and 2010 : R1 million and R3 million).

These assets are security in terms of the floating rate notes (note 17), fixed rate notes (note 17), the super senior secured notes (note 17) and the revolving credit facility (note 18).

	2012 31 March	2011 2 April	2010 3 April
	Rm	Rm	Rm
4. INTANGIBLE ASSETS			
Goodwill represents the excess of the purchase consideration over the fair value of the identifiable assets at the date of acquisition purchased as part of a business combination. Other intangible assets represent registered rights to the exclusive use of certain trademarks and brand names.			
Balance at the beginning of the period	**18,024**	18,442	18,997
Movement of intangible assets:			
Charge for the period (note 25.1)	**(417)**	(418)	(418)
Impairment of goodwill	**(86)**		(71)
Impairment of finite life brands	**(40)**		
Impairment of indefinite life brands			(66)
Balance at the end of the period	**17,481**	18,024	18,442
Comprising:			
Goodwill at cost	**8,513**	8,513	8,513
Intangible assets at cost	**11,979**	11,979	11,979
Impairment of intangibles including goodwill	**(960)**	(834)	(834)
Accumulated amortisation of intangible assets	**(2,051)**	(1,634)	(1,216)
	17,481	18,024	18,442
Intangible assets (excluding goodwill)			
Intangible assets at cost:			
Indefinite life brands	**8,492**	8,492	8,492
Finite life brands	**229**	229	229
Customer relationships	**1,974**	1,974	1,974
Trademarks recognised	**206**	206	206
Customer lists	**561**	561	561
Technology	**517**	517	517
	11,979	11,979	11,979
Impairment of intangibles:			
Indefinite life brands	**(751)**	(751)	(751)
Finite life brands	**(40)**		
	(791)	(751)	(751)
Accumulated amortisation of intangible assets:			
Finite life brands	**(111)**	(87)	(64)
Customer relationships	**(1,110)**	(885)	(659)
Trademarks recognised	**(101)**	(80)	(60)
Customer lists	**(366)**	(292)	(217)
Technology	**(363)**	(290)	(216)
	(2,051)	(1,634)	(1,216)
Carrying value of intangible assets:			
Indefinite life brands	**7,741**	7,741	7,741
Finite life brands	**78**	142	165
Customer relationships	**864**	1,089	1,315
Trademarks recognised	**105**	126	146
Customer lists	**195**	269	344
Technology	**154**	227	301
	9,137	9,594	10,012

Indefinite life brands principally comprise those brands for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

The Edgars, Jet, CNA and Boardmans brands are considered to have an indefinite life as each has been in existence for a significant period and the strength and durability of these brands and the level of marketing support.

During the current period an impairment of R40 million was recognised on the finite life brands due to a change in product offering.

Goodwill and indefinite life brands are tested annually for impairment (refer to note 5).

5. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated to individual cash-generating units for impairment testing as follows:

- Edgars—includes Edgars, Red Square, Temptations, Prato, Boardmans and Edgars Active, offering clothing, footwear and homeware products.
- CNA—offers stationery and electronic products.
- Discount Division—includes Jet, JetMart, Discom, Legit and Jet Shoes chains offering clothing, footwear, beauty and homeware products.
- Credit and Financial Services.

Impairment testing of this goodwill and intangibles with indefinite lives was undertaken on the following basis:

The recoverable amount of cash-generating units has been determined based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering no more than a five-year period. The discount rate applied to the cash flow projections for Edgars, CNA and the Discount Division is 16% (2011 and 2010:15%) and for the Credit and Financial Services division, 17% (2011 and 2010:17%). The average growth rates used to extrapolate the cash flow projection of each cash-generating unit beyond the periods covered by the financial forecasts is 6% (2011 and 2010: 6%) as future benefits are expected beyond the periods of the financial forecasts.

Carrying amount of goodwill and intangibles with indefinite lives (Rm)	**Edgars**	**CNA**	**Discount Division**	**Credit and Financial Services**	**Total**
Carrying amount of goodwill	**1,753**		**2,922**	**3,669**	**8,344**
Carrying amount of indefinite life intangibles	**4,535**	**546**	**2,660**		**7,741**

During the current period an impairment of R86 million was recognised on the goodwill allocated to Discom due to a change in product offering. During the 2011 and 2010 financial periods total impairments of Rnil million and R66 million (2011 and 2010 respectively) was recognised on the indefinite life brands due to economic trading conditions and a change in the mix of products sold by CNA stores. As a result, forecast sales assumptions were based on estimated growths over the short-term and the growth rates beyond the forecasted period were held constant at 6%.

The initial goodwill allocated to CNA of R83 million was fully impaired at 3 April 2010.

Key assumptions applied in value-in-use calculation of the cash generating units

The calculation of value-in-use is most sensitive to the following assumptions:

- Gross margin
- Discount rates
- Market share
- Growth rates used to extrapolate cash flows beyond the financial forecast period.

Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvement and therefore based on financial forecasts for the Edgars, CNA and the Discount Divisions.

Discount rates reflect management's estimate of the risks specific to each unit.

Market share assumptions (based on external market information) are important as management considers how the unit's position relative to its competitors might change over the forecast period. Management expects the market share of Edgars, CNA and the Discount Division to be reasonably stable over the forecast period.

Growth rate estimates are conservatively applied to each unit having considered industry expected growth rates and internal targets. The Group is not expected to exceed the long-term average growth rates of the industry.

A reasonable possible change in any of the key assumptions would not result in the carrying amount of any of the cash generating units exceeding their recoverable amount.

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
6. EQUITY ACCOUNTED INVESTMENT IN JOINT VENTURES			
Hollard Insurance—50% holding offering long and short-term insurance products to account holders	**62**	1	—
Europe Assistance	**5**	5	
Total equity accounted in joint venture	**67**	6	—
6.1 Share of joint ventures' reserves			
Balance at the beginning of the period	**6**	—	1
Income for the period	**541**	487	435
Paid as follows :			
Administration fee received	**(401)**	(381)	(267)
Dividends received	**(79)**	(100)	(169)
Carrying value of joint ventures	**67**	6	—
6.2 Share of joint ventures' net assets, revenue and expenses			
Current assets	**67**	6	—
Revenue	**1,331**	1,124	1,049
Expenses	**727**	582	527
7. DERIVATIVE FINANCIAL INSTRUMENTS[1]			
7.1 Non-current derivative assets			
Interest rate swaps		30	
Cross currency swaps	**472**		
	472	30	
7.2 Non-current derivative liabilities			
Interest rate swaps	**42**		91
Foreign currency forward contracts	**21**	55	76
Foreign currency swaps			2,926
Cross currency swaps		253	
	63	308	3,093

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
7.3 Current derivative liabilities			
Interest rate swaps	**42**	111	487
Foreign currency forward contracts	**24**	146	330
Cross currency swaps	**731**	689	
	797	946	817
7.4 Total derivatives			
Interest rate swaps liability	**(84)**	(81)	(578)
Foreign currency forward contracts liability	**(45)**	(201)	(406)
Foreign currency swaps liability			(2,926)
Cross currency swaps liability	**(259)**	(942)	
	(388)	(1,224)	(3,910)
Credit risk valuation adjustments[1]			
Interest rate swaps	**(9)**	(2)	(79)
Foreign currency forward contracts	**(6)**	(13)	(23)
Foreign currency swaps			(561)
Cross currency swaps	**(61)**	(154)	
	(76)	(169)	(663)
Total derivatives before credit risk valuation adjustments			
Interest rate swaps liability	**(93)**	(83)	(657)
Foreign currency forward contracts liability	**(51)**	(214)	(429)
Foreign currency swaps liability			(3,487)
Cross currency swaps liability	**(320)**	(1,096)	
	(464)	(1,393)	(4,573)

1 Credit risk valuation adjustments are included in the total fair value of derivatives above.

Refer to note 33.2 for details of hedging activities.

On 1 March 2011, Edcon (Pty) Ltd, a subsidiary of Edcon Holdings (Pty) Ltd issued 9.5% Senior Secured Fixed Rate Notes due 2018, comprising of a €317 million tranche and a $250 million tranche. These funds were utilised to settle the derivative liability of R5,001 million on 2 March 2011.

The interest rate risk relating to OtC receivables have been hedged with a dynamic interest rate swaps with Rand Merchant Bank, a division FirstRand Bank Ltd. The fair value at financial period end of 2012 is a liability of R154 million (2011: liability R156 million and 2010: asset R45 million). The interest rate swap balance is offset by the movement of finance charges on eligible receivables.

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
7.5 Derivative losses			
Derivative losses recognised in profit or loss	**(10)**	(2,343)	(5,081)
	(10)	(2,343)	(5,081)

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
8. DEFERRED TAXATION			
Balance at the beginning of the period—asset/(liability)	**887**	153	(374)
Recognised in profit or loss (note 29.1)	**133**	693	515
Deferred tax in other comprehensive income—currency forwards (note 29.2)	**1**	19	121
Deferred tax in other comprehensive income—cash flow hedges and employee benefits (note 29.2)	**9**	22	(109)
Balance at the end of the period—asset	**1,030**	887	153
Comprising:			
Appro sales		13	14
Intangible assets	**1,659**	1,426	1,543
Property, fixtures, equipment and vehicles	**261**	209	359
Prepayments	**4**	4	2
Unearned finance income	**38**	20	19
Employee benefits	**32**		
Other	**29**	26	23
Deferred tax liability	**2,023**	1,698	1,960
Provision for impairment of receivables	**205**	183	282
Other payables	**175**	138	132
Leave pay accrual	**40**	39	38
Operating lease adjustment	**104**	112	113
Finance leases	**92**		
Fair value loss on interest rate hedges	**245**	232	167
Assessed loss	**2,185**	1,852	1,373
Other	**7**	29	8
Deferred tax asset	**3,053**	2,585	2,113
Net deferred tax asset	**1,030**	887	153

The South African macroeconomic environment has improved over the past two years. The Group experienced an acceleration of sales growth and operational efficiency during fiscal year 2012. Real wage growth, the roll-out of government social grants and record lows for interest rates have all boosted consumer confidence. These developments combined with a number of strategic initiatives including the implementation of a new real estate strategy, a review of merchandise ranges and availability of goods, the introduction of a new loyalty programme as well as an analysis of operational processes will contribute to a significant improvement in profitability in the next few years. This will allow the Group to realise the deferred tax asset.

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
9. INVENTORIES			
Merchandise	**3,140**	2,605	2,385
Raw materials	**22**	13	12
Work in progress	**8**	8	5
Total inventories on hand	**3,170**	2,626	2,402
Inventory write-downs included above	**86**	153	99
Inventory carried at net realisable value	**64**	50	58
Cost of inventories expensed	**15,574**	13,923	13,361

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
10. TRADE, OTHER RECEIVABLES AND PREPAYMENTS			
Trade accounts receivable—retail	**10,867**	9,586	9,824
Trade accounts receivable—personal loans	**—**	—	1
Provision for impairment of receivables	**(865)**	(733)	(1,126)
Total trade receivables	**10,002**	8,853	8,699
Other receivables	**392**	326	271
Staff loans	**13**	4	5
Total receivables	**10,407**	9,183	8,975
Prepayments	**19**	12	8
Net trade, other receivables and prepayments	**10,426**	9,195	8,983

At 31 March 2012, all obligations under the OtC receivables-backed notes issued (see note 17 and 18) are secured by pledge and cession of the eligible receivables that OtC acquires from time to time. As at 31 March 2012 R5,991 million (2011 and 2010 : R6,146 million and R6,041 million) is designated as eligible receivables.

R6,864 million (2011 and 2010: R6,017 million and R5,889 million) of the balances are covered by an account protection policy whereby the Group is a beneficiary in the event of the customer's death, the customer being retrenched or becoming permanently disabled. The policy does not provide cover for insolvency or inability to pay.

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
10.1 Analysis of trade receivables past due but not impaired			
Overdue 30 days – 60 days	**1,386**	1,011	1,049
Overdue 60 days – 90 days	**184**	134	158
Overdue 90 days – 120 days	**98**	71	86
Greater than 120 days	**242**	236	265
	1,910	1,452	1,558
10.2 Interest on impaired receivables			
Interest recognised on impaired receivables	**189**	254	214

This interest is included in the finance charges in note 23.

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
10.3 Provision for impairment of receivables			
Balance at the beginning of the period	**733**	1,126	1,045
Increase/(decrease) in impairment provision	**132**	(393)	81
Balance at the end of the period	**865**	733	1,126

Movements are disclosed in note 26.2.

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
11. CASH AND CASH EQUIVALENTS			
Cash on hand	**265**	1,370	1,071
Cash on deposit	**818**	945	54
	1,083	2,315	1,125

12. SHARE CAPITAL AND PREMIUM

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
12.1 Authorised ordinary share capital			
1,000,000,000 “A “ordinary shares with a par value of 0.00001 cent each	—	—	—
100,000,000 “B” ordinary shares with a par value of 0.00001 cent each	—	—	—
1,000,000,000 “C” ordinary shares with a par value of 0.00001 cent each	—	—	—
1,000,000,000 “D” ordinary shares with a par value of 0.00001 cent each	—	—	—
1,000,000,000 “E” ordinary shares with a par value of 0.00001 cent each	—	—	—
	—	—	—
12.2 Authorised preference share capital			
1,000,000,000 “A” preference shares of R0.00001 each	—	—	—
1,000,000,000 “B” preference shares of R0.00001 each	—	—	—
	—	—	—

	2012 31 March Number	2011 2 April Number	2010 3 April Number
12.3 Number of ordinary shares in issue			
Number of shares at the beginning of the period	**560,133**	560,133	610,438
“C” ordinary shares issued	**1,414**		(50,305)
“D” ordinary shares issued	**1,414**		
“E” ordinary shares issued	**1,414**		
Number of shares at the end of the period	**564,375**	560,133	560,133
Number of ordinary shares in issue comprise:			
“A” ordinary shares issued	**500,133**	500,133	500,133
“B” ordinary shares issued	**69,213**	69,213	69,213
“C” ordinary shares issued	**21,414**	20,000	20,000
“D” ordinary shares issued	**21,414**	20,000	20,000
“E” ordinary shares issued	**21,414**	20,000	20,000
Treasury shares—Staff Empowerment Trust	**(69,213)**	(69,213)	(69,213)
	564,375	560,133	560,133
12.4 Number of preference share capital in issue			
Number of shares at the beginning of the period	**252,449**	252,449	200,866
“B” preference shares of R0.00001 each issued	**4,258**		51,583
Number of shares at the end of the period	**256,707**	252,449	252,449
Number of preference shares in issue comprise:			
“A” preference shares of R0.00001 each	**200,866**	200,866	200,866
“B” preference shares of R0.00001 each	**55,841**	51,583	51,583
	256,707	252,449	252,449

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm

12.5 Voting rights of ordinary and preference shares

Each "A" ordinary share of the Group shall entitle the holder thereof to 1,000 votes on all matters upon which shareholders have the right to vote.

Each "A" redeemable cumulative preference share of the Group shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company Edcon Holdings Proprietary Limited, save where a resolution affecting a matter contemplated in section 37(3)(a) of the Companies Act of South Africa is proposed.

The total "B" ordinary shareholder of the Group at any time shall, in aggregate, have the right to exercise such number of votes as is equal to 10.6% of the aggregate voting rights of the total "A" ordinary shares then in issue.

Each "B" redeemable cumulative preference share of the Group shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company Edcon Holdings Proprietary Limited, save where a resolution affecting a matter contemplated in section 37(3)(a) of the Companies Act of South Africa is proposed.

Each "C", "D" and "E" ordinary share shall entitle the holder thereof to one vote on all matters upon which shareholders have the right to vote.

12.6 Issued shares and premium

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
Balance at the beginning of the period	**2,148**	2,148	2,143
Ordinary shares issued	**—**		—
Ordinary shares repurchased—share capital			—
Ordinary shares repurchased—share premium			(175)
Preference shares issued—share capital	**—**		—
Preference shares issued—share premium	**5**		180
Balance at the end of the period	**2,153**	2,148	2,148
Comprising:			
Share capital	**—**	—	—
Share premium	**2,153**	2,148	2,148
Total	**2,153**	2,148	2,148

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
13. OTHER RESERVES			
Balance at the beginning of the period comprising:			
Revaluation reserve net of deferred taxation	**3**	3	23
Foreign currency translation reserve	**(35)**	(20)	28
Cash flow hedges net of tax	**(568)**	(391)	(331)
	(600)	(408)	(280)
Movements			
Net decrease in revaluation reserve	**—**	—	(20)
Foreign currency translation reserve	**5**	(15)	(48)
Cash flow hedges recognised in other comprehensive income	**(289)**	(1,075)	(116)
Cash flow hedges released to derivative losses as hedge ineffectiveness	**12**	82	39
Cash flow hedges released to financing costs	**985**	443	(6)
Cash flow hedges released to foreign exchange (gain)/loss	**(838)**	304	
Tax impact of cash flow hedges (note 29.2)	**37**	69	23
Balance at the end of the period	**(688)**	(600)	(408)
Comprising:			
Revaluation reserve net of deferred taxation	**3**	3	3
Foreign currency translation reserve	**(30)**	(35)	(20)
Cash flow hedges net of tax	**(661)**	(568)	(391)
	(688)	(600)	(408)

The foreign denominated floating and fixed rate notes expose the Group to both interest rate risk and/or foreign exchange risk. Derivative instruments, have been executed to limit the exposure to both interest rate and/or foreign exchange risk. These derivative instruments have been designated as a cash flow hedge. Refer to note 33.2 for details of the hedging strategy.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

14. RETAINED (LOSS)/SURPLUS

	2012	2011	2010
Comprising:			
Holding company—Edcon Holdings Proprietary Limited	**2,084**	2,070	2,062
Consolidated subsidiaries	**(8,971)**	(7,042)	(5,391)
	(6,887)	(4,972)	(3,329)

Distributions by certain foreign subsidiaries will give rise to withholding taxes of R21 million (2011 and 2010 : R70 million and R87 million). No deferred tax is raised until dividends are declared as the Group controls the timing of the reversal and it is probable that there will be no reversal in the foreseeable future. Deferred tax not raised was R82 million (2011 and 2010 : R242 million and R206 million).

15. CONSOLIDATED SUBSIDIARIES

15.1 Aggregate profits/(losses) of subsidiaries and joint venture

	2012	2011	2010
Profits	**1,088**	419	355
Losses	**(1,696)**	(2,062)	(1,437)
	(608)	(1,643)	(1,082)

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
16. SHAREHOLDER'S LOAN			
Loan recognised in equity	**8,290**		
Loan recognised in non-current liabilities	**659**	8,184	7,341
Loan by Edcon (BC) S.A.R.L.	**8,949**	8,184	7,341
Comprising:			
Principal at the beginning of the period	**7,428**	6,597	5,729
Interest capitalised during the period	**848**	831	868
Loan derecognised	**(8, 949)**		
Loan recognised in equity	**8,290**		
Loan recognised in non-current liabilities	**659**		
Principal at the end of the period	**8,276**	7,428	6,597
Interest accrued at the beginning of the period	**756**	744	763
Interest accrued for the period (note 28.1)	**765**	843	849
Interest capitalised during the period	**(848)**	(831)	(868)
Interest accrued at the end of the period	**673**	756	744

The loan is denominated in South African Rands and accrued interest at the South African prime rate plus 2% p.a. on the principal up to and including the date 7 February 2012, thereafter no interest will accrue up to and including the date of repayment. The principal is repayable in May 2037. This shareholder's loan is regarded as capital for IAS 1 purposes (refer to note 32).

As a result of the fact that the loan has become interest free the terms of the loan are substantially different and it was necessary to derecognise the loan in terms of IAS 39. Applying initial measurement in terms of IAS 39 resulted in a portion being recognised in equity and a portion being recognised in non-current liabilities.

The directors' having considered the going concern assumption have included the total shareholder's loan of R8,949 million in the assessment (refer to note 32, management of capital). To the extent required to maintain the solvency of the Group, the Shareholder's loan has been subordinated to the claims of all of the creditors of the Group.

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
17. NON-CURRENT INTEREST BEARING DEBT			
Super senior secured notes (note 17.1)	**1,010**		
Senior secured floating rate notes (note 17.2)	**11,559**	11,094	11,397
Senior floating rate notes (note 17.3)	**3,802**	3,527	3,623
Senior secured fixed rate notes (note 17.4)	**5,012**	4,534	
Senior notes	**21,383**	19,155	15,020
OtC receivables-backed notes (note 17.5)	**2,150**	4,300	3,855
Super senior secured term loan (note 17.6)		985	
	23,533	24,440	18,875

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
17.1 Super senior secured notes			
Notes issued	**1,010**		
	1,010		

During the 2012 financial period, super senior secured notes of R1,010 million were issued by Edcon Proprietary Limited and guaranteed on a super senior secured basis, and are secured along with the revolving credit facility, the senior secured floating rate notes and the senior secured fixed rate notes by security interests over the assets of Edcon Holdings Proprietary Limited and its subsidiaries. Interest is payable quarterly in arrears at a rate of three-month JIBAR, plus 6.25%. The notes mature on 4 April 2016, subject to a springing maturity structure:

— Investors have a put back to Edcon Proprietary Limited on 31 March 2014 to the extent that the 2014 senior secured floating rate notes are not refinanced to 30 June 2016 or beyond, or have been redeemed in full; and

— Investors have a put back to Edcon Proprietary Limited on 31 March 2015 to the extent that the 2015 senior floating rate notes are not refinanced to 30 June 2016 or beyond, or have been redeemed in full.

There have been no defaults or breaches of the principal or interest during the period.

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
17.2 Senior secured floating rate notes			
Notes issued	**10,890**	11,259	11,259
Foreign currency	**781**	(9)	331
Fees capitalised	**(112)**	(156)	(193)
	11,559	11,094	11,397
Balance at the beginning of the period	**11,094**	11,397	14,867
Foreign currency movement	**795**	(340)	(3,501)
Fees amortised	**44**	37	31
Repurchased	**(374)**		
Balance at end of period	**11,559**	11,094	11,397

On May 2011, the Group completed a note repurchase of the senior secured floating rate notes with a nominal value of €39 million being 90% of the face value.

The senior secured floating notes of €1,141 million (2011 and 2010: €1,180 million) are issued by Edcon Proprietary Limited and guaranteed on a senior secured basis and are secured, along with the revolving credit facility, the super senior secured notes, the super senior secured term loan and the senior secured fixed rate notes, by security interests over substantially all the assets of Edcon Holdings Proprietary Limited and its subsidiaries.

Interest is payable quarterly in arrears at a rate of three month EURIBOR, reset quarterly, plus 3.25%. The notes mature on 15 June 2014. There have been no defaults or breaches of the principal or interest during the period. The market value of the senior secured floating rate notes at 31 March 2012 was R10,234 million (2011 and 2010: R9,618 million and R8,750 million respectively).

17.3 Senior floating rate notes

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
Notes issued	**3,606**	3,606	3,606
Foreign currency	**259**	(2)	106
Fees capitalised	**(63)**	(77)	(89)
	3,802	3,527	3,623
Balance at the beginning of the period	**3,527**	3,623	4,733
Foreign currency movement	**261**	(108)	(1,121)
Fees amortised	**14**	12	11
Balance at end of period	**3,802**	3,527	3,623

The senior floating notes of €378 million are issued by Edcon Holdings Proprietary Limited and guaranteed on a senior subordinated basis and secured by a third ranking pledge of the proceeds of the loan between Edcon Holdings Proprietary Limited and Edcon Proprietary Limited. Interest is payable quarterly in arrears at a rate of three month EURIBOR, reset quarterly, plus 5.5%. The notes mature on 15 June 2015. There have been no defaults or breaches of the principal or interest during the period. The market value of the senior floating rate notes at 31 March 2012 was R3,200 million (2011 and 2010: R3,009 million and R2,400 million respectively).

17.4 Senior secured fixed rate notes

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
Notes issued	**4,781**	4,781	
Foreign currency	**376**	(86)	
Fees capitalised	**(145)**	(161)	
	5,012	4,534	
Balance at the beginning of the period	**4,534**		
Notes issued		4,781	
Foreign currency movement	**462**	(86)	
Fees capitalised		(165)	
Fees amortised	**16**	4	
Balance at end of period	**5,012**	4,534	

The senior secured fixed rate notes of €317 million and $250 million are issued by Edcon Proprietary Limited and guaranteed on a senior secured basis and are secured, along with the revolving credit facility, the super senior secured notes, the super senior secured term loan, the super senior secured term loan and the senior secured floating rate notes, by security interests over substantially all the assets of Edcon Holdings Proprietary Limited. Interest is payable semi-annually in arrears at a rate of 9.5%. The notes mature March 2018. The market value of the senior secured fixed rate notes at 31 March 2012 was R2,939 million (2011: R2,886 million) for the €317 million notes and R1,745 million (2011: R1,623 million) for the $250 million notes. There have been no defaults or breaches of the principal or interest during the period.

17.5 OtC receivables-backed notes

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
Notes issued	**4,300**	4,300	4,300
Current	**(2,150)**		(445)
Non-current	**2,150**	4,300	3,855

The receivables backed notes comprised unlisted notes and notes listed on the Johannesburg Securities Exchange. The applicable interest rate and margin, maturity date and fair value is detailed below:

OtC receivables—backed notes	Amount and Fair Value 31 March 2012	Maturity Date	Applicable Interest	Margin
	Rm			%
Current				
Listed	**555**	31 Jul 2012	3m Jibar	2.5
Unlisted	**1,545**	31 Oct 2012	3m Jibar	2.5
Unlisted	**50**	31 Oct 2012	3m Jibar	4.5
Total current	**2,150**			
Non-current				
Listed	**427**	30 Apr 2013	3m Jibar	2.3
Listed	**968**	30 Apr 2013	3m Jibar	2.2
Listed	**323**	30 Apr 2014	3m Jibar	2.5
Listed	**182**	30 Apr 2014	3m Jibar	2.3
Listed	**250**	30 Apr 2017	Fixed 10.09%	
Total non-current	**2,150**			
Total receivables-backed notes	**4,300**			

OtC receivables—backed notes	Amount and Fair Value 2 April 2011	Maturity Date	Applicable Interest	Margin
	Rm			%
Non-current				
Listed	**555**	31 Jul 2012	3m Jibar	2.5
Unlisted	**1,545**	31 Oct 2012	3m Jibar	2.5
Unlisted	**50**	31 Oct 2012	3m Jibar	4.5
Listed	**427**	30 Apr 2013	3m Jibar	2.3
Listed	**968**	30 Apr 2013	3m Jibar	2.2
Listed	**323**	30 Apr 2014	3m Jibar	2.5
Listed	**182**	30 Apr 2014	3m Jibar	2.3
Listed	**250**	30 Apr 2017	Fixed 10.09%	
Total receivables-backed notes	**4,300**			

OtC receivables—backed notes	Amount and Fair Value at 3 April 2010	Maturity Date	Applicable interest	Margin
	Rm			%
Current				
Listed	275	31 Jul 2010	3m Jibar	1.9
Listed	170	31 Jul 2010	Fixed 9.1%	
Total current	445			
Non-Current				
Listed	555	31 Jul 2012	3m Jibar	2.5
Listed	427	30 Apr 2013	3m Jibar	2.3
Listed	323	30 Apr 2014	3m Jibar	2.5
Unlisted	2,500	31 Oct 2012	3m Jibar	2.5
Unlisted	50	31 Oct 2012	3m Jibar	4.5
Total non-current	3,855			
Total receivables-backed notes	4,300			

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
17.6 Super senior secured term loan			
Balance at the beginning of period	**985**		
Loan raised		985	
Loan repaid	**(985)**		
Balance at the end of period		985	

During the 2011 financial period a loan of R985 million was raised by Edcon Proprietary Limited and guaranteed on a super senior secured basis, and was secured along with the revolving credit facility, the super senior secured notes, the senior secured floating rate notes and the senior secured fixed rate notes by security interests over the assets of Edcon Holdings Proprietary Limited and its subsidiaries. Interest was payable quarterly in arrears at a rate of three-month JIBAR, plus 4.0%. The loan was repaid with the proceeds of the super senior secured notes on 4 April 2011 (refer to Note 17.1).

17.7 Foreign exchange gains & fees amortised

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
Foreign exchange (loss)/gain	**(1,518)**	534	4,622
Released from other comprehensive income (note 13)	**838**	(304)	
Foreign exchange (loss)/gain	**(680)**	230	4,622
Fees amortised recognised in financing costs (note 28.1)	**74**	53	42

18. CURRENT INTEREST BEARING DEBT

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
Revolving credit facility	**751**		350
OtC receivables-backed notes (note 17.5)	**2,150**		445
	2,901		795

The revolving credit facility provides senior secured financing of up to R3,117 million (2011: R3,117 and 2010: R3,500 million) for general corporate and working capital purposes. All obligations under the facility are secured by substantially all the assets of Edcon Holdings Proprietary Limited and its subsidiaries. The revolving credit facility accrues interest at applicable JIBAR plus a margin of 2.5% (2011 and 2010: 2.5%) for Tranche A and 4% (2011:4%) for Tranche B, payable monthly in arrears. The facility includes R1,450 million (2011: R2,100 and 2010: R2,250 million) borrowing capacity available for bank guarantees, letters of credit, forward exchange contracts and for borrowings under bilateral ancillary facilities. These ancillary facilities accrue interest at ruling overnight market related lending rates.

An OtC liquidity facility with FirstRand Bank Limited accrues interest at a rate equal to the SAFEX call rate from time to time plus 1.7%, calculated from the date of drawdown up to and including the date immediately prior to the date on which the drawdown is repaid, and is capitalised monthly in arrears. The total liquidity facility granted is R145 million expiring on 30 April 2017.

The receivables purchase facility with First Rand Bank Limited accrues interest at a rate equal to the SAFEX call rate from time to time plus 1.7% calculated from the date of draw down up to and including the date immediately prior to the date on which the drawdown is repaid, and is capitalised monthly in arrears. The total receivables purchase facility granted is R43 million expiring 30 April 2017.

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm

There have been no defaults or breaches of principal, interest or redemption terms during the current or prior periods.

In November 2011 OtC received a commitment of R1 billion from an investor to subscribe, at the option of OtC, for unlisted Class A notes with a scheduled maturity date of 31 October 2013. This commitment is available for utilisation up to 31 October 2012. Once subscribed, interest will be payable quarterly in arrears at a rate of three-month JIBAR, plus 2.5%.

19. LEASE OBLIGATIONS

19.1 Operating lease obligations

The Group leases the majority of its properties and computer equipment under operating leases whereas other operating assets are generally owned. The lease agreements of certain of the Group's store premises provide for a minimum annual rental payment and additional payments determined on the basis of turnover. Lease agreements have an option of renewal in terms of the lease agreement ranging between 5 to 10 years.

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
The future minimum property operating lease commitments are due as follows:	**7,553**	6,654	6,260
Within one year	**1,492**	1,323	1,195
Between two and five years	**4,266**	3,808	3,607
In more than five years	**1,795**	1,523	1,458

The future revenue expected from sub-leases is estimated to be R22 million (2011 and 2010: R24 million and R18 million respectively).

The Group also leases certain computer equipment. The agreements provide for minimum annual rental payments and additional payments depending on usage.

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
The future minimum computer equipment operating lease commitments are due as follows:	**436**	312	249
Within one year	**137**	139	152
Between two and five years	**299**	173	97

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
19.2 Finance lease liability			
The finance lease is recognised in respect of a building and IT equipment for which the present value of the minimum lease payments due in terms of the lease agreements amounted substantially to the fair value of the building and IT equipment at the time of the agreement was entered into. The average borrowing rate on the lease of the building is 11.0% and the average borrowing rate on the IT equipment is 8.6%.			
Minimum lease payments	**586**		
Within one year	**62**		
Between two and five years	**177**		
In more than five years	**347**		
Present value of lease obligation			
The present value of the lease obligation is due as follows:	**329**		
Within one year	**28**		
Between two and five years	**60**		
In more than five years	**241**		
The present value of the interest payments is due as follows:			
Within one year	**257**		
Between two and five years	**34**		
In more than five years	**116**		
	107		
20. TRADE AND OTHER PAYABLES			
Trade accounts payable	**2,858**	2,752	2,577
Sundry accounts payable and accrued expenses	**971**	940	739
Lease equalisation	**5**	9	17
Leave pay accrual	**143**	139	137
Value added taxation payable	**57**	83	33
Interest accrued	**268**	186	197
	4,302	4,109	3,700

The trade and sundry payables amounts are interest free and mature no later than 30 to 60 days. Other payables mature no later than one year.

21. DEFERRED REVENUE

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
Opening balance			
Loyalty points earned	**80**		
Loyalty points redeemed	**—**		
	80		

The deferred revenue arises from the Thank U rewards program that was launched during February 2012. Based on the assumptions used, the non-current portion of the deferred revenue was Rnil.

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
22. FUTURE CAPITAL EXPENDITURE			
Contracted:			
Properties, fixtures, equipment and vehicles	**315**	244	138
Authorised by the directors but not yet contracted:			
Properties, fixtures, equipment and vehicles	**778**	572	319
	1,093	816	457

All the expenditure will be incurred during the next financial period and is to be financed from free cash flows.

	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm
23. TOTAL REVENUES			
Retail sales	**24,664**	22,716	21,888
Club fees	**483**	433	427
Finance charges on trade receivables	**2,113**	1,833	2,049
Revenue from joint ventures	**474**	487	435
Interest received (note 28.2)	**68**	60	31
Manufacturing sales to third parties	**82**	57	46
	27,884	25,586	24,876
24. OTHER INCOME			
Club fees	**483**	433	427
Manufacturing sales to third parties	**82**	57	46
	565	490	473

25. OTHER OPERATING COSTS

Trading profit is stated after taking account inter alia the following items:

25.1 Amortisation of trademarks			
Charge for the year (refer to note 4)	**417**	418	418
25.2 Auditors' remuneration			
Audit fees—current year	**12**	12	11
Fees for advisory and other services	**3**	8	3
	15	20	14
25.3 Depreciation of properties, fixtures, equipment and vehicles			
Buildings	**—**	1	4
Leasehold improvements	**88**	97	99
Fixtures and fittings	**389**	418	423
Computer equipment and software	**242**	259	257
Machinery and vehicles	**20**	23	24
Leased assets	**16**		
Total charge for the period (refer to note 3)	**755**	798	807
25.4 Fees payable			
Managerial, technical, administrative and secretarial fees paid outside the Group	**456**	158	139
Outsourcing of IT function	**345**	317	298
	801	475	437

	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm
25.5 Operating lease expenses			
Properties:			
Minimum lease payments	**1,414**	1,312	1,193
Turnover clause payments	**9**	13	23
Operating lease adjustment	**3**	(2)	4
Sublease rental income	**(47)**	(39)	(18)
Equipment and vehicles	**187**	204	223
	1,566	1,488	1,425
25.6 Net (loss)/gain on disposal of properties, fixtures, equipment and vehicles	**(22)**	8	(23)

26. CREDIT INCOME AND EXPENSE

	2012 Rm	2011 Rm	2010 Rm
26.1 Income from credit			
Finance charges on trade receivables	**2,113**	1,833	2,049
	2,113	1,833	2,049
26.2 Expenses from credit			
Impairment of receivables incurred	**(985)**	(1,357)	(1,419)
Impairment of receivables recoveries	**349**	336	264
Net (increase)/decrease in provision for impairments on receivables (refer to note 10.3)	**(132)**	393	(81)
Administration and other costs	**(575)**	(581)	(535)
	(1,343)	(1,209)	(1,771)
26.3 Operating profit from credit	**770**	624	278

27. DIRECTORS AND EMPLOYEES

27.1 Employees

The aggregate remuneration and associated cost of permanent and casual employees including directors was:

	2012 Rm	2011 Rm	2010 Rm
Salaries and wages	**2,832**	2,392	2,209
Retirement benefit costs	**278**	258	235
Medical aid contributions:			
Current	**59**	62	58
Post-retirement	**6**	7	6
	3,175	2,719	2,508

	2012 52 weeks to 31 March R 000 Directors and prescribed officers	2011 52 weeks to 2 April R 000 Directors	2010 53 weeks to 3 April R 000 Directors
27.2 Directors' and prescribed officers remuneration			
Non-executive directors:			
Fees	**326**	295	295
	326	295	295
Executive directors and prescribed officers:			
Remuneration	**31,803**	11,536	11,645
Retirement, medical, accidental and death benefits	**2,848**	508	480
Bonuses	**22,780**	350	350
Other benefits	**95**	92	82
	57,526	12,486	12,557
Retired ex-directors	**80**	76	72
Total	**57,932**	12,857	12,924
Prescribed Officers are members of the executive committee.			

	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm
27.3 Defined Benefit Pension Plan			
Edcon Pension Fund			
Actuarially determined amounts in profit or loss:			
Current service cost	**—**	—	—
Interest received	**—**	—	—
Net loss recognised in profit or loss	**—**	—	—
The contribution for the 2013 financial period is estimated to be approximately R1 million.			
Actuarially determined amounts in other comprehensive income:			
Actuarial gain/(loss) on plan assets	**71**	(11)	66
Actuarial gain/(loss) on defined benefit obligation	**(320)**	(6)	(59)
Change in the effect of limiting the net benefit to the asset ceiling	**403**	17	(7)
Net amount recognised in other comprehensive income	**154**	—	—
27.3.1 Analysis of net defined benefit asset—pension fund (Rm)			
Defined benefit obligation	**(808)**	(494)	(490)
Fair value of plan assets	**1,075**	966	941
Effect of the asset ceiling	**(113)**	(472)	(451)
Net asset	**154**	—	—

	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm

The Edcon Pension Fund is a defined benefit fund that offers, amongst other benefits, a pension of 2% of final pensionable salary per year of service at retirement. A statutory valuation of the Fund was carried out by an independent firm of consulting actuaries on 31 December 2002 using the projected unit method of valuation. The actuarial value of liabilities for all pensioners and members was determined at R328 million and the contingency reserves were determined at R60 million. The fair value of assets calculated by reference to the market value was R644 million. The fund was accordingly fully funded and showed a surplus of R256 million. The company is required to contribute at a rate of 19.1% of salaries.

In the current period an actuarial estimate was performed using the projected unit credit method, and the fair value of the assets and liabilities is reflected above. The actuarial estimate was based on the principle assumptions as set out in note 27.3.6.

The main risks associated with the Fund are as follows:

- Risk of underfunding. The Fund is currently in a significant surplus position
- Longevity risk: The Fund has purchased annuities from a registered insurer to provide monthly pensions to pensioners
- Risk of insurer default on pension payments: Should the insurer default on the pension payments, the Fund would still be liable for the monthly pensions.

27.3.2 Reconciliation of defined benefit obligation—pension fund

	2012 Rm	2011 Rm	2010 Rm
Balance at the beginning of the period	**494**	490	440
Current service cost	**—**	—	—
Interest received	**43**	45	38
Actuarial loss due to demographic assumptions	**—**	—	—
Actuarial loss due to financial adjustments	**320**	6	59
Benefits paid	**(49)**	(47)	(47)
Balance at the end of the period	**808**	494	490

27.3.3 Reconciliation of fair value plan assets—pension fund

	2012 Rm	2011 Rm	2010 Rm
Balance at the beginning of the period	**966**	941	850
Interest received	**87**	85	71
Employer contributions	**1**	1	1
Benefits paid	**(49)**	(47)	(47)
Actuarial gain/(loss)	**71**	(11)	66
Expenses and premiums	**(1)**	(3)	
Balance at the end of the period	**1,075**	966	941

	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm
Composition quoted vs unquoted portfolio:			
Cash	**291**	290	326
Equity	**12**	8	121
Bonds	**224**	208	3
International offshore assets	**—**	2	7
Property and other	**548**	458	484
	1,075	966	941
27.3.4 Reconciliation of the effect of the asset ceiling—pension fund			
Balance at the beginning of the period	**473**	451	410
Interest on asset ceiling	**43**	30	33
Change in the effect of limiting the net defined benefit asset to the asset ceiling	**(403)**	(9)	(8)
Balance at the end of the period	**113**	472	435

27.3.5 Surplus apportionment—pension fund

As reported in the previous period, proposals were submitted to the Financial Services Board (FSB) in 2002 to offer pensioners an enhanced pension in exchange for assuming all their medical aid liabilities. Similarly, a portion of the surplus was to be utilised to pay the lump sum to medical aid members' provident fund accounts to meet the existing post-retirement medical aid liability for service rendered to date.

The FSB did not accept the proposal and therefore a formal surplus apportionment scheme was prepared in accordance with Section 15B of the Pension Fund Act. The aim of the scheme was to distribute the surplus as at 31 December 2002 between the various stakeholders of the fund. This surplus scheme was submitted to the Financial Services Board for consideration in January 2011 and it was approved in February 2012.

The surplus scheme showed a total surplus of R256 million as at 31 December 2002, which corresponds with the statutory valuation of the fund at the same date. Of this surplus, Edcon Proprietary Limited was apportioned R100 million and members and former members were apportioned R156 million.

The surplus apportioned to members and former members has been increased with the returns earned on the surplus assets since the surplus apportionment scheme to date an amount of R232 million. This amount has been added to the liabilities and has therefore led to an actuarial loss on the liabilities of R232 million.

The surplus apportioned to the company has increased with the returns earned on the surplus assets since the surplus apportionment date and adjusted for estimated amounts of surplus utilised by the company after the surplus apportionment date to amount to R151 million.

In previous periods the asset ceiling to be recognised on the statement of financial position limited the asset to Rnil as the Group was not entitled to any of the surplus in the fund. Following the approval of the surplus scheme the Group is entitled to the amount that was apportioned to the employer surplus account, which was estimated to be R151 million. In addition, the economic benefit available to the company as a refund in future contributions, as described in Paragraph 20 of IFRIC 14, was determined to be R3 million. The total asset ceiling to be recognised on the statement of financial position therefore amounts to R154 million (2011: Rnil and 2010: Rnil). This has led to a reduction in the asset ceiling as shown in 27.3.4 above.

27.3.6 Valuation assumptions used—pension fund

The valuation is based on assumptions which include a discount rate of 8.25% (2011: 9.25% and 2010: 9.25%) per annum, an inflation rate and pension increase rate of 5.5% (2011: 6% and 2010: 5.5%) per annum, a salary increase rate of 6.5% (2011: 7% and 2010: 6.5%) per annum. The discount rate is determined with reference to market yields at the reporting date. The market yield is determined with reference to the yield curve for South African government bonds. The inflation rate is in line with the Government Monetary Policy target of 3% to 6% (2011 and 2010: 3% to 6%). The inflation rate assumed is used to determine both the salary and pension rate increases. The salary increase is based on the assumption that the increase will be 1% above inflation. The Fund has adopted a pension increase policy that targets 100% of inflation and, as a result, a pension increase of 5.5% is used in the valuation.

The duration of the active liabilities is approximately 23 years. This excludes the pensioners who are outsourced with an insurer, through the purchase of annuities from a registered insurer.

Sensitivity of Defined Benefit Obligation to Key Assumptions as at 31 March 2012:

Main result	Discount rate + 1%	Discount rate − 1%
Rm	Rm	Rm
809	**805**	**814**

Main result	Inflation + 1%	Inflation − 1%
Rm	Rm	Rm
809	**814**	**805**

The defined benefit obligation is largely insensitive to changes in the assumptions as the majority of the liabilities are in respect of outsourced pensioners, where the liabilities have been set equal to the annuity values provided by the insurer.

The sensitivity results above were calculated using an approximate formula to estimate the impact of a change in the assumptions.

27.4 Defined Contribution Plans

Contributions to the Group's significant defined contribution funds are at a rate of 17.3% of benefit salary and where funds are contributory, members pay a maximum of 7.5%. The employer's portion is charged against profit or loss.

Separate funds, independent of the Group, provide retirement and other benefits for all permanent employees and their dependants. During the period there were three defined contribution funds of significance, namely Edcon Provident Fund, SACCAWU National Provident Fund and FEDCRAW Provident Fund. A defined contribution fund is available to employees in Namibia and Botswana, Edcon Namibia Retirement Fund and Edcon Botswana Retirement Fund.

	Pensioners Number	Members Number	Contributions Rm
Membership of, and employer contributions to each of the funds were:			
2012 at 31 March			
Edcon Pension Fund	**1,067**	**15**	**1**
Edcon Provident Fund		**15,306**	**241**
Edcon Namibia Retirement Fund		**645**	**2**
Botswana Retirement Fund		**409**	**1**
SACCAWU National Provident Fund		**1,182**	**6**
FEDCRAW Provident Fund		**225**	**2**
Swaziland Provident Fund		**525**	**—**
	1,067	**18,307**	**253**
2011 at 2 April			
Edcon Pension Fund	1,141	17	1
Edcon Provident Fund		14,556	217
Edcon Namibia Retirement Fund		600	2
Botswana Retirement Fund		300	1
SACCAWU National Provident Fund		1,297	6
FEDCRAW Provident Fund		134	2
	1,141	16,904	229
2010 at 3 April			
Edcon Pension Fund	1,130	22	1
Edcon Provident Fund		15,037	209
Edcon Namibia Retirement Fund	13	210	1
Botswana Retirement Fund		192	1
SACCAWU National Provident Fund		1,007	6
FEDCRAW Provident Fund		390	3
	1,143	16,858	221

All funds are subject to the Pension Funds Acts of the various countries and, where required by law, actuarial valuations are conducted every three years. The market value of investments of the various Edcon funds as at 31 March 2012 was R3,512 million (2011 and 2010: R3,430 million and R2,863 million).

27.5 Medical aid fund

The Group operates a defined benefit medical aid scheme for the benefit of permanent employees. Effective 1 January 2012 the Group amalgamated this scheme with Discovery Health. The contributions of the short-term benefit for current employees amounted to R59 million for the period ending 31 March 2012 (2011 and 2010: R62 million and R58 million). Membership of the medical aid scheme is voluntary for all employees. Total membership currently stands at 4,544 principal members.

In terms of employment contracts and the rules of the schemes, certain post-retirement medical benefits are provided to 1,412 current and past employees by subsidising a portion of the medical aid contribution of members, after retirement. The medical aid payments for these employees for 2013 are estimated to be approximately R7 million. The actuarial valuation was based on the main assumptions set out in note 27.5.3.

	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm
27.5.1 Edcon Medical Aid			
Actuarially determined amounts in profit or loss:			
Current service cost	**3**	3	3
Financing costs	**11**	19	5
	14	22	8
Actuarially determined amounts in other comprehensive income :			
Actuarial loss/(gain)	**38**	—	—
Net amount recognised in other comprehensive income	**38**	—	—

27.5.2 The status of the Edcon Medical Aid Fund liability determined in terms of IAS 19 is as follows:

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
Recognised employee benefit liability	**182**	130	114
Reconciliation of employee benefit liability			
Balance at the beginning of the period	**130**	114	112
Current service cost	**3**	3	3
Financing cost	**11**	19	5
Actuarial loss/(gain)	**44**	—	—
Employee benefit payments	**(6)**	(6)	(6)
	182	130	114

27.5.3 Valuation Assumptions

Employee Benefit Liability Valuation Assumptions and Sensitivity

The valuation is based on assumptions which include a discount rate of 8.25% (2011 and 2010 : 9% and 9.3%) per annum, inflation rate of 5.5% (2011 and 2010: 5.8% and 5.5%) per annum, income at retirement would increase by 7% (2011 and 2010: 7.25%) per annum, demographic assumptions based on a standard set of best estimate demographic assumptions, membership continuation and expected retirement age. The discount rate is determined with reference to market yields at the statement of financial position date. The market yield is determined with reference to the yield curve for South African government bonds. The inflation rate is in line with the Government Monetary Policy target of 3% to 6% (2011 and 2010: 3% to 6%). It was assumed that health care cost inflation would be the same as CPI inflation and that remuneration increases, including promotional increases would exceed inflation by 1.5% over the long-term and that income at retirement would be 60% of final salary. It was further assumed that no current in-service members eligible for benefits would discontinue membership upon reaching retirement with Edcon and that they would retire on their current medical scheme option and no changes would occur on retirement. An expected retirement age of 63 was used in the valuation with assumed rates of early retirement.

The valuation results are extremely sensitive to the assumptions used. The value of the liability could turn out to be overstated or understated depending on the extent to which actuarial experience differs from the above assumptions.

The effect of a 1% increase or decrease would have the following effects:

	Central Assumption			Decrease 1%			Increase 1%		
	2012	**2011**	**2010**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Inflation (CPI and health care costs) sensitivity	**5.5%**	5.8%	5.5%						
Accrued liability—Rm	**182**	130	114	**158**	113	101	**212**	151	130
Current service and interest cost—Rm	**14**	13	13	**12**	11	11	**17**	15	15
Retirement age sensitivity	**63 years**			**One year younger**			**One year older**		
Accrued liability—Rm	**182**	130	114	**190**	135	119	**174**	124	110
Discount rate	**8.25%**	9%	9.3%	**Decrease 1%**			**Increase 1%**		
Accrued liability—Rm	**182**	130	114	**212**	150	130	**158**	113	101
Post employment mortality tables	**PA (90) ult rated down 1 year to 0.75% improvement p.a. from 2006**			**PA (90) ult rated down 2 years with 1% improvement p.a. from 2006**					
Accrued liability—Rm	**182**	130	114	**203**	136	119			

	2012	**2011**	**2010**
27.5.4 Analysis of employee benefit liability (Rm)			
Accrued liability for post retirement medical aid	182	130	114

	2012 52 weeks to 31 March	**2011 52 weeks to 2 April**	**2010 53 weeks to 3 April**
	Rm	**Rm**	**Rm**
28. FINANCING COSTS AND INTEREST RECEIVED			
28.1 Financing costs			
Interest on senior secured floating rate notes	**1,466**	808	992
Interest on senior floating rate notes	**382**	302	427
Interest on senior secured fixed rate notes	**465**	48	
Interest on other facilities	**467**	457	615
Interest on super senior secured term loan		9	
Interest on super senior secured term notes	**119**		
Interest accrued on shareholder's loan (note 16)	**765**	843	849
Fees amortised on senior secured floating rate notes (note 17.2)	**44**	37	31
Fees amortised on senior floating rate notes (note 17.3)	**14**	12	11
Fees amortised on senior secured fixed rate notes (note 17.4)	**16**	4	
Employee benefits	**15**	13	13
Foreign currency losses	**3**	24	6
Forward exchange contracts		—	2
	3,756	2,557	2,946
28.2 Interest received			
Interest received from independent third parties	**68**	60	31
Employee benefits	**—**	—	—
Total interest received	**68**	60	31
28.3 Net financing costs	**3,688**	2,497	2,915

		2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm
29. TAXATION				
29.1 Taxation charge				
Current taxation	— this year	**118**	109	124
	— prior year	**19**	23	12
Secondary taxation on companies	— this year			9
Total current taxation		**137**	132	145
Deferred taxation	— this year	**(490)**	(696)	(502)
	— prior years	**(5)**	3	(13)
	— capital gains tax inclusion rate change	**362**		
Total deferred taxation credit		**(133)**	(693)	515
Total		**4**	(561)	(370)
Comprising:				
South African normal taxation		**(114)**	(650)	(435)
Secondary taxation on companies				9
Foreign taxes		**118**	89	56
		4	(561)	(370)
29.2 Taxation charge to other comprehensive income				
Current income tax related to items charged or credited directly to other comprehensive income:				
Unrealised gain on cash flow hedges		**5**	(27)	(11)
Deferred income tax related to items charged or credited directly to other comprehensive income:				
Unrealised gain on cash flow hedges		**(42)**	(42)	(12)
Employee benefits		**32**		
Income tax expense reported in other comprehensive income		**(5)**	(69)	(23)
29.3 Deferred income tax comprises:				
Arising on deferred tax assets (note 8)				
Provision for impairment of receivables		**(22)**	99	(38)
Other payables		**(37)**	(6)	(3)
Leave pay accrual		**(1)**	(1)	(4)
Operating lease adjustment		**8**	1	(1)
Interest rate swaps		**31**	(43)	(6)
Assessed loss		**(332)**	(459)	(267)
Other		**3**	(22)	(8)
Arising on deferred tax liabilities (note 8)				
Appro sales		**(13)**	(1)	(6)
Property, fixtures, equipment and vehicles		**(38)**	(150)	(72)
Intangible assets		**233**	(117)	(126)
Prepayments		**—**	2	(2)
Unearned finance income		**18**	1	38
Interest rate swaps				(2)
Revaluation reserve				(3)
Deferred STC raised				(10)
Other		**22**		8
		(128)	(696)	(502)
Prior year adjustment		**(5)**	3	(13)
Net deferred tax movement		**(133)**	(693)	(515)

	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm
29.4 Reconciliation of rate of taxation (%)			
Standard rate—South Africa	**(28)**	(28)	(28)
Adjusted for:			
Equity accounted revenue of joint venture	**2**	1	1
Disallowable expenditure	**4**		(1)
Secondary taxation on companies	**—**	—	1
Prior year charges	**1**	—	1
Capital gain tax inclusion rate change	**18**		
Foreign taxes	**3**	2	—
Effective tax rate	**—**	(25)	(26)

29.5 Section 24I application

In terms of section 24I of the Income Tax Act, the ruling exchange rate to be used in determining the foreign exchange gains/losses on currency swaps, foreign currency forward contracts and forward exchange contracts (forward exchange contracts) on translation, is the market related forward rate for the remaining period of the forward exchange contract or such alternative rate used for accounting purposes in terms of IFRS, as prescribed by the Commissioner ("alternative rate").

The Group approached the South African Revenue Service ("SARS") during the 2008 financial year, requesting approval from the Commissioner to use such an alternative rate to determine foreign exchange gains/losses on its open forward exchange contracts. During the 2008 financial year, the movement in foreign exchange rates created large unrealised fair value gains on the revaluation of the forward exchange contracts. The impact is a timing difference over the life of the forward exchange contracts.

The Group is currently in the process of responding to further information requested by SARS, after various interactions and communication with SARS in which SARS initially denied the use of the alternative rate. Appropriate procedure is followed in attending to the queries and the matter will be escalated by SARS to their head office for further consideration.

Should the Group's request for the use of the alternative rate be denied, the impact on the Group Financial Statements in the current period would be an increase in the taxation liability and an increase of the deferred taxation asset.

	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm
30. CASH FLOW			
30.1 Other non-cash items			
Net loss/(gain) on disposal of properties, fixtures, equipment and vehicles (note 25.6)	**22**	(8)	23
Equity accounted investment in joint ventures	**(61)**	(6)	1
Vat expense			2
Operating lease adjustment	**3**	(2)	4
Other non-cash items	**2**		8
Employee benefit		16	2
Deferred revenue	**80**		
	46	—	40
30.2 Working capital movement			
(Increase)/decrease in inventories	**(543)**	(224)	138
(Increase)/decrease in trade accounts receivable	**(1,094)**	(159)	731
Increase in other receivables	**(135)**	(58)	(36)
Increase in trade and other payables	**169**	372	119
	(1,603)	(69)	952
30.3 Taxation paid			
Taxation liability at the beginning of the period	**(244)**	(236)	(470)
Current taxation recognised in profit or loss (note 29.1)	**(137)**	(132)	(145)
Current taxation recognised in other comprehensive income (note 29.2)	**(5)**	27	11
Taxation liability at the end of the period	**241**	244	236
	(145)	(97)	(368)
30.4 Investment to maintain operations			
Replacement of properties, fixtures, equipment and vehicles	**(559)**	(449)	(384)
Proceeds on disposal of properties, fixtures, equipment and vehicles	**16**	100	120
	(543)	(349)	(264)
30.5 Investment to expand operations			
Additions to leased premises	**(26)**	(7)	(21)
Additions to properties, fixtures, equipment and vehicles	**(125)**	(18)	(68)
	(151)	(25)	(89)
30.6 Increase in shareholder funding			
Share capital and share premium issued	**5**		
	5		
30.7 Increase in super senior secured notes			
Increase in super senior secured notes	**1,010**		

	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm
30.8 (Decrease)/increase long-term debt			
Senior secured fixed rate notes		4,781	
Super senior secured term loan	**(985)**	985	
Fees paid for senior secured fixed rate notes		(165)	
	(985)	5,601	
30.9 Buy-back of senior floating rate notes			
Senior floating rate notes repurchased (note 17.2)	**(374)**		
Discount on repurchase of senior floating rate notes	**36**		
	(338)		
30.10 Proceeds from receivables-backed notes issued			
Receivables-backed notes issued (note 17 and 18)		1,400	4,300
Repurchase of receivables-backed notes		(1,400)	
		—	4,300
30.11 Increase/(decrease) in short-term debt			
Net increase/(decrease) in short-term debt	**751**	(350)	(4,950)
	751	(350)	(4,950)
30.12 Decrease in capitalised finance lease			
Decrease in capitalised finance lease	**4**		
	4		
30.13 (Decrease)/increase in cash and cash equivalents			
Cash on hand	**(1,105)**	299	838
Cash on deposit	**(127)**	891	(92)
Currency adjustments	**—**	11	28
	(1,232)	1,201	774

31. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Financial assets by category

	Loans and receivables Rm	Fair value through other comprehensive income Rm	Held to maturity investments Rm	Available for sale Rm	Total Rm
At 31 March 2012					
Derivative financial instruments (note 33.8)		**472**			**472**
Trade, other receivables and prepayments (note 10)	**10,426**				**10,426**
Cash and equivalents (note 11)	**1,083**				**1,083**
	11,509	**472**			**11,981**
At 2 April 2011					
Derivative financial instruments (note 33.8)		30			30
Trade, other receivables and prepayments (note 10)	9,195				9,195
Cash and cash equivalents (note11)	2,315				2,315
	11,510	30			11,540

	Loans and receivables	Fair value through other comprehensive income	Held to maturity investments	Available for sale	Total
At 3 April 2010	Rm	Rm	Rm	Rm	Rm
Trade, other receivables and prepayments (note 10)	8,983				8,983
Cash and cash equivalents (note 11)	1,125				1,125
	10,108				10,108

Financial liabilities by category

	Financial liabilities at amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Rm			Rm
At 31 March 2012				
Shareholder's loan (note 16)	**659**			**659**
Interest bearing debt (note 17)	**26,434**			**26,434**
Derivative financial instruments (note 33.8)			**860**	**860**
Trade and other payables (note 20)	**4,097**			**4,097**
Finance lease (note 19.2)	**329**			**329**
	31,519		**860**	**32,379**
At 2 April 2011				
Shareholder's loan (note 16)	8,184			8,184
Interest bearing debt (note 17)	24,440			24,440
Derivative financial instruments (note 33.8)		120	1,134	1,254
Trade and other payables (note 20)	3,878			3,878
	36,502	120	1,134	37,756
At 3 April 2010				
Shareholder's loan (note 16)	7,341			7,341
Interest bearing debt (note 17)	19,670			19,670
Derivative financial instruments (note 33.8)		3,332	578	3,910
Trade and other payables (note 20)	3,513			3,513
	30,524	3,332	578	34,434

32. MANAGEMENT OF CAPITAL

The Group considers share capital including ordinary and preference shares, share premium, the shareholder's loan, reserves and interest bearing debt as capital.

The shareholder's loan is considered to be capital as the amount is repayable in May 2037 and all interest is capitalised. The "A" and "B" preference shares are cumulative and redeemable at the option of the issuer and are therefore regarded as capital. The long-term interest bearing debt primarily consists of:

- Senior secured floating rate notes, maturing June 2014;
- Senior floating rate notes, maturing June 2015;
- Senior secured fixed rate notes, maturing March 2018;
- Super senior secured notes, maturing April 2016; and
- OtC receivables-backed notes, which mature between July 2012 and April 2017.

The senior secured floating rate notes and the senior floating rate notes were issued to finance the purchase of Edgars Consolidated Stores Limited and as such are regarded as permanent capital. The senior secured fixed rate notes and the super senior secured term loan were issued during the prior period to finance the settlement of the negative mark-to-market positions on the foreign currency swap contracts, which hedged the foreign currency exposure on the principal of the senior secured and the senior floating rate notes. The super senior secured notes were issued during the current period to repay the super senior secured term loan.

The objectives in managing this capital are to:

- Ensure appropriate access to equity debt markets.
- Ensure sufficient resilience against economic turmoil.
- Safeguard the Group's ability to continue as a going concern, be flexible and take advantage of opportunities that are expected to provide an adequate return to shareholders.
- Optimise weighted average cost of capital, given inherent constraints.

The Group manages its capital and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the current period.

The notes and banking facilities contain substantially the same covenants and events of default. These are set out in the Offering Memorandum for the floating rate notes dated 8 June 2007, the OtC Programme Memorandum dated 3 August 2009, the Offering Memorandum for the senior secured fixed rate notes dated 22 February 2011 and the programme memorandum the super senior secured notes dated 31 March 2011. During the period there have been no defaults.

The Group takes cognisance of select rating agency ratios that evaluate the ability of the capital to absorb losses and the flexibility that a combination of capital instruments provide. The value placed on the corporate rating is important as the Group has issued notes on the Irish Stock Exchange and the Johannesburg Securities Exchange.

33. FINANCIAL RISK MANAGEMENT

33.1 Treasury risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to moderate certain risk exposures.

A treasury workgroup consisting of senior executives meets on a regular basis to update treasury policies and objectives, analyse currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts. Compliance with Group Treasury policies and objectives of the Board and exposure limits is reviewed at meetings of the Risk Management Workgroup.

33.2 Hedging Strategy

The foreign denominated floating and fixed rate notes expose the Group to both interest rate risk and/or foreign exchange risk. The Group has executed the following hedging strategy:

Euro Denominated Senior Secured Floating Rate Notes due 2014

From June 2007 to February 2011

- A series of interest rate swaps were entered into at a swap rate of pay of 4.529% fixed, receive three months EURIBOR, quarterly. Settlement dates match the quarterly payment dates for coupons on the notes up to 15 June 2011. The transaction hedges the interest rate risk on the cash flows occurring during the first four years of the senior secured floating rate notes (refer to note 17) and was designated as a cash flow hedge.

- A series of foreign currency forward contracts were entered into to buy EUR and sell ZAR corresponding to the EUR scheduled payments on the fixed leg of the interest rate swap above at each payment date up to 15 June 2011. Settlement dates match the payment dates of the interest rate swap. These foreign currency forward contracts therefore hedge the EUR/ZAR currency risk on the combined cash flows of the interest rate swap and the first four years of anticipated interest payments on the senior secured floating rate notes and were designated as a cash flow hedge.
- A foreign currency swap was entered into to hedge the repayment of the €1,180 million principal on the senior secured floating rate notes and matures on 15 June 2012. This swap was early-settled, and its mark-to-market position extinguished, on 2 March 2011.

February 2011 onwards

- Cross currency swaps were entered into which, (i) protect against interest rate variability in future interest cash flows on liabilities, (ii) protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedges the repayment of €963 million in principal on the notes to 15 March 2014 and €178 million to 15 June 2014. The hedges create an effective annual average fixed interest rate of 13.96% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

Euro Denominated Senior Floating Rate Notes due 2015

From June 2007 to February 2011

- A series of interest rate swaps were entered into at a swap rate of pay of 4.529% fixed, receive three months EURIBOR, quarterly. Settlement dates match the quarterly payment dates for coupons on the notes up to 15 June 2011. The transaction hedges the interest rate risk on the cash flows occurring during the first four years of the senior floating rate notes (refer to note 17) and was designated as a cash flow hedge.
- A series of foreign currency forward contracts were entered into to buy EUR and sell ZAR corresponding to the EUR scheduled payments on the fixed leg of the interest rate swap above at each payment date. Settlement dates match the payment dates of the interest rate swap. These foreign currency forward contracts hedge the EUR/ZAR currency risk on the combined cash flows of the interest rate swap and the first four years of anticipated interest payments on the senior floating rate notes and were designated as a cash flow hedge.
- A foreign currency swap was entered into to economically hedge the repayment of the €378 million principal on the senior floating rate notes and matures on 15 June 2012. This swap was early-settled, and its mark-to-market position extinguished, on 2 March 2011.

From February 2011 onwards

- Based on a notional value of €303 million, an interest rate swap was entered into at a swap rate of pay of 2.3437% fixed, receive three months EURIBOR, quarterly. Settlement dates match the quarterly payment dates for coupons on the notes up to 15 March 2014. The transaction hedges the interest rate risk on the cash flows occurring during the three years of the senior floating rate notes (refer to note 17) and have been designated as a cash flow hedge.
- Based on a notional value of €303 million, a series of foreign currency forward contracts were entered into to buy EUR and sell ZAR corresponding to the EUR scheduled payments on the fixed leg of the interest rate swap above at each payment date up to 15 March 2014. Settlement dates match the payment dates of the interest rate swap. These foreign currency forward contracts therefore hedge the EUR/ZAR currency risk on the combined cash flows of the interest rate swap and the three years of anticipated interest payments on the senior floating rate notes and have been designated as a cash flow hedge.
- A cross currency swap was entered into which, (i) protects against interest rate variability in future interest cash flows on liabilities, (ii) protects against variability in future interest cash

flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedges the repayment of €75 million in principal on the notes to 15 March 2014. The hedges create an effective annual average fixed interest rate of 17.29% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

Euro Denominated Senior Secured Fixed Rate Notes due 2018

- A series of cross currency swaps were entered into which protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is €317 million and provides cover on the coupon of the notes up to 15 March 2014. The hedges create an effective annual average fixed interest rate of 10.86% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

US Dollar Denominated Senior Secured Fixed Rate Notes due 2018

- A cross currency swap was entered into which protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is $190 million and provides cover on the coupon of the notes up to 15 March 2014. The hedge creates an effective annual average fixed interest rate of 10.99% over the period of cover. The cross currency swap has been designated as a cash flow hedge.
- A series of foreign currency forward contracts were entered into, with a notional value of $60 million, to buy USD and sell ZAR corresponding to the USD scheduled fixed rate interest payments on the senior secured 9.5% fixed rate notes at each payment date. These foreign currency forward contracts have been designated as a cash flow hedge.

33.3 Sensitivity analysis

33.3.1 Sensitivity analysis of non derivative financial liabilities

The Group recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might impact the value of its variable rate financial liabilities and also the amounts recorded in its other comprehensive income and its profit or loss for the period. Therefore the Group has assessed:

(a) what would be reasonably possible changes in the risk variables at the reporting date and

(b) the effects on profit or loss and other comprehensive income if such changes in the risk variables were to occur.

The sensitivity analysis takes into account the incremental change in value arising from a parallel fall or rise in the interest rate and the exchange rate. The following table shows the approximate interest rate and exchange rate sensitivities of variable rate financial liabilities and the resulting impact on profit or loss, and other comprehensive income for financial liabilities held at the reporting date:

Floating rate liabilities	Index	Sensitivity	Other Comprehensive income	Profit or loss effect
			Rm	Rm
ZAR denominated	JIBAR	-50bps		25
	JIBAR	+50bps		(25)
EUR denominated	EUR-ZAR	-10%		638
	EUR-ZAR	-5%		319
	EUR-ZAR	5%		(319)
	EUR-ZAR	10%		(638)
USD denominated	USD-ZAR	-10%		193
	USD-ZAR	-5%		96
	USD-ZAR	5%		(96)
	USD-ZAR	10%		(193)

The impact of changes in interest rates on profit or loss relating to the foreign denominated senior secured floating rate notes and the senior floating rate notes, after considering the effect of the hedging instruments which hedge the coupon payments, is nil.

33.3.2 Sensitivity analysis of derivatives

The Group recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might impact the value of its derivatives and also the amounts recorded in its other comprehensive income and its profit or loss for the period. Therefore the Group has assessed:

(a) what would be reasonably possible changes in the risk variables at the reporting date and

(b) the effects on profit or loss and other comprehensive income if such changes in the risk variables were to occur.

The sensitivity analysis takes into account the incremental change in value arising from a parallel fall or rise in the yield curve and the exchange rate.

The following table assumes all designated hedges will change in fair value through other comprehensive income, and considers sensitivities to forward interest rate curves, of +/- 50 and +/-100 basis points respectively. If these sensitivities were to occur, the impact on the profit or loss, and other comprehensive income for each category of financial instrument held at the reporting date is shown below:

	Index	Sensitivity	Derivative asset / (liability)	Other comprehensive income	Profit or loss effect
			Rm	Rm	Rm
	EURIBOR	-100bps	(56)	56	
Interest rate swaps	EURIBOR	-50bps	(27)	27	
	EURIBOR	+50bps	27	(27)	
	EURIBOR	+100bps	53	(53)	
Cross currency swaps	EURIBOR	-100bps	(220)	220	
	EURIBOR	-50bps	(103)	103	
	EURIBOR	+50bps	102	(102)	
	EURIBOR	+100bps	202	(202)	
Cross currency swaps	EUR-ZAR	-10%	(1,384)	1,384	
	EUR-ZAR	-5%	(692)	692	
	EUR-ZAR	5%	692	(692)	
	EUR-ZAR	10%	1,384	(1,384)	
Cross currency swaps	USD-ZAR	-10%	(27)	27	
	USD-ZAR	- 5%	(14)	14	
	USD-ZAR	5%	14	(14)	
	USD-ZAR	10%	27	(27)	
Foreign currency forward contracts	EUR-ZAR	-10%	(45)	45	
	EUR-ZAR	-5%	(23)	23	
	EUR-ZAR	5%	23	(23)	
	EUR-ZAR	10%	46	(46)	
Foreign currency forward contracts	USD-ZAR	-10%	(8)	8	
	USD-ZAR	-5%	(4)	4	
	USD-ZAR	5%	4	(4)	
	USD-ZAR	10%	8	(8)	

33.4 Foreign currency management

Material forward exchange contracts at 31 March 2012 are summarised below. Currency options are only purchased as a cost-effective alternative to forward exchange contracts. Currently no currency options are in place.

	Foreign currency	Derivative fair value	Contract equivalent	Average rate
	m	Rm	Rm	%
Foreign currency exposure against Rand hedged import forward orders				
2012 US dollar	**50**	**26**	**407**	**8.14**
2011 US dollar	46	12	328	7.12
2010 US dollar	40	(11)	303	7.66
Foreign currency exposure against Rand hedged notes				
2012 Euro	**1,682**	**(297)[1]**	**16,557**	**9.84**
2012 US dollar	**53**	**(8)**	**399**	**7.51**
2011 Euro	1,882	(1,088)[1]	18,655	9.92
2011 US dollar	81	(55)	603	7.46
2010 Euro	1,723	(3,332)	23,762	13.79

1 Included in the fair value are cross currency swaps of R224 million (2011: R778 million) hedging the senior secured floating rate notes and R24 million (2011: R67 million) hedging the senior floating rate notes, which also hedges the interest rate risk on the floating rate notes.

The Group, in terms of approved policy limits, manages short-term foreign currency exposures relating to trade imports and exports. Net uncovered Rand transaction exposures to the US dollar at 31 March 2012 amounted to Rnil million (2011 and 2010: Rnil million and R2 million). The Group policy is to restrict the net aggregate cover to between 80% and 120% of total foreign order exposure.

At 31 March 2012, in respect of future import commitments, if the South African Rand had weakened 5% against the US dollar, with all other variables held constant, profit or loss for the period would have increased by R19 million from revaluation of forward exchange contracts (2011 and 2010: R15 million and R16 million). Conversely at 31 March 2012, in respect of future import commitments, if the South African Rand had strengthened by 5% against the US dollar, with all other variables held constant, profit or loss for the period would have decreased by R19 million from revaluation of forward exchange contracts (2011 and 2010: R15 million and R16 million). Changes in the Rand/US dollar exchange rates of foreign currency creditors are largely offset by fair value changes on the forward exchange contracts.

The principal on the floating rate notes up to a nominal of EUR1,216 million, have been cash flow hedged through a cross currency swap (refer to note 7). The interest cash flows payable quarterly on notes maturing 2014 and 2015, and semi-annually for notes maturing in 2018, have been comprehensively hedged to 15 March 2014, and proportionally hedged to 15 June 2014 (Refer to note 7 and 33.2).

Gains and losses on translation of the floating and fixed rate notes will be offset by foreign exchange gains and losses on the cross currency swaps to the extent hedges are in place. At 31 March 2012, in respect of the notes exposures, if the South African Rand had weakened 5% against the Euro and US dollar, with all other variables held constant, profit or loss for the period would have decreased by R1,035 million (2011 and 2010: R977 million and R765 million respectively). Conversely, at 31 March 2012, in respect of the notes exposures, if the South African Rand had strengthened 5% against other currencies, with all other variables held constant, profit or loss for the period would have increased by R1,035 million (2011 and 2010: R977 million and R765 million respectively).

33.5 Interest rate management

As part of the process of managing the Group's fixed and floating rate interest bearing debt and cash and cash equivalents mix, the interest rate characteristics of new and the refinancing of existing loans are positioned according to expected movements in interest rates. The maximum interest rate exposure and the repricing profile at 31 March 2012 is summarised as follows:

	Fixed Rate		Floating Rate	
	Short-term	Long-term	Short-term	Long-term
	Rm	Rm	Rm	Rm
2012				
Interest-bearing debt		**4,781**	**2,901**	**17,656**
Rate %		**Refer to note 17**	**Refer to note 18**	**Refer to note 17**
2011				
Interest-bearing debt		4,781		20,150
Rate %		Refer to note 17		Refer to note 17
2010				
Interest-bearing debt	170		625	18,720
Rate %	9.1%		Refer to note 17 and 18	Refer to note 17

At 31 March 2012, if all interest rates on local borrowings had been 100 basis points lower, with all other variables held constant, profit or loss would have been R55 million (2011 and 2010: R45 million and R62 million) higher. Conversely, at 31 March 2012, if all interest rates on local borrowings had been 100 basis points higher with all other variables held constant, profit or loss would have been R55 million (2011 and 2010: R45 million and R62 million) lower.

At 31 March 2012, if all interest rates on interest-bearing trade receivables and short-term cash investments at that date had been 100 basis points lower, with all other variables held constant, profit or loss would have been R102 million (2011 and 2010: R101 million and R103 million) lower. Conversely, at 31 March 2012, if all interest rates at that date had been 100 basis points higher, with all other variables held constant, the profit or loss would have been R102 million (2011 and 2010: R101 million and R103 million) higher. This sensitivity is due to the high value of trade receivables attracting the Usury rate interest income.

As at 31 March 2012 the cash held on deposit and investments is as follows:

	Total	Floating rate
	Rm	Rm
2012		
Cash on deposit and investments by currency		
US dollar	**6**	**6**
Euro	**1**	**1**
Sterling	**5**	**5**
Botswana Pula	**9**	**9**
Zambian kwacha	**4**	**4**
South African Rand	**1,058**	**1,058**
2011		
Cash on deposit and investments by currency		
US dollar	16	16
Euro	515	515
Sterling	(4)	(4)
Botswana Pula	46	46
South African Rand	1,742	1,742
2010		
Cash on deposit and investments by currency		
US dollar	36	36
Sterling	5	5
Botswana Pula	14	14
South African Rand	1,070	1,070

The following interest rate swaps and cross currency swaps are in place to hedge against interest payment exposures:

	Notes notional amount hedged Rm			Notes fixed interest % payable			Fair value of the interest rate hedges Rm		
	2012	**2011**	**2010**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Pay fixed / receive floating interest rate hedges > 1 year-Senior secured floating rate notes	**10,890**	11,259	11,259	**13.96**	13.98[1]	7.78	**224[2]**	854[2]	438
Pay fixed / receive floating interest rate hedges > 1 year-Senior floating rate notes									
• Cross currency swaps	**714**	714		**17.29**	17.29		**24[2]**	67[2]	
• Interest rate swaps	**2,892**	2,892	3,606	**9.58**	9.58[1]	10.03	**84**	6	140
Pay fixed / receive fixed interest rate hedges > 1 year-Senior secured fixed rate notes (Euro tranche)	**3,044**	3,044		**10.86**	10.86		**10**	58	
Pay fixed / receive fixed interest rate hedges > 1 year-Senior secured fixed rate notes (USD tranche)	**1,320**	1,320		**10.99**	10.99		**2**	38	

Refer to note 33.2 for details of hedging strategy.

1 Effective rate from 16 June 2011. There is still one payment due in June 2011 with an effective rate of 10.03% on the 2015 Senior floating rate notes and 7.78% on the 2014 Senior secured floating rate notes.

2 Included in the fair value are cross currency swaps of R224 million (2011: R778 million), hedging the Senior secured floating rate notes and R24 million (2011: R67 million), hedging the Senior floating rate notes, which also hedges the foreign currency risk on the principle on the floating rate notes (refer to note 33.4).

33.6 Credit risk management

Maximum exposure to credit risk is represented by the carrying amounts of derivative assets, trade accounts receivable and short-term cash investments in the Group statement of financial position. The Group only deposits short-term cash surpluses with financial institutions of high-quality credit standing. Credit limits per financial institution are established at the treasury meeting and are approved at the Audit and Risk Workgroup. Trade accounts receivable comprise a large, widespread customer base and risk exists on delinquent accounts and possible defaults by customers. The Group performs ongoing credit evaluations of the financial condition of customers. The granting of credit is controlled by application and behavioural scoring models, and the assumptions therein are reviewed and updated on an ongoing basis.

At 31 March 2012, the Group did not consider there to be any concentration of credit risk.

The derivatives are held with four counterparties of high credit worthiness. The credit worthiness is assessed on a regular basis. At period end all counterparties were classified as investment grade.

33.7 Liquidity risk

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
The Group has minimised risk of working capital illiquidity as shown by its substantial banking facilities and reserve borrowing capacity.			
Total banking and loan facilities	**7,605**	7,605	7,988
Actual borrowings (notes 17 and 18)	**(5,051)**	(4,300)	(4,650)
Unutilised borrowing facilities	**2,554**	3,305	3,338
Total banking and loan facilities of the Group comprise:			
Revolving credit facility—Tranche A	**650**	650[2]	
Revolving credit facility—Tranche B1	**250**	250	3,500[4]
Revolving credit facility—Tranche B2	**2,217**[1]	2,217[3]	
OtC receivables-backed notes	**4,300**	4,300	4,300
Receivable purchase facility	**43**	43	43
OtC liquidity facility	**145**	145	145
	7,605	7,605	7,988

1 Includes R1,450 million ancillary facilities.

2 Includes R350 million ancillary facilities.

3 Includes R1,750 million ancillary facilities.

4 Includes R2,250 million ancillary facilities.

The maturity dates of the facilities are:

	— Tranche A	June 2012	June 2012	June 2012
• Revolving credit facility	— Tranche B1	December 2013	December 2013	
	— Tranche B2	March 2014	March 2014	
• Revolving credit ancillary facilities		Reviewed annually	Reviewed annually	Reviewed annually
• OtC receivables-backed notes (note 17.5)		July 2012 to April 2017	July 2012 to April 2017	July 2010 to April 2014
• Receivables purchase facility		April 2017	April 2017	April 2014
• OtC liquidity facility		April 2017	April 2017	April 2014

33.7.1 Maturity analysis of derivative financial instruments' cash flows

	2012	2011	2010
Cash outflows			
Due within one year	**2,561**	2,580	2,282
Total due within one year	**2,561**	2,580	2,282
After one year but within two years	**12,741**	2,472	545
After two years but within three years	**1,810**	12,536	21,623
After three years but within four years		1,810	
Total due after one year	**14,551**	16,818	22,168
Total	**17,112**	19,398	24,450
Cash inflows			
Due within one year	**1,326**	1,443	1,337
Total due within one year	**1,326**	1,443	1,337

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
After one year but within two years	**13,235**	1,490	350
After two years but within three years	**2,081**	12,940	17,500
After three years but within four years		2,032	
Total due after one year	**15,316**	16,462	17,850
Total	**16,642**	17,905	19,187
Net cash (outflows)/inflows			
Due within one year	**(1,235)**	(1,137)	(945)
Total due within one year	**(1,235)**	(1,137)	(945)
After one year but within two years	**494**	(982)	(195)
After two years but within three years	**271**	404	(4,123)
After three years but within four years		222	
Total due after one year	**765**	(356)	(4,318)
Total	**(470)**	(1,493)	(5,263)

The maturity analysis of derivative financial instruments' cash flows reflects the expected cash outflows and inflows of the Group using undiscounted cash flows, settlement terms and expected movements in floating rates.

33.7.2 Maturity analysis of non derivative financial liabilities (including interest payments)

	2012	2011	2010
Trade and other payables (note 20)	**4,097**	3,878	3,513
Short-term interest bearing debt (note 18)	**4,709**	1,799	1,588
Total due within one year	**8,806**	5,677	5,101
After one year but within two years	**3,087**	3,940	703
After two years but within three years	**12,722**	3,143	3,893
After three years but within four years	**4,566**	12,924	1,146
After four years but within five years	**1,597**	4,154	15,701
After 5 years	**15,179**	14,034	13,993
Total due after one year	**37,151**	38,195	35,436
Total debt	**45,957**	43,872	40,537

The maturity analysis of non derivative financial liabilities are prepared on an undiscounted cash flow basis. The contractual maturity of the hedged cash flows of the foreign denominated notes are disclosed using the relevant derivative hedging rates. In respect of the cash flows that are not hedged, and subsequent to the hedge maturing, the period end floating interest rates and foreign exchange rates are used to calculate the cash flows of the foreign denominated notes.

33.8 Fair value of financial instruments

The Group uses a three-level hierarchy to prioritise the inputs used in measuring fair value. The levels within the hierarchy are described below with level 1 having the highest priority and level 3 having the lowest. Fair value is principally applied to financial assets and financial liabilities. These are measured at fair value on a recurring basis as of 31 March 2012, aggregated by the level in the fair value hierarchy within which these measurements fall.

The following table presents the Group's assets and liabilities that are measured at fair value at the period end:

	Total	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
		Fair value measurement using		
	Rm	Rm	Rm	Rm
31 March 2012				
Financial assets				
Cross currency swaps	**472**		**472**	
Total financial assets	**472**		**472**	
Financial liabilities				
Interest rate swaps	**84**		**84**	
Foreign currency forward contracts	**45**		**45**	
Cross currency swaps	**731**		**731**	
Total financial liabilities	**860**		**860**	
2 April 2011				
Financial assets				
Interest rate swaps	30		30	
Total financial assets	30		30	
Financial liabilities				
Interest rate swaps	111		111	
Foreign currency forward contracts	201		201	
Cross currency swaps	942		942	
Total financial liabilities	1,254		1,254	
3 April 2010				
Financial liabilities				
Interest rate swaps	578		578	
Foreign currency forward contracts	406		406	
Foreign currency swaps	2,926		2,926	
Total financial liabilities	3,910		3,910	

a) Level 1—Based on quoted market prices in active markets.

b) Level 2—Based on observable inputs other than Level 1 prices, such as quoted prices for similar financial assets or financial liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial assets or financial liabilities.

c) Level 3—Based on unobservable inputs that are supported by little or no market activity and are financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgement or estimation.

All financial instruments have been recognised in the statement of financial position and there is no material difference between their fair values and carrying values, except for the notes issued.

The following methods and assumptions were used by the Group in establishing fair values:

Liquid resources, trade accounts receivable, investments and loans: the carrying amounts reported in the statement of financial position approximate fair values due to the short period to maturity of these instruments.

Short-term interest-bearing debt: the fair values of the Group's loans are estimated using discounted cash flow analyses applying the RSA yield curve. The carrying amount of short-term borrowings approximates their fair value, due to the short period to maturity of these instruments.

Notes issued: the notes issued are fair valued based on the exchange rate ruling at the reporting date. The market values are disclosed in note 17.

Forward instruments: forward exchange contracts are entered into to cover import orders, and fair values are determined using foreign exchange market rates at 31 March 2012. Forward exchange agreements and swaps are entered into to hedge interest rate and foreign exchange rate exposure of interest bearing debt and fair values are determined using market related rates at 31 March 2012.

34. RELATED-PARTY TRANSACTIONS

The Group Financial Statements include the financial statements of Edcon Holdings Proprietary Limited and subsidiaries and joint ventures. Related party relationships exist within the Group. During the period all purchasing and selling transactions were concluded at arm's length. Edcon Holdings Proprietary Limited is the ultimate South African parent entity and the ultimate parent of the Group is Edcon (BC) S.A.R.L. ("Bain Capital"). The following table provides the total amount of transactions, which have been entered into with related parties:

	2012	
	Fee paid to related parties	Amounts owed to related parties
	Rm	Rm
Loan including interest to shareholder—recognised in non-current liabilities		**659**
Loan including interest to shareholder—recognised in equity		**8,290**
Fee paid to Bain Capital affiliate	**134**	

	2011	
	Paid to related parties	Amounts owed to related parties
	Rm	Rm
Loan including interest to shareholder		8,184
Fee paid to Bain Capital affiliate	39	

	2010	
	Paid to related parties	Amounts owed to related parties
	Rm	Rm
Loan including interest to shareholder		7,341
Fee paid to Bain Capital affiliate	38	
Preference dividend paid to shareholders	5	

Transactions with joint ventures are detailed in note 6.

34.1 Compensation relating to key management personnel

	52 weeks to 31 March 2012	52 weeks to 2 April 2011	53 weeks to 3 April 2010
	Total including directors and prescribed officers	Total including directors	Total including directors
	Rm	Rm	Rm
Remuneration	**47**	33	30
Retirement, medical, accident and death benefits	**5**	4	4
Loyalty bonus	**25**	6	8
Other benefits	—	—	—
	77	43	42
Comprising:			
Short-term employee benefits	**72**	39	38
Post-employment benefits	**5**	4	4

Key management personnel includes directors and prescribed officers (refer to note 27.2) and members of the Chief Executive's Forum.

35. EVENTS AFTER THE REPORTING PERIOD

On 5 June 2012 the Group concluded a series of agreements with Absa Bank forming the establishment of a long-term strategic relationship for the provision of credit to the Group customers as well as the sale of the Group's Private Label store card portfolio to Absa Bank.

The Group and Absa Bank have further agreed to enter into a long-term, strategic relationship under which Absa Bank will provide retail credit to the Group customers and the Group will be responsible for all customer facing activities (the "Program").

Absa Bank will acquire the Card Portfolio, consisting of approximately 3.8 million active card accounts, for a cash consideration equal to the net book value of the Card Portfolio receivables at the effective date of the Acquisition. Absa Bank and the Group expect the purchase price of the Card Portfolio to be approximately R10 billion. The transaction is expected to close in the second half of calendar 2012.

In terms of the Program, Absa Bank will have responsibility for credit, management of fraud, risk, finance, legal and compliance operations of the store card business, while the Group will retain all customer facing activities, including sales and marketing, customer services and collections. This should ensure a seamless customer experience. The Group and Absa Bank will balance continued growth of the credit book with appropriate credit quality.

The transaction is a natural evolution for the business and a key milestone in its strategic plan. Moreover, it is attractive to the Group as it will (i) leverage the core competencies of both the Group and Absa Bank (ii) facilitate growth in retail; including growth in credit sales (iii) immediately improve Group's balance sheet; and (iv) allow the Group to focus and fund growth in its core business activities.

The Group store card business operates primarily in South Africa (approximately 94% of net receivables), with smaller operations in Botswana, Namibia, Lesotho and Swaziland. The net book value and number of active accounts references above refer to the entire portfolio. While it is the intention of Absa Bank (or one of its affiliates) to acquire these portfolios in the neighbouring countries, it is not a condition precedent to the South African transaction.

The Acquisition and the Program are subject to a number of conditions precedent customary for a transaction of this nature, which include, but are not limited to, the following:

- the obtaining of regulatory approval for the Acquisition and/or the Program, as required; and
- the release of security interests over the Card Portfolio assets under the Group's various existing notes and funding structures.

Due to the sale of the trade receivables, the cash flows into the Credit and Financial Services cash-generating unit will change which might also impact the goodwill carrying value. The impact of the change cannot be estimated until the suspensive conditions on the contract have been met.

The transaction proceeds will reflect the net book value of the portfolio at the close of the transaction and will be used for the repayment of debt (including notes issued in terms of the Group's securitisation programme), investment in the business, and to cover transaction fees and expenses.

	2012 52 weeks to 31 March	2011 52 weeks to 2 April	2010 52 weeks to 3 April
	Rm	Rm	Rm
36. CONSOLIDATION OF ONTHECARDS INVESTMENTS PROPRIETARY LIMITED (OtC)			
Included in the Group Statement of Financial Position by line are the following balances relating to the consolidation of OtC:			
ASSETS			
Non-current assets			
Intangible assets	**79**	79	79
Held-to-maturity investments		(78)[1]	(78)[1]
Loan-Edcon Proprietary Limited	**(2,062)**	(2,062)	(2,062)
Deferred tax	**53**	117	133
Total non-current assets	**(1,930)**	(1,944)	(1,928)
Current assets			
Held-to-maturity investments	**(78)[1]**		
Trade, other receivables and prepayments	**5,708**	5,646	5,468
Cash and cash equivalents	**818**	639	684
Total current assets	**6,448**	6,285	6,152
Total assets	**4,518**	4,341	4,224
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Retained profit/(loss)	**33**	(92)	(140)
Total equity	**33**	(92)	(140)
Non-current liabilities—third parties			
Interest-bearing debt	**2,150**	4,300	3,855
Total non-current liabilities	**2,150**	4,300	3,855
Current liabilities			
Interest-bearing debt	**2,150**		445
Trade and other payables	**185**	133	64
Total current liabilities	**2,335**	133	509
Total equity and liabilities	**4,518**	4,341	4,224
Total managed capital per IAS 1	**4,333**	4,208	4,120

1 In November 2009, OtC issued R78 million of three-year receivables-backed notes to Edcon Proprietary Limited. These notes mature on 31 October 2012 and accrue interest at applicable JIBAR plus a margin of 4.5% payable quarterly in arrears. Refer to note 17.5.

36. CONSOLIDATION OF ONTHECARDS INVESTMENTS PROPRIETARY LIMITED (OtC) *(continued)*

Included in the Group Statement of Comprehensive Income by line, are the following amounts relating to the consolidation of OtC:

	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm
Total revenues	**539**	654	603
Income from credit	**506**	625	582
Expenses from credit	**(13)**	(191)	(403)
Trading profit and profit before financing costs	**493**	434	179
Interest received	**33**	29	21
Profit before financing costs	**526**	463	200
Financing costs	**(353)**	(398)	(348)
Profit/(loss)profit before taxation	**173**	65	(148)
Taxation	**(48)**	(17)	20
Profit/(loss) for the period	**125**	48	(128)

Included in the Group Statement of Cash Flows by line, are the following amounts relating to the consolidation of OtC:

	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm
Cash retained from operating activities			
Profit/(loss) before taxation	**173**	65	(148)
Interest received	**(33)**	(29)	(21)
Financing costs	**353**	398	348
Other non-cash items		29	185
Operating cash inflow before changes in working capital	**493**	463	364
Working capital movement	**6**	377	493
Trade accounts receivables	**(62)**	309	505
Other receivables			(19)
Trade and other payables	**68**	68	7
Cash inflow from operating activities	**499**	840	857
Interest received	**33**	29	21
Financing costs paid	**(353)**	(398)	(293)
Taxation paid		—	(22)
Net cash inflow from operating activities	**179**	471	563
Cash effects of financing activities			
Increase in held-to-maturity investments			78
Loan—Edcon Proprietary Limited			612
Proceeds from receivables-backed notes issued		1,400	4,300
Buy-back of receivables backed notes		(1,400)	
Purchase of trade receivables		(516)	(2,210)
Decrease in short-term interest bearing debt			(2,659)
Net cash (outflow)/inflow from financing activities		(516)	121
Increase/(decrease) in cash and cash equivalents	**179**	(45)	684
Cash and cash equivalents at the beginning of the period	**639**	684	—
Cash and cash equivalents at the end of the period	**818**	639	684

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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Group Financial Statements

Edcon Holdings (Proprietary) Limited

For the period ended 2 April 2011

Group Financial Statements of Edcon Holdings (Proprietary) Limited

(Registration number 2006/036903/07)

Group Financial Statements of Edcon Holdings (Proprietary) Limited

(Registration number 2006/036903/07)

Certificate by Group Secretary

In my capacity as Group Secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the period ended 2 April 2011, the Company has lodged with the Registrar of Companies all such returns as are required of a company in terms of this Act and that all such returns are true, correct and up to date.

CM Vikisi
Group Secretary

Johannesburg
3 June 2011

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Independent Auditor's Report

TO THE MEMBERS OF EDCON HOLDINGS (PROPRIETARY) LIMITED

We have audited the Group Financial Statements of Edcon Holdings (Proprietary) Limited and its subsidiaries ('the Group'), which comprise the Group statement of financial position as at 2 April 2011, Group statement of comprehensive income, Group statement of changes in equity and Group statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages F225 to F289.

Director's Responsibility for the Financial Statements

The Group's directors are responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act (No 61 of 1973) of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these Group Financial Statements present fairly, in all material aspects, the financial position of the Group as at 2 April 2011, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act (No 61 of 1973) of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Director—Jane M. Fitton
Registered Auditor
Chartered Accountant (SA)
Ernst & Young Inc.
Wanderers Office Park
52 Corlett Drive
Illovo
Johannesburg
3 June 2011

GROUP FINANCIAL STATEMENTS OF EDCON HOLDINGS (PROPRIETARY) LIMITED

(Registration number 2006/036903/07)

GOING CONCERN AND DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING
For the period 2 April 2011

GOING CONCERN

The Group's statement of financial position at 2 April 2011 reports a net debit of R600 million in other reserves, an accumulated retained loss of R4,972 million and share premium of R2,148 million in equity attributable to shareholders. Therefore, the total deficit reported in equity at 2 April 2011 is R3,424 million.

The directors' having considered the going concern assumption have included the shareholder's loan of R8,184 million in the assessment (refer to note 31, management of capital). To the extent required to maintain the solvency of the Group, the Shareholder's loan has been subordinated to the claims of all of the creditors of the Group.

As a result, the Group Financial Statements set out on pages F225 to F289 have been prepared on the going-concern basis. The directors have every reason to believe that the Group has adequate resources to continue in operation for the foreseeable future.

In the context of their audit, carried out for the purposes of expressing an opinion on the fair presentation of the Group Financial Statements, the external auditors have concurred with the disclosures of the directors on going concern.

SEPARATE ANNUAL FINANCIAL STATEMENTS

The separate Annual Financial Statements of the parent company Edcon Holdings (Proprietary) Limited have not been included in these Group Financial Statements. A copy thereof can be provided on request.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors' are ultimately responsible for the preparation of the Group Financial Statements and related financial information that fairly present the state of affairs and the results of the Group. The external auditors are responsible for independently auditing and reporting on these Group Financial Statements in conformity with International Standards on Auditing.

The Group Financial Statements set out in this report have been prepared by management in accordance with International Financial Reporting Standards. They incorporate full and reasonable disclosure and are based on appropriate accounting policies, which have been consistently applied and which are supported by reasonable and prudent judgments and estimates.

Adequate accounting records have been maintained throughout the period under review.

The Group Financial Statements have been approved by the Board of Directors and are signed on its behalf by:

DM Poler, Chairman | **SM Ross, Executive Director**

Johannesburg
3 June 2011

* Mr. SM Ross has signed the Group Financial Statements for the period ending 2 April 2011 as Mr. J Schreiber was appointed Chief Executive Officer on 1 April 2011 and effectively took office on 4 April 2011 following Mr. SM Ross's retirement as Chief Executive Officer.

Currency of Group Financial Statements

The presentation currency of the Group Financial Statements is South African Rand (R).

The approximate Rand cost of a unit of the following currencies at 2 April 2011 was:

	2011	2010	2009
US Dollar	**6.69**	7.24	9.48
Sterling	**10.87**	11.07	13.68
Botswana Pula	**1.04**	1.07	1.23
Euro	**9.53**	9.82	12.78

Group Statement of Financial Position

	Note	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
ASSETS				
Non-current assets				
Properties, fixtures, equipment and vehicles	3	**2,246**	2,663	3,128
Intangible assets	4	**18,024**	18,442	18,997
Equity accounted investment in joint ventures	6	**6**	—	1
Derivative financial instruments	7.1	**30**		2,393
Deferred tax	8	**887**	153	
Total non-current assets		**21,193**	21,258	24,519
Current assets				
Inventories	9	**2,626**	2,402	2,544
Trade, other receivables and prepayments	10	**9,195**	8,983	9,710
Derivative financial instruments	7.2			188
Cash and cash equivalents	11	**2,315**	1,125	379
Total current assets		**14,136**	12,510	12,821
Total assets		**35,329**	33,768	37,340
EQUITY AND LIABILITIES				
Equity attributable to shareholders				
Share capital	12	**—**	—	—
Share premium	12	**2,148**	2,148	2,143
Other reserves	13	**(600)**	(408)	(280)
Retained loss	14	**(4,972)**	(3,329)	(2,289)
		(3,424)	(1,589)	(426)
Non-controlling interest		**—**	—	—
Total equity		**(3,424)**	(1,589)	(426)
Non-current liabilities—shareholder's loan				
Shareholder's loan	16	**8,184**	7,341	6,492
Total equity and shareholder's loan		**4,760**	5,752	6,066
Non-current liabilities—third parties				
Interest bearing debt	17	**24,440**	18,875	19,600
Lease equalisation		**392**	386	369
Derivative financial instruments	7.3	**308**	3,093	1,002
Employee benefit liability	26.5	**130**	114	112
Deferred tax	8			374
		25,270	22,468	21,457
Total non-current liabilities		**33,454**	29,809	27,949
Current liabilities				
Interest-bearing debt	18		795	5,300
Current taxation		**244**	236	470
Derivative financial instruments	7.4	**946**	817	514
Trade and other payables	19	**4,109**	3,700	3,533
Total current liabilities		**5,299**	5,548	9,817
Total equity and liabilities		**35,329**	33,768	37,340
Total managed capital per IAS 1	31	**29,200**	25,422	30,966

Group Statement of Comprehensive Income

	Note	2011 52 weeks to 2 April	2010 53 weeks to 3 April	2009 52 weeks to 28 March
		Rm	Rm	Rm
Total revenues	22	**25,586**	24,876	25,195
Revenue—retail sales		**22,716**	21,888	22,075
Cost of sales		**(14,332)**	(13,848)	(13,774)
Gross profit		**8,384**	8,040	8,301
Other income	23	**490**	473	467
Store costs		**(4,348)**	(4,078)	(3,847)
Other operating costs	24	**(3,221)**	(3,028)	(3,284)
Retail trading profit		**1,305**	1,407	1,637
Income from credit	25.1	**1,833**	2,049	2,271
Expenses from credit	25.2	**(1,209)**	(1,771)	(1,772)
Equity accounted earnings of joint ventures		**487**	435	349
Trading profit		**2,416**	2,120	2,485
Gain on buy-back of senior floating rate notes				1,350
Derivative loss	7.6	**(2,343)**	(5,081)	(1,184)
Foreign exchange gain on notes issued	17.6	**230**	4,622	134
Fees incurred on funding facilities		**(10)**	(33)	
Impairment of indefinite life brands and goodwill	4		(137)	(697)
Profit before net financing costs		**293**	1,491	2,088
Interest received	27.2	**60**	31	33
Profit before financing costs		**353**	1,522	2,121
Financing costs	27.1	**(2,557)**	(2,946)	(3,288)
Loss before taxation		**(2,204)**	(1,424)	(1,167)
Taxation	28	**561**	370	472
LOSS FOR THE PERIOD		**(1,643)**	(1,054)	(695)
Other comprehensive income after tax:				
Loss on cash flow hedges		**(177)**	(60)	(1,113)
Exchange difference on translating foreign operations		**(15)**	(48)	(3)
Other			(1)	(5)
Other comprehensive income for the period after tax		**(192)**	(109)	(1,121)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(1,835)**	(1,163)	(1,816)
Loss attributable to:				
Owners of the parent		**(1,643)**	(1,054)	(694)
Non-controlling interest		**—**	—	(1)
Total comprehensive income attributable to:				
Owner of the parent		**(1,835)**	(1,163)	(1,815)
Non-controlling interest		**—**	—	(1)

Group Statement of Changes in Equity

	Share capital	Share premium	Foreign currency translation reserve	Cash flow hedging reserve	Revaluation surplus	Retained loss	Total attributable to owners of the parent	Non-controlling interest	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Balance at 29 March 2008	—	2,143	31	782	23	(1,590)	1,389	1	1,390
Loss for the period						(694)	(694)		(694)
Other comprehensive income for the period			(3)	(1,113)		(5)	(1,121)	(1)	(1,122)
Balance at 28 March 2009	—	2,143	28	(331)	23	(2,289)	(426)	—	(426)
Loss for the period						(1,054)	(1,054)		(1,054)
Other comprehensive income for the period			(48)	(60)		(1)	(109)	—	(109)
Transfer to retained earnings					(20)	20			
Preference share capital issued	—	180					180		180
Ordinary share capital repurchased	—	(175)					(175)		(175)
Preference dividends						(5)	(5)		(5)
Balance at 3 April 2010	—	2,148	(20)	(391)	3	(3,329)	(1,589)	—	(1,589)
Loss for the period					—	(1,643)	(1,643)		(1,643)
Other comprehensive income for the period			(15)	(177)			(192)		(192)
Balance at 2 April 2011	**—**	**2,148**	**(35)**	**(568)**	**3**	**(4,972)**	**(3,424)**	**—**	**(3,424)**
Note	12.6	12.6	13	13	13	14			

Group Disclosure of Tax Effects on Other Comprehensive Income

	2011 52 weeks to 2 April	2010 53 weeks to 3 April	2009 52 weeks to 28 March
	Rm	Rm	Rm
Disclosure of tax effects relating to each component of other comprehensive income:			
Before tax amount			
Cash flow hedges	**(246)**	(83)	(1,546)
Exchange differences on translating foreign operations	**(15)**	(48)	(3)
Other		(1)	(5)
Other comprehensive income for the period before tax	**(261)**	(132)	(1,554)
Tax income			
Cash flow hedges	**69**	23	433
Tax income	**69**	23	433
After tax amount			
Cash flow hedges	**(177)**	(60)	(1,113)
Exchange differences on translating foreign operations	**(15)**	(48)	(3)
Other		(1)	(5)
Other comprehensive income for the period after tax	**(192)**	(109)	(1,121)

Group Statement of Cash Flows

	Note	2011 52 weeks to 2 April	2010 53 weeks to 3 April	2009 52 weeks to 28 March
		Rm	Rm	Rm
Cash retained from operating activities				
Loss before taxation		**(2,204)**	(1,424)	(1,167)
Interest received		**(60)**	(31)	(33)
Financing costs		**2,557**	2,946	3,288
Impairment of intangibles	4		137	697
Derivative loss	7.6	**2,343**	5,081	1,184
Foreign exchange gain on notes issued	17.6	**(230)**	(4,622)	(134)
Gain on buy-back of senior floating rate notes				(1,350)
Amortisation	24.1	**418**	418	418
Depreciation	24.3	**798**	807	681
Other non-cash items	29.1	**—**	40	131
Operating cash inflow before changes in working capital		**3,622**	3,352	3,715
Working capital movement	29.2	**(69)**	952	(1,553)
Cash generated from operating activities		**3,553**	4,304	2,162
Interest received		**60**	31	15
Financing costs paid		**(2,191)**	(2,190)	(2,280)
Taxation paid	29.3	**(97)**	(368)	(235)
Net cash retained/(utilised)		**1,325**	1,777	(338)
Cash utilised in investment activities				
Investment to maintain operations	29.4	**(349)**	(264)	(419)
Investment to expand operations	29.5	**(25)**	(89)	(149)
Net cash invested		**(374)**	(353)	(568)
Cash effects of financing activities				
Increase/(decrease) in long-term debt	29.6	**5,601**		(25)
(Settlement of)/proceeds from derivatives		**(5,001)**		1,793
Buy-back of senior floating rate notes	29.7			(1,768)
Proceeds from receivables-backed notes issued	29.8	**—**	4,300	
(Decrease)/increase in short-term debt	29.9	**(350)**	(4,950)	793
Net cash inflow/(outflow) from financing activities		**250**	(650)	793
Increase/(decrease) in cash and cash equivalents	29.10	**1,201**	774	(113)
Cash and cash equivalents at the beginning of the period		**1,125**	379	492
Currency adjustments		**(11)**	(28)	—
Cash and cash equivalents at the end of the period		**2,315**	1,125	379

Notes to the Group Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

1.1. Basis of preparation

Edcon Holdings (Proprietary) Limited is a limited liability company which is incorporated and domiciled in South Africa.

The Edcon Holdings (Proprietary) Limited's Group Financial Statements (Financial Statements) are presented in Rands and all values are rounded to the nearest Rand million except when otherwise indicated.

In preparing these Financial Statements, the same accounting principles and methods of computation are applied as in the Group Financial Statements of Edcon Holdings (Proprietary) Limited on 3 April 2010 and for the period then ended.

The Financial Statements are prepared in accordance with the historical cost basis except for land and buildings and certain financial instruments that have been measured at fair value.

The 2011 and 2009 financial period consisted of 52 weeks respectively while the 2010 financial period consisted of 53 weeks.

1.2. Comparability

1.2.1. Standards and interpretations issued

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS interpretations effective as of 4 April 2010.

- IFRS 3, Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39, Financial Instruments : Recognition and measurement—Eligible Hedged Items effective 1 July 2009
- IFRIC 17, Distribution of Non-cash Assets to Owners
- Improvements to IFRS's (April 2009)

The adoption of the standards or interpretations is described below:

IFRS 3, Business Combinations (Revised) and IAS 27, Consolidated and Separate Financial Statements (Amended)

IFRS 3 introduces significant changes in the accounting for business combinations. Changes effect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 requires that a change in ownership interest of subsidiary (without loss of control) to be accounted for as transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss.

The change in accounting policy was applied prospectively and had no material impact on the Group.

IAS 39, Financial Instruments : Recognition and Measurement—Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position nor performance of the Group

Other Standards and Interpretations adopted

The Group has adopted the following new and amended accounting standards and interpretations which have not had a material effect on the financial position, total comprehensive income or cash flows of the Group:

- IFRS 2, Share-based Payments
- IAS 32, Classification of Right Issues
- IFRIC 18, Transfers of Assets from Customers

IMPROVEMENTS TO IFRS's

In April 2009, the IASB issued an omnibus of amendments to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendments did not have any impact on the financial position nor financial performance of the Group.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRS's only apply if specifically required for such non-current assets or discontinued operations. The amendment is applied prospectively and has no impact on the financial position nor financial performance of the Group in the current year.
- IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 2.
- IAS 7 Statement of Cash Flows: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. The amendment is applied prospectively and has no impact on the Group in the current year.
- IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRS to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2, Share-based Payments
- IAS 1, Presentation of Financial Statements
- IAS 17, Leases
- IAS 38, Intangible Assets
- IAS 39, Financial Instrument : Recognition Measurement
- IFRIC 9, Reassessment of Embedded Derivatives
- IFRIC 16, Hedge of Net Investment in a Foreign Operation

The Group Financial Statements conform to International Financial Reporting Standards. The Financial Statements incorporate the following accounting policies:

1.3. Basis of consolidation

Basis of Consolidation from 4 April 2010

The Group Financial Statements comprise the financial statements of the parent company (Edcon Holdings (Proprietary) Limited), its subsidiaries, the Staff Empowerment Trust, OntheCards Investments Limited ("OtC I"), OntheCards Investment Limited II (Proprietary) Limited ("OtC II") (securitisation programme) and jointly controlled entities, presented as a single economic entity and, consolidated at the same reporting date of the parent company. The Group Financial Statements are prepared using uniform accounting policies for like transactions and events. All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries, which are directly or indirectly controlled by the Group, are included in the Group Financial Statements as from the date of acquisition, where control is transferred to the Group, and cease to be consolidated from the date on which control no longer exists.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the group losses control over a subsidiary, it:

- Derecognises the asset (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus of deficit in profit and loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate.

Basis of Consolidation prior to 4 April 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition on non-controlling interest, prior to 4 April 2010, was accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Loss prior to 4 April 2010 was not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained as its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 4 April 2010 have not been restated.

1.4. Use of estimates and judgments and assumptions made in the preparation of the Financial Statements

In preparing the Financial Statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgment are inherent in the formation of estimates.

Significant estimates and judgments made relate to credit risk valuation adjustments in determining the fair value of derivative instruments to reflect non-performance risk (refer to note 1.9.1), a provision for impairment of receivables (refer to note 1.9.2), allowances for slow-moving inventory (refer to note 1.10), residual values, useful lives and depreciation methods for property, plant and equipment (refer to note 1.12), pension fund and employee obligations (refer to note 1.19, 26.2.1 and 26.2.2), and intangible asset impairment tests (refer to note 5). Other judgments made relate to classifying financial assets and liabilities into categories.

1.5. Foreign currency transactions

The presentation currency of the Group Financial Statements is the South African Rand. Transactions in foreign currencies are initially recorded in the presentation currency at the rate ruling at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the presentation currency, at exchange rates ruling at the reporting date. Exchange differences arising on the settlement of foreign currency balances, at rates different from those at the date of the transaction, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in profit or loss.

1.6. Foreign currency translations

The functional currencies of the foreign subsidiaries are as follows:

- Pula—(Jet Supermarkets Botswana (Pty) Limited).
- Maloti—(Edgars Stores Lesotho (Pty) Limited and Easy Rider Clothing (Pty) Limited).
- Namibian Dollar—(Edgars Stores (Namibia) Limited).
- Lilangeni—(Edgars Stores Swaziland Limited, Central News Agency (Swaziland) (Pty) Limited).
- British Pound—(Bellfield Limited).

The Maloti, Namibian Dollar and the Lilangeni are pegged at one to one to the South African Rand.

As at the reporting date, the assets and liabilities of these foreign subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their statements of comprehensive income are translated at the weighted average exchange rates for the period. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

1.7. Business Combinations and Goodwill

Business combinations from 4 April 2010

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.

Business combinations prior to 4 April 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets. Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

1.8 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. Currently 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 reporting date. Intangible assets with a finite life are assessed for indicators of impairment at least at each reporting date. 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 intangibles 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.

The Group's intangible assets and their associated useful lives are as follows:

	Estimated useful life
Edgars brand	Indefinite
Jet brand	Indefinite
CNA brand	Indefinite
Boardmans brand	Indefinite
Red Square brand	10 years
Legit brand	10 years
Discom brand	10 years
Customer relationships	5 – 10 years
Trademarks	5 – 15 years
Customer lists	5 – 10 years
Technology	7 years

Intangible assets are derecognised on disposal or when no future economic benefits are expected through use of the intangible asset. 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. Expenditure on internally developed and maintained intangible assets are expensed. Expenditure incurred to maintain brand names is charged in full to profit or loss as incurred.

1.9 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 a party to contractual arrangements. The subsequent measurement of financial instruments is dealt with in subsequent notes. 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's financial assets include, trade and other receivables and cash and cash equivalents which are classified as either loans and receivables, or as derivatives at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge as appropriate. The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments and are classified as either loans and borrowings and derivatives at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge, as appropriate.

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.

1.9.1 Derivative Financial instruments

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 interest rates 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 measurement. 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 the derivative depends upon the contractual terms of, and specific risks inherent in the instrument as well as the availability 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 for the Group's own credit spread are based on estimated fair market spreads for entities with similar credit ratings as the Group. 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 not 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 forecasted 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 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 forecasted 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.

1.9.2 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 the Group 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 the Group'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. The Group 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.

1.9.3 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost and comprise cash on hand and demand deposits together with any highly liquid investments readily convertible to known amounts of cash.

1.9.4 Impairment of financial assets

At each reporting date an assessment of financial assets other than trade receivables (refer note 1.9.3) is made of whether there is any objective evidence of impairment of these financial assets. If there is evidence of defaults and current market conditions indicate that an impairment loss on these financial assets has been incurred, the impairment loss is measured as the difference between the assets' carrying amounts and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rates. The loss is recognised in profit or loss.

1.9.5 Financial liabilities

Financial liabilities, other than derivatives, are subsequently measured at their original debt value, less principal payments and amortisation. Discounts arising from the difference between the net proceeds of debt instruments issued and the amounts repayable at maturity, are charged to net financing costs over the life of the instruments using the effective interest rate method.

1.9.6 Derecognition of financial instruments

Financial assets are derecognised where the Group transfers the rights to receive cash flows associated with the financial asset. Derecognition normally occurs when the financial asset is sold or all the cash flows associated with the financial asset are passed to an independent third party. Where the contractual rights to receive the cash flows of certain receivables are retained but a contractual obligation is assumed to pay those cash flows to a third party, those receivables are derecognised provided;

- there is no obligation to pay amounts to the third party, unless equivalent amounts are collected from the original receivable.
- The Group is prohibited from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows and,
- the Group has an obligation to remit any cash flows it collects on behalf of the third party without material delay and is not entitled to reinvest such cash flows except for investments in cash and cash equivalents during the short settlement period, from the collection date to the date of required remittance to the third party and the interest earned on such investments, is passed on to the third party.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

1.10 Inventories

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 deemed to be readily disposable.

1.11 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 the Group as lessee. The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Assets subject to finance leases are capitalised at the lower of the fair value of the asset, and the present value of the minimum lease payments, with the related lease obligation recognised at the same value. Capitalised leased assets are depreciated over the shorter of the lease term and the estimated useful life if the Group 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.

1.12 Properties, fixtures, equipment and vehicles

1.12.1 Properties

Properties comprise of buildings held by the Group for use by employees. Properties are initially measured at cost and subsequently revalued by recognised professional valuers, to net realisable open-market value using the alternative or existing-use basis as appropriate, ensuring carrying amounts do not differ materially from those which would be determined using fair value at the reporting date. On revaluation, the cost, as well as the accumulated depreciation, is restated proportionately. Any revaluation surplus is credited to other comprehensive income, net of deferred taxes, and included in shareholders' equity in the statement of financial position. Any revaluation deficit directly offsetting a previous surplus is directly offset against that surplus in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular property being sold is transferred to retained earnings.

Depreciation is provided on buildings over 50 years on a straight-line basis.

1.12.2 Lease premiums and leasehold improvements

Expenditure relating to leased premises is capitalised as appropriate and depreciated to expected residual value over the remaining period of the lease on a straight-line basis.

Leasehold improvements for leasehold land and buildings are depreciated over the lease periods which range from 5 to 10 years, or such shorter periods as may be appropriate.

1.12.3 Fixtures, equipment and vehicles

Fixtures, equipment and vehicles are carried at cost less accumulated depreciation and impairment loss, and are depreciated on a straight-line basis to their expected residual values over the estimated useful lives as follows:

Fixtures and fittings	8 years
Computer equipment	5 years
Computer software	3 years
Machinery	10 years
Vehicles	5 years

1.12.4 Impairment of property, fixtures, equipment and vehicles

Property, fixtures, equipment and vehicles are reviewed at each reporting date for impairment or whenever events or changes in circumstances indicate that the carrying value may not be recoverable, to determine whether there is any indication of impairment. The impairment recognised in the profit or loss (or other comprehensive income for revalued property) is the excess of the carrying value over the recoverable amount (the greater of fair value less cost to sell and value in use). Recoverable amounts are estimated for individual assets or, when an individual asset does not generate cash flows independently, the recoverable amount is determined for the larger cash-generating unit to which the asset belongs.

A previously recognised impairment will be reversed in so far as estimates change as a result of an event occurring after the impairment was recognised. This assessment is made at each reporting date. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in profit or loss.

1.12.5 Derecognition of properties, fixtures, equipment and vehicles

An item of property, fixtures, equipment and vehicles is derecognised on disposal or when no future economic benefits are expected through its continued use. Gains or losses which arise on derecognition, are included in profit or loss in the year of derecognition. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the property, fixtures, equipment or vehicles at the date of sale.

1.12.6 Asset lives and residual values

Buildings, fixtures, equipment and vehicles are depreciated over their useful life taking into account any residual values where appropriate. The estimated useful life of these assets and depreciation methods are assessed at each reporting date and could vary as a result of technological innovations and maintenance programmes. In addition, residual values are reviewed at each reporting date after considering future market conditions, the remaining life of the asset and projected disposal values. Changes in asset lives and residual values are accounted for on a prospective basis as a change in estimate.

1.13 Software costs

Packaged software and the direct costs associated with the development and installation thereof are capitalised as computer software and are an integral part of computer hardware. The total cost is capitalised and depreciated in accordance with note 1.12.3.

1.14 Non-current assets held for sale and discontinued operations

Non-current assets (or a disposal group) are classified as held for sale if the carrying amount will be recovered through a highly probable sale transaction, rather than through continuing use. The sale is considered to be highly probable where the assets (or a disposal group) are available for immediate sale, management is committed to the sale and the sale is expected to be completed within a period of one year from the date of classification. Assets classified as held for sale are measured at the lower of the asset's carrying amount and fair value less costs to sell.

Where the sale is more than one year into the future due to circumstances beyond the Group's control, the costs to sell are measured at the present value. Any increase in the present value of costs to sell are recognised in the Group statement of comprehensive income as a financing cost.

An impairment loss is recognised in profit or loss for any initial or subsequent write-down of the asset or disposal group to fair value less costs to sell. A gain, for any subsequent increase in fair value less costs to sell, is recognised in profit or loss to the extent that it does not exceed the cumulative impairment loss previously recognised.

Non-current assets classified as held for sale are not depreciated.

Where a component of the Group, being either a separate major line of business, a geographical area of operations or a subsidiary is acquired exclusively with a view to resell and management is committed to the sale and it is expected to be completed within a period of one year or has been sold, that component is classified as a discontinued operation.

1.15 Income taxes

Income tax payable on profits, based on the applicable tax laws, is recognised as an expense in the period in which profits arise. Current income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in profit or loss. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for temporary differences arising between the carrying amounts of assets and liabilities at the reporting date and their amounts as measured for tax purposes, irrespective of whether it will result in taxable amounts in future periods, unless the deferred tax liability arises from the initial recognition of goodwill. Deferred tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, which will result in deductible amounts in future periods, but only to the extent that it is probable that sufficient taxable profits will be available against which these deductible temporary differences, and carry forward of unused tax credits and unused tax losses can be utilised. Neither a deferred tax asset nor liability is recognised where it arises from a transaction, which is not a business combination, and, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled, based on enacted or substantively enacted rates at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity, and relate to the same tax authority, and when the legal right to offset exists. Where applicable, non-resident shareholders' taxation is provided in respect of foreign dividends receivable.

Secondary tax on companies (STC), is provided for at a rate of 10% on the amount by which dividends declared by the Group exceed dividends received. STC is charged to profit or loss at the applicable ruling rate and included in the taxation expense for the period.

1.16 Financing costs

Financing costs are recognised in profit or loss in the period in which they are incurred.

1.17 Joint ventures

The Group has an interest in a joint venture which is jointly controlled by the Group and one or more other venturer under a contractual arrangement. The Group's interest in jointly controlled entities is accounted for using the equity method. Under the equity method, the investment in joint ventures is carried in the Group statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint ventures. Goodwill relating to the joint ventures is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The Group statement of comprehensive income reflects the share of the results of operations of the joint ventures. Where the Group transacts with a jointly controlled entity, unrealised profits or losses are eliminated to the extent of the Group's interest in the joint venture. The reporting period for jointly controlled entities is the same as the Group's.

1.18 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.

1.19 Employee benefits—post retirement benefits

The Group operates a number of retirement benefit plans for its employees. These plans include both defined benefit and defined contribution provident funds and other retirement benefits such as medical aid benefit plans. Current contributions incurred with respect to the defined contribution provident funds, are charged against profit or loss when incurred.

The Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related current service cost and, where applicable, past service costs. The portion of actuarial gains and losses recognised in profit or loss is the excess over the greater of 10% of the present value of the defined benefit obligation at the end of the previous reporting period, before deducting plan assets, and 10% of the fair value of any plan assets at the same date, divided by the expected average remaining working lives of the employees participating in the fund. Improved benefits in defined benefit funds are only granted if they can be financed from the actuarial surplus. Contribution rates to defined benefit plans are adjusted for any unfavourable experience adjustments. Favorable experience adjustments are retained within the funds. Actuarial surpluses are only brought to account in the Group's Financial Statements when it is certain that economic benefits will be available to the Group.

1.20 Share capitalisation awards and cash dividends

The full cash equivalent of capitalisation share awards, and cash dividends paid by the Group are recorded and disclosed as dividends declared in the statement of changes in equity. Dividends declared subsequent to the period-end are not charged against shareholders' equity at the reporting date as no liability exists. Upon allotment of shares in terms of a capitalisation award, the election amounts are transferred to the share capital and share premium account; cash dividend election amounts are paid and the amount deducted from equity.

1.21 Treasury shares

Shares held by the Staff Empowerment Trust are classified in the Group's shareholders' equity as treasury shares. These shares are treated as a deduction from the issued number of shares, and the cost price of the shares is deducted from share capital and premium, in the Group statement of financial position. Any dividends received on treasury shares are eliminated on consolidation.

1.22 Future changes in accounting policies

The following standards, amendments to standards and interpretations have been issued but are not yet effective at the financial year end.

IFRS 7, Financial Instruments: Disclosures

This amendment was issued in October 2010 and becomes effective for financial periods on or after 1 July 2011. The amendments provide new disclosures for the derecognition of financial assets. They are expected to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position and will promote transparency in the reporting of transfer transactions, particularly those that involve securitisation of financial assets.

IFRS 9, Financial Instruments

This standard was issued in November 2009 and becomes effective for financial periods beginning on or after 1 January 2013. It sets out the requirements for recognising and measuring financial assets, including some hybrid contracts. It requires all financial assets to be classified on the basis of an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The standard requires all financial assets to initially be measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Financial assets are subsequently measured at amortised cost or fair value.

For fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the fair value option.

The Group is still evaluating the effect of adopting this standard and expects that adoption of this standard will materially impact the financial statements. However the necessary evaluation and the effects thereof will be completed before the effective date of adoption.

IAS 12, Deferred Tax: Recovery of Underlying Assets

This amendment was issued in December 2010 and becomes effective for financial periods on or after 1 January 2012 The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 *Investment Property*. Under IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. However, it is often difficult and subjective to determine the expected manner of recovery when the investment property is measured using the fair value model in IAS 40.

To provide a practical approach in such cases, the amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

SIC-21 Income Taxes—*Recovery of Revalued Non-Depreciable Assets* addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16—*Property, Plant and Equipment*. The amendments incorporate SIC-21 into IAS 12 after excluding investment property measured at fair value from the scope of the guidance previously contained in SIC-21.

IAS 24, Related Party Disclosures

The revised standard was issued in November 2009 and becomes effective for financial periods beginning on or after 1 January 2011. The revision simplifies the definition of a related party and clarifies its intended meaning and eliminates inconsistencies from the definition. The revision of IAS 24 further provides a partial exemption from the disclosure requirements for government-related entities.

The Group has evaluated the effect of this revised statement and has assessed it will not result in a material impact on the Group Financial Statements.

IFRIC 14, Prepayments of Minimum Funding Requirements

IFRIC 14 was amended in November 2009 and is effective for financial periods beginning on or after 1 January 2011. These amendments apply in limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset.

The Group has evaluated the effect of adopting these amendments which on adoption thereof, will not impact the Group Financial Statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

This interpretation was issued in November 2009, effective for financial periods beginning on or after 1 July 2010. This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address the accounting by the creditor.

Equity instruments issued are recognised at fair value initially. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished and the consideration paid, is recognised in profit or loss and, shall disclose the gain or loss recognised as a separate line item in profit or loss or in the notes.

The Group has evaluated the effect of adopting this interpretation and does not expect that adoption thereof, will impact the Group Financial Statements unless the Group enters into a debt for equity swap.

Improvements to IFRS's (annual Improvements May 2010)

The improvement to IFRS deals with the amendments to standards and interpretation listed below and become effective for financial periods beginning on or after 1 July 2010 or 1 January 2011:

- IFRS 3, Business Combinations
- IFRS 7, Financial Instruments: Disclosures
- IAS 1, Presentation of Financial Statements
- IAS 27, Consolidated and Separate Financial Statements
- IAS 34, Interim Financial Reporting
- IFRIC 13, Customer Loyalty Programmes

The Group is still evaluating the effect of all improvements but does not expect adoption thereof to have a material impact on the Group Financial Statements.

2. OPERATING SEGMENT REPORT

For management purposes, the Group is organised into business units based on their target markets and product offering, and the business is structured under six reportable operating segments. The operating segments are as follows:

Edgars division

The department store division is targeted at middle- to upper-income consumers. The speciality store chains included in this division are *Edgars, Boardmans, Red Square, Temptations, Prato* and *Edgars Active*. The products within this operating segment include mainly clothing, footwear, cosmetics, mobile phones, homewares and accessories.

CNA division

The CNA division is targeted at middle- to upper income consumers and its product offering includes stationery, books, magazines, greeting cards, mobile phones, music, toys, photographic and digital equipment.

Discount division

The discount division sells value merchandise targeted at lower- to middle-income consumers. The largest brand in discount division is Jet, with associated brands that include Jet Mart, Jet Shoes and Jet Home. The Legit and Discom chains are also part of the Discount division operating segment. The product offering within this operating segment includes mainly clothing, footwear, mobile phones, cosmetics, homewares and accessories.

Manufacturing division

Celrose, the manufacturing division, is an apparel manufacturer, focusing on mid to high-end garments of mostly woven construction. This operating segment, manufactures ladies and men's outerwear for the Edgars and Discount divisions.

Credit and Financial Services

Credit and Financial Services focuses on the management of the Group's trade debtors and offers consumer credit and insurance products.

This operating segment issues private label credit cards to qualifying customers who can use these credit cards in all the Group's chains. Credit and financial services performs all aspects of the credit management process in-house including credit scoring activation, servicing and collection and also provides credit management services to third parties. In addition, credit card holders are offered insurance products in partnership with insurance providers through joint venture agreements. The operating segment does not bear underwriting risk with respect to these insurance products.

Group Services

Group Services performs the Group's shared services functions which include, human resources, treasury, tax, finance, internal audit, property management, logistics, and secretarial. Additionally, the trade accounts payable function for the Group is managed centrally by Group Services and the accounting for trademarks and goodwill is accounted for centrally.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Operating segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Group Financial Statements.

Group financing (including all treasury functions such as finance costs and income and related borrowings) income taxes, trade accounts payable, trademarks and goodwill are managed on a group basis and are not allocated to operating segments.

	REVENUES			REVENUE-RETAIL SALES			SEGMENT RESULT-OPERATING PROFIT[3]		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Edgars Division	**12,014**	11,425	11,455	**11,772**	11,213	11,250	**2,540**	2,457	2,715
CNA Division	**1,891**	1,851	1,836	**1,891**	1,851	1,836	**128**	138	154
Discount Division	**9,244**	9,039	9,206	**9,053**	8,824	8,989	**974**	1,011	1,226
Manufacturing Division	**57**[1]	46[1]	45[1]				**(4)**	6	2
Credit and Financial Services	**2,350**	2,504	2,633				**1,111**[4]	713[4]	848[4]
Group Services[2]	**30**	11	20				**(4,456)**	(2,834)	(2,857)
Group	**25,586**	24,876	25,195	**22,716**	21,888	22,075	**293**	1,491	2,088
South Africa	**24,177**	23,533	23,915	**21,432**	20,688	20,946	**164**	1,123	1,687
Other[7]	**1,409**	1,343	1,280	**1,284**	1,200	1,129	**129**	368	401

	DEPRECIATION AND AMORTISATION			IMPAIRMENT OF INTANGIBLES[5]			CAPITAL EXPENDITURE[6]		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Edgars Division	**139**	126	124		17	73	**199**	156	126
CNA Division	**22**	21	17		71	111	**20**	24	43
Discount Division	**111**	110	106		49	513	**122**	114	168
Manufacturing Division	**2**	2	2				**1**	1	1
Credit and Financial Services	**7**	5	4				**2**	1	—
Group Services[2]	**935**	961	846				**130**	177	231
Group	**1,216**	1,225	1,099		137	697	**474**	473	569
South Africa	**1,205**	1,214	1,088		137	697	**454**	467	562
Other[7]	**11**	11	11				**20**	6	7

Notes

1 Represents manufacturing sales to third parties. In deriving the revenue, inter-group manufacturing sales of R143 million (53 week to 3 April 2010 R96 million, 52 weeks to 28 March 2009 R145 million) have been eliminated.

2 Incorporating corporate divisions and consolidation adjustments, including additional depreciation and amortisation which arose on formation of the Group.

3 The segmental result is stated after impairment of intangibles.

4 Includes equity accounted earnings of joint ventures of R487 million (53 weeks to 3 April 2010 R435 million, 52 weeks to 28 March 2009 R349 million).

5 Impairment of intangibles is accounted for by Group Services and included in Group Services operating profit but, the split of these impairments in relation to each operating segment has been disclosed here.

6 Excludes proceeds on disposal of properties, fixtures, equipment and vehicles (note 29.4)

7 Comprising Botswana, Lesotho, Swaziland and Namibia.

8 2011 and 2009 financial data is presented for 52 weeks and 2010 financial data is presented for 53 weeks.

The following is an analysis of the Group's revenue from continuing operations by reportable segment:

	Edgars	CNA	Discount Division	Manufacturing	Credit and Financial Services	Group Services	Total
52 weeks to 2 April 2011							
Retail sales	11,772	1,891	9,053				**22,716**
Club revenue	242		191				**433**
Manufacturing sales[1]				57			**57**
Finance charges on trade receivables					1,833		**1,833**
Equity accounted earnings of joint ventures					487		**487**
Interest received					30	30	**60**
Total revenue	**12,014**	**1,891**	**9,244**	**57**	**2,350**	**30**	**25,586**
53 weeks to 3 April 2010							
Retail sales	11,213	1,851	8,824				21,888
Club revenue	212		215				427
Manufacturing sales[1]				46			46
Finance charges on trade receivables					2,049		2,049
Equity accounted earnings of joint ventures					435		435
Interest received					20	11	31
Total revenue	11,425	1,851	9,039	46	2,504	11	24,876
52 weeks to 28 March 2009							
Retail sales	11,250	1,836	8,989				22,075
Club revenue	205		217				422
Manufacturing sales				45			45
Finance charges on trade receivables					2,271		2,271
Equity accounted earnings of joint ventures					349		349
Interest received					13	20	33
Total revenue	11,455	1,836	9,206	45	2,633	20	25,195

Note

1 Represents manufacturing sales to third parties. In deriving the revenue, inter-group manufacturing sales of R143 million (53 weeks to 3 April 2010 R96 million) and (52 weeks to 28 March 2009 R145 million) have been eliminated.

2.1 Information on products

The following is an analysis of the Group's retail sales from continuing operations by product line:

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
Clothing	**10,459**	10,197	9,974
Footwear	**3,117**	3,066	2,870
Cosmetics	**2,442**	2,370	2,448
Homeware	**1,547**	1,480	1,482
Cellular	**1,951**	1,531	1,968
Stationery, books, magazines etc.	**1,615**	1,627	1,596
Hardlines and FMCG	**1,585**	1,617	1,737
Total sales	**22,716**	21,888	22,075

2.2 Information about major customers

Revenues arise from direct sales to a broad base of public customers. The following is an analysis of the number of stores in the Group through which the Group's product offering is distributed:

	2011 2 April	2010 3 April	2009 28 March
Edgars division	**261**	263	267
CNA division	**202**	203	211
Discount division	**718**	762	755
Group	**1,181**	1,228	1,233

2.3 Reportable operating segment assets and liabilities

The following is an analysis of the operating segments assets and liabilities:

	TOTAL ASSETS[4]			TOTAL LIABILITIES		
	2011	2010	2009	2011	2010	2009
	Rm	Rm	Rm	Rm	Rm	Rm
Edgars Division	**2,213**	2,181	2,348	**386**	327	377
CNA Division	**387**	420	392	**57**	58	50
Discount Division	**1,795**	1,879	1,887	**215**	242	219
Manufacturing Division	**51**	46	53	**46**	6	18
Credit and Financial Services	**9,718**[1]	9,656[1]	9,619[1]	**4,464**	4,457	162
Group Services[2]	**21,165**	19,586	23,041	**33,585**	30,267	36,940
Group	**35,329**	33,768	37,340	**38,753**	35,357	37,766
South Africa	**34,603**	33,086	36,652	**38,710**	35,326	37,673
Other[3]	**726**	682	688	**43**	31	93

Notes

1 Includes investment in joint ventures of R6 million (2010 and 2009 : R0 million and R1 million).

2 Incorporating corporate divisions and consolidation adjustments, including additional depreciation and amortisation.

3 Compromising Botswana, Lesotho, Swaziland and Namibia.

4 Included in total assets are non-current assets of R20,270 million (2010 : R21,105 million and 2009 : R22,125 million) which are part of group services. 98% of non-current assets are domiciled in South Africa.

3. PROPERTIES, FIXTURES, EQUIPMENT AND VEHICLES

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
Historic cost except for revalued land and buildings			
Land and buildings			
Historic cost	**4**	40	131
Revaluation surplus	**—**	1	35
Leasehold improvements	**626**	564	495
Fixtures and fittings	**2,842**	2,656	2,438
Computer equipment and software	**1,246**	1,122	952
Machinery and vehicles	**170**	170	169
	4,888	4,553	4,220
Accumulated depreciation			
Buildings	**1**	3	8
Leasehold improvements	**345**	254	155
Fixtures and fittings	**1,405**	1,018	595
Computer equipment and software	**805**	547	290
Machinery and vehicles	**86**	68	44
	2,642	1,890	1,092
Net carrying value	**2,246**	2,663	3,128
Comprising:			
Land and buildings	**3**	38	158
Leasehold improvements	**281**	310	340
Fixtures and fittings	**1,437**	1,638	1,843
Computer equipment and software	**441**	575	662
Machinery and vehicles	**84**	102	125
	2,246	2,663	3,128
Opening net carrying value	**2,663**	3,128	3,263
Movements for the period			
Land and buildings—revaluation, cost less accumulated depreciation	**—**	—	—
Capital expenditure			
Leasehold improvements	**81**	68	65
Fixtures and fittings	**261**	230	233
Computer equipment and software	**127**	174	265
Machinery and vehicles	**5**	1	3
	474	473	566
Other			
Currency adjustments	**(1)**	(4)	(1)
Reclassification of assets			—
Buildings			33
Leasehold improvements			(36)
Fixtures and fittings			(57)
Computer equipment and software			50
Machinery and vehicles			10
	473	469	565
Disposals (net book value)			
Land and buildings	**35**	113	—
Leasehold improvements	**12**	3	4
Fixtures and fittings	**44**	11	10
Computer equipment and software	**1**		5
Machinery and vehicles	**—**		
	92	127	19
Depreciation (note 24.3)	**798**	807	681
Closing net carrying value	**2,246**	2,663	3,128

The reclassifications arose as a result of finalising the take-on of the fixed assets fair value adjustment in the fixed asset register by asset as a result of the private equity acquisition.

Land and buildings were revalued at 31 March 2011 to open market value based on the open market net rentals and current replacement cost of each property. Deferred taxation has been raised on the revaluation surplus. The independent valuations were carried out by professional valuers. No other categories of assets were revalued.

A register of the Group's land and buildings is available for inspection at the company's registered office.

If the land and buildings were measured using the cost model the cost would have been R4 million (2010 and 2009 : R40 million and R156 million) and the accumulated depreciation R1 million (2010 and 2009 : R3 million and R8 million).

These assets are security in terms of the floating rate notes (note 17), fixed rate notes (note 17), the super senior secured term loan (note 17) and the revolving credit facility (note 18).

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
4. INTANGIBLE ASSETS			
Goodwill represents the excess of the purchase consideration over the fair value of the identifiable assets at the date of acquisition purchased as part of a business combination. Other intangible assets represent registered rights to the exclusive use of certain trademarks and brand names.			
Balance at the beginning of the period	**18,442**	18,997	20,112
Amortisation of intangible assets:			
Charge for the period (note 24.1)	**(418)**	(418)	(418)
Impairment of goodwill		(71)	(12)
Impairment of indefinite life brands		(66)	(685)
Balance at the end of the period	**18,024**	18,442	18,997
Comprising:			
Goodwill at cost	**8,513**	8,513	8,513
Intangible assets at cost	**11,979**	11,979	11,979
Impairment of intangibles	**(834)**	(834)	(697)
Accumulated amortisation of intangible assets	**(1,634)**	(1,216)	(798)
	18,024	18,442	18,997
Intangible assets (excluding goodwill)			
Intangible assets at cost:			
Indefinite life brands	**8,492**	8,492	8,492
Finite life brands	**229**	229	229
Customer relationships	**1,974**	1,974	1,974
Trademarks recognised	**206**	206	206
Customer lists	**561**	561	561
Technology	**517**	517	517
	11,979	11,979	11,979
Impairment of intangibles:			
Indefinite life brands	**(751)**	(751)	(685)
	(751)	(751)	(685)

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
Accumulated amortisation of intangible assets:			
Finite life brands	**(87)**	(64)	(41)
Customer relationships	**(885)**	(659)	(433)
Trademarks recognised	**(80)**	(60)	(40)
Customer lists	**(292)**	(217)	(142)
Technology	**(290)**	(216)	(142)
	(1,634)	(1,216)	(798)
Carrying value of intangible assets:			
Indefinite life brands	**7,741**	7,741	7,807
Finite life brands	**142**	165	188
Customer relationships	**1,089**	1,315	1,541
Trademarks recognised	**126**	146	166
Customer lists	**269**	344	419
Technology	**227**	301	375
	9,594	10,012	10,496

Indefinite life brands principally comprise those brands for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

The Edgars, Jet, CNA and Boardmans brands are considered to have an indefinite life as each has been in existence for a significant period and the strength and durability of these brands and the level of marketing support.

Goodwill and indefinite life brands are tested annually for impairment (refer to note 5).

5. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated to individual cash-generating units for impairment testing as follows:

- Edgars—includes Edgars, Red Square, Temptations, Prato, Boardmans and Edgars Active, offering clothing, footwear and homeware products.
- CNA—offers stationery and electronic products.
- Discount Division—includes Jet, JetMart, Discom, Legit and Jet Shoes chains offering clothing, footwear, beauty and homeware products.
- Credit and Financial Services.

Impairment testing of this goodwill and intangibles with indefinite lives was undertaken on the following basis:

The recoverable amount of cash-generating units has been determined based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering no more than a five-year period. The discount rate applied to the cash flow projections for Edgars, CNA and the Discount Division is 15% (2010 and 2009: 15%) and for the Credit and Financial Services division, 17% (2010 and 2009: 17%). The average growth rates used to extrapolate the cash flow projection of each cash-generating unit beyond the periods covered by the financial forecasts is 6% (2010 and 2009: 6%) as future benefits are expected beyond the periods of the financial forecasts.

Carrying amount of goodwill and intangibles with indefinite lives (Rm)	Edgars	CNA	Discount Division	Credit and Financial Services	Total
Carrying amount of goodwill	**1,753**		**3,008**	**3,669**	**8,430**
Carrying amount of indefinite life intangibles	**4,535**	**546**	**2,660**		**7,741**

No impairment was recognised in the current period. During the 2010 and 2009 financial periods total impairments of R66 million and R685 million (2010 and 2009 respectively) was recognised on the indefinite life brands due to economic trading conditions and a change in the mix of products sold by CNA and the Discount Division stores. As a result, forecast sales assumptions were based on estimated growths over the short-term, and the growth rates beyond the forecasted period were held constant at 6%.

The initial goodwill allocated to CNA of R83 million was fully impaired at 3 April 2010 (R71 million in 2010 and R12 million in 2009).

Key assumptions applied in value-in-use calculation of the cash generating units

The calculation of value-in-use is most sensitive to the following assumptions:

- Gross margin
- Discount rates
- Market share
- Growth rates used to extrapolate cash flows beyond the financial forecast period.

Gross margins are based on financial forecasts for the Edgars, CNA and the Discount Division.

Discount rates reflect management's estimate of the risks specific to each unit.

Market share assumptions (based on external market information) are important as management considers how the unit's position relative to its competitors might change over the forecast period. Management expects the market share of Edgars, CNA and the Discount Division to be reasonably stable over the forecast period.

Growth rate estimates are conservatively applied to each unit having considered industry expected growth rates and internal targets. The Group is not expected to exceed the long-term average growth rates of the industry.

A reasonable possible change in any of the key assumptions would not result in the carrying amount of any of the cash generating units exceeding their recoverable amount.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
6. EQUITY ACCOUNTED INVESTMENT IN JOINT VENTURES			
Hollard Insurance—50% holding offering long and short-term insurance products to account holders	**1**	—	1
Europe Assistance	**5**		
Total equity accounted in joint venture	**6**	—	1
6.1 Share of joint ventures' reserves			
Balance at the beginning of the period	**—**	1	11
Equity accounted earnings for the period	**487**	435	349
Paid as follows :			
Administration fee received	**(381)**	(267)	(129)
Dividends received	**(100)**	(169)	(230)
Carrying value of joint ventures	**6**	—	1
6.2 Share of joint ventures' net assets, revenue and profit			
Current assets	**6**	—	1
Revenue	**1,124**	1,049	990
Expenses	**582**	527	515
Profit after tax	**487**	435	349

	2011 2 April	2010 3 April	2009 28 March
	Rm	Rm	Rm
7. DERIVATIVE FINANCIAL INSTRUMENTS[1]			
7.1 Non-current derivative assets			
Interest rate swaps	**30**		
Foreign currency forward contracts			232
Foreign currency swaps			2,161
	30		2,393
7.2 Current derivative assets			
Foreign currency forward contracts			188
			188
7.3 Non-current derivative liabilities			
Interest rate swaps		91	503
Foreign currency forward contracts	**55**	76	68
Foreign currency swaps		2,926	431
Cross currency swaps	**253**		
	308	3,093	1,002
7.4 Current derivative liabilities			
Interest rate swaps	**111**	487	454
Foreign currency forward contracts	**146**	330	60
Cross currency swaps	**689**		
	946	817	514
7.5 Total derivatives			
Interest rate swap liability	**(81)**	(578)	(957)
Foreign currency forward contracts (liability)/asset	**(201)**	(406)	292
Foreign currency swaps (liability)/asset		(2,926)	1,730
Cross currency swaps liability	**(942)**		
	(1,224)	(3,910)	1,065
Credit risk valuation adjustments[1]			
Interest rate swaps	**(2)**	(79)	(240)
Foreign currency forward contracts	**(13)**	(23)	(18)
Foreign currency swaps		(561)	(168)
Cross currency swaps	**(154)**		
	(169)	(663)	(426)
Total derivatives before credit risk valuation adjustments			
Interest rate swap liability	**(83)**	(657)	(1,197)
Foreign currency forward contracts (liability)/asset	**(214)**	(429)	274
Foreign currency swaps (liability)/asset		(3,487)	1,562
Cross currency swaps liability	**(1,096)**		
	(1,393)	(4,573)	639

1 Credit risk valuation adjustments are included in the total fair value of derivatives above.

Refer to note 32.2 for details of hedging activities.

In June 2008 we realised R1,793 million from certain derivatives used to hedge interest rate and foreign exchange exposures associated with the senior floating rate notes.

On 1 March 2011, Edcon (Pty) Ltd, a subsidiary of Edcon Holdings (Pty) Ltd issued 9.5% Senior Secured Fixed Rate Notes due 2018, comprising of a €317 million tranche and a $250 million tranche. These funds were utilised to settle the derivative liability of R5,001 million on 2 March 2011.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
The interest rate risk relating to OTC II receivables have been hedged with a dynamic interest rate swap with Rand Merchant Bank a division FirstRand Bank Ltd. The fair value at financial period end of 2011 is a liability of R156 million (2010: asset R45 million). The interest rate swap balance is offset by the movement of finance charges on eligible receivables.			
7.6 Derivative losses			
Derivative losses recognised in profit or loss	**(2,343)**	(5,081)	(1,184)
	(2,343)	(5,081)	(1,184)
Movement in derivatives			
Ineffective portion of cash flow hedges released from other comprehensive income, recorded in derivative losses	**(82)**	(39)	2
Included in derivative losses, released from other comprehensive income			231
Included in financing costs released from other comprehensive income	**(443)**	6	265
Included in foreign exchange gain on notes issued, released from other comprehensive income (note 17.6)	**(304)**		
Net derivative losses released from other comprehensive income (note 13)	**(829)**	(33)	508
7.7 Maturity analysis of derivative financial instruments' cash flows			
Cash outflows			
Due within one year	**2,580**	2,282	2,205
Total due within one year	**2,580**	2,282	2,205
After one year but within two years	**2,472**	545	2,268
After two years but within three years	**12,536**	21,623	564
After three years but within four years	**1,810**		21,623
Total due after one year	**16,818**	22,168	24,455
Total	**19,398**	24,450	26,660
Cash inflows			
Due within one year	**1,443**	1,337	1,738
Total due within one year	**1,443**	1,337	1,738
After one year but within two years	**1,490**	350	1,831
After two years but within three years	**12,940**	17,500	475
After three years but within four years	**2,032**		23,617
Total due after one year	**16,462**	17,850	25,923
Total	**17,905**	19,187	27,661
Net cash (outflows)/inflows			
Due within one year	**(1,137)**	(945)	(467)
Total due within one year	**(1,137)**	(945)	(467)
After one year but within two years	**(982)**	(195)	(437)
After two years but within three years	**404**	(4,123)	(89)
After three years but within four years	**222**		1,994
Total due after one year	**(356)**	(4,318)	1,468
Total	**(1,493)**	(5,263)	1,001

The maturity analysis of derivative financial instruments' cash flows reflects the expected cash outflows and inflows of the Group using undiscounted cash flows, settlement terms and expected movements in floating rates.

	2011 2 April	2010 3 April	2009 28 March
	Rm	Rm	Rm
8. DEFERRED TAXATION			
Balance at the beginning of the period—asset/(liability)	**153**	(374)	(1,851)
Recognised in profit or loss (note 28.1)	**693**	515	1,193
Deferred tax in other comprehensive income—currency forwards (note 28.2)	**19**	121	279
Deferred tax in other comprehensive income—interest rate swaps and cross currency swaps (note 28.2)	**22**	(109)	
Other			5
Balance at the end of the period—asset/(liability)	**887**	153	(374)
Comprising:			
Appro sales	**13**	14	20
Intangible assets	**1,426**	1,543	1,669
Property, fixtures, equipment and vehicles	**209**	359	431
Prepayments	**4**	2	4
Revaluation reserve			3
Unearned finance income	**20**	19	
Fair value gain on interest rate swaps			2
Cash flow hedges in other comprehensive income			—
Deferred STC raised			10
Other	**26**	23	15
Deferred tax liability	**1,698**	1,960	2,154
Provision for impairment of receivables	**183**	282	244
Other payables	**138**	132	129
Leave pay accrual	**39**	38	34
Operating lease adjustment	**112**	113	112
Unearned finance income			19
Fair value loss on interest rate hedges	**232**	167	352
Assessed loss	**1,852**	1,373	890
Other	**29**	8	
Deferred tax asset	**2,585**	2,113	1,780
Net deferred tax asset/(liability)	**887**	153	(374)
9. INVENTORIES			
Merchandise	**2,605**	2,385	2,515
Raw materials	**13**	12	20
Work in progress	**8**	5	9
Total inventories on hand	**2,626**	2,402	2,544
Inventory write-downs included above	**153**	99	85
Cost of inventories expensed	**13,923**	13,361	13,325

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
10. TRADE, OTHER RECEIVABLES AND PREPAYMENTS			
Trade accounts receivable—retail	**9,586**	9,824	10,506
Trade accounts receivable—personal loans	**—**	1	1
Provision for impairment of receivables	**(733)**	(1,126)	(1,045)
Total trade receivables	**8,853**	8,699	9,462
Other receivables	**326**	271	224
Staff loans	**4**	5	9
Total receivables	**9,183**	8,975	9,695
Prepayments	**12**	8	15
Net trade, other receivables and prepayments	**9,195**	8,983	9,710

At 2 April 2011, all obligations under the OtC II receivables-backed notes issued (see note 17 and 18) are secured by pledge and cession of the eligible receivables that OtC II acquires from time to time. As at 2 April 2011 R6,146 million (2010 : R6,041 million) is designated as eligible receivables.

At 28 March 2009, all obligations under the borrowing base facility (see note 18) were secured by a first priority security interest over designated eligible receivables constituting the borrowing base for the borrowing base facility. As at 28 March 2009 R2,634 million was designated as eligible receivables. All obligations under the OtC I receivables backed facility (see note 18) were secured by a pledge and cession of the eligible receivables that OtC I acquired from time to time. As at 28 March 2009 R4,157 million was designated as eligible receivables. Subsequently the borrowing base facility and the OtC I receivables backed facility were fully settled, cancelled and replaced with the OtC II receivable-backed notes (see note 17 and 18).

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
10.1 Analysis of trade receivables past due but not impaired			
Overdue 30 days – 60 days	**1,011**	1,049	1,691
Overdue 60 days – 90 days	**134**	158	212
Overdue 90 days – 120 days	**71**	86	105
Greater than 120 days	**236**	265	260
	1,452	1,558	2,268
10.2 Trade receivables impaired	**733**	1,126	1,045
10.3 Interest on impaired receivables			
Interest recognised on impaired receivables	**254**	214	201
This interest is included in the finance charges in note 22.			
10.4 Provision for impairment of receivables			
Balance at the beginning of the period	**1,126**	1,045	827
(Decrease)/increase in impairment provision	**(393)**	81	218
Balance at the end of the period	**733**	1,126	1,045
Movements are disclosed in note 25.2			

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
11. CASH AND CASH EQUIVALENTS			
Cash on hand	**1,370**	1,071	233
Cash on deposit	**945**	54	146
	2,315	1,125	379
12. SHARE CAPITAL AND PREMIUM			
12.1 Authorised ordinary share capital			
1,000,000,000 "A" ordinary shares with a par value of 0.00001 cent each	**—**	—	—
100,000,000 "B" ordinary shares with a par value of 0.00001 cent each	**—**	—	—
1,000,000,000 "C" ordinary shares with a par value of 0.00001 cent each	**—**	—	—
1,000,000,000 "D" ordinary shares with a par value of 0.00001 cent each	**—**	—	—
1,000,000,000 "E" ordinary shares with a par value of 0.00001 cent each	**—**	—	—
	—	—	—
12.2 Authorised preference share capital			
1,000,000,000 "A" preference shares of R0.00001 each	**—**	—	—
1,000,000,000 "B" preference shares of R0.00001 each	**—**	—	
	—	—	—
12.3 Number of ordinary shares in issue			
Number of shares at the beginning of the period	**560,133**	610,438	610,438
"A" ordinary shares repurchased		(50,305)	
Number of shares at the end of the period	**560,133**	560,133	610,438
Number of ordinary shares in issue comprise:			
"A" ordinary shares issued	**500,133**	500,133	550,438
"B" ordinary shares issued	**69,213**	69,213	69,213
"C" ordinary shares issued	**20,000**	20,000	20,000
"D" ordinary shares issued	**20,000**	20,000	20,000
"E" ordinary shares issued	**20,000**	20,000	20,000
Treasury shares—Staff Empowerment Trust	**(69,213)**	(69,213)	(69,213)
	560,133	560,133	610,438
12.4 Number of preference share capital in issue			
Number of shares at the beginning of the period	**252,449**	200,866	200,866
"B" preference shares of R0.00001 each issued		51,583	
Number of shares at the end of the period	**252,449**	252,449	200,866
Number of preference shares in issue comprise:			
"A" preference shares of R0.00001 each	**200,866**	200,866	200,866
"B" preference shares of R0.00001 each	**51,583**	51,583	
	252,449	252,449	200,866

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm

12.5 Voting rights of ordinary and preference shares

Each "A" ordinary share of the Group shall entitle the holder thereof to 1,000 votes on all matters upon which shareholders have the right to vote.

Each "A" redeemable cumulative preference share of the Group shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company Edcon Holdings (Proprietary) Limited, save in the circumstances prescribed by the Companies Act.

The total "B" ordinary shareholder of the Group at any time shall, in aggregate, have the right to exercise such number of votes as is equal to 10.6% of the aggregate voting rights of the total "A" ordinary shares then in issue.

Each "B" redeemable cumulative preference share of the Group shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company Edcon Holdings (Proprietary) Limited, save in the circumstances prescribed by the Companies Act.

Each "C", "D" and "E" ordinary share shall entitle the holder thereof to one vote on all matters upon which shareholders have the right to vote.

12.6 Issued shares and premium

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
Balance at the beginning of the period	**2,148**	2,143	2,143
Preference shares issued—share capital		—	
Preference shares issued—share premium		180	
Ordinary shares repurchased—share capital		—	
Ordinary shares repurchased—share premium		(175)	
Balance at the end of the period	**2,148**	2,148	2,143
Comprising:			
Share capital	**—**	—	—
Share premium	**2,148**	2,148	2,143
Total	**2,148**	2,148	2,143

During the period ended 3 April 2010 the share capital structure changed through the repurchase of "A" ordinary shares and the issue of "B" preference shares.

13. OTHER RESERVES

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
Balance at the beginning of the period comprising:			
Revaluation reserve net of deferred taxation	**3**	23	23
Foreign currency translation reserve	**(20)**	28	31
Cash flow hedges net of tax	**(391)**	(331)	782
	(408)	(280)	836
Movements			
Net (decrease)/increase in revaluation reserve	**—**	(20)	—
Foreign currency translation reserve	**(15)**	(48)	(3)
Cash flow hedges recognised in other comprehensive income	**(1,075)**	(116)	(2,054)
Cash flow hedges reclassified to profit or loss (note 7.6)	**829**	33	508
Tax impact of cash flow hedges (note 28.2)	**69**	23	433
Balance at the end of the period	**(600)**	(408)	(280)
Comprising:			
Revaluation reserve net of deferred taxation	**3**	3	23
Foreign currency translation reserve	**(35)**	(20)	28
Cash flow hedges net of tax	**(568)**	(391)	(331)
	(600)	(408)	(280)

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
14. RETAINED (LOSS)/SURPLUS			
Comprising:			
Holding company—Edcon Holdings (Proprietary) Limited	**2,070**	2,062	2,039
Consolidated subsidiaries	**(7,042)**	(5,391)	(4,328)
	(4,972)	(3,329)	(2,289)

Distributions by certain foreign subsidiaries will give rise to withholding taxes of R70 million (2010 and 2009: R87 million and R68 million). No deferred tax is raised until dividends are declared as the Group controls the timing of the reversal and it is probable that there will be no reversal in the foreseeable future. Deferred tax not raised was R242 million (2010 and 2009: R206 million and R161 million).

15. CONSOLIDATED SUBSIDIARIES (Annexure 1: page F289

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
15.1 Aggregate profits/(losses) of subsidiaries and joint venture			
Profits	**419**	355	254
Losses	**(2,062)**	(1,437)	(3,415)
	(1,643)	(1,082)	(3,161)
16. SHAREHOLDER'S LOAN			
Loan by Edcon (BC) S.A.R.L.	**8,184**	7,341	6,492
Comprising:			
Principal at the beginning of the period	**6,597**	5,729	5,057
Interest capitalised during the period	**831**	868	672
Principal at the end of the period	**7,428**	6,597	5,729
Interest accrued at the beginning of the period	**744**	763	490
Interest accrued for the period (note 27.1)	**843**	849	945
Interest capitalised during the period	**(831)**	(868)	(672)
Interest accrued at the end of the period	**756**	744	763

The loan is denominated in South African Rands and accrues interest at the South African prime rate plus 2% p.a. on the principal up to and including the date of repayment. The principal is repayable in May 2037. This shareholder's loan is regarded as capital for IAS 1 purposes (refer to note 31).

The directors' having considered the going concern assumption have included the shareholder's loan of R8,184 million in the assessment (refer to note 31, management of capital). To the extent required to maintain the solvency of the Group, the Shareholder's loan has been subordinated to the claims of all of the creditors of the Group.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
17. NON-CURRENT INTEREST BEARING DEBT			
Senior secured floating rate notes (note 17.1)	**11,094**	11,397	14,867
Senior floating rate notes (note 17.2)	**3,527**	3,623	4,733
Senior secured fixed rate notes (note 17.3)	**4,534**		
Senior notes	**19,155**	15,020	19,600
OtC II receivables-backed notes (note 17.4)	**4,300**	3,855	
Super senior secured term loan (note 17.5)	**985**		
	24,440	18,875	19,600
17.1 SENIOR SECURED FLOATING RATE NOTES			
Notes issued	**11,259**	11,259	11,259
Foreign currency	**(9)**	331	3,832
Fees capitalised	**(156)**	(193)	(224)
	11,094	11,397	14,867
Balance at the beginning of the period	**11,397**	14,867	14,870
Foreign currency movement	**(340)**	(3,501)	(31)
Fees amortised	**37**	31	28
Balance at end of period	**11,094**	11,397	14,867

The senior secured floating notes of €1,180 million are issued by Edcon (Proprietary) Limited and guaranteed on a senior secured basis and are secured, along with the revolving credit facility, the super senior secured term loan and the senior secured fixed rate notes, by security interests over substantially all the assets of Edcon Holdings (Proprietary) Limited and its subsidiaries. Interest is payable quarterly in arrears at a rate of three month EURIBOR, reset quarterly, plus 3.25%. The notes mature on 15 June 2014. There have been no defaults or breaches of the principal or interest during the period. The market value of the senior secured floating rate notes at 2 April 2011 was R9,618 million (2010 and 2009: R8,750 million and R5,885 million respectively).

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
17.2 SENIOR FLOATING RATE NOTES			
Notes issued	**3,606**	3,606	3,606
Foreign currency	**(2)**	106	1,227
Fees capitalised	**(77)**	(89)	(100)
	3,527	3,623	4,733
Balance at the beginning of the period	**3,623**	4,733	7,891
Foreign currency movement	**(108)**	(1,121)	(836)
Repurchased			(2,404)
Fees amortised	**12**	11	82
Balance at end of period	**3,527**	3,623	4,733

On 27 June 2008, the Group completed a notes repurchase of the senior floating rate notes with a nominal value of €252 million for €139 million being 55% of the face value.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm

The senior floating notes of €378 million are issued by Edcon Holdings (Proprietary) Limited and guaranteed on a senior subordinated basis and secured by a third ranking pledge of the proceeds of the loan between Edcon Holdings (Proprietary) Limited and Edcon (Proprietary) Limited. Interest is payable quarterly in arrears at a rate of three month EURIBOR, reset quarterly, plus 5.5%. The notes mature on 15 June 2015. There have been no defaults or breaches of the principal or interest during the period. The market value of the senior floating rate notes at 2 April 2011 was R3,009 million (2010 and 2009: R2,450 million and R1,039 million respectively).

17.3 SENIOR SECURED FIXED RATE NOTES

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
Notes issued	4,781		
Foreign currency	(86)		
Fees capitalised	(161)		
	4,534		
Notes issued	4,781		
Foreign currency movement	(86)		
Fees capitalised	(165)		
Fees amortised	4		
Balance at end of period	4,534		

The senior secured fixed rate notes of €317 million and $250 million are issued by Edcon (Proprietary) Limited and guaranteed on a senior secured basis and are secured, along with the revolving credit facility, the super senior secured term loan and the senior secured floating rate notes, by security interests over substantially all the assets of Edcon Holdings (Proprietary) Limited. Interest is payable semi-annually in arrears at a rate of 9.5%. The notes mature March 2018. The market value of the senior secured fixed rate notes at 2 April 2011 was R2,886 million for the €317 million notes and R1,623 million for the $250 million notes. There have been no defaults or breaches of the principal or interest during the period.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
17.4 OTC II RECEIVABLES-BACKED NOTES			
Notes issued	**4,300**	4,300	
Current		(445)	
Non current	**4,300**	3,855	

During the 2010 financial period, both the borrowing base facility and the OtC I receivables backed facility were fully settled and the facilities cancelled. As part of the refinancing transaction R4,300 million was raised through the issuance of receivables-backed notes, some of which are listed on the Bond Exchange of South Africa. During the 2011 financial period, R955 million of the unlisted notes and R445 million of the listed notes were refinanced with the issuing of R1,400 million notes listed on the Bond Exchange of South Africa. Interest is payable quarterly in arrears. The applicable interest rate and margin, maturity date and fair value is detailed below:

OtC II receivables-backed notes	Amount and Fair Value 2 April 2011 Rm	Maturity Date	Applicable Interest	Margin %
Non current				
Listed	**555**	31 Jul 2012	3m Jibar	2.5
Unlisted	**1,545**	31 Oct 2012	3m Jibar	2.5
Unlisted	**50**	31 Oct 2012	3m Jibar	4.5
Listed	**427**	30 Apr 2013	3m Jibar	2.3
Listed	**968**	30 Apr 2013	3m Jibar	2.2
Listed	**323**	30 Apr 2014	3m Jibar	2.5
Listed	**182**	30 Apr 2014	3m Jibar	2.3
Listed	**250**	30 Apr 2017	Fixed 10.09%	
Total receivables-backed notes	**4,300**			

OtC II receivables-backed notes	Amount and Fair Value at 3 April 2010 Rm	Maturity Date	Applicable interest	Margin %
Current				
Listed	275	Jul 2010	3m Jibar	1.9
Listed	170	Jul 2010	Fixed 9.1%	
Total current	445			
Non Current				
Listed	555	Jul 2012	3m Jibar	2.5
Listed	427	Apr 2013	3m Jibar	2.3
Listed	323	Apr 2014	3m Jibar	2.5
Unlisted	2,500	Oct 2012	3m Jibar	2.5
Unlisted	50	Oct 2012	3m Jibar	4.5
Total non-current	3,855			
Total receivables-backed notes	4,300			

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
17.5 SUPER SENIOR SECURED TERM LOAN			
Loan raised	**985**		

During the 2011 financial period a loan of R985 million was raised by Edcon (Proprietary) Limited and guaranteed on a super senior secured basis, and are secured along with the revolving credit facility, the senior secured floating rate notes and the senior secured fixed rate notes by security interests over the assets of Edcon Holdings (Proprietary) Limited and its subsidiaries. Interest is payable quarterly in arrears at a rate of three-month JIBAR, plus 4.0%. The loan matures on 31 March 2014. There have been no defaults or breaches of the principal or interest during the period.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
17.6 FOREIGN EXCHANGE GAINS & FEES AMORTISED			
Foreign exchange gain	**534**	4,622	134
Released from other comprehensive income (note 7.6)	**(304)**		
Foreign exchange gain	**230**	4,622	134
Fees amortised recognised in financing costs (note 27.1)	**53**	42	110
18. CURRENT INTEREST BEARING DEBT			
Revolving credit facility		350	1,825
OtC II receivables-backed notes (note 17.4)		445	
Borrowing base facility			816
OtC I receivables backed facility			2,599
OtC I liquidity facility			60
		795	5,300

The revolving credit facility provides senior secured financing of up to R3,117 million (2010 and 2009: R3,500 million) for general corporate and working capital purposes. All obligations under the facility are secured by substantially all the assets of Edcon Holdings (Proprietary) Limited and its subsidiaries. The revolving credit facility accrues interest at applicable JIBAR plus a margin of 2.5% (2010 and 2009: 2.5%) for Tranche A and 4% for Tranche B, payable monthly in arrears. The facility includes R2,100 million (2010 and 2009: R2,250 million) borrowing capacity available for bank guarantees, letters of credit, forward exchange contracts and for borrowings under bilateral ancillary facilities. These ancillary facilities accrue interest at ruling over-night market related lending rates.

The borrowing base facility provided secured financing of up to R3,900 million in 2009. All obligations under that facility were secured by a first priority security interest over designated eligible receivables (see note 10) constituting the borrowing base for the facility. The facility accrued interest at applicable JIBAR plus a margin of 2.6% in 2009 that was payable monthly in arrears. The facility was settled and subsequently cancelled during the 2010 financial period (note 17.4).

The OtC I receivables backed facility provided secured financing of up to R2,600 million in 2009. All obligations under the facility were secured by a pledge and a cession of the eligible receivables that OtC I acquired from time to time (see note 10). The facility accrued interest at applicable JIBAR plus a margin of 2.6% in 2009 that was payable monthly in arrears. The facility was settled and subsequently cancelled during the 2010 financial period (note 17.4).

The OtC I liquidity facility with FirstRand Bank Limited, which had a limit of R200 million and was cancelled in November 2009. The facility accrued interest at a rate equal to the SAFEX call rate from time to time plus 1.45% calculated from the date of any particular drawdown was made up to and including to the date immediately prior to the date on which the drawdown was repaid and capitalised monthly in arrears.

An OtC II liquidity facility with FirstRand Bank Limited accrues interest at a rate equal to the SAFEX call rate from time to time plus 1.7%, calculated from the date of drawdown up to and including the date immediately prior to the date on which the drawdown is repaid, and is capitalised monthly in arrears. The total liquidity facility granted is R145 million expiring on 30 April 2017.

The receivables purchase facility with First Rand Bank Limited accrues interest at a rate equal to the SAFEX call rate from time to time plus 1.7% calculated from the date of draw down up to and including the date immediately prior to the date on which the drawdown is repaid, and is capitalised monthly in arrears. The total receivables payable liquidity facility granted is R43 million expiring 30 April 2017.

There have been no defaults or breaches of principal interest or redemption terms during the current or prior periods.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
19. TRADE AND OTHER PAYABLES			
Trade accounts payable	**2,752**	2,577	2,150
Sundry accounts payable and accrued expenses	**1,040**	887	1,119
Lease equalisation	**9**	17	30
Leave pay accrual	**139**	137	126
Value added taxation payable	**83**	33	46
Interest accrued on senior floating rate notes	**12**	13	15
Interest accrued on senior secured fixed rate notes	**41**		
Interest accrued on senior secured floating rate notes	**25**	26	32
Commitment fee accrued	**8**	10	15
	4,109	3,700	3,533

The trade and sundry payables amounts are interest free and mature no later than 30 to 60 days. Other payables mature no later than one year.

20. FUTURE CAPITAL EXPENDITURE			
Contracted:			
Properties, fixtures, equipment and vehicles	**244**	138	214
Authorised by the directors but not yet contracted:			
Properties, fixtures, equipment and vehicles	**572**	319	258
	816	457	472

All the expenditure will be incurred during the next financial period and is to be financed from free cash flows.

21. LEASES

The Group leases the majority of its properties and computer equipment under operating leases whereas other operating assets are generally owned. The lease agreements of certain of the Group's store premises provide for a minimum annual rental payment and additional payments determined on the basis of turnover. Lease agreements have an option of renewal in terms of the lease agreement ranging between 5 to 10 years.

	2011 2 April	2010 3 April	2009 28 March
	Rm	Rm	Rm
The future minimum property operating lease commitments are due as follows:	**6,654**	6,260	5,667
Within one year	**1,323**	1,195	1,069
Between two and five years	**3,808**	3,607	3,218
In more than five years	**1,523**	1,458	1,380
The future revenue expected from sub-leases is estimated to be R24 million (2010 and 2009: R18 million and R17 million respectively).			
The Group also leases certain computer equipment. The agreements provide for minimum annual rental payments and additional payments depending on usage.			
The future minimum computer equipment operating lease commitments are due as follows:	**312**	249	412
Within one year	**139**	152	167
Between two and five years	**173**	97	245

	2011 52 weeks to 2 April	2010 53 weeks to 3 April	2009 52 weeks to 28 March
	Rm	Rm	Rm
22. REVENUES			
Retail sales	**22,716**	21,888	22,075
Club fees	**433**	427	422
Finance charges on trade receivables	**1,833**	2,049	2,271
Earnings from joint ventures	**487**	435	349
Interest received (note 27.2)	**60**	31	33
Manufacturing sales to third parties	**57**	46	45
	25,586	24,876	25,195
23. OTHER INCOME			
Club fees	**433**	427	422
Manufacturing sales to third parties	**57**	46	45
	490	473	467
24. OTHER OPERATING COSTS			
Trading profit is stated after taking account inter alia the following items:			
24.1 Amortisation of trademarks			
Charge for the year	**418**	418	418
24.2 Auditors' remuneration			
Audit fees—current year	**12**	11	10
Audit fees—prior year			1
Fees for consulting and other services	**8**	3	2
	20	14	13

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
24.3 Depreciation of properties, fixtures, equipment and vehicles			
Buildings	**1**	4	4
Leasehold improvements	**97**	99	96
Fixtures and fittings	**418**	423	389
Computer equipment and software	**259**	257	164
Machinery and vehicles	**23**	24	28
	798	807	681
24.4 Fees payable			
Managerial, technical, administrative and secretarial fees paid outside the Group	**158**	139	212
Outsourcing of IT function	**317**	298	354
	475	437	566
24.5 Operating lease expenses			
Properties:			
Minimum lease payments	**1,312**	1,193	1,061
Turnover clause payments	**13**	23	35
Operating lease adjustment	**(2)**	4	(23)
Sublease rental income	**(39)**	(18)	(17)
Equipment and vehicles	**204**	223	213
	1,488	1,425	1,269
24.6 Net gain/(loss) on disposal of properties, fixtures, equipment and vehicles	**8**	(23)	(18)
24.7 VAT expense			90

As a result of legislative interpretation in terms of Value Added Tax (VAT) the Group incurred a R90 million charge in the 2009 financial period which related to transactions incurred in prior periods.

25. CREDIT INCOME AND EXPENSE

	2011 Rm	2010 Rm	2009 Rm
25.1 Income from credit			
Finance charges on trade receivables	**1,833**	2,049	2,271
	1,833	2,049	2,271
25.2 Expenses from credit			
Impairment of receivables incurred	**(1,357)**	(1,419)	(1,226)
Impairment of receivables recoveries	**336**	264	221
Net decrease/(increase) in provision for impairments on receivables	**393**	(81)	(218)
Administration and other costs	**(581)**	(535)	(549)
	(1,209)	(1,771)	(1,772)
25.3 Operating profit from credit	**624**	278	499

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
26. DIRECTORS AND EMPLOYEES			
26.1 Employees			
The aggregate remuneration and associated cost of permanent and casual employees including directors was:			
Salaries and wages	**2,392**	2,209	2,287
Retirement benefit costs	**258**	235	217
Medical aid contributions:			
Current	**62**	58	53
Post-retirement	**7**	6	1
	2,719	2,508	2,558
26.2 Directors' emoluments			
Non-executive directors:	**295**	295	295
Fees	**295**	295	295
Executive directors:			
Remuneration	**11,536**	11,645	10,651
Retirement, medical, accidental and death benefits	**508**	480	446
Performance bonus			350
Loyalty bonus	**350**	350	423
Other benefits	**92**	82	—
	12,486	12,557	11,870
Retired ex-directors	**76**	72	69
Total	**12,857**	12,924	12,234
26.3 Defined Pension Benefit Plan			
Edcon Pension Fund			
Actuarially determined:			
Current service cost	**(1)**	(1)	(1)
Interest cost	**(44)**	(38)	(33)
Unrecognised loss (paragraph 58 limit)	**(30)**	(33)	(129)
Expected return on assets	**74**	71	76
Net loss	**(1)**	(1)	(87)
Company contributions	**1**	1	1
Actual return on pension fund assets	**71**	137	101
The contribution for the 2012 financial period is estimated to be approximately R1 million.			
26.3.1 Reconciliation of defined benefit obligation—pension fund			
Balance at the beginning of the period	**490**	440	400
Service cost	**1**	1	1
Interest cost	**44**	38	33
Actuarial loss	**6**	58	43
Benefits paid	**(47)**	(47)	(37)
Balance at the end of the period	**494**	490	440

	2011 52 weeks to 2 April	2010 53 weeks to 3 April	2009 52 weeks to 28 March
	Rm	Rm	Rm
26.3.2 Reconciliation of fair value plan assets—pension fund			
Balance at the beginning of the period	**941**	850	786
Expected return on assets	**74**	71	76
Employer contributions	**1**	1	1
Benefits paid	**(47)**	(47)	(37)
Actuarial (loss)/gain	**(3)**	66	24
Balance at the end of the period	**966**	941	850
	%	%	%
Composition and percentage of the portfolio:			
Cash	**30**	35	48
Equity	**1**	13	4
Bonds	**21**	—	—
International	**—**	1	—
Property and other	**48**	51	48
	100	100	100

	2011	2010	2009	2008	2007
26.3.3 Analysis of defined benefit obligation and the fair value of plan assets—pension fund (Rm)					
Defined benefit obligation	**(494)**	(490)	(440)	(400)	(395)
Fair value of plan assets	**966**	941	850	786	740
Unrecognised actuarial gains	**(65)**	(65)	(64)	(84)	(84)
Unrecognised net asset (paragraph 58 limit)	**407**	386	346	302	261

A statutory valuation of the Edcon Pension Fund, a defined benefit plan, was carried out by an independent firm of consulting actuaries on 31 December 2002 using the attained age method of valuation. The actuarial value of liabilities for all pensioners and members, including a stabilisation reserve, was determined at R328 million. The fair value of assets calculated by reference to the market value was R644 million. The fund was accordingly fully funded. The actuarial valuation was based on the principal assumptions that the fund will earn 10% per annum after taxation, that salary increases will be 7.3% per annum plus merit increases and a post-retirement interest rate of 4.5% per annum.

As a result of a change in the requirements of the regulators it was necessary to re-perform the valuation on the "best estimate basis" as prescribed by Pension Fund Circular 117 issued by the Financial Services Board. Under the best estimate basis the actuarial value of liabilities for all pensioners and members including a solvency reserve, was determined at R426 million. The fair value of assets calculated by reference to the market value remained at R644 million. The fund therefore remains fully funded.

In the current period an actuarial estimate was performed using the projected unit credit method, and the fair value of the assets and liabilities is reflected above. The actuarial estimate was based on the principle assumptions as set out in note 26.3.4.

As reported last period, proposals were submitted to the Financial Services Board (FSB) in 2002 to offer pensioners an enhanced pension in exchange for assuming all their medical aid liabilities. Similarly, a portion of the surplus was to be utilised to pay the lump sum to medical aid members' provident fund accounts to meet the existing post-retirement medical aid liability for service rendered to date.

Initially approval was received from the FSB to transfer active members and pensioners to alternative arrangements and annuity policies. These members' and pensioners' accrued actuarial liabilities were enhanced by 25%. The surplus detailed in note above is adequate to cover the estimated consequence of this transaction which is estimated to be R59 million and the balance of the surplus will be transferred to the Edcon Provident Fund. Subsequently, however, the FSB reneged on their approval and requested a determination of the surplus available for distribution to former members prior to the utilisation of the surplus for current members.

A formal surplus apportionment scheme must be prepared as envisaged by Section 15B of the Pension Fund Act.

The Trustees of the Edcon Pension Fund have finalised a scheme of apportionment which was submitted to the Financial Services Board for consideration in January 2011.

The Trustees of the Edcon Pension Fund have amended the investment strategy of the Fund with regards to the management of the assets backing the pensioner liabilities. The pension assets have been utilised to purchase a policy of insurance with Metropolitan which effectively guarantees the monthly pensions payable to pensioners and protects the Fund against the adverse effects of longevity risk. The surplus assets have been invested in various portfolios over time, all of which had mandates protecting the capital value of the surplus assets. The surplus assets are currently invested in interest bearing money market instruments.

26.3.4 Valuation Assumptions

Defined Benefit Pension Fund Valuation Assumptions

The valuation is based on assumptions which include a discount rate of 9.25% (2010 and 2009: 9.3% and 9.0%) per annum, an inflation rate and pension increase rate of 6% (2010 and 2009: 5.5% and 5.3%) per annum, a salary increase rate of 7% (2010 and 2009: 6.5% and 6.3%) per annum, and an expected return on assets of 9.5% per annum. The discount rate is determined with reference to market yields at the reporting date. The market yield is determined with reference to the yield curve for South African government bonds. The inflation rate is in line with the Government Monetary Policy target of 3% to 6% (2010 and 2009: 3% to 6%). The inflation rate assumed is used to determine both the salary and pension rate increases. The salary increase is based on the assumption that the increase will be 1% above inflation. The Fund adopts a pension increase policy that targets 100% of inflation and, as a result, a pension increase of 6% is used in the valuation. The expected rate of return on assets has been based on long-term returns on equities, cash and bonds. An adjustment is made to reflect the effects of retirement fund's tax.

26.4 Defined Contribution Plans

Contributions to the Group's significant defined contribution funds are at a rate of 17.5% of benefit salary and where funds are contributory, members pay a maximum of 7.5%. The employer's portion is charged against profits.

Separate funds, independent of the Group, provide retirement and other benefits for all permanent employees and their dependants. During the period there were three defined contribution funds of significance, namely Edcon Provident Fund, SACCAWU National Provident Fund and FEDCRAW Provident Fund. A defined contribution fund is available to employees in Namibia and Botswana, Edcon Namibia Retirement Fund and Edcon Botswana Retirement Fund.

	Pensioners Number	Members Number	Contributions
Membership of, and employer contributions to each of the funds were:			
2011 at 2 April			
Edcon Pension Fund	**1,141**	**17**	**1**
Edcon Provident Fund		**14,556**	**217**
Edcon Namibia Retirement Fund		**600**	**2**
Botswana Retirement Fund		**300**	**1**
SACCAWU National Provident Fund		**1,297**	**6**
FEDCRAW Provident Fund		**134**	**2**
	1,141	**16,904**	**229**
2010 at 3 April			
Edcon Pension Fund	1,130	22	1
Edcon Provident Fund		15,037	209
Edcon Namibia Retirement Fund	13	210	1
Botswana Retirement Fund		192	1
SACCAWU National Provident Fund		1,007	6
FEDCRAW Provident Fund		390	3
	1,143	16,858	221
Membership of, and employer contributions to each of the funds were:			
2009 at 28 March			
Edcon Pension Fund	1,020	27	1
Edcon Provident Fund		15,597	195
Edcon Namibia Retirement Fund	13	224	1
Botswana Retirement Fund		220	1
SACCAWU National Provident Fund		1,090	6
FEDCRAW Provident Fund		463	3
	1,033	17,621	207

All funds are subject to the Pension Funds Acts of the various countries and, where required by law, actuarial valuations are conducted every three years. The market value of investments of the various Edcon funds as at 2 April 2011 was R3,430 million (2010 and 2009: R2,863 million and R2,690 million).

26.5 Medical aid fund

The Group operates a defined benefit medical aid scheme for the benefit of permanent employees. The contributions of the short-term benefit for current employees amounted to R62 million for the period ending 2 April 2011 (2010 and 2009: R58 million and R53 million). Membership of the medical aid scheme is voluntary for all employees. Total membership currently stands at 4,654 principal members. In terms of employment contracts and the rules of the schemes, certain post-retirement medical benefits are provided to 1,489 current and past employees by subsidising a portion of the medical aid contribution of members, after retirement. The medical aid payments for 2012 are estimated to be approximately R6 million. The actuarial valuation was based on the main assumptions set out in note 26.5.3.

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
26.5.1 Edcon Medical Aid			
Actuarially determined:			
Current service cost	**3**	3	3
Interest cost	**10**	10	10
Actuarial gain/(loss)	**9**	(5)	(15)
Post-retirement medical aid expense	**22**	8	(2)

26.5.2 The status of the Edcon Medical Aid Fund determined in terms of IAS 19 is as follows:

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
Recognised employee benefit liability	**130**	114	112
Reconciliation of employee benefit liability			
Balance at the beginning of the period	**114**	112	120
Current service cost	**3**	3	3
Interest cost	**10**	10	10
Actuarial loss/(gain)	**9**	(5)	(15)
Employee benefit payments	**(6)**	(6)	(6)
	130	114	112

26.5.3 Valuation Assumptions

Employee Benefit Liability Valuation Assumptions and Sensitivity

The valuation is based on assumptions which include a discount rate of 9% (2010 and 2009 : 9.3% and 9.0%) per annum, inflation rate of 5.8% (2010 and 2009 : 5.5% and 5.3%) per annum, income at retirement would increase by 7.25% per annum, demographic assumptions based on a standard set of best estimate demographic assumptions, membership continuation and expected retirement age. The discount rate is determined with reference to market yields at the statement of financial position date. The market yield is determined with reference to the yield curve for South African government bonds. The inflation rate is in line with the Government Monetary Policy target of 3% to 6% (2010 and 2009 : 3% to 6%). It was assumed that health care cost inflation would be the same as CPI inflation and that remuneration increases, including promotional increases would exceed inflation by 1.5% over the long-term and that income at retirement would be 60% of final salary. It was further assumed that no current in-service members eligible for benefits would discontinue membership upon reaching retirement with Edcon and that they would retire on their current medical scheme option and no changes would occur on retirement. An expected retirement age of 63 was used in the valuation with assumed rates of early retirement.

The valuation results are extremely sensitive to the assumptions used. The value of the liability could turn out to be overstated or understated depending on the extent to which actuarial experience differs from the above assumptions.

The effect of a 1% increase or decrease would have the following effects:

	Central Assumption			Decrease 1%			Increase 1%		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Inflation (CPI and health care costs) sensitivity	**5.8%**	5.5%	5.3%						
Accrued liability—Rm	**130**	114	112	**113**	101	99	**151**	130	129
Accrued liability—% change				**(11)**	(11)	(12)	**15**	14	15
Current service and interest cost—Rm	**13**	13	13	**11**	11	11	**15**	15	15
Current service and interest cost—% change				**(15)**	(15)	(15)	**19**	15	15
Retirement age sensitivity		**63 years**			**One year younger**			**One year older**	
Accrued liability—Rm	**130**	114	112	**135**	119	116	**124**	110	109
Accrued liability—% change				**4**	4	4	**(4)**	(4)	(3)
Discount rate	**9%**	9.3%	9.0%		**Decrease 1%**			**Increase 1%**	
Accrued liability—Rm	**130**	114	112	**150**	130	128	**113**	101	100
Accrued liability—% change				**16**	14	14	**(12)**	(11)	(11)
Post employment mortality tables		**PA (90) ult rated down 1 year to 0.75% improvement p.a. from 2006**			**PA (90) ult rated down 2 years with 1% improvement p.a. from 2006**				
Accrued liability—Rm	**130**	114	112	**136**	119	117			
Accrued liability—% change				**5**	4	4			

26.5.4 Analysis of employee benefit liability (Rm)

	2011	**2010**	**2009**	**2008**	**2007**
Accrued liability for post retirement medical aid	**130**	114	112	120	123

27. FINANCING COSTS AND INTEREST RECEIVED

	2011 52 weeks to 2 April	**2010 53 weeks to 3 April**	**2009 52 weeks to 28 March**
	Rm	**Rm**	**Rm**
27.1 Financing costs			
Interest on senior secured floating rate notes	**808**	992	956
Interest on senior floating rate notes	**302**	427	470
Interest on senior secured fixed rate notes	**48**		
Interest on other facilities	**470**	628	769
Interest on super senior secured term loan	**9**		
Interest accrued on shareholder's loan (note 16)	**843**	849	945
Fees amortised on senior secured floating rate notes (note 17.1)	**37**	31	28
Fees amortised on senior floating rate notes (note 17.2)	**12**	11	82
Fees amortised on senior secured fixed rate notes (note 17.3)	**4**		
Foreign currency losses	**24**	6	
Forward exchange contracts	**—**	2	38
	2,557	2,946	3,288
27.2 Interest received			
Interest received from independent third parties	**60**	31	18
Foreign currency gain			15
	60	31	33
27.3 Net financing costs	**2,497**	2,915	3,255

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
28. TAXATION			
28.1 Taxation charge			
Current taxation — this year	**109**	124	696
— prior year	**23**	12	25
Secondary taxation on companies — this year		9	
Total current taxation	**132**	145	721
Deferred taxation — this year	**(696)**	(502)	(1,193)
— prior years	**3**	(13)	
Total deferred taxation credit	**(693)**	515	(1,193)
Total	**(561)**	(370)	(472)
Comprising:			
South African normal taxation	**(650)**	(435)	(546)
Secondary taxation on companies		9	
Foreign taxes	**89**	56	74
	(561)	(370)	(472)
28.2 Taxation charge to other comprehensive income			
Current income tax related to items charged or credited directly to other comprehensive income:			
Unrealised gain on cash flow hedges	**(27)**	(11)	(154)
Deferred income tax related to items charged or credited directly to other comprehensive income:			
Unrealised gain on cash flow hedges	**(42)**	(12)	(279)
Income tax expense reported in other comprehensive income	**(69)**	(23)	(433)
28.3 Deferred income tax comprises:			
Arising on deferred tax assets (note 8)			
Provision for impairment of receivables	**99**	(38)	(69)
Other payables	**(6)**	(3)	(54)
Leave pay accrual	**(1)**	(4)	(34)
Operating lease adjustment	**1**	(1)	6
Unearned finance income			(4)
Interest rate swaps	**(43)**	(6)	
Assessed loss	**(459)**	(267)	(851)
Other	**(22)**	(8)	
Arising on deferred tax liabilities (note 8)			
Appro sales	**(1)**	(6)	20
Property, fixtures, equipment and vehicles	**(150)**	(72)	1
Intangible assets	**(117)**	(126)	(212)
Prepayments	**2**	(2)	2
Unearned finance income	**1**	38	
Interest rate swaps		(2)	
Revaluation reserve		(3)	
Deferred STC raised		(10)	1
Other		8	1
	(696)	(502)	(1,193)
Prior year adjustment	**3**	(13)	
Net deferred tax expense	**(693)**	(515)	(1,193)

	2011 52 weeks to 2 April	2010 53 weeks to 3 April	2009 52 weeks to 28 March
	Rm	Rm	Rm
28.4 Reconciliation of rate of taxation (%)			
Standard rate—South Africa	**(28)**	(28)	(28)
Adjusted for:			
Equity accounted earnings of joint venture	**1**	1	—
Disallowable expenditure		(1)	(47)
Secondary taxation on companies		1	—
Prior year charges	**—**	1	5
Withholding tax	**2**	—	—
Capital profits and assessed loss utilised	**—**	—	43
Effective tax rate	**(25)**	(26)	(27)

28.5 Section 24I application

In terms of section 24I of the Income Tax Act, the ruling exchange rate to be used in determining the foreign exchange gains/losses on currency swaps, foreign currency forward contracts and forward exchange contracts (forward exchange contracts) on translation, is the market related forward rate for the remaining period of the forward exchange contract or such alternative rate used for accounting purposes in terms of IFRS, as prescribed by the Commissioner ("alternative rate").

The Group approached the South African Revenue Service ("SARS") during the 2008 financial year, requesting approval from the Commissioner to use such an alternative rate to determine foreign exchange gains/losses on its open forward exchange contracts. During the 2008 financial year, the movement in foreign exchange rates created large unrealised fair value gains on the revaluation of the forward exchange contracts. The impact is a timing difference over the life of the forward exchange contracts.

The Group is currently in the process of responding to further information requested by SARS, after various interactions and communication with SARS in which SARS initially denied the use of the alternative rate. Appropriate procedure is followed in attending to the queries and the matter will be escalated by SARS to their head office for further consideration.

Should the Group's request for the use of the alternative rate be denied, the impact on the Group Financial Statements in the current period would be an increase in the taxation liability and an increase of the deferred taxation asset.

	2011 52 weeks to 2 April	2010 53 weeks to 3 April	2009 52 weeks to 28 March
	Rm	Rm	Rm
29. CASH FLOW			
29.1 Other non-cash items			
Net (gain)/loss on disposal of properties, fixtures, equipment and vehicles (note 24.6)	**(8)**	23	18
Equity accounted investment in joint ventures	**(6)**	1	10
Vat expense		2	130
Operating lease adjustment	**(2)**	4	(23)
Other non-cash items		8	4
Employee benefit liability	**16**	2	(8)
	—	40	131

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
29.2 Working capital movement			
(Increase)/decrease in inventories	**(224)**	138	(397)
(Increase)/decrease in trade accounts receivable	**(159)**	731	(988)
Increase in other receivables	**(58)**	(36)	(11)
Increase/(decrease) in trade and other payables	**372**	119	(157)
	(69)	952	(1,553)
29.3 Taxation paid			
Taxation liability at the beginning of the period	**(236)**	(470)	(138)
Current taxation recognised in profit or loss (note 28.1)	**(132)**	(145)	(721)
Current taxation recognised in other comprehensive income (note 28.2)	**27**	11	154
Taxation liability at the end of the period	**244**	236	470
	(97)	(368)	(235)
29.4 Investment to maintain operations			
Replacement of properties, fixtures, equipment and vehicles	**(449)**	(384)	(420)
Proceeds on disposal of properties, fixtures, equipment and vehicles	**100**	120	1
	(349)	(264)	(419)
29.5 Investment to expand operations			
Additions to leased premises	**(7)**	(21)	(65)
Additions to properties, fixtures, equipment and vehicles	**(18)**	(68)	(84)
	(25)	(89)	(149)
29.6 Increase/(decrease) long-term debt			
Subordinated loan repaid			(25)
Senior secured fixed rate notes	**4,781**		
Super senior secured term loan	**985**		
Fees paid for senior secured fixed rate notes	**(165)**		
	5,601		(25)
29.7 Buy-back of senior floating rate notes			
Senior floating rate notes repurchased (note 17.2)			(3,137)
Fees paid on buy-back of senior floating rate notes			(42)
Gain before fees paid and accrued on buy-back of senior floating rate notes			1,411
			(1,768)
29.8 Proceeds from receivables-backed notes issued			
Receivables-backed notes issued (note 17 and 18)	**1,400**	4,300	
Repurchase of receivables-backed notes	**(1,400)**		
	—	4,300	
29.9 (Decrease)/increase in short-term debt			
Net (decrease)/increase in short-term debt	**(350)**	(4,950)	793
	(350)	(4,950)	793

	2011 52 weeks to 2 April	2010 53 weeks to 3 April	2009 52 weeks to 28 March
	Rm	Rm	Rm
29.10 Increase/(decrease) in cash and cash equivalents			
Cash on hand	**299**	838	(149)
Cash on deposit	**891**	(92)	36
Currency adjustments	**11**	28	—
	1,201	774	(113)

	2011 2 April	2010 3 April	2009 28 March
	Rm	Rm	Rm
30. MATURITY ANALYSIS FOR NOTES ISSUED, SHAREHOLDER'S LOAN, SHORT-TERM INTEREST-BEARING DEBT AND TRADE AND OTHER PAYABLES			
Trade and other payables (note 19)	**3,878**	3,513	3,331
Short-term interest bearing debt (note 18)		795	5,300
Total due within one year	**3,878**	4,308	8,631
After one year but within two years	**2,150**		
After two years but within three years	**2,380**	3,105	
After three years but within four years	**11,755**	427	
After four years but within five years	**3,854**	11,719	
After 5 years	**12,879**	10,964	26,092
Total due after one year	**33,018**	26,215	26,092
Total debt	**36,896**	30,523	34,723

Refer to note 7.7 for maturity details relating to derivatives.

31. MANAGEMENT OF CAPITAL

The Group considers share capital including ordinary and preference shares, share premium, the shareholder's loan, reserves and long-term interest-bearing debt as capital.

The shareholder's loan is considered to be capital as the amount is repayable in May 2037 and all interest is capitalised. The "A" and "B" preference shares are cumulative and redeemable at the option of the issuer and are therefore regarded as capital. The long-term interest bearing debt primarily consists of:

- Senior secured floating rate notes, maturing June 2014;
- Senior floating rate notes, maturing June 2015;
- Senior secured fixed rate notes, maturing March 2018;
- Super senior secured term loan, maturing March 2014; and
- OtC II receivables-backed notes, which mature between July 2012 and April 2017.

The senior secured floating rate notes and the senior floating rate notes were issued to finance the purchase of Edgars Consolidated Stores Limited and as such are regarded as permanent capital. The senior secured fixed rate notes and the super senior secured term loan were issued during the period to finance the settlement of the negative mark-to-market positions on the foreign currency swap contracts, which hedged the foreign currency exposure on the principal of the senior secured and the senior floating rate notes.

The objectives in managing this capital are to:

- Ensure appropriate access to equity debt markets.
- Ensure sufficient resilience against economic turmoil.

- Safeguard the Group's ability to continue as a going concern, be flexible and take advantage of opportunities that are expected to provide an adequate return to shareholders.
- Optimise weighted average cost of capital, given inherent constraints.

The Group manages its capital and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the current period.

The notes, super senior secured term loan and banking facilities contain substantially the same covenants and events of default. These are set out in the Offering Memorandum for the floating rate notes dated 8 June 2007, the OtC II Programme Memorandum dated 3 August 2009 and the Offering Memorandum for the senior secured fixed rate notes dated 22 February 2011. During the period there have been no defaults.

The Group takes cognisance of select rating agency ratios that evaluate the ability of the capital to absorb losses and the flexibility that a combination of capital instruments provide. The value placed on the corporate rating is important as the Group has issued notes on the Irish Stock Exchange and to facilitate the funding of OtC II where certain notes are issued on the Bond Exchange of South Africa.

32. FINANCIAL RISK MANAGEMENT

32.1 Treasury risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to moderate certain risk exposures.

A treasury workgroup consisting of senior executives meets on a regular basis to update treasury policies and objectives, analyse currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts. Compliance with Group Treasury policies and objectives of the Board and exposure limits is reviewed at meetings of the Risk Management Workgroup.

32.2 Hedging Strategy

The foreign denominated floating and fixed rate notes expose the Group to both interest rate risk and/or foreign exchange risk. The Group has executed the following hedging strategy:

Euro Denominated Senior Secured Floating Rate Notes due 2014

From June 2007 to February 2011

- A series of interest rate swaps were entered at a swap rate of pay of 4.529% fixed, receive three months EURIBOR, quarterly. Settlement dates match the quarterly payment dates for coupons on the notes up to 15 June 2011. The transaction hedges the interest rate risk on the cash flows occurring during the first four years of the senior secured floating rate notes (refer to note 17) and was designated as a cash flow hedge.
- A series of foreign currency forward contracts were entered to buy EUR and sell ZAR corresponding to the EUR scheduled payments on the fixed leg of the interest rate swap above at each payment date up to 15 June 2011. Settlement dates match the payment dates of the interest rate swap. These foreign currency forward contracts therefore economically hedge the EUR/ZAR currency risk on the combined cash flows of the interest rate swap and the first four years of anticipated interest payments on the senior secured floating rate notes and were designated as a cash flow hedge.
- A foreign currency swap was entered to economically hedge the repayment of the €1,180 million principal on the senior secured floating rate notes and matures on 15 June 2012. This swap was early-settled, and its mark-to-market position extinguished, on 2 March 2011.

February 2011 onwards

- On 22 February 2011 a series of cross currency swaps were entered which, (i) protect against interest rate variability in future interest cash flows on liabilities, (ii) protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedges the repayment of €952 million in principal on the notes to 15 March 2014 and €178 million to 15 June 2014. The hedges create an effective annual average fixed interest rate of 13.98% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

Euro Denominated Senior Floating Rate Notes due 2015

From June 2007 to February 2011

- A series of interest rate swaps were entered at a swap rate of pay of 4.529% fixed, receive three months EURIBOR, quarterly. Settlement dates match the quarterly payment dates for coupons on the notes up to 15 June 2011. The transaction hedges the interest rate risk on the cash flows occurring during the first four years of the senior floating rate notes (refer to note 17) and was designated as a cash flow hedge.
- A series of foreign currency forward contracts were entered to buy EUR and sell ZAR corresponding to the EUR scheduled payments on the fixed leg of the interest rate swap above at each payment date. Settlement dates match the payment dates of the interest rate swap. These foreign currency forward contracts economically hedge the EUR/ZAR currency risk on the combined cash flows of the interest rate swap and the first four years of anticipated interest payments on the senior floating rate notes and were designated as a cash flow hedge.
- A foreign currency swap was entered to economically hedge the repayment of the €378 million principal on the senior floating rate notes and matures on 15 June 2012. This swap was early-settled, and its mark-to-market position extinguished, on 2 March 2011.

From February 2011 onwards

- Based on a notional value of €303 million, a series of interest rate swaps were entered at a swap rate of pay of 2.3437% fixed, receive three months EURIBOR, quarterly. Settlement dates match the quarterly payment dates for coupons on the notes up to 15 March 2014. The transaction hedges the interest rate risk on the cash flows occurring during the next three years of the senior floating rate notes (refer to note 17) and have been designated as a cash flow hedge.
- Based on a notional value of €303 million, a series of foreign currency forward contracts were entered to buy EUR and sell ZAR corresponding to the EUR scheduled payments on the fixed leg of the interest rate swap above at each payment date up to 15 March 2014. Settlement dates match the payment dates of the interest rate swap. These foreign currency forward contracts therefore economically hedge the EUR/ZAR currency risk on the combined cash flows of the interest rate swap and the next three years of anticipated interest payments on the senior floating rate notes and have been designated as a cash flow hedge.
- A cross currency swap was entered which, (i) protects against interest rate variability in future interest cash flows on liabilities, (ii) protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedges the repayment of €75 million in principal on the notes to 15 March 2014. The hedges create an effective annual average fixed interest rate of 17.29% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

Euro Denominated Senior Secured Fixed Rate Notes due 2018

From February 2011 onwards

- A series of cross currency swaps were entered which protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is €317 million and provides cover on the coupon of the notes up to

15 March 2014. The hedges create an effective annual average fixed interest rate of 10.86% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

US Dollar Denominated Senior Secured Fixed Rate Notes due 2018

From February 2011 onwards

- A series of cross currency swaps were entered which protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is $190 million and provides cover on the coupon of the notes up to 15 March 2014. The hedges create an effective annual average fixed interest rate of 10.99% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.
- A series of foreign currency forward contracts were entered, with a notional value of $60 million, to buy USD and sell ZAR corresponding to the USD scheduled fixed rate interest payments on the senior secured 9.5% fixed rate notes at each payment date. These foreign currency forward contracts have been designated as a cash flow hedge.

32.3 Sensitivity analysis of derivatives

The Group recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might impact the value of its derivatives and also the amounts recorded in its other comprehensive income and its profit or loss for the period. Therefore the Group has assessed:

(a) what would be reasonably possible changes in the risk variables at the reporting date and

(b) the effects on profit or loss and other comprehensive income if such changes in the risk variables were to occur.

The sensitivity analysis takes into account the incremental change in value arising from a parallel fall or rise in the yield curve and the exchange rate.

The following table assumes all designated hedges will change in fair value through other comprehensive income, and considers sensitivities to forward interest rate curves, of +/- 50 and +/-100 basis points respectively. If these sensitivities were to occur, the impact on the profit or loss, and other comprehensive income for each category of financial instrument held at the reporting date is shown below:

	Index	Sensitivity	Derivative asset / (liability)	Other comprehensive income	Profit or loss effect
			Rm	Rm	Rm
Interest rate swaps	**EURIBOR**	**-100bps**	**(76)**	**76**	
	EURIBOR	**-50bps**	**(38)**	**38**	
	EURIBOR	**+50bps**	**37**	**(37)**	
	EURIBOR	**+100bps**	**73**	**(73)**	
Cross currency swaps	**EURIBOR**	**-100bps**	**(312)**	**312**	
	EURIBOR	**-50bps**	**(154)**	**154**	
	EURIBOR	**+50bps**	**151**	**(151)**	
	EURIBOR	**+100bps**	**300**	**(300)**	
Cross currency swaps	**EUR-ZAR**	**-10%**	**(1,330)**	**1,330**	
	EUR-ZAR	**-5%**	**(665)**	**665**	
	EUR-ZAR	**5%**	**665**	**(665)**	
	EUR-ZAR	**10%**	**1,330**	**(1,330)**	
Cross currency swaps	**USD-ZAR**	**-10%**	**(36)**	**36**	
	USD-ZAR	**-5%**	**(18)**	**18**	
	USD-ZAR	**5%**	**18**	**(18)**	
	USD-ZAR	**10%**	**36**	**(36)**	
Foreign currency forward contracts	**EUR-ZAR**	**-10%**	**(86)**	**9**	**77**
	EUR-ZAR	**-5%**	**(43)**	**4**	**39**
	EUR-ZAR	**5%**	**43**	**(4)**	**(39)**
	EUR-ZAR	**10%**	**87**	**(9)**	**(77)**
Foreign currency forward contracts	**USD-ZAR**	**-10%**	**(10)**	**10**	
	USD-ZAR	**-5%**	**(5)**	**5**	
	USD-ZAR	**5%**	**5**	**(5)**	
	USD-ZAR	**10%**	**10**	**(10)**	

32.4 Foreign currency management

Material forward exchange contracts at 2 April 2011 are summarised below. Currency options are only purchased as a cost-effective alternative to forward exchange contracts. Currently no currency options are in place.

	Foreign currency	Derivative fair value	Contract equivalent	Average rate
	Rm	Rm	Rm	%
Foreign currency exposure against Rand hedged import forward orders				
2011 US dollar	**46**	**12**	**328**	**7.12**
2010 US dollar	40	(11)	303	7.66
2009 US dollar	26	(8)	260	10.12
Foreign currency exposure against Rand hedged notes				
2011 Euro	**1,882**	**(1,088)**[1]	**18,655**	**9.92**
2011 US dollar	**81**	**(55)**	**603**	**7.46**
2010 Euro	1,723	(3,332)	23,762	13.79
2009 Euro	1,854	2,022	25,370	13.68

1 Included in the fair value are cross currency swaps of R778 million, hedging the senior secured floating rate notes and R67 million, hedging the senior floating rate notes, which also hedges the interest rate risk on the floating rate notes.

The Group, in terms of approved policy limits, manages short-term foreign currency exposures relating to trade imports and exports. Net uncovered Rand transaction exposures to the US dollar at 2 April 2011 amounted to Rnil million (2010 and 2009: R2 million and R27 million). The Group policy is to restrict the net aggregate cover to between 80% and 125% of total foreign order exposure.

At 2 April 2011, in respect of future import commitments, if the South African Rand had weakened 5% against the US dollar, with all other variables held constant, attributable earnings for the period would have increased by R15 million from revaluation of forward exchange contracts (2010 and 2009: R16 million and R14 million). Conversely at 2 April 2011, in respect of future import commitments, if the South African Rand had strengthened by 5% against the US dollar, with all other variables held constant, profit or loss for the period would have decreased by R15 million from revaluation of forward exchange contracts (2010 and 2009: R16 million and R14 million). Changes in the Rand/US dollar exchange rates of foreign currency creditors are largely offset by fair value changes on the forward exchange contracts.

The principal on the floating rate notes up to a nominal of EUR1,205 million, have been cash flow hedged through a cross currency swap (refer to note 7). The interest cash flows payable quarterly on notes maturing 2014 and 2015, and semi-annually for notes maturing in 2018, have been comprehensively hedged to 15 March 2014, and proportionally hedged to 15 June 2014 (Refer to note 7 and 32.2).

Gains and losses on translation of the floating and fixed rate notes will be offset by foreign exchange gains and losses on the cross currency swaps to the extent hedges are in place. At 2 April 2011, in respect of the notes exposures, if the South African Rand had weakened 5% against the Euro and US dollar, with all other variables held constant, attributable earnings for the period would have decreased by R977 million (2010 and 2009: R765 million and R996 million respectively). Conversely, at 2 April 2011, in respect of the notes exposures, if the South African Rand had strengthened 5% against other currencies, with all other variables held constant, attributable earnings for the period would have increased by R977 million (2010 and 2009: R765 million and R996 million respectively).

32.5 Interest rate management

As part of the process of managing the Group's fixed and floating rate interest bearing debt and cash and cash equivalents mix, the interest rate characteristics of new and the refinancing of existing loans are positioned according to expected movements in interest rates. The maximum interest rate exposure and the repricing profile at 2 April 2011 is summarised as follows:

	Fixed Rate		Floating Rate	
	Short-term	Long-term	Short-term	Long-term
	Rm	Rm	Rm	Rm
2011				
Interest-bearing debt		**4,781**		**19,165**
Rate %		**Refer to note 17**		**Refer to note 17**
2010				
Interest-bearing debt	170		625	18,875
Rate %	9.1%		Refer to note 18	Refer to note 17
2009				
Interest-bearing debt			5,300	19,600
Rate %			Refer to note 18	Refer to note 17

At 2 April 2011, if all interest rates on local borrowings had been 100 basis points lower, with all other variables held constant, attributable earnings would have been R45 million (2010 and 2009: R62 million and R52 million) higher. Conversely, at 2 April 2011, if all interest rates on local borrowings had been 100 basis points higher with all other variables held constant, attributable earnings would have been R45 million (2009 and 2008: R62 million and R52 million) lower.

As at 2 April 2011 the cash held on deposit and investments is as follows:

	Total Rm	Floating rate Rm
2011		
Cash on deposit and investments by currency		
US dollar	**16**	**16**
Euro	**515**	**515**
Botswana Pula	**46**	**46**
South African Rand	**1,738**	**1,738**
2010		
Cash on deposit and investments by currency		
US dollar	36	36
Sterling	5	5
Botswana Pula	14	14
South African Rand	1,070	1,070
2009		
Cash on deposit and investments by currency		
US dollar	108	108
Sterling	3	3
Botswana Pula	21	21
South African Rand	247	247

The following interest rate swaps and cross currency swaps are in place to hedge against interest payment exposures:

Interest rate hedges	Notional amount Rm			Fixed interest % payable			Fair value of the interest rate hedges Rm		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Pay fixed / receive floating interest rate hedges > 1 year-Senior secured floating rate notes	**11,259**	11,259	11,259	**13.98**[1]	7.78	7.78	**854**[2]	438	725
Pay fixed / receive floating interest rate hedges > 1 year-Senior floating rate notes	**3,606**	3,606	3,606	**17.29**[1]	10.03	10.03	**73**[2]	140	232
Pay fixed / receive fixed interest rate hedges > 1 year-Senior secured fixed rate notes (Euro tranche)	**3,044**			**10.86**			**58**		
Pay fixed / receive fixed interest rate hedges > 1 year-Senior secured fixed rate notes (USD tranche)	**1,320**			**10.99**			**38**		

Refer to note 32.2 for details of hedging strategy.

1 Effective rate from 16 June 2011. There is still one payment due in June 2011 with an effective rate of 10.03% on the 2015 Senior floating rate notes and 7.78% on the 2014 Senior secured floating rate notes.

2 Included in the fair value are cross currency swaps of R778 million, hedging the Senior secured floating rate notes and R67 million, hedging the Senior floating rate notes, which also hedges the foreign currency risk on the principle on the floating rate notes (refer to note 32.4).

32.6 Credit risk management

Maximum exposure to credit risk is represented by the carrying amounts of derivative assets, trade accounts receivable and short-term cash investments in the Group statement of financial position. The Group only deposits short-term cash surpluses with financial institutions of high-quality credit standing. Credit limits per financial institution are established at the treasury meeting and are approved at the Audit and Risk Workgroup. Trade accounts receivable comprise a large, widespread customer base and risk exists on delinquent accounts and possible defaults by customers. The Group performs ongoing credit evaluations of the financial condition of customers. The granting of credit is controlled by application and behavioural scoring models, and the assumptions therein are reviewed and updated on an ongoing basis. At 2 April 2011, the Group did not consider there to be any concentration of credit risk.

At 2 April 2011, if all interest rates on interest-bearing trade receivables and short-term cash investments at that date had been 100 basis points lower, with all other variables held constant, attributable earnings would have been R101 million (2010 and 2009: R103 million and R85 million) lower. Conversely, at 2 April 2011, if all interest rates at that date had been 100 basis points higher, with all other variables held constant, the attributable earnings would have been R101 million (2010 and 2009: R103 million and R85 million) higher. This sensitivity is due to the high value of trade receivables attracting the Usury rate interest income.

The derivatives are held with four counterparties of high credit worthiness. The credit worthiness is assessed on a regular basis. At period end all counterparties were classified as investment grade.

32.7 Liquidity risk

	2011	2010	2009
	Rm	Rm	Rm
The Group has minimised risk of working capital illiquidity as shown by its substantial banking facilities and reserve borrowing capacity.			
Total banking and loan facilities	**7,605**	7,988	10,200
Actual borrowings (notes 17 and 18)	**(4,300)**	(4,650)	(5,300)
Unutilised borrowing facilities	**3,305**	3,338	4,900
Total banking and loan facilities of the Group including OtC I and OtC II comprise:			
Revolving credit facility—Tranche A	**650**[1]		
Revolving credit facility—Tranche B1	**250**	3,500[3]	3,500[3]
Revolving credit facility—Tranche B2	**2,217**[2]		
Borrowing base facility			3,900
OtC I receivable backed facility			2,600
OtC II receivables-backed notes	**4,300**	4,300	
Receivable purchase facility	**43**	43	
OtC I liquidity facility			200
OtC II liquidity facility	**145**	145	
	7,605	7,988	10,200

1 Includes R350 million ancillary facilities.

2 Includes R1,750 million ancillary facilities.

3 Includes R2,250 million ancillary facilities.

		2011	2010	2009
		Rm	Rm	Rm
The maturity dates of the facilities are:				
• Revolving credit facility	– Tranche A	June 2012	June 2012	June 2012
	– Tranche B1	December 2013		
	– Tranche B2	March 2014		
• Revolving credit ancillary facilities		Reviewed annually	Reviewed annually	Reviewed annually
• Borrowing base facility				June 2010
• OtC I receivable backed facility				June 2010
• OtC II receivables-backed notes (note 17.4)		July 2012 to April 2017	July 2010 to April 2014	
• Receivable purchase facility		April 2017	April 2014	
• OtC I liquidity facility				June 2010
• OtC II liquidity facility		April 2017	April 2014	

32.8 Fair value of financial instruments

The Group uses a three-level hierarchy to prioritise the inputs used in measuring fair value. The levels within the hierarchy are described below with level 1 having the highest priority and level 3 having the lowest. Fair value is principally applied to financial assets and financial liabilities. These are measured at fair value on a recurring basis as of 2 April 2011, aggregated by the level in the fair value hierarchy within which these measurements fall.

The following table presents the Group's assets and liabilities that are measured at fair value at 2 April 2011:

		Fair value measurement using		
	Total	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
	Rm	Rm	Rm	Rm
2 April 2011				
Financial assets				
Interest rate swaps	**30**		**30**	
Total financial assets	**30**		**30**	
Financial liabilities				
Interest rate swaps	**111**		**111**	
Foreign currency forward contracts	**201**		**201**	
Cross currency swaps	**942**		**942**	
Total financial liabilities	**1,254**		**1,254**	
3 April 2010				
Financial liabilities				
Interest rate swaps	578		578	
Foreign currency forward contracts	406		406	
Foreign currency swaps	2,926		2,926	
Total financial liabilities	3,910		3,910	
28 March 2009				
Financial assets				
Foreign currency forward contracts	420		420	
Foreign currency swaps	2,161		2,161	
Total financial assets	2,581		2,581	
Financial liabilities				
Interest rate swaps	957		957	
Foreign currency forward contracts	128		128	
Foreign currency swaps	431		431	
Total financial liabilities	1,516		1,516	

a) Level 1—Based on quoted market prices in active markets.

b) Level 2—Based on observable inputs other than Level 1 prices, such as quoted prices for similar financial assets or financial liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial assets or financial liabilities.

c) Level 3—Based on observable inputs that are supported by little or no market activity and are financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgement or estimation.

All financial instruments have been recognised in the statement of financial position and there is no material difference between their fair values and carrying values, except for the Notes.

The following methods and assumptions were used by the Group in establishing fair values:

Liquid resources, trade accounts receivable, investments and loans: the carrying amounts reported in the statement of financial position approximate fair values.

Short-term interest-bearing debt: the fair values of the Group's loans are estimated using discounted cash flow analyses applying the RSA yield curve. The carrying amount of short-term borrowings approximates their fair value.

Notes issued: the notes issued are fair valued based on the exchange rate ruling at the reporting date. The market values are disclosed in note 7.7.

Forward instruments: forward exchange contracts are entered into to cover import orders, and fair values are determined using foreign exchange market rates at 2 April 2011. Forward exchange agreements and swaps are entered into to hedge interest rate exposure of interest bearing debt and fair values are determined using market related rates at 2 April 2011.

33. RELATED-PARTY TRANSACTIONS

The Group Financial Statements include the financial statements of Edcon Holdings (Proprietary) Limited and subsidiaries and joint ventures (refer to Annexure 1 on page 79 for a list of significant subsidiaries). Related party relationships exist within the Group. During the period all purchasing and selling transactions were concluded at arm's length. Edcon Holdings (Proprietary) Limited is the ultimate South African parent entity and the ultimate parent of the Group is Edcon (BC) S.A.R.L.("Bain Capital"). The following table provides the total amount of transactions, which have been entered into with related parties:

	2011	
	Paid to related parties	Amounts owed to related parties
	Rm	Rm
Loan including interest to shareholder		**8,184**
Fee paid to Bain Capital affiliate	**39**	

	2010	
	Paid to related parties	Amounts owed to related parties
	Rm	Rm
Loan including interest to shareholder		7,341
Fee paid to Bain Capital affiliate	38	
Preference dividend paid to shareholders	5	

	2009	
	Fee paid to related parties	Amounts owed to related parties
	Rm	Rm
Loan including interest to shareholder		6,492
Fee paid to Bain Capital affiliate	43	

Transactions with joint ventures are detailed in note 6.

33.1 Compensation relating to key management personnel

	52 weeks to 2 April 2011	53 weeks to 3 April 2010	52 weeks 28 March 2009
	Total including directors	Total including directors	Total including directors
	Rm	Rm	Rm
Remuneration	**33**	30	27
Retirement, medical, accident and death benefits	**4**	4	4
Loyalty bonus	**6**	8	8
Other benefits		—	1
	43	42	38
Comprising:			
Short-term employee benefits	**39**	38	34
Options exercised			
Post-employment benefits	**4**	4	4

Key management personnel includes directors (refer to note 26.2) and members of the Chief Executive's Forum.

34. EVENTS AFTER THE REPORTING PERIOD

Refinancing of Super Senior Secured Term Loan

On 4 April 2011, Edcon (Proprietary) Limited, a subsidiary of Edcon Holdings (Proprietary) Limited, launched its R2.5 billion Domestic Medium Term Note Programme with the issuance of 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 repay the R985 million Super Senior Secured Term loan, that was due 31 March 2014.

Part-repurchase 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. The repurchase was funded from the proceeds raised through the issuance in March 2011 of the senior secured fixed rate notes.

No other events material to the understanding of this report have occurred between the financial period end and the date of this report.

35. CONSOLIDATION OF ONTHECARDS INVESTMENTS LIMITED (OtC I) AND ONTHECARDS INVESTMENTS II (PROPRIETARY) LIMITED (OtC II)

Included in the Group Statement of Financial Position by line are the following balances relating to the consolidation of OtC I and OtC II:

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
ASSETS			
Non-current assets			
Intangible assets	**79**	79	79
Held-to-maturity investments	**(78)**[1]	(78)[1]	
Loan-Edcon (Proprietary) Limited	**(2,062)**	(2,062)	(1,450)
Deferred tax	**117**	133	
Total non-current assets	**(1,944)**	(1,928)	(1,371)
Current assets			
Trade, other receivables and prepayments	**5,646**	5,468	3,889
Cash and cash equivalents	**639**	684	–
Total current assets	**6,285**	6,152	3,889
Total assets	**4,341**	4,224	2,518
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Retained loss	**(92)**	(140)	(52)
Total equity	**(92)**	(140)	(52)
Non-current liabilities—third parties			
Interest-bearing debt	**4,300**	3,855	
Deferred tax			(89)
Total non-current liabilities	**4,300**	3,855	(89)
Current liabilities			
Interest-bearing debt		445	2,659
Current taxation	**—**	—	(2)
Trade and other payables	**133**	64	2
Total current liabilities	**133**	509	2,659
Total equity and liabilities	**4,341**	4,224	2,518
Total managed capital per IAS 1	**4,208**	4,120	2,607

1 In November 2009, OtC II issued R78 million of three-year receivables-backed notes to Edcon (Proprietary) Limited. These notes mature on 31 October 2012 and accrue interest at applicable JIBAR plus a margin of 4.5% payable quarterly in arrears. Refer to note 17.4.

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm

Included in the Group Statement of Comprehensive Income by line, are the following amounts relating to the consolidation of OtC I and OtC II:

	2011	2010	2009
Total revenues	**654**	603	530
Income from credit	**625**	582	517
Expenses from credit	**(191)**	(403)	(234)
Trading profit and profit before financing costs	**434**	179	283
Interest received	**29**	21	13
Profit before financing costs	**463**	200	296
Financing costs	**(398)**	(348)	(369)
Profit/(loss)profit before taxation	**65**	(148)	(73)
Taxation	**(17)**	20	18
Profit/(loss) for the period	**48**	(128)	(55)

Included in the Group Statement of Cash Flows by line, are the following amounts relating to the consolidation of OtC and OtC II:

	2011	2010	2009
Cash retained from operating activities			
Profit/(loss) before taxation	**65**	(148)	(73)
Interest received	**(29)**	(21)	(13)
Financing costs	**398**	348	369
Non-cash items	**29**	185	
Operating cash inflow before changes in working capital	**463**	364	283
Working capital movement	**377**	493	(133)
Trade accounts receivable	**309**	505	(82)
Other receivables		(19)	(43)
Trade and other payables	**68**	7	(8)
Cash generated from operating activities	**840**	857	150
Interest received	**29**	21	5
Financing costs paid	**(398)**	(293)	(360)
Taxation paid	**—**	(22)	—
Net cash retained/(utilised)	**471**	563	(205)
Cash effects of financing activities			
Increase in held-to-maturity investments		78	25
Loan—Edcon (Proprietary) Limited		612	
Proceeds from receivables-backed notes issued	**1,400**	4,300	
Buy-back of receivables backed notes	**(1,400)**		
Purchase of trade receivables	**(516)**	(2,210)	
(Decrease)/increase in short-term interest bearing debt		(2,659)	53
Net cash (outflow)/inflow from financing activities	**(516)**	121	78
(Decrease)/increase in cash and cash equivalents	**(45)**	684	(127)
Cash and cash equivalents at the beginning of the period	**684**	—	127
Cash and cash equivalents at the end of the period	**639**	684	—

ANNEXURE 1—INTERESTS IN SIGNIFICANT SUBSIDIARIES

	Nature of business*	Issued ordinary capital			% interest in capital			Book value-shares		
		2011	2010	2009	2011	2010	2009	2011	2010	2009
		R	R	R	R	%	%	Rm	Rm	Rm
Celrose (Pty) Limited	M	**100**	100	100	**49**	49	49	**51**	51	51
Edcon Acquisition (Pty) Ltd	A	**1**	1	1	**100**	100	100	**1,968**	1,968	1,968
Edcon (Pty) Ltd	R	**897**	896	895	**100**	100	100	**5,429**	3,482	3,232
National Security Corporation (Pty) Limited	G	**2,000**	2,000	2,000	**100**	100	100	**7**	7	7
R22 Properties (Pty) Limited	#		1	1		100	100		88	88
Topics (Pty) Limited	D	**235,219**	235,219	235,219	**100**	100	100	**94**	94	94
VOC Investments (Pty) Limited	D	**950,050**	950,050	950,050	**100**	100	100	**51**	51	51
Incorporated in Botswana		**P**	P	P						
Jet Supermarkets Botswana (Pty) Limited	R	**300,000**	300,000	300,000	**100**	100	100	**405**	405	405
Incorporated in Namibia		**N$**	N$	N$						
Edgars Stores (Namibia) Limited	R	**1,050,000**	1,050,000	1,050,000	**100**	100	100	**264**	264	264
Incorporated in Swaziland		**L**	L	L						
Edgars Stores Swaziland Limited	R	**1,500,000**	1,500,000	1,500,000	**100**	100	100	**136**	136	136
Incorporated in Guernsey		**£**	£	£						
Bellfield Limited	G	**41**	41	41	**100**	100	100	**—**	70	70
Interest in subsidiaries								**8,405**	6,616	6,366

* *Nature of business R: Retailing, M: Manufacturing, G: Group Services, D: Dormant, P: Property Holding, A: Acquisition company.*

 # Deregistered during 2011

Note: Celrose (Pty) Ltd is consolidated as the Group retains control.

Corporate Information

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Registration number 2006/036903/07

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Executive directors
J Schreiber*** (Managing Director and Chief Executive Officer effective 1 April 2011), SM Ross* (Managing Director and Chief Executive Officer until 31 March 2011, Executive Director effective 1 April 2011), U Ferndale

*USA **BELGIUM ***GERMAN

J Schreiber assumed his duties with the commencement of the 2012 financial period.

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