IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") 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) TO NON-U.S. PERSONS OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The following disclaimer 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.

The offering memorandum has been prepared in connection with the proposed offer and sale of the securities (including the guarantees) described herein. The offering memorandum and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

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. NOTWITHSTANDING THE FOREGOING, PRIOR TO THE EXPIRATION OF A 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED UNDER REGULATION S) COMMENCING ON THE CLOSING DATE, THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

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 DOCUMENT 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 NOTES 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, you must be either (1) a QIB or (2) a non-U.S. person purchasing securities in offshore transactions outside the United States in reliance on Regulation S, 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 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 and the initial purchasers named as such in the attached offering memorandum (the "Initial Purchasers") that:

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

(2) either:

(a) you and any customers you represent are QIBs; or

(b) (i) you and any customers you represent are not U.S. persons and (ii) 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.

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.

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. You may not transmit the attached offering memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Initial Purchasers. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

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 such 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.

The offering memorandum has not been approved by an authorised person in the United Kingdom and 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 (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”). The 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 the 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 of the Initial Purchasers, or any of their 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 on request from the Initial Purchasers.

OFFERING MEMORANDUM
FOR LISTING PURPOSES ONLY

NOT FOR GENERAL CIRCULATION
IN THE UNITED STATES

Edcon

Edcon Limited

€300,000,000 9.5% Senior Secured Notes due 2018

guaranteed on a senior secured basis by Edcon Holdings Limited
and certain of its wholly owned subsidiaries

The Issuer................	The €300,000,000 senior secured notes due 2018 (the "Senior Secured Notes") will be issued by Edcon Limited (formerly known as Edcon Proprietary Limited) (the "Issuer") under the indenture (the "Senior Secured Indenture") pursuant to which the Issuer issued the 2018 Senior Secured Notes (as defined herein). The Senior Secured Notes and the 2018 Senior Secured Notes will be treated as a single class for all purposes under the Senior Secured Indenture, including those with respect to waivers, amendments, redemptions and offers to purchase. However, the Senior Secured Notes will be issued, and will trade, with different ISINs and common codes, as applicable, than those assigned to the 2018 Senior Secured Notes. The issuance of the Senior Secured Notes will not be a qualified reopening of the 2018 Senior Secured Notes for U.S. federal income tax purposes. The Issuer is a wholly owned subsidiary of Edcon Holdings Limited ("HoldCo") and is a member of Edcon, the leading clothing and footwear retailing group in South Africa.
Use of Proceeds	We intend to use the net proceeds from this offering (this "Offering"), together with part of the net proceeds from the Receivables Sale (as defined herein), the net proceeds from the termination of derivatives entered into in connection with the 2014 Senior Secured Notes, and the net proceeds from the ZAR Term Loan (as defined herein), to repurchase the 2014 Senior Secured Notes (as defined herein) tendered pursuant to the Tender Offer (as defined herein) and to fund the 2014 Senior Secured Notes Redemption (as defined herein). We will deposit any proceeds from the Offering not used to repurchase 2014 Senior Secured 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 2014 Senior Secured Notes Redemption on or about the 30th day after the Issue Date. See "Use of Proceeds".
Maturity....................	The Senior Secured Notes will mature on 1 March 2018.
Interest Rate	• We will pay interest on the Senior Secured Notes semi-annually, in cash, in arrears on 15 March and 15 September of each year, commencing on 15 March 2013, at a rate of 9.5% per annum.
Redemption and Offers to Purchase	• We may redeem the Senior Secured Notes in whole or in part at any time prior to 1 March 2014 at 100% of their principal amount plus a make-whole premium and accrued and unpaid interest, as described herein. • We may redeem the Senior Secured Notes in whole or in part at any time on or after 1 March 2014 at the respective redemption prices set out herein. • We may redeem up to 35% of the Senior Secured Notes prior to 1 March 2014 with the proceeds from certain equity offerings at the price set out herein. • We may redeem all, but not a portion, of the Senior Secured 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 Secured Notes at the prices set out herein. • We may be required to offer to repurchase the Senior Secured Notes if we have not refinanced the 2015 Senior Notes (as defined herein) due 2015 on or prior to 15 March 2015 at a price equal to 100% of the principal amount of the Senior Secured Notes.
Ranking	The Senior Secured Notes will be senior secured 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 Secured Notes, senior to all of the Issuer's indebtedness that is subordinated to the Senior Secured 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 Secured Notes.
Guarantees..............	The Senior Secured Notes will be, subject to certain agreed security principles and limitations under applicable law, fully and unconditionally guaranteed, jointly and severally, on a senior secured basis (the "Senior Secured Guarantees") by HoldCo, Edcon Acquisition Proprietary Limited ("BidCo") and Edgars Consolidated Stores Limited ("ECSL").
Security....................	The Senior Secured Notes and the Senior Secured Guarantees will be secured, along with certain hedging arrangements, by security interests over substantially all of the assets of the Issuer, HoldCo and the other Senior Secured Guarantors (the "Collateral"). The Issuer's obligations under the Super Senior Revolving Credit Facility (as defined herein) and the 2016 Super Senior Secured ZAR Notes (as defined herein) are secured by security interests in the Collateral that rank senior to the security interests with respect to the Senior Secured Notes offered hereby and the Senior Secured Guarantees. The Issuer's obligations under the 2018 Senior Secured Notes and the ZAR Term Loan (as defined herein) and certain hedging arrangements are secured by security interests in the Collateral that rank *pari passu* with the security interests with respect to the Senior Secured Notes offered hereby and the Senior Secured Guarantees.
Listing	Application has been made for the Senior Secured 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. This offering memorandum (the "Offering Memorandum") constitutes "Listing Particulars" for such application. Application has been made for these Listing Particulars to be approved by the Irish Stock Exchange.

You should be aware that investing in the Senior Secured Notes involves risks. See "Risk Factors" beginning on page 22.

The Senior Secured Notes and the Senior Secured 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 Secured 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 Secured Notes will be issued in registered form in minimum denominations of €100,000 and integral multiples of € 1,000 in excess thereof. The Senior Secured 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 13 February 2013 (the "Issue Date").

Senior Secured Notes Price: 96.500%

Joint Global Coordinators and Physical Bookrunners

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

Joint Bookrunners

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

Offering Memorandum dated 11 March 2013


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GENERAL

Stabilisation

In connection with this Offering, Goldman Sachs International (the “Stabilisation Manager”), or any person acting for it may over-allot Senior Secured Notes or effect transactions with a view to supporting the market price of the Senior Secured 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 Secured 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 Secured Notes.

Responsibility statement

The Issuer accepts responsibility for the information contained in this Offering Memorandum. Having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is, to the best of the knowledge and belief of the Issuer, 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 Secured Notes (the “Senior Secured 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 Secured Notes and the Senior Secured 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 Secured Notes and the Senior Secured 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 Secured 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 Secured Notes are hereby notified that the sellers of the Senior Secured 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 Secured 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 Secured 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 Secured Notes.

We have applied for the Senior Secured 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 Secured Notes will be listed on any exchange at the time the Senior Secured Notes are delivered to Barclays Bank PLC, Goldman Sachs International, Morgan Stanley & Co. International plc, Merrill Lynch International and J.P. Morgan Securities plc (collectively, the “Initial Purchasers”) or at any other time.

The Senior Secured 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 Secured Notes should be aware that they may be required to bear the entire financial risk of the investment for an indefinite period of time.

This Offering Memorandum does not, nor is it intended to, constitute a "registered prospectus" (as that term is defined in the South African Companies Act, No. 71 of 2008, as amended (the "New Companies Act"), prepared and registered under the New Companies Act. Accordingly, the Senior Secured Notes will not be offered or sold to prospective investors in the Republic of South Africa ("South Africa") in contravention of the prohibition on making an "offer to the public" (as defined in the New Companies Act) in South Africa that is not accompanied by a registered prospectus. This Offering Memorandum is not an "offer to the public" and is for distribution in South Africa only to persons who fall within section 96(1) of the New Companies Act (such persons 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. Senior Secured Notes will not be offered for subscription or sale in South Africa to any single addressee acting as principal for an amount of less than R1 million.

No South African residents or other offshore subsidiary may subscribe for or purchase any of the Senior Secured Notes or beneficially own or hold any or the Senior Secured 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").

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

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

The distribution of this Offering Memorandum and the offer and sale of the Senior Secured 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 Secured 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 Secured 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 Secured 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 Secured 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 SECURED 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 HoldCo and its consolidated subsidiaries in respect of periods after the Share Acquisition, except where the context requires otherwise.

Definitions

For a description of certain terms we use in this Offering Memorandum, see "Annex A—Glossary of Defined Terms". In addition, in this Offering Memorandum:

"2014 Senior Secured Guarantees" means the senior secured guarantees of the 2014 Senior Secured Notes by the 2014 Senior Secured Guarantors;

"2014 Senior Secured Guarantors" means HoldCo, BidCo and ECSL;

"2014 Senior Secured Indenture" means the indenture governing the 2014 Senior Secured Notes;

"2014 Senior Secured Notes" means the senior secured floating rate notes due 2014 issued by the Issuer having a principal amount at issuance of €1,180,000,000;

"2014 Senior Secured Notes Redemption" means the redemption of any 2014 Senior Secured Notes after the closing date of the Tender Offer;

"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 HoldCo;

"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 Senior Secured Guarantors;

"2016 Super Senior Secured Guarantors" means HoldCo, 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 the Issuer;

"2018 EUR Senior Secured Notes" means the € 317,000,000 senior secured fixed rate notes due 2018 issued by the Issuer;

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

"2018 Senior Secured Guarantors" means HoldCo, 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 the Issuer;

"26-week 2012" means the 26-week period ended 1 October 2011;

"26-week 2013" means the 26-week period ended 29 September 2012;

"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 9 under "Summary—Summary Historical Consolidated Financial Information and Other Data";

"Adjusted EBITDAR" means EBITDAR as adjusted for non-recurring or non-cash items;

"Bain Capital" means Bain Capital, LLC;

"BidCo" means Edcon Acquisition Proprietary Limited;

"Board" means the board of directors of HoldCo;

"C&F" means clothing and footwear;

"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;

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

"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 2014 Senior Secured Notes, the 2015 Senior Notes and the 2018 Senior Secured Notes;

"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 and The Elephant Acquisition Secondary Founder Investor Trust 3;

"GDP" means gross domestic product;

"HoldCo" means Edcon Holdings Limited;

"IFRS" means International Financial Reporting Standards;

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

"Intercreditor Agreement" means the intercreditor deed between, among others, the Issuer, the trustee for the Senior Secured Notes and the 2018 Senior Secured Notes, the trustee for the 2016 Super Senior Secured ZAR Notes, the trustee for the 2015 Senior Notes 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 13 February 2013;

"Issuer" means Edcon Limited (formerly known as Edcon Proprietary Limited);

"IT" means information technology;

"JIBAR" means the Johannesburg Interbank Agreed Rate;

"LTM 2012" means the 52 weeks ended 29 September 2012;

"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 2012 and our unaudited interim condensed consolidated financial statements as at and for 26-week 2013, each included elsewhere in this Offering Memorandum, as adjusted to give effect to the Pro Forma Transactions (as defined herein);

"Purchase Agreement" means the agreement between the Issuer, the Senior Secured 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 Secured 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;

"Refinancing Transactions" means this Offering, entry into the ZAR Term Loan and the application of the proceeds therefrom, together with part of the net proceeds from the Receivables Sale and the net proceeds from the termination of derivatives entered into in connection with the 2014 Senior Secured Notes to repurchase the 2014 Senior Secured Notes tendered pursuant to the Tender Offer and to fund the 2014 Senior Secured Notes Redemption. See "Use of Proceeds";

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

"Restricted Subsidiary" means, at any time, any subsidiary of HoldCo that is not then an Unrestricted Subsidiary under the Senior Secured 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 Secured Guarantees" means the senior secured guarantees by the Senior Secured Guarantors of the Senior Secured Notes;

"Senior Secured Guarantors" means HoldCo, BidCo and ECSL;

"Senior Secured Indenture" means the indenture governing the Senior Secured Notes and the 2018 Senior Secured Notes as described in "Description of the Senior Secured Notes";

"Senior Secured Notes" means the €300,000,000 senior secured notes offered hereby;

"South Africa" means the Republic of South Africa;

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

"SPV Guarantee" means the guarantee provided on a limited recourse basis by the SPV Guarantor of the obligations of the Issuer under the Senior Secured Notes, the 2018 Senior Secured Notes and the 2016 Super Senior Secured ZAR Notes, the obligations of the Senior Secured Guarantors under the Senior Secured Guarantees, the obligations of the 2018 Senior Secured Guarantors under the 2018 Senior Secured Guarantees, the obligations of the 2016 Senior Secured 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 Secured Notes, described in "Description of the Senior Secured Notes—Security—SPV Guarantor and the SPV Guarantee";

"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 Secured Notes, the obligations of the Senior Secured Guarantors under the Senior Secured Guarantees, the obligations of the 2018 Senior Secured Guarantors under the 2018 Senior Secured Guarantees, the obligations of the 2016 Super Senior Secured 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 Secured Notes, described in "Description of the Senior Secured Notes—Security—SPV Guarantor and the SPV Guarantee";

"sqm" means square metres;

"Stabilisation Manager" means Goldman Sachs International;

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

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

"Subordinated Shareholder Loan" means the Subordinated Shareholder Loan advanced by LuxCo to HoldCo 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 2014 Senior Secured Notes described under “Summary—Recent developments—Tender offer for the 2014 Senior Secured 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 HoldCo designated as an Unrestricted Subsidiary under the Senior Secured Indenture by the Board under the circumstances described in “Description of the Senior Secured 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 that we intend to enter into pursuant to the commitments we have received from certain financial institutions 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 HoldCo and its subsidiaries on a consolidated basis for fiscal years 2010, 2011 and 2012, which have been audited by Ernst & Young Inc., South Africa. The Issuer's financial statements are not presented separately and have been integrated in the Group's consolidated financial statements 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 HoldCo's unaudited interim condensed consolidated financial statements as at and for the 26-week periods ended 1 October 2011 and 29 September 2012, which have been reviewed by Ernst & Young Inc., South Africa. Note 1 to our unaudited interim condensed consolidated financial statements as at and for the 26-weeks ended 29 September 2012 indicates the existence of a material uncertainty which may cast significant doubt on Edcon Holdings Limited's ability to continue as a going concern. See "Risk Factors—Risks related to the Senior Secured Notes—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" and note 1 to our unaudited interim condensed consolidated financial statements as at and for the 26-weeks ended 29 September 2012 included elsewhere in this Offering Memorandum. Our financial statements have been prepared in accordance with IFRS.

The Group financial statements for fiscal year 2010 incorporate the results of HoldCo and its subsidiaries on a consolidated basis for the 53 weeks ended 3 April 2010. The Group financial statements for fiscal years 2011 and 2012 incorporate the results of HoldCo and its subsidiaries on a consolidated basis for the 52 weeks ended on 2 April 2011 and 31 March 2012, 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 R10.46 = €1.00, which represents the average Bloomberg Composite Rate for the 12 months ended 29 September 2012. Unless otherwise specified, we have translated rand amounts relating to financial position data into euro at an exchange rate of R10.69 = € 1.00, which represents the exchange rate used in our financial statements as at 29 September 2012. 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 = R12.14, the Bloomberg Composite Rate as at 31 January 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 Secured 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".

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 historical consolidated financial statements because we are deemed to control OtC I and OtC II within the meaning of IFRS. In this Offering Memorandum, we present certain financial information that excludes the impact of OtC I and OtC II on our consolidated assets, liabilities and results because we believe that such information is useful for assessing our financial position. Because we sold our receivables under our OtC Securitisation Programme on a non-recourse basis, we retained no rights to such receivables. See "Annex B—Presentation of Selected Financial Information Excluding the Impact of OtC". On 31 October 2012, we unwound our OtC Securitisation Program. See "Summary—Recent developments—Sale of private label store card portfolio, unwinding of our OtC Securitisation Programme and new strategic relationship with Absa".

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 unwinding of our OtC Securitisation Programme (the "OtC Unwinding"), which was completed on 31 October 2012;

- the sale of R8.8 billion receivables under our private label store card programme (the "Receivables Sale"), 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; and

- 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.

It does not give effect to the sale of the remainder of our private label store card receivables portfolio, in an aggregate amount of approximately R1.2 billion, which we expect to complete in calendar year 2013, or 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 HoldCo 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 "Summary—Recent developments—Sale of private label store card portfolio, unwinding of our OtC Securitisation Programme and new strategic relationship with Absa" and ''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 Secured Notes pursuant to a resolution passed on 4 February 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 31 January 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 31 January 2013)	11.69	11.11	12.33	12.14

(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 31 January 2013 was R12.14 = € 1.00.

South African rand—U.S. dollar

The following table sets out, for the period from 1 January 2008 through 31 January 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 31 January 2013)	8.79	8.41	9.17	8.94

(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 31 January 2013 was R8.94 = 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.

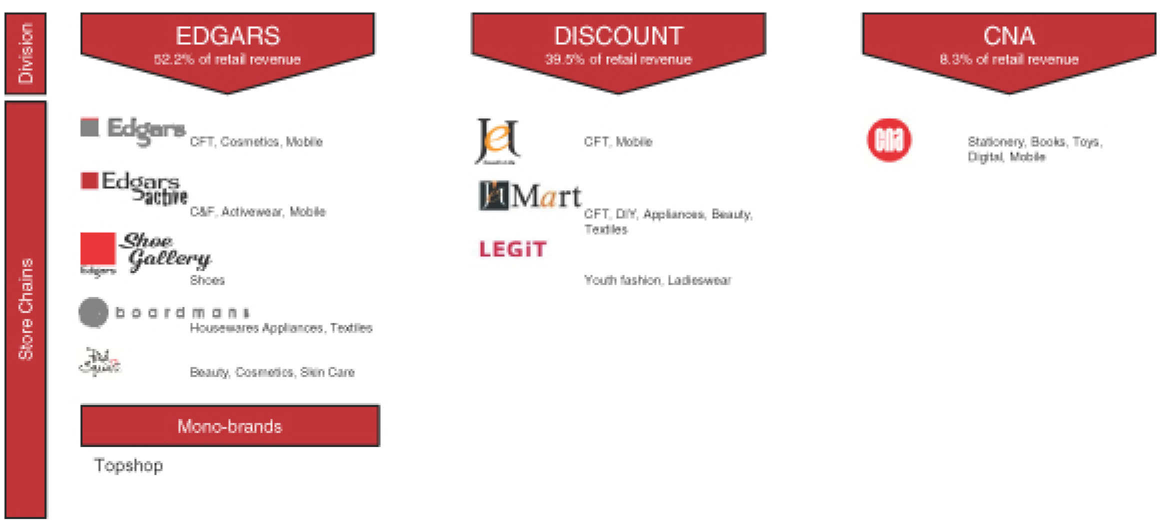
SUMMARY

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 Secured 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. For a further description of some of the terms used below, see “Annex A—Glossary of Defined Terms”.

Overview

We are the largest non-food retailer in South Africa, and in 2012 we had a 27% market share of the South African C&F market by revenue, which was more than two times that of our nearest competitor. We have been in operation for more than 80 years and have expanded our footprint to include 1,173 stores as at 29 September 2012 under three principal divisions comprising nine key store chains 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*, and accounted for 52.2% of our total retail sales in LTM 2012. Our Discount division, which consists of our discount stores selling value merchandise targeted at lower- to middle-income customers, includes store chains such as *Jet*, *Legit* and *Jet Mart*, and accounted for 39.5% of our total retail sales in LTM 2012. We are a leading retailer of books and magazines in South Africa under our *CNA* division, which accounted for 8.3% of our total retail sales in LTM 2012. We also sell mobile phones, related accessories and airtime across all of our divisions, which accounted for 10.3% of our total retail sales in LTM 2012. The Issuer is an operating company active in the abovementioned divisions. Our popular retail store chains allow us to serve a wide cross-section of South African society. In November 2012, we opened our first mono-brand store, *Topshop*, in Johannesburg followed by the opening of our second *Topshop* store in Durban in December 2012. 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.

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



We provide private label store cards to over 3.8 million active customers through a relationship with Absa, an affiliate of Barclays Bank. 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 R8.8 billion aggregate amount of receivables to Absa. We expect to complete the sale of the remaining R1.2 billion aggregate amount of receivables under our private label store card programme to Absa in calendar year 2013. See “—Recent developments—Sale of private label store card portfolio, unwinding of our OtC

Securitisation Programme and new strategic relationship with Absa". We also introduced our *"Thank U"* loyalty programme to our customers in February 2012, which had over 8.8 million members as at 31 December 2012. Between February 2012 and September 2012, approximately 64% of our total retail sales earned *"Thank U"* loyalty points.

Our primary operations are in South Africa, where we generated 93% of our retail sales in LTM 2012. The balance of our operations are in neighbouring Namibia, Botswana, Lesotho, Swaziland, Mozambique and Zambia.

In LTM 2012, we generated revenues of R26,061 million (€ 2,491 million), including retail sales of R24,901 million (€2,381 million) and Adjusted EBITDA of R3,842 million (€367 million). In LTM 2012, we would have generated, pro forma for the OtC Unwinding, the Receivables Sale and the entry into our new strategic relationship with Absa, a Pro Forma Adjusted EBITDA of R2,986 million (€285 million).

From fiscal year 2007 to fiscal year 2012, we increased our retail sales by a CAGR of 8.9% and our Adjusted EBITDA by a CAGR of 8.4%. As at 31 December 2012, we employed approximately 20,900 permanent employees.

Competitive strengths

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

Market-leading brands and attractive market dynamics

Edgars and *Jet* are our number one brands in South Africa, in each case by sales and total apparel retail space. In 2012, *Edgars* was voted the number one retailer for ladieswear and menswear and the best department store in South Africa in an annual survey commissioned by The Times and Sowetan (newspapers in circulation in South Africa). We are also the market leader in cosmetics and mobile phones by revenue.

We believe that our leading brand position results from a combination of factors, including the range, diversity and quality of our products. We believe our strong brand recognition and market-leading positions allow us to capitalise on the attractive C&F market in South Africa, where we generated 93% of our retail sales in LTM 2012. According to the RLC, C&F sales in South Africa, which accounted for 69% of our retail sales in LTM 2012, grew at a CAGR of 8.4% from fiscal year 2007 to fiscal year 2012, despite the recession in 2008/2009, when South Africa was facing the effects of the global economic downturn. South Africa's retail market exceeded a trillion rand for the first time in 2011, and is expected to increase to R1.46 trillion by 2016. C&F spend as a percentage of household expenditure has also increased, in part, as a result of a rapidly emerging middle class, which has more than doubled in size since 2000. Our large retail footprint positions us to continue to benefit from this growth in the South African market.

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, mobile phones, cosmetics, homewares, stationery and books. We sell high-end South African apparel brands such as *Jo Borkett* and *Marion and Lindie*, as well as a number of well-known international apparel brands, such as *Nike*, *Adidas*, *Guess*, *Playtex*, *Puma*, *Levis*, *Topshop* and *Topman*, and cosmetic brands such as *Chanel*, *Dior*, *Givenchy*, *Bobbi Brown*, *Tom Ford* and *Estee Lauder* in our *Edgars* stores, all of which we believe increases our appeal to customers. Our varied brands and broad range of products substantially cover the entire South African socioeconomic customer base, including the expanding middle class. We believe that the diversity of our business portfolio across different market segments and customer spending categories helps us to retain customers as their spending patterns evolve and 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*, and replacing them with *Edgars* or *Jet*-branded stores in cases where the store location was attractive. We have also introduced new speciality stores, such as *Edgars Active* and *Edgars Shoe Gallery*, leveraging our leading brand, *Edgars*. We also opened our first mono-brand store, *Topshop*, in 2012.

Strong financial services offering and loyalty programmes

We instituted South Africa's first customer credit programme over 80 years ago and currently have over 3.8 million active private label store cards, giving us access to a customer network that we are able to target for specific marketing purposes. On 1 November 2012, we entered into a long-term strategic relationship with Absa, an affiliate of Barclays Bank, to continue to provide our customers access to credit under our private label store card programme.

In February 2012, we introduced our *"Thank U"* loyalty programme, which had over 8.8 million customers as at 31 December 2012. This programme provides us with data on the spending habits of our customers that are essential for targeted marketing and promotional purposes. Over 60% 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, of which there are over 2 million combined members each 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.

Significant economies of scale and unrivalled footprint

As the largest non-food retailer in South Africa, we believe that our size provides us with the ability to obtain high-quality products at competitive prices, as well as other scale advantages, such as those in real estate, IT development and infrastructure, and advertising. For example, the strength of our brands allows us to obtain prime retail locations because our stores are attractive tenants to landlords and our *Edgars* and *Jet* chains usually serve as anchor tenants in malls and shopping centres. These prime retail locations help attract high foot traffic to our stores.

In addition, our scale allows us to invest in the development of our IT systems. We believe that our IT systems give us an operational advantage over our competitors because they are among the most advanced in the South African retail industry. We have recently invested in new and current retail software developed by Oracle to upgrade our merchandise systems. The Oracle system has replaced our IT systems for financial planning, forecast, size profile optimisation, replenishment and merchandise reporting. According to initial feedback, the new merchandising system has resulted in improvements to customer service levels, improved inventory management and better sales planning. We leverage the data, which we store in a data warehouse, to improve stock turn and product mix, facilitate merchandise selection and allocation, reduce stock imbalances and enhance customer service and supply chain management. We are also in the process of implementing IT improvements to optimise store plan and layout and to organize the assortment of merchandise on offer at our stores.

Improved supply chain efficiencies

We have decreased the number of our suppliers for our retail business from over 1,800 in fiscal year 2010 to over 1,200 in fiscal year 2012.

We began centralising procurement across divisions 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 Bangladesh 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 believe that these initiatives will enable us to react more quickly to customer demand and to increase sales by improving product availability and reducing markdowns and have a positive effect on working capital.

Experienced management team and strong equity sponsorship

Our senior leadership team combines strong international experience and long-term service within Edcon. In the last two years, we have appointed our new 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 CFO and deputy CEO, 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 CEO and CFO, together with Dr. Urin Ferndale and Mr. Christo Claassen, who constitute our executive management team, 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 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:

- continuing to identify and promote new merchandise brands and assortments in our stores to offer our customers greater range, choice and value as a part of our merchandising strategy. We have, for instance, introduced several popular international brands such as *Forever New*, *Accessorize*, *Steven Madden*, *Gosh!* and *Chanel* in our *Edgars* stores and plan to continue to offer our customers greater variety by introducing several other popular international brands. We also intend to continue maintaining fashion-right offerings under our Discount division brands such as *Jet* and *Legit*, a strategy which we believe has, in the past, resulted in the increased market share of our Discount division in ladieswear;

- remodelling and refurbishing our stores to offer our customers an improved in-store experience, which, we believe will help us increase same-store revenues and sales per square metre. We have recently initiated the process of transforming 72 of our leading *Edgars* stores within our *Edgars* division, which represented over 63% of our retail sales for LTM 2012 and approximately 20% of the total number of stores as at 29 September 2012. We invested approximately R65 million in the first phase of this project, which we initiated in May 2012 and completed in November 2012. Our sales in these 72 stores were adversely affected during the time they were being refurbished but exhibited growth with respect to the merchandise categories covered by our merchandising initiative of approximately 6% higher than the remainder of our *Edgars* stores since completion. We plan to implement the second phase of this project, which includes the introduction of "store-in-store" formats dedicated to international brands such as *Topshop*, from April to August 2013, across the same 72 stores and expect to invest approximately R300 million in this second phase. We have also recently completed the refitting of our *Jet* stores which represents approximately 80% of the retail sales in respect of our *Jet* store chains; and

- continuing to leverage our *"Thank U"* loyalty programme through selective direct marketing to our customers. We intend to expand our marketing programmes, which at present include, among others, private in-store events and special magazine issues, which we believe will continue to help us generate interest in our products and brands. We also offer our customers the ability to accumulate points that can be redeemed against qualifying purchases, which we believe will help us attract new customers as well as cross-sell to our existing customers by increasing their product know-how and brand awareness.

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 1,173 stores at 29 September 2012. We plan to grow our offering by:

- continuing to selectively add new stores with a focus on our speciality offerings such as *Edgars Active* and *Edgars Shoe Gallery* and also promote our mono-brand offerings, such as *Topshop*, which we believe will help us build brand aspiration and promote demand amongst the fast-growing urban youth and middle class in South Africa. After our mono-brand offerings gain momentum within the South African market, we intend to introduce them on a wider scale in certain of our *Edgars* stores on an exclusive basis;

- 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

- 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.

Between January 2013 and June 2014, we intend to open an additional net 22 *Edgars* and 63 *Jet* stores. During the same period, we also plan to open an additional net 89 *Edgars Active* and 34 *Legit* stores. In total, we expect that these planned new stores will add over 140,947 square metres of new store space over approximately the next 18 months, representing a 10% increase in square metres as compared to the current aggregate square meterage of our existing stores. In fiscal year 2014, we 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 and expect to increase our space by a further 105,000 square metres.

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 China and Bangladesh, closer to certain of our suppliers, to reduce our dependence on, and the costs associated with, intermediaries. We have also increased the number of South African and regional suppliers pursuant to our “quick response” strategy. Our product order to South African and regional suppliers increased by more than two times between summer 2011 and summer 2012. Our quick response strategy allows us to source stock in smaller, more customised orders, thereby allowing us to gauge consumer interest in our merchandise. We 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, taken together, these programmes will allow us to increase sales while significantly reducing permanent markdowns and therefore improve our margins.

We are also making investments in upgrading our merchandising systems and 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.

Increase our sales by leveraging our private label store card programme

We expect the recent sale of our receivables to, and our new strategic relationship with, Absa will allow us to better focus on our core retail operations. It will also increase our working capital by changing our business to a cash business. We have been focused for several years on improving the performance and attractiveness of our private store card programme, which has over 3.8 million active accounts and extensive customer reach across southern Africa. Absa, supported by Barclays, 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 continue to draw customers to our stores and help us grow our customer base.

Maximise our cash flow and reduce our financial leverage

We expect to reduce our financial leverage over time on a multiple basis, in terms of the ratio of debt to EBITDA, as well as on an absolute basis by increasing our EBITDA and paying down debt. We expect that we will be able to do so by growing our existing business. Because the sale of our credit book to Absa and the unwinding of our OtC Securitisation Programme are intended to support our cash generation, we expect that our new orientation as a cash business will help us reduce our financial leverage.

Recent developments

Sale of private label store card portfolio, unwinding of our OtC Securitisation Programme and new strategic relationship with Absa

Our private label store card programme is one of the largest in South Africa, and had over 3.8 million store cards at 29 September 2012, allowing selected customers to effect credit purchases in each of our 1,173 stores. Our private label store card programme enables our customers, through the extension of credit, to expand their purchasing capacity at our stores, and provides us with a customer database that we use for marketing purposes. In LTM 2012, purchases completed with our private label store cards accounted for 51.4% of our retail sales.

Historically, we financed a portion of our private label store card programme through an asset-backed domestic securitisation programme with OtC, special purpose insolvency remote entities. Pursuant to our OtC Securitisation Programme, we sold and OtC II purchased eligible receivables arising on private label store card accounts. OtC II financed the purchase of receivables with the proceeds of rand-denominated notes (the “OtC Notes”). In addition, we provided OtC II with a subordinated loan facility (the “OtC Facility”) of up to R2,062 million to fund the OtC Securitisation Programme. As at 29 September 2012, R4.3 billion was outstanding under the OtC Notes.

On 5 June 2012, we entered into a Master Programme Agreement and an Asset Acquisition Agreement with Absa, pursuant to which Absa would acquire at book value most of the receivables outstanding under our private label store card programme (including those sold to OtC II) and provide credit to our private label store card customers in the future. On 31 October 2012, we reacquired the receivables sold to OtC II and unwound our OtC Securitisation Programme. On 1 November 2012, we closed the sale of R8.8 billion aggregate amount of receivables to Absa. We retained the ownership of R1.2 billion aggregate amount of receivables, consisting of receivables owed from certain South Africa-based customers, for which certain compliance procedures are in the process of being completed, as well as the receivables owed by residents of countries other than South Africa. We expect to complete the sale of substantially all of such receivables to Absa for a cash price of R1.2 billion in calendar year 2013. Pursuant to the Master Programme Agreement, with effect on 1 November 2012, Absa extended credit to our private label store card customers while we remain responsible for all customer-facing activities, including the distribution of the store cards and credit collection. Absa is responsible for credit scoring and credit decisions and bears the risk of customer insolvency. A net fee is paid by Absa to us for the administration of the accounts. We retain the right to deliver store cards at our own risk to applicants whose application is denied by Absa. We, together with Absa, are committed to enhancing the offering of financial services to our private label credit customers, which we believe will help us grow our revenue and increase the number of visitors to our stores. The Master Programme Agreement includes certain performance metrics intended to ensure that credit granted to our current and prospective private label store card customers is not unreasonably restrictive.

Out of the R8.8 billion of proceeds resulting from the sale of our receivables portfolio to Absa, we used R4.3 billion to repay the OtC Notes and the OtC Facility in full, and intend to use part of the remaining R4.5 billion, together with the net proceeds of this Offering, the net proceeds of the ZAR Term Loan and the net proceeds from the termination of derivatives entered into in connection with the 2014 Senior Secured Notes to repurchase the 2014 Senior Secured Notes tendered pursuant to the Tender Offer and to fund the 2014 Senior Secured Notes Redemption. See “Use of Proceeds”.

SARS 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. For a description of the settlement agreement, see “Business—Legal and regulatory proceedings—Tax settlement”.

Trading update

Total retail sales for the 13-week period ended 29 December 2012 are expected to be between R8,300 million and R8,375 million, compared to R8,386 million for the 13-week period ended 31 December 2011, which represents a slight decrease primarily due to the trading performance from the Discount division as well as the impact of new initiatives in the *Edgars* division. We expect gross profit margin to be higher due to improved margins in the Discount division, while *Edgars* divisional margin is expected to remain stable when compared to the 13-week period ended 31 December 2011. On a same-store basis, retail sales are expected to be lower by 3.4% to 3.5% over the period, primarily due to the trading performance of the Discount division.

Edgars division retail sales are expected to be between R4,525 million and R4,560 million for the 13-week period ended 29 December 2012, compared to R4,367 million for the 13-week period ended 31 December 2011, which represents an increase primarily due to the continued opening of *Edgars Active* stores and increased promotional activity. However, we expect same-store sales to be lower by 2.1% to 2.2% compared to the prior-year period due to temporary disruptions as initiatives were implemented in *Edgars* stores. Promotional activity had a positive impact on our retail sales.

Discount division retail sales are expected to be between R3,140 million and R,3,170 million for the 13-week period ended 29 December 2012, a decrease compared to R3,368 million for the 13-week period ended 31 December 2011. Such decreases are primarily due to delays in stock delivery and lower mobile phone sales, as well as the discontinuation of our *Discom* brand. Margins continued to improve as the benefits of the change in product mix and improved pricing and sourcing initiatives materialised. We expect same-store sales to be lower by 5.8% to 6.0% over the 13-week period ended 29 December 2012 compared to the 13-week period ended 31 December 2011.

CNA retail sales are expected to be between R635 million and R645 million for the 13-week period ended 29 December 2012, compared to R651 million for the 13-week period ended 31 December 2011, a decrease primarily due to the continued closure of *CNA* stores and lower mobile phone sales. Same-store retail sales remained generally stable over the 13-week period ended 29 December 2012 compared to the prior-year period.

We estimate that our Adjusted EBITDA for the 13-week period ended 29 December 2012, after giving pro forma effect to the sale of R8.8 billion aggregate amount of receivables under our private label store card programme to Absa, would be 6% to 7% lower than for the 13-week period ended 31 December 2011.

The third quarter typically represents 30% to 35% of our annual retail sales.

This information is based on our internal management accounts that are not 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 39-week period ended 29 December 2012.

Tender offer for the 2014 Senior Secured Notes

On 5 February 2013, the Issuer launched a tender offer (the "Tender Offer") to purchase up to €700.0 million in aggregate principal amount (as may be increased, decreased or otherwise amended by the Issuer in its sole and absolute discretion) of the 2014 Senior Secured Notes. The Tender Offer is expected to expire on 12 February 2013, and settle on or about the closing date for this Offering. The Issuer intends to use the net proceeds from this Offering, together with part of the net proceeds from the Receivables Sale, the net proceeds from the termination of derivatives entered into in connection with the 2014 Senior Secured Notes and the net proceeds from the incurrence of the ZAR Term Loan, to repurchase the 2014 Senior Secured Notes tendered pursuant to the Tender Offer. The purchase price for the 2014 Senior Secured Notes will be 100.1% 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. Goldman Sachs International is sole dealer manager for the Tender Offer.

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 2014 Senior Secured 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 2014 Senior Secured 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 2014 Senior Secured Notes.

Equity sponsor

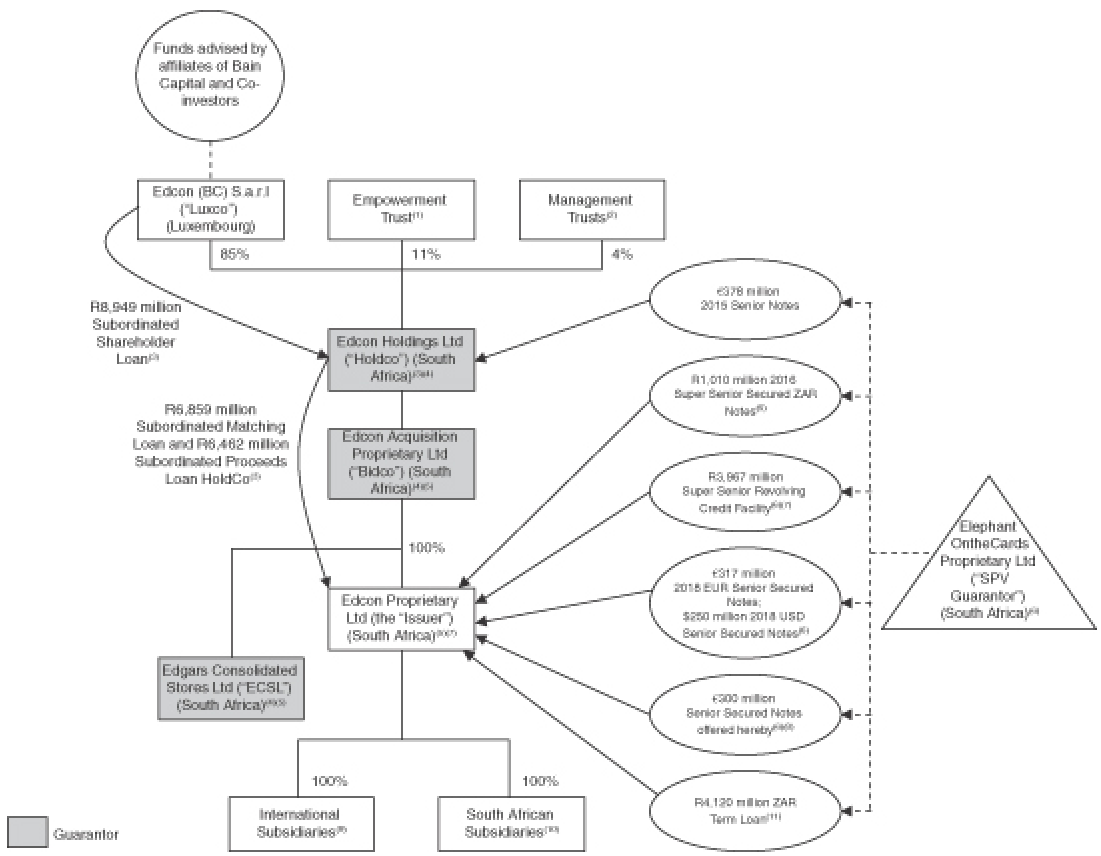
Bain Capital is a leading global private investment firm, whose affiliates advise or manage several pools of capital, including private equity, venture capital, public equity, global macro and leveraged debt assets. Since its inception in 1984, Bain Capital has completed over 370 transactions in a broad 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 HoldCo.

Corporate information

Edcon Limited (formerly known as Edcon Proprietary Limited) is a company incorporated under the laws of South Africa on 5 February 2007 under Registration No. 2007/003525/07. 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 Secured Notes.

Summary Corporate and Financing Structure

The diagram below illustrates our financing structure after giving effect to the Refinancing Transactions. Our corporate structure will continue to remain the same after giving effect to the Refinancing Transactions and Otc Unwinding. See “Use of Proceeds”, “Description of Certain Other Indebtedness” and “Description of the Senior Secured Notes”.



(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) HoldCo has advanced to the Issuer the funds HoldCo received as the borrower under the Subordinated Shareholder Loan pursuant to the Subordinated Matching Loan and the proceeds HoldCo received from the 2015 Senior Notes pursuant to the Subordinated Proceeds Loan. As at 29 September 2012, 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 R6,462 million respectively, including, where applicable, capitalised and accrued interest.

(4) HoldCo, BidCo and ECSL will guarantee the Senior Secured Notes, subject to certain agreed security principles and limitations under applicable law, fully and unconditionally, jointly and severally, on a senior secured basis pursuant to the Senior Secured Guarantees.

(5) The Issuer, BidCo, HoldCo 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, 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 Secured Notes, and certain hedging arrangements that may be entered into in respect of the Senior Secured Notes, and the lenders under the ZAR Term Loan.

(7) The Issuer 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 31 December 2012, R199 million of our Super Senior Revolving Credit Facility was drawn.

(8) The Senior Secured Notes and the 2018 Senior Secured Notes will be treated as a single class for all purposes under the Senior Secured Indenture, including those with respect to waivers, amendments, redemptions and offers to purchase. However, the Senior Secured Notes will be issued, and will trade, with different ISINs and common codes, as applicable, than those assigned to the 2018 Senior Secured Notes. The issuance of the Senior Secured Notes will not be a qualified reopening of the 2018 Senior Secured Notes for U.S. federal income tax purposes.

(9) The Issuer beneficially controls 15 subsidiaries located outside of South Africa, including in Botswana, Lesotho, Mozambique, Namibia, Swaziland, Zambia and Guernsey. None of these subsidiaries will be guarantors of the Senior Secured Notes because none of them are Material Subsidiaries within the meaning of the Senior Secured Indenture.

(10) The Issuer beneficially controls 10 South African subsidiaries. The South African subsidiaries will not be guarantors of the Senior Secured Notes because none of them are Material Subsidiaries within the meaning of the Senior Secured Indenture.

(11) We have obtained commitments in the amount of R4,120 million from certain financial institutions, including affiliates of the Initial Purchasers, to fund the ZAR Term Loan on the terms set out in "Description of Certain Other Indebtedness—ZAR Term Loan". We intend to use any net proceeds that we may obtain from the ZAR Term Loan to repurchase 2014 Senior Secured Notes tendered into the Tender Offer and/or fund the 2014 Senior Secured Notes Redemption. The entry into the ZAR Term Loan is subject to certain conditions, including the negotiation, execution and delivery of definitive finance documents and other customary conditions for financings of this type. The terms of the ZAR Term Loan have not been finalised and may change significantly, and there can be no assurance that any of the conditions to the entry of the ZAR Term Loan will be satisfied or that we will be able to obtain the ZAR Term Loan on such terms or at all. If we do not obtain the ZAR Term Loan, the portion of the 2014 Senior Secured Notes that we expect to refinance with the ZAR Term Loan will remain outstanding.

(12) As at and for the fiscal year 2012, the Issuer accounted for EBITDA of R2,325 million or 98.0% of our consolidated EBITDA. As at and for the fiscal year 2012, the Issuer held total assets of R33,649 million or 92.6% of our consolidated total assets. As at and for the fiscal year 2012, the Senior Secured Guarantors accounted for EBITDA of R0 million or 0.0% of our consolidated EBITDA. As at and for the fiscal year 2012, the Senior Secured Guarantors held total assets of R76 million or 0.0% of our consolidated total assets. As at and for the fiscal year 2012, the non-Senior Secured Guarantors accounted for EBITDA of R47 million or 2.0% of our consolidated EBITDA. As at and for the fiscal year 2012, the non-Senior Secured Guarantors held total assets of 2,629 million or 7.2% of our consolidated total assets.

SUMMARY OF THE OFFERING OF THE SENIOR SECURED NOTES

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

Issuer.. Edcon Limited (formerly known as Edcon Proprietary Limited).

Senior Secured Notes offered .... € 300,000,000 in aggregate principal amount of senior secured notes due 2018 (the "Senior Secured Notes").

The Senior Secured Notes and the 2018 Senior Secured Notes will be treated as a single class for all purposes under the Senior Secured Indenture, including those with respect to waivers, amendments, redemptions and offers to purchase. However, the Senior Secured Notes will be issued, and will trade, with different ISINs and common codes, as applicable, than those assigned to the 2018 Senior Secured Notes. The issuance of the Senior Secured Notes will not be a qualified reopening of the 2018 Senior Secured Notes for U.S. federal income tax purposes.

The Senior Secured Notes will be assigned the following new ISINs and common codes:

	ISIN	Common code
Rule 144A Global Notes Senior Secured Notes	XS0888937272	088893727
Regulation S Global Notes Senior Secured Notes	XS0888936118	088893611

Issue Price Senior Secured Notes....................... 96.500% plus accrued interest, if any, from the Issue Date.

Maturity .... 1 March 2018, subject to our obligation to offer to repurchase the Senior Secured Notes, at the option of the holders, at a price equal to 100% of the principal amount thereof, if we fail to refinance the 2015 Senior Notes prior to 15 March 2015.

Interest

Senior Secured Notes....................... 9.5% per annum, payable semi-annually in arrears on each 15 March and 15 September, commencing on 15 March 2013. Interest on the Senior Secured Notes will accrue from the Issue Date and be payable in cash.

Senior Secured Guarantees The Senior Secured Notes will be, subject to certain agreed security principles and limitations under applicable law, fully and unconditionally guaranteed, jointly and severally, on a senior secured basis (the "Senior Secured Guarantees") by HoldCo, BidCo and ECSL (the "Senior Secured Guarantors").

Ranking of the Senior Secured Notes and Senior Secured Guarantees .... The Senior Secured Notes and Senior Secured Guarantees will be the Issuer's and the Senior Secured Guarantors' secured senior obligations and will rank:

- *pari passu* in right of payment with all of the Issuer's and the Senior Secured Guarantors' existing and future indebtedness that is not subordinated in right of payment to the Senior Secured Notes or the Senior Secured Guarantees, including the 2015 Senior Notes and the ZAR Term Loan;

- senior in right of payment to the Issuer's and the Senior Secured Guarantors' existing and future indebtedness that is subordinated in right of payment to the Senior Secured Notes or the Senior Secured Guarantees;

- effectively senior to all of the Issuer's and the Senior Secured Guarantors' existing and future unsecured indebtedness to the extent of the assets securing the Senior Secured Notes and the Senior Secured Guarantees; and

- effectively junior to the Issuer's and the Senior Secured Guarantors' indebtedness under the Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes with respect to the Collateral.

The Senior Secured Notes and the Senior Secured Guarantees will be secured by substantially all of the assets of the Issuer and the Senior Secured Guarantors as described under "—Security".

As at 29 September 2012, on a pro forma basis after giving effect to the Refinancing Transactions, the Issuer would have had, in addition to the Senior Secured Notes:

Super senior indebtedness:

- R976 million (€91 million) of indebtedness outstanding under the Super Senior Revolving Credit Facility, with R2,991 million (€ 280 million) in revolving credit availability;

- R1,010 million (€95 million) of indebtedness under the 2016 Super Senior Secured ZAR Notes;

Senior secured indebtedness:

- R5,329 million (€500 million) of indebtedness represented under the 2018 Senior Secured Notes; and

- R4,120 million (€386 million) of indebtedness represented by the ZAR Term Loan;

Unsecured indebtedness:

- R3,986 million (€373 million) of indebtedness represented by the guarantee of the 2015 Senior Notes.

Security .... An independent special purpose vehicle (the "SPV Guarantor") has been formed in connection with the security structure being established to support, among other things, the obligations of the Issuer under the Senior Secured Notes and the Senior Secured Guarantors under the Senior Secured Guarantees and the obligations to hedging providers under certain hedging arrangements that may be entered into in respect of the Senior Secured Notes. The SPV Guarantor provided a guarantee (the "SPV Guarantee") on a limited recourse basis under South African law to or will extend the SPV Guarantee, as applicable, to (i) the trustee for the holders of the 2018 Senior Secured Notes of the obligations of the Issuer under the 2018 Senior Secured Notes and of the guarantors thereof under their guarantees, (ii) the lenders under the Super Senior Revolving Credit Facility, (iii) the trustee for the holders of the 2016 Super Senior Secured ZAR Notes, (iv) the lenders under the ZAR Term Loan and (v) the hedging providers of the obligations of the hedging counterparties under the Existing Hedging Arrangements. The SPV Guarantor will extend the benefit of the SPV Guarantee to the trustee for the holders of the Senior Secured Notes (the "Senior Secured Trustee") of the obligations of the Issuer under the Senior Secured Notes and of the Senior Secured Guarantors under the Senior Secured Guarantees. The SPV Guarantee will constitute the only liability of the SPV Guarantor. The Issuer and the Senior Secured Guarantors have counter-indemnified the SPV Guarantor for any and all amounts payable under the SPV Guarantee and have secured their obligations under the counter-indemnities by granting security interests to the SPV Guarantor over substantially all of their assets. These security interests will not be granted directly to the holders of the Senior Secured Notes or the Senior Secured Trustee. The Senior Secured Trustee will therefore not be entitled to take any enforcement action with respect to the security interests in the assets of the Issuer or the Senior Secured Guarantors other than through the SPV Guarantee. The SPV Guarantor will be instructed exclusively in this regard in accordance with the Intercreditor Agreement. Recovery under the SPV Guarantee will be limited to amounts recovered by the SPV Guarantor under the counter-indemnity and security arrangements. See "Description of the Senior Secured Notes—Security—SPV Guarantor and the SPV Guarantee".

The SPV Guarantor's obligations to the holders of the Senior Secured Notes under the SPV Guarantee will rank on an equal and rateable basis with its obligations to hedging providers under certain hedging arrangements that may be entered into in respect of the Senior Secured Notes, the trustee for the holders of the 2018 Senior Secured Notes, the lenders under the ZAR Term Loan and the obligations of the hedging counterparties under the Existing Hedging Arrangements and on a junior basis to its obligations to the lenders under the Super Senior Revolving Credit Facility and the trustee for the holders of the 2016 Super Senior Secured ZAR Notes. See "Description of Certain Other Indebtedness—Intercreditor Agreement" and "Description of the Senior

Secured Notes—Security".

The security interests in favour of the SPV Guarantor will be subject to release under certain circumstances as described in "Description of the Senior Secured Notes—Security".

As at 29 September 2012, on a pro forma basis after giving effect to the Refinancing Transactions, the total book value of the assets pledged to the SPV Guarantor for the benefit of the holders of the Senior Secured Notes, the holders of the 2016 Super Senior Secured ZAR Notes, the holders of the 2018 Senior Secured Notes, the lenders under the ZAR Term Loan, the lenders under the Super Senior Revolving Credit Facility and the hedging providers represented substantially all of HoldCo's total consolidated assets. See "Description of the Senior Secured Notes—Security".

Optional redemption .... The Issuer may redeem the Senior Secured Notes in whole or in part at any time prior to 1 March 2014 at 100% of their principal amount plus a make-whole premium and accrued and unpaid interest. See "Description of the Senior Secured Notes—Optional Redemption".

The Issuer may redeem the Senior Secured Notes in whole or in part at any time on or after 1 March 2014 at the redemption prices as set out herein, plus accrued and unpaid interest. See "Description of the Senior Secured Notes—Optional Redemption".

The Issuer may redeem up to 35% of the aggregate principal amount of the Senior Secured Notes at any time prior to 1 March 2014 with the net proceeds from certain equity offerings. See "Description of the Senior Secured Notes—Optional Redemption".

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

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

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

In the event that on or prior to 15 March 2015, the Issuer has not refinanced the 2015 Senior Notes, the Issuer will be required to offer to purchase the Senior Secured Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest.

Certain covenants .... The indenture governing the Senior Secured Notes (the "Senior Secured Indenture") contains covenants that, among other things, limits the ability of HoldCo and its subsidiaries (including the Issuer) to:

- incur or guarantee additional indebtedness;
- create liens;
- make investments or certain other restricted payments;
- 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; and
- impose restrictions on the ability of Restricted Subsidiaries to pay dividends or make other distributions.

These limitations are subject to a number of important qualifications and exceptions and certain of these limitations will be suspended on certain conditions if and when, and for so long as, the Senior Secured Notes are rated investment grade. In addition, the Senior Secured Indenture requires any future Restricted Subsidiaries of HoldCo (other than Immaterial Subsidiaries (as defined in the Senior Secured Indenture)) to provide a guarantee and security for the Senior Secured Notes. HoldCo and its Restricted Subsidiaries will also be allowed 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 Secured Notes—Certain Covenants".

Form of Notes.................................... The Senior Secured Notes will initially be issued in the form of global notes and will be deposited with, and registered in the name of, a nominee of a common depositary for Euroclear and Clearstream.

Ownership of interests in the EUR global notes ("EUR Book-Entry Interests") will be available only to participants in Euroclear and Clearstream or persons that hold interests through those participants. EUR Book-Entry Interests in the Senior Secured 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 Secured Notes will have a minimum denomination of €100,000 or any integral multiple of €1,000 in excess thereof.

Use of proceeds .... The gross cash proceeds from the issuance of the Senior Secured Notes are expected to be approximately €290 million. We intend to use the net proceeds from this Offering, together with part of the net proceeds from the Receivables Sale, the net proceeds from the termination of derivatives entered into in connection with the 2014 Senior Secured Notes and the net proceeds from the ZAR Term Loan,

	to repurchase the 2014 Senior Secured Notes tendered pursuant to the Tender Offer and to fund the 2014 Senior Secured Notes Redemption. We will deposit any proceeds from the Offering not used to repurchase 2014 Senior Secured 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 2014 Senior Secured Notes Redemption on or about the 30th day after the Issue Date. See "Use of Proceeds".
Transfer restrictions	The Senior Secured Notes and the Senior Secured 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 Secured Indenture, the Senior Secured Notes and the Senior Secured 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 for the Senior Secured 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. This Offering Memorandum constitutes "Listing Particulars" for such application. Application has been made for these Listing Particulars to be approved by the Irish Stock Exchange.
Trustee, Transfer Agent and Principal Paying Agent.....................	The Bank of New York Mellon.
Registrar..	The Bank of New York Mellon (Luxembourg) S.A.
Taxation...	For a discussion of certain tax consequences of an investment in the Senior Secured Notes, see "Certain Tax Considerations".
Original Issue Discount	The issuance of the Senior Secured Notes will not be a qualified reopening for U.S. federal income tax purposes. Because the stated principal amount of a Senior Secured Note exceeds its issue price by an amount greater than or equal to a statutorily defined *de minimis* amount, such Senior Secured Note will be considered to be issued with original issue discount ("OID") for U.S. federal income tax purposes. As a result, in addition to the stated interest on the Senior Secured Note, a U.S. holder (as defined in "Certain Tax Considerations—Certain U.S. Federal Income Tax Consequences to U.S. Holders") will be required to include such OID in gross income (as ordinary income) as it accrues on a constant yield basis for U.S. federal income tax purposes in advance of the receipt of cash payments to which such income is attributable and regardless of the holder's method of accounting for U.S. federal income tax purposes. See "Certain Tax Considerations—

Certain U.S. Federal Income Tax Consequences to U.S. Holders".

Risk factors....................................... See "Risk Factors" for a discussion of certain factors that prospective purchasers of the Senior Secured Notes should carefully read and consider before investing in the Senior Secured Notes.

For additional information regarding the Senior Secured Notes, see "Description of the Senior Secured Notes".

Summary Historical Consolidated Financial Information and Other Data

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

Our summary historical financial information as at and for fiscal years 2010, 2011 and 2012 has been derived from HoldCo's audited historical consolidated financial statements as at and for fiscal years 2010, 2011 and 2012 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 26-week 2012 and 26-week 2013 has been derived from HoldCo's unaudited interim condensed consolidated financial statements for 26-week 2013. "26-week 2012" and "26-week 2013", when used in this Offering Memorandum, mean the 26-week periods ended 1 October 2011 and 29 September 2012, respectively. Note 1 to our unaudited interim condensed consolidated financial statements as at and for 26-week 2013 indicates the existence of a material uncertainty which may cast significant doubt on Edcon Holdings Limited's ability to continue as a going concern. See "Risk Factors—Risks related to the Senior Secured Notes—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" and note 1 to our unaudited interim condensed consolidated financial statements as at and for 26-week 2013 included elsewhere in this Offering Memorandum.

Our summary historical financial information as at and for the 52 weeks ended 29 September 2012 ("LTM 2012") has been derived by adding the unaudited historical financial information for 26-week 2013 to the audited historical financial information for fiscal year 2012 and subtracting our unaudited historical financial information for 26-week 2012. 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.

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 26-week 2013 should not be regarded as indicative of our expected results for fiscal year 2013.

OntheCards Investments II Proprietary Limited and OntheCards Investments Limited

We terminated our OtC Securitisation Programme on 31 October 2012, prior to the Receivables Sale to Absa on 1 November 2012. No receivables or debt remain in OtC and any outstanding receivables under the OtC Securitisation Programme have been transferred to Edcon and debt repaid with proceeds. See "Presentation of Information—Non-IFRS financial measures" and "Summary—Recent developments—Sale of private label store card portfolio, unwinding of our OtC Securitisation Programme and new strategic relationship with Absa". 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 because we are deemed to control OtC I and OtC II within the meaning of IFRS. In this Offering Memorandum, we present certain financial information that excludes the impact of OtC I and OtC II on our consolidated assets, liabilities and results because we believe that such information is useful for assessing our financial position. Because we sold our receivables under our OtC Securitisation Programme on a non-recourse basis, we retained no rights to such receivables. See “Annex B—Presentation of Selected Financial Information Excluding the Impact of OtC”.

	53 weeks ended 3 April 2010	52 weeks ended 2 April 2011	52 weeks ended 31 March 2012	26 weeks ended 1 October 2011	26 weeks ended 29 September 2012	52 weeks ended 29 September 2012	52 weeks ended 29 September[(2)]
				(in millions)			
Income statement data[(1)]							
Revenues	R 24,876	R 25,586	R 27,884	R 11,772	R 12,062	R 26,061	€ 2,491
Retails sales[(3)] ...	*21,888*	*22,716*	*24,664*	*11,216*	*11,453*	*24,901*	*2,381*
Cost of sales............	(13,848)	(14,332)	(15,642)	(7,092)	(7,269)	(15,819)	(1,512)
Gross Profit	**R 8,040**	**R 8,384**	**R 9,022**	**R 4,124**	**R 4,184**	**R 9,082**	**€ 869**
Other income[(4)]	473	490	565	269	433	729	70
Store costs	(4,078)	(4,348)	(4,622)	(2,188)	(2,352)	(4,786)	(458)
Other operating costs[(5)]	(3,028)	(3,221)	(3,803)	(1,719)	(1,902)	(3,986)	(381)
Retail trading profit	**R 1,407**	**R 1,305**	**R 1,162**	**R 486**	**R 363**	**R 1,039**	**€ 100**
Income credit...........	2,049	1,833	2,113	—	—	—	—
Expenses from credit	(1,771)	(1,209	(1,343	—	—	—	—
Income from joint ventures...................	435	487	541	249	315	607	58
Trading profit	**R (2,120)**	**R 2,416**	**R 2,473**	**R 735**	**R 678**	**R 1,646**	**€ 158**
Derivative loss	(5,081)	(2,343)	(10)	(3)	(1)	(8)	(1)
Foreign exchange gain/(loss)................	4,622	230	(680)	(1,147)	(448)	19	1
Foreign exchange gain/ (loss) on foreign notes............	4,622	534	(1,518)	(2,703)	(1,014)	171	16
Foreign exchange (loss)/ gain on cash flow hedge...............	—	(304)	838	1,556	566	(152)	(15)
Discount on repurchase of senior secured notes	—	—	36	36	—	—	—
Fees incurred on funding facilities........	(33)	(10)	—	—	—	—	—
Impairment of brands and goodwill .	(137)	—	(126)	—	—	(126)	(12)
Profit/(loss) before financing costs	**R 1,491**	**R 293**	**R 1,693**	**R (379)**	**R 229**	**R 1,531**	**€ 146**
Interest received.......	31	60	68	38	25	55	5
Profit before financing costs	**R 1,522**	**R 353**	**R 1,761**	**R (341)**	**R 254**	**R 1,586**	**€ 151**
Financing costs	(2,946)	(2,557)	(3,756)	(1,772)	(1,676)	(3,660)	(350)
Loss before taxation...................	**R (1,424)**	**R (2,204)**	**R (1,995)**	**R (2,113)**	**R (1,422)**	**R (2,074)**	**€ (199)**
Taxation...................	370	561	(4)	567	(1,694)	(2,049)	(196)
Loss for the period from continuing	**R (1,054)**	**R (1,643)**	**R (1,999)**	**R (1,546)**	**R (3,116)**	**R (4,123)**	**€ (395)**

operations							
Dicounted operations							
Profit for the period from discontinued operations, net of tax	—	—	—	275	237	516	49
Loss for the period	**R (1,054)**	**R (1,643)**	**R (1,999)**	**R (1,271)**	**R (2,879)**	**R (3,607)**	**€ (346)**
Cash flow data[(1)]							
Operating cash inflow before changes in working capital	R 3,352	R 3,622	R 3,691	R 1,711	R 1,733	R 3,713	€ 355
Working capital movement	952	(69)	(1,603)	(984)	495	(124)	(12)
Cash inflow from operating activities	4,304	3,553	2,088	727	2,228	3,589	343
Net cash outflow from investing activities	(353)	(374)	(694)	(579)	(368)	(483)	(46)
Net cash (outflow)/inflow from financing activities	(650)	250	447	358	213	301	29
Increase/(Decrease) in cash and cash equivalents	774	1,201	(1,232)	(1,058)	486	312	30

	At 3 April 2010	At 2 April 2011	At 31 March 2012	At 29 September 2012	At 29 September 2012[(2)]
			(in millions)		
Financial position data[(1)]					
Cash and cash equivalents	R 1,125	R 2,315	R 1,083	R 1,569	€ 147
Working capital	7,685	7,712	9,294	8,835	826
Total assets	33,768	35,329	36,354	36,393	3,404
Total debt at unhedged rates	19,670	24,440	26,763	28,046	2,624
Total net debt including cash and derivatives	22,455	23,349	26,068	26,333	2,463
Total equity and shareholder's loan	5,752	4,760	3,527	715	67

	At 3 April 2010	At 2 April 2011	At 31 March 2012	At 29 September 2012
Select operating data (unaudited)[(1)]				
Number of stores	1,228	1,181	1,166	1,183
Edgars	263	261	308	359
Discount	762	718	665	631
CNA	203	202	194	193
Same store sales growth (LTM)[(7)]	(4.7%)	5.3%	7.4%	1.0%
Average retail space (in '000 sqm) (LTM)	1,316	1,321	1,340	1,370
Trading density[(8)]	16,712	17,194	18,404	18,174
Number of customer credit accounts (in '000s)	3,993	3,713	3,831	3,810
Credit sales as percentage of total sales	50%	49%	51%	51%
Percentage of bad debts	12.9%	10.9%	6.7%	7.1%

	At and for the						
	53 weeks ended 3 April 2010	52 weeks ended 2 April 2011	52 weeks ended 31 March 2012	26 weeks ended 1 October 2011	26 weeks ended 29 September 2012	52 weeks ended 29 September 2012	52 weeks ended 29 September 2012[(2)]
	(in millions) (unaudited)						
Other financial data[(a)]							
EBITDA[(9)]	R 2,716	R 1,509	R 2,865	R 579	R 1,088	R 3,374	€ 323
Adjusted EBITDA[(9)]	3,368	3,624	4,041	1,750	1,551	3,842	367
Adjusted Corporate EBITDA[(9)(10)]	3,044	3,160	3,548	1,479	1,379	3,448	330
Operating lease expenses[(11)]	1,425	1,488	1,566	793	856	1,629	156
Adjusted EBITDAR[(9)]	4,793	5,112	5,607	2,543	2,407	5,471	523
Capital expenditure[(12)]	473	474	710	579	368	499	48
Depreciation and amortisation[(13)]	1,225	1,216	1,172	576	530	1,126	108

(a) Except as otherwise indicated, "Other financial data" includes the impact of consolidating OtC. See "Annex B—Presentation of Selected Financial Information Excluding the Impact of OtC".

	52 weeks ended 29 September 2012[(2)]	
	(in millions, except ratios) (unaudited)	
Pro forma data[(14)]		
Pro forma cash and cash equivalents	R 1,365	€ 128
Pro forma total net debt[(15)]	R 17,903	€ 1,676
Pro forma net senior secured debt[(16)]	R 13,916	€ 1,303
Pro forma Adjusted EBITDA[(9)]	R 2,986	€ 285
Pro forma net interest expense[(17)]	R 2,182	€ 209
Ratio of pro forma Adjusted EBITDA to pro forma net interest expense[(9)(17)]	1.4x	
Ratio of pro forma total net debt to pro forma Adjusted EBITDA[(9)(15)]	6.0x	
Ratio of pro forma net senior secured debt to pro forma Adjusted EBITDA[(9)(16)]	4.7x	

(1) Except as otherwise indicated, figures presented in the summary financial information above include the impact of consolidating OtC. See "Annex B—Presentation of Selected Financial Information Excluding the Impact of 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 R10.46 = €1.00, which represents the average Bloomberg Composite Rate for the 12 months ended 29 September 2012. Rand amounts relating to financial position data have been translated into euro at an exchange rate of R10.69 = €1.00, which represents the exchange rate used in our financial statements as at 29 September 2012.

(3) "Retail sales" reflect total revenues less club fees, income from joint ventures, dividends, finance charges, interest received and manufacturing sales.

(4) "Other income" comprises fees from our *Edgars* and *Jet* clubs and manufacturing sales.

(5) "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.

(6) Under IFRS, our credit business was treated as a discontinued operation for 26-week 2013. For consistency, we present our income and expenses from credit under "profit/(loss) for the period from discontinued operations, net of tax" for the 52 weeks ended 29 September 2012.

(7) "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- or 53-week period preceding the 52- or 53-week period and at the end of that period for which same store growth information is presented.

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

(9) 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.

		53 weeks ended 3 April 2010		52 weeks ended 2 April 2011		52 weeks ended 31 March 2012		26 weeks ended 1 October 2011		26 weeks ended 29 September 2012		52 weeks ended 29 September 2012		52 weeks ended 29 September 2012[2]
							(in millions) (unaudited)							
Loss for the period[6]	R	(1,054)	R	(1,643)	R	(1,999)	R	(1,271)	R	(2,879)	R	(3,607)	€	(346)
Taxation		(370)		(561)		4		(460)		1,786		2,250		215
Net financing costs		2,915		2,497		3,688		1,734		1,651		3,605		345
Depreciation and amortisation		1,225		1,216		1,172		576		530		1,126		108
EBITDA	**R**	**2,716**	**R**	**1,509**	**R**	**2,865**	**R**	**579**	**R**	**1,088**	**R**	**3,374**	**€**	**322**
Net fair value movement on notes and associated derivatives[a]		459		2,113		690		1,150		449		(11)		(1)
Discount on repurchase of senior secured notes[b]		—		—		(36)		(36)		—		—		—
Impairment of intangible assets[c]		137		—		126		—		—		126		12
Net asset write-off[d]		23		(8)		22		5		16		33		3
Transitional projects related expenditure[e]		—		—		278		52		139		365		35
Advisory fees related to refinancing transactions[f]		—		—		96		—		—		96		9
Advisory fees on sale of receivables to OtC[g]		33		10		—		—		—		—		—
MasterCard termination receipt[h]		—		—		—		—		(141)		(141)		(13)
Adjusted EBITDA	**R**	**3,368**	**R**	**3,624**	**R**	**4,041**	**R**	**1,750**	**R**	**1,551**	**R**	**3,842**	**€**	**367**
Net income from previous card programme												(1,060)		(102)
Net income from new card programme												204		20
Pro Forma Adjusted EBITDA[18]											**R**	**2,986**	**€**	**285**

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

(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 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) and the establishment of our *"Thank U"* loyalty programme.

(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 and the 2016 Super Senior Secured ZAR Notes.

(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.

(10) "Adjusted Corporate EBITDA" excludes the impact of consolidating OtC. See "Annex B—Presentation of Selected Financial Information Excluding the Impact of OtC".

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

(12) "Capital expenditure" excludes finance leases.

(13) "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.

(14) 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".

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

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

(17) "Pro forma net interest expense" reflects the estimated net interest expense that would have been payable on third-party debt during LTM 2012, 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 Secured Notes issued hereby.

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

RISK FACTORS

An investment in the Senior Secured 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 Secured Notes. The occurrence of any of the events discussed below could harm us. If these events occur, the trading price of the Senior Secured Notes could decline, we may not be able to pay all or part of the interest or principal on the Senior Secured 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 ongoing global economic downturn, the South African Reserve Bank reduced its repurchasing rate to 5% in July 2012, a 30-year low. Despite such historically low interest rates, South African households are still considered to be financially fragile. The ratio of total household debt to disposable income was 76% in the third quarter of calendar year 2012. 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. However, the expansion of the provision of social grants is expected to stabilise, 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 to BBB from BBB+. Fitch joins S&P, which downgraded the country's debt in October 2012, also to BBB, and Moody's which in September 2012 downgraded the country from A3 to Baa1. Over the last 12 months, economic growth performance and prospects have deteriorated in South Africa, affecting public finances and exacerbating social and political tensions. Public finances have weakened. Fitch estimates national government debt will have risen to 41% of GDP (around 43% including local authorities) at the end of 2012 from 27% at end of 2008. Ninety-three per cent of our retail sales were derived from South Africa in LTM 2012 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 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 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. Accordingly, 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, after giving effect to the Refinancing Transactions, a substantial portion of our indebtedness, including the 2015 Senior Notes, the 2018 EUR Senior Secured Notes and the Senior Secured Notes offered hereby, are 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. 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 Secured Notes offered hereby and payments in U.S. dollars on the 2018 USD Senior Secured Notes.

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 Secured Notes.

We use hedges as part of our hedging strategy.

As part of the hedging strategy that we implemented for the 2014 Senior Secured Notes, the 2015 Senior Notes and the 2018 Senior Secured Notes, we elected to hedge some of 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 2014 Senior Secured Notes to the extent such notes are refinanced. In addition, we intend to hedge some or all of our interest rate and currency risk under the Senior Secured Notes. Such hedges to the extent that they hedge such risks from the 2015 Senior Notes, the 2018 Senior Secured Notes or the Senior Secured Notes (if applicable) rank *pari passu* in right of recovery and benefit from the same security as the Senior Secured Notes. If we were to default in making payments under the 2015 Senior Notes, the 2018 Senior Secured Notes or the Senior Secured 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 2015 Senior Notes, the 2018 Senior Secured Notes or the Senior Secured 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 25% 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. In addition, we expect to spend over R240 million in fiscal year 2013 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 central 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. 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 department store segment we compete directly with *Woolworths*, *Truworths* and *Foschini*. In the discount store segment 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*, *Walmart* and *Zara*.

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 as a result of economic conditions and as a result of changes in 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 “Tipping Point” store refurbishment initiative, we will experience increased capital needs. For a description of our Tipping Point 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 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 R528 million was approved to maintain and increase our store footprint. In addition to ongoing store openings in South Africa, in November 2011 we opened our first stores in Zambia, and in December 2012 we opened our first stores in Mozambique. If we are 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 2012, 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 Secured 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. See "Summary—Recent developments".

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 Secured Notes. In addition, our equity holders may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks to holders of the Senior Secured 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 31 December 2012, approximately 13,866 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 in April 2011 a two-year collective bargaining agreement 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. We will commence negotiations in February 2013 with the SACCAWU regarding a new collective bargaining agreement. 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 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, recording, organisation, storage, updating or modification, retrieval, consultation, use and dissemination by means of transmission, distribution or making available in any other form, merging, linking, as well as blocking, 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. A ninth draft of the POPI Bill has been passed by the National Assembly on 11 September 2012, and it is expected that the POPI Bill will come into force in early 2013.

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”.

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 93% of our retail sales in South Africa in LTM 2012. 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. Although year-on-year inflation is still within the target range, there is the risk that the inflation outlook in South Africa may be 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 Secured 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 Secured Notes and our ability to make scheduled interest payments and pay principal at maturity under the Senior Secured Notes require the approval of the South African exchange control authorities, which we have obtained. To repurchase or redeem Senior Secured 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 Secured 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 Secured 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 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 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, information; the right to fair and responsible marketing; the right to fair and honest dealing; 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 Secured 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 September 2012, on a pro forma basis after giving effect to the Pro Forma Transactions and the Refinancing Transactions, we had outstanding total corporate debt of € 1,804 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 Secured 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 Secured 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 Secured 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 Secured Indenture, the 2016 Indenture, the 2015 Senior 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 Secured Indenture.

The Senior Secured Indenture permits us to incur indebtedness if we meet, on a pro forma basis, an agreed ratio of fixed charges (as defined in the Senior Secured Indenture) to consolidated EBITDA (as defined in the Senior Secured 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 Secured Notes by the fixed charge coverage ratio test may be weakened (or strengthened) by future currency exchange rates, to the extent not hedged.

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

Restrictions contained in the Senior Secured Indenture, the 2016 Indenture, the 2015 Senior 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 Secured 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 Secured 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 July 2013. One such exemption from the withholding tax applies to debt instruments listed on a recognised exchange. The Senior Secured 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 Secured Notes should not be subject to the withholding tax. However, we cannot assure you that the Senior Secured Notes will be, or will remain, listed on the Irish Stock Exchange or any other recognised exchange. If the Senior Secured Notes are no longer listed on a recognised exchange, interest payments on the Senior Secured 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 July 2013 and we cannot assure you that any such amendment will not be detrimental to you.

Payments on the Senior Secured 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 Secured Note as a result of the imposition of such withholding tax.

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

The Senior Secured Notes will be issued by the Issuer and guaranteed by the Senior Secured Guarantors. Each of the Issuer and the Senior Secured 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 Secured Guarantor. Your rights under the Senior Secured Notes and the Senior Secured 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 Secured Notes and Senior Secured Guarantees.

The laws of the jurisdiction in which the Issuer and the Senior Secured Guarantors are organised also limit their ability to provide financial assistance (as that term is contemplated in the New Companies Act) without, amongst other things, the prior consent of the shareholders of the Issuer and the relevant Senior Secured 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 Secured 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 Secured 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 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 the 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.

A portion of the security for the Issuer's counter-indemnity obligations in respect of the Senior Secured Notes will be effected by way of registration of a general notarial bond ("GNB") over our movable assets, making the SPV Guarantor, on perfection of the GNB by way of a court order, a secured creditor in respect of the proceeds of the movable property secured in terms of the GNB. A GNB may be perfected only by a court, prior to an entity's liquidation, and only in the event of default taking place prior to liquidation. In the event that the GNB is not perfected, with respect to the assets of the Issuers covered by such GNB, the SPV Guarantor would only be paid if all other preferred creditors (i.e. each employee up to a maximum threshold amount of R16,000.00 per employee for salary and leave, certain statutory obligations and SARS) have been paid in full. Once a GNB is registered and subsequently perfected the creditor in whose favour the GNB is registered enjoys a secured preference relative to (i) the movable assets secured by the GNB and (ii) the terms of the GNB.

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 judgment 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 Secured Notes would be paid in full or at all, how long payments under the Senior Secured Notes could be delayed and whether or to what extent holders of the Senior Secured Notes would be compensated for any delay in payment under the Senior Secured Notes. The ultimate recovery (if any) by holders of Senior Secured 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 Secured Notes to enforce the security provided by the Senior Secured Guarantors.

Our obligations under the Senior Secured Notes are guaranteed by the Senior Secured Guarantors, and the Senior Secured 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 Secured Guarantors may challenge the Senior Secured 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 Secured Guarantor's obligations under the Senior Secured Guarantees;

- direct that holders of the Senior Secured Notes return any amounts paid under the Senior Secured Guarantees to such Senior Secured 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 Secured Notes and the Senior Secured 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 Secured Notes. In addition, the liability of any Senior Secured Guarantor under its Senior Secured Guarantee of the Senior Secured Notes will be limited to the amount that will result in its Senior Secured 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 Secured Guarantor under its Senior Secured Guarantee of the Senior Secured Notes. For a description of certain impeachable transactions, see "—Enforcing your rights as a holder of the Senior Secured Notes or under the Senior Secured 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 affect 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 and to corporate actions, and 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 have been tested in court yet (the New Companies Act only having recently come into effect).

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 likely that the company will not be able to pay its debts as they become due and payable during the ensuing six months or it seems reasonably likely that the company will become insolvent in the 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) unsecured financing incurred prior to the commencement of business rescue proceedings; (g) all other unsecured claims against the company; and (h) 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 impossible 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 Secured Notes and the value of such Collateral may not be sufficient to satisfy our obligations under the Senior Secured 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 Secured 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 Secured 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 Secured Guarantors under the Senior Secured Notes and the Senior Secured 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 Secured Notes and the Senior Secured 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 Secured 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 Secured Notes and the Senior Secured Guarantees will be sufficient to satisfy the obligations of the Issuer and the Senior Secured Guarantors under the Senior Secured Notes and the Senior Secured 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 Secured Notes—Security".

Holders of the Senior Secured Notes will not control certain decisions regarding the Collateral.

The Senior Secured Notes will be secured by the same collateral securing the obligations under the Senior Secured Indenture, the 2016 Indenture and the Super Senior Revolving Credit Facility. In addition, under the terms of the Senior Secured Notes Indenture, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same collateral.

The Intercreditor Agreement provides that the lenders under the Super Senior Revolving Credit Facility and the holders of the 2016 Super Senior Secured ZAR Notes will initially have effective control of all decisions with respect to the Collateral.

Disputes may occur between the holders of the Senior Secured Notes and the creditors under the Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the Collateral. In such an event, the holders of the Senior Secured Notes will be bound by any decisions of the creditors under Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes, which may result in enforcement action in respect of the Collateral, whether or not such action is approved by the holders of the Senior Secured Notes or may be adverse to such holders. The creditors under the Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes may have interests that are different from the interest of holders of the Senior Secured Notes and they may elect to pursue their remedies under the security documents at a time when it would otherwise be disadvantageous for the holders of the Senior Secured Notes to do so.

In addition, if the Collateral is sold as a result of an enforcement action in accordance with the Intercreditor Agreement, the liens over any other assets securing the Senior Secured Notes and the Senior Secured Guarantees may be released. See “Description of Certain Other Indebtedness—Intercreditor Agreement” and “Description of the Senior Secured Notes—Security—Release of Security”.

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

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

As a result, neither the trustee nor the holders of the Senior Secured 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 Secured Indenture and the Senior Secured 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 Secured Notes.

The collateral securing the Senior Secured 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 Secured 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 Secured Notes if a change of control takes place.

A "change of control" is an event defined in the Senior Secured Indenture and includes certain changes in ownership or voting rights with respect to us. If a change of control occurs, holders of the Senior Secured Notes may require us to purchase any or all of the Senior Secured Notes at 101% of their principal amount together with accrued and unpaid interest. See "Description of the Senior Secured Notes—Purchase of Senior Secured Notes upon a Change of Control". We may not have enough money, however, to purchase the Senior Secured 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 2015 Senior 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 Secured Indenture. Restrictions contained in the Senior Secured 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 and the ZAR Term Loan, 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 Secured 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 Secured 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.

Note 1 to our unaudited interim condensed consolidated financial statements as at and for 26-week 2013 indicates the existence of a material uncertainty which may cast significant doubt on Edcon Holdings Limited's ability to continue as a going concern. If we do not obtain the ZAR Term Loan, the portion of the 2014 Senior Secured Notes that we expect to refinance with the ZAR Term Loan will remain outstanding. This may exacerbate the refinancing risk highlighted in that Note 1.

The Senior Secured Notes will be issued and will trade with different ISINs and common codes than those assigned to the 2018 Senior Secured Notes.

Although the Senior Secured Notes will be treated as a single class as the 2018 Senior Secured Notes for all purposes under the Senior Secured Indenture, the Senior Secured Notes will trade with different ISINs and common codes than those assigned to the 2018 Senior Secured Notes. As a result, the liquidity of the Senior Secured Notes may be adversely affected, and the Senior Secured Notes may trade at different prices than the 2018 Senior Secured Notes. In addition, there may be different tax consequences to holders of Senior Secured Notes compared to holders of 2018 Senior Secured Notes (for example, the Senior Secured Notes and the 2018 Senior Secured Notes may have different issue prices for U.S. federal income tax purposes). The issuance of the Senior Secured Notes will not be a qualified reopening of the 2018 Senior Secured Notes for U.S. federal income tax purposes.

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

We have not registered the Senior Secured Notes under the U.S. Securities Act or any other securities laws. Therefore, you may not offer or sell the Senior Secured 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 Secured Notes. It is your obligation to ensure that your offers and sales of Senior Secured Notes within the United States and other countries comply with all applicable securities laws.

The 2015 Senior Notes bear interest at floating rates that could rise significantly, increasing our interest cost and debt and reducing our cash flow.

The 2015 Senior Notes bear interest at per annum rates equal to EURIBOR, adjusted periodically, plus a spread. This interest rate could rise significantly in the future and could therefore increase our interest cost and debts and reduce funds available to repay the Senior Secured Notes and other financing and funds available to finance operations and future business opportunities, to the extent that we do not hedge the floating interest rate. As a result, higher market interest rates would intensify the consequences of our leveraged capital structure, to the extent not hedged.

Investors in the Senior Secured Notes may have difficulty bringing actions, and enforcing judgments, 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 judgments 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 Secured 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 Secured Notes are issued in exchange for book-entry interests in the Senior Secured Notes, owners of the book-entry interests will not be considered owners or holders of the Senior Secured Notes. Instead, the common depositary for Euroclear and Clearstream, or its nominee, will be the sole holder of the Senior Secured Notes. Payments of principal, interest and other amounts owing on or in respect of the Senior Secured Notes in global form will be made to The Bank of New York Mellon (as paying agent for the Senior Secured 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 Secured 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 Secured 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 Secured 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 Secured Notes. See “Description of Book-Entry System”.

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

The Senior Secured Notes are denominated and payable in euro. If you are a U.S. investor, an investment in the Senior Secured 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 Secured Notes below their stated coupon rates and could result in a loss to you on a U.S. dollar basis. Investment in the Senior Secured 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”.

The Senior Secured Notes are being issued with original issue discount for U.S. federal income tax purposes.

Because the stated principal amount of a Senior Secured Note exceeds its issue price by an amount greater than or equal to a statutorily defined *de minimis* amount, such Senior Secured Note will be considered to be issued with OID for U.S. federal income tax purposes. As a result, in addition to the stated interest on the Senior Secured Note, a U.S. holder (as defined in “Certain Tax Considerations—Certain U.S. Federal Income Tax Consequences to U.S. Holders”) will be required to include such OID in gross income (as ordinary income) as it accrues on a constant yield basis for U.S. federal income tax purposes in advance of the receipt of cash payments to which such income is attributable and regardless of the holder’s method of accounting for U.S. federal income tax purposes. See “Certain Tax Considerations—Certain U.S. Federal Income Tax Consequences to U.S. Holders”.

Because the Senior Secured Notes are being issued with OID, if a bankruptcy case were commenced in which we are a debtor, holders of the Senior Secured Notes may receive less on account of their bankruptcy claims than they would have otherwise been entitled to receive.

- If a bankruptcy case in which we are a debtor were commenced under certain jurisdictions after the issuance of such Senior Secured Note, the allowed claim by any holder of the Senior Secured Note for the principal amount of the Senior Secured Note may be limited to an amount equal to the sum of:
    - the original issue price for the Senior Secured Note; and
    - that portion of the OID (if any) that is not deemed to constitute “unmatured interest” for purposes of applicable law.

Any OID that was not accrued as at the date of the filing of the bankruptcy petition would constitute unmatured interest. Accordingly, holders of the Senior Secured Notes under these circumstances may be entitled to bankruptcy claims in amounts that are less than they would be entitled to receive under the terms of the Senior Secured Indenture governing the Senior Secured Notes, even if sufficient funds are available.

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 Secured 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 Secured 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 judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Senior Secured 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 Secured Notes.

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

The Senior Secured Notes are a new class of securities that have never been traded. We have applied for the listing of the Senior Secured 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 Secured Notes will be listed on any exchange at the time the Senior Secured 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 Secured 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 Secured 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 Secured Notes will also be volatile. This volatility in price or other factors may affect your ability to resell your Senior Secured Notes or the timing of their sale.

USE OF PROCEEDS

We expect the gross cash proceeds from this Offering of the Senior Secured Notes to be approximately €290 million. We intend to use the net proceeds from this Offering, together with part of the net proceeds from the Receivables Sale, the net proceeds from the termination of derivatives entered into in connection with the 2014 Senior Secured Notes, and the net proceeds of the ZAR Term Loan, to repurchase the 2014 Senior Secured Notes tendered pursuant to the Tender Offer and/or to fund the 2014 Senior Secured Notes Redemption. We will deposit any proceeds from the Offering not used to repurchase 2014 Senior Secured 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 2014 Senior Secured 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)	
Cash and cash equivalents(2)...	4,678	385	2014 Senior Secured Notes Refinancing(6)	13,852	1,141
Senior Secured Notes(3)...........	3,515	290	Accrued interest and tender premium	106	9
ZAR Term Loan(4)	4,120	339	Estimated fees and expenses(7)............	298	25
Proceeds from termination of derivatives(5).........................	1,942	161			
Total sources.........................	**R14,255**	**€1,175**	**Total uses**................	**R14,255**	**€1,175**

(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 = R12.14, the Bloomberg Composite Rate as at 31 January 2013.

(2) Consists primarily of proceeds from the Receivables Sale.

(3) Gives effect to an issue price of 96.5%.

(4) We have obtained commitments in the amount of R4,120 million from certain financial institutions, including affiliates of the Initial Purchasers, to fund the ZAR Term Loan on the terms set out in "Description of Certain Other Indebtedness—ZAR Term Loan". We intend to use any net proceeds that we may obtain from the ZAR Term Loan to repurchase 2014 Senior Secured Notes tendered into the Tender Offer and/or fund the 2014 Senior Secured Notes Redemption. The entry into the ZAR Term Loan is subject to certain conditions, including the negotiation, execution and delivery of definitive finance documents and other customary conditions for financings of this type. The terms of the ZAR Term Loan have not been finalised and may change significantly, and there can be no assurance that any of the conditions to the entry of the ZAR Term Loan will be satisfied or that we will be able to obtain the ZAR Term Loan on such terms or at all. If we do not obtain the ZAR Term Loan, the portion of the 2014 Senior Secured Notes that we expect to refinance with the ZAR Term Loan (which we estimate at €339 million, based on the rand/euro exchange rate as at 31 January 2013) will remain outstanding.

(5) Represents the proceeds, net of termination costs, that we expect to receive on or about the Issue Date from the termination of derivatives entered in connection with our 2014 Senior Secured Notes. The actual amount to be received may differ.

(6) Assumes all of the 2014 Senior Secured Notes are repurchased pursuant to the Tender Offer or redeemed pursuant to the 2014 Senior Secured Notes Redemption. Completion of the Tender Offer is conditioned upon the completion of this Offering. If applicable, we intend to notify the 2014 Senior Secured Notes Redemption to the trustee for the 2014 Senior Secured Notes on or about the Issue Date.

(7) Reflects our estimate of fees and expenses in connection with this Offering, the Tender Offer and the entry into the ZAR Term Loan.

You should read "Capitalisation", "Description of Certain Other Indebtedness" and "Description of the Senior Secured 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 September 2012 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 September 2012[1]					
	Actual	Actual	Adjustment for Pro Forma Transactions	Adjustments for Refinancing Transactions	As adjusted	As adjusted
			(in millions) (unaudited)			
Corporate cash and cash equivalents[2]	**R 431**	**€ 40**	**R 5,612[3]**	**R 4,678**	**R 1,365**	**€ 128**
Debt (net of capitalised issuance costs):						
Super Senior Revolving Credit Facility[4]	R 976	€ 91			R 976	91
2016 Super Senior Secured ZAR Notes	1,010	95			1,010	95
2014 Senior Secured Notes[5]	12,113	1,134		€ 1,134	—	—
2018 Senior Secured Notes[6]	5,329	499			5,329	499
Finance leases	332	31			332	31
ZAR Term Loan[7]	—	—		R 4,120	4,120	386
Senior Secured Notes offered hereby[8]	—	—		€ 290	3,515	329
Total senior secured corporate debt	**19,760**	**1,850**			**15,281**	**1,430**
2015 Senior Notes	3,986	373			3,986	373
Total corporate debt[9][10]	**23,746**	**2,223**			**19,267**	**1,804**
Total equity and Subordinated Shareholder Loan[11]	**715**	**67**			**715**	**67**
Total capitalisation	**R24,461**	**€ 2,290**			**R19,982**	**€ 1,871**

(1) We have translated euro and rand amounts in this table based on an exchange rate of €1 = R10.69, the exchange rate used in our unaudited interim condensed consolidated financial statements as at 29 September 2012 except that amounts in the column Adjustments for Refinancing Transactions are stated in the respective currency raised or used.

(2) "Actual" columns exclude R1,138 million (€106 million) of cash and cash equivalents in OtC, which is consolidated into our financial statements. See "Annex B—Presentation of Selected Financial Information Excluding the Impact of OtC".

(3) Adjustment corresponds to the impact of the Pro Forma Transactions, including R8.8 billion of the net proceeds from the Receivables Sale and the settlement of net debt of OtC. See "Annex B—Presentation of Selected Financial Information Excluding the Impact of OtC".

(4) As at 31 December 2012, R199 million of our Super Senior Revolving Credit Facility was drawn.

(5) Assumes all of the 2014 Senior Secured Notes are repurchased pursuant to the Tender Offer or redeemed pursuant to the 2014 Senior Secured Notes Redemption. See "Use of Proceeds". Completion of the Tender Offer is conditioned upon the completion of this Offering.

(6) The Senior Secured Notes and the 2018 Senior Secured Notes will be treated as a single class for all purposes under the Senior Secured Indenture, including those with respect to waivers, amendments, redemptions and offers to purchase. See "Description of the Senior Secured Notes". However, the Senior Secured Notes will be issued, and will trade, with different ISINs and common codes, as applicable, than those assigned to the 2018 Senior Secured Notes. The issuance of the Senior Secured Notes will not be treated as a qualified reopening of the 2018 Senior Secured Notes for U.S. federal income tax purposes.

(7) We have obtained commitments in the amount of R4,120 million from certain financial institutions, including affiliates of the Initial Purchasers, to fund the ZAR Term Loan on the terms set out in "Description of Certain Other Indebtedness—ZAR Term Loan". We intend to use any net proceeds that we may obtain from the ZAR Term Loan to repurchase 2014 Senior Secured Notes tendered into the Tender Offer and/or fund the 2014 Senior Secured Notes Redemption. The entry into the ZAR Term Loan is subject to certain conditions, including the negotiation, execution and delivery of definitive finance documents and other customary conditions for financings of this type. The terms of the ZAR Term Loan have not been finalised and may change significantly, and there can be no assurance that any of the conditions to the entry of the ZAR Term Loan will be satisfied or that we will be able to obtain the ZAR Term Loan on such terms or at all. If we do not obtain the ZAR Term Loan, the portion of the 2014 Senior Secured Notes that we expect to refinance with the ZAR Term Loan (which we estimate at €339 million, based on the rand/euro exchange rate as at 31 January 2013) will remain outstanding.

(8) Represents €300 million principal amount net of original issue discount.

(9) "Actual" columns exclude R4,300 million (€402 million) of indebtedness related to OtC II, which is consolidated into our financial statements and which was subsequently repaid as part of the Pro Forma Transactions. See "Annex B—Presentation of Selected Financial Information Excluding the Impact of OtC".

(10) Total corporate debt excludes the impact of net derivative positions. As at 29 September 2012, Edcon had a net derivative asset of R144 million. Pro forma for the Refinancing Transactions, Edcon expects to have a net derivative asset of R318 million as at 31 January 2013.

(11) As at 29 September 2012, the Subordinated Shareholder Loan from LuxCo to HoldCo had a principal outstanding amount of R8,949 million (€837 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 unwinding of our OtC Securitisation Programme (the "OtC Unwinding"), which was completed on 31 October 2012;
- the sale of R8.8 billion receivables under our private label store card programme (the "Receivables Sale"), 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; and
- 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.

It does not give effect to the sale of the remainder of our private label store card receivables portfolio, in an aggregate amount of approximately R1.2 billion, which we expect to complete in calendar year 2013, or to the Refinancing Transactions.

As described below, the unaudited pro forma condensed consolidated financial information is presented based on historical financial information of Holdco 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 2012 have been derived from the audited consolidated financial statements of Holdco as at and for fiscal year 2012, 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 26-week 2013 and the unaudited pro forma consolidated statement of financial position as at 29 September 2012 have been derived from the unaudited consolidated interim financial statements of Holdco as at and for 26-week 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 information gives effect to the Pro Forma Transactions as if each had occurred on 3 April 2011. 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 September 2012. 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 Holdco would have reported had the Pro Forma Transactions been completed as at 3 April 2011 or 29 September 2012, as applicable, and should not be taken as indicative of Holdco'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 adjustments nor the resulting pro forma financial information have been audited 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", "Summary—Recent developments—Sale of private label store card portfolio, unwinding of our OtC Securitisation Programme and new strategic relationship with Absa" and the historical financial statements of Holdco included elsewhere in this Offering Memorandum.

Edcon Holdings Limited

Unaudited Pro Forma Condensed Consolidated Statement of Comprehensive Income for the Fiscal Year 2012

	Historical (Note 2)	Adjustments	Note 3	Pro Forma	Pro Forma
		(in millions)			
Revenue	**R 27,884**	**R (1,360)**	**(a)**	**R 26,524**	**€ 2,590**
Retail sales	24,664			24,664	2,409
Cost of sales	(15,642)			(15,642)	(1,528)
Gross profit	**9,022**			**9,022**	**881**
Trading profit	**2,473**	**(861)**	**(b)**	**1,612**	**157**
Profit before net financing costs	**1,693**	**(861)**	**(b)**	**832**	**81**
Net financing costs	(3,688)	355	(c)	(3,333)	(325)
Loss before taxation	**(1,995)**	**(506)**		**(2,501)**	**(244)**
Taxation	(4)	141	(d)	137	13
Loss for the period	**R (1,999)**	**R (365)**		**R (2,364)**	**€ (231)**

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 R10.24 = €1.00, which represents the average Bloomberg Composite Rate for the 52-weeks ended 31 March 2012.

Edcon Holdings Limited

Unaudited Pro Forma Condensed Consolidated Statement of Comprehensive Income for the 26-Week 2013

	Historical (Note 2)	Adjustments	Note 3	Pro Forma	Pro Forma
		(in millions)			
Revenue	**R 12,062**	**R 358**	**(a)**	**12,420**	**1,183**
Retail sales	11,453			11,453	1,091
Cost of sales	(7,269)			(7,269)	(692)
Gross profit	**4,184**			**4,184**	**399**
Trading profit	**678**	**(97)**	**(b)**	**581**	**55**
Profit before net financing costs	**229**	**(97)**	**(b)**	**132**	**13**
Net financing costs	(1,651)	182	(c)	(1,469)	(140)
Loss before taxation	**(1,422)**	**85**		**(1,337)**	**(127)**
Taxation	(1,694)	(24)	(d)	(1,718)	(164)
Loss for the period from continuing operations	**(3,116)**	**61**		**(3,055)**	**(291)**
Profit for the period from discontinued operations	237	(180)		57	5
Loss for the period	**(2,879)**	**(119)**		**(2,998)**	**(286)**

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 R10.50 = €1.00, which represents the average Bloomberg Composite Rate for the 26-weeks ended 29 September 2012.

Edcon Holdings Limited

Unaudited Pro Forma Condensed Statement of Financial Position
As at 29 September 2012

	Historical (Note 2)	Adjustments	Note 4	Pro Forma	Pro Forma
		(in millions)			
ASSETS					
Non-current assets					
Properties, fixtures, equipment and vehicles	R 2,469			R 2,469	€ 231
Intangible assets	17,317			17,317	1,620
Employee benefit asset	154			154	14
Equity accounted investment in joint ventures	23			23	2
Derivative financial instruments	1,306			1,306	122
Deferred tax	51			51	5
Total non-current assets	**21,320**			**21,320**	**1,994**
Current assets					
Inventories	3,252			3,252	304
Trade, other receivables and prepayments	333		(a)	333	31
Derivative financial instruments	5			5	0
Cash and cash equivalents	1,569	4,474	(b)	6,043	565
Asset of disposal group classified as held for sale	9,914	(8,774)		1,140	107
Total current assets	**15,073**	**(4,300)**		**10,773**	**1,007**
TOTAL ASSETS	**36,393**	**(4,300)**		**32,093**	**3,001**
EQUITY & LIABILITIES					
Equity attributable to shareholders					
Total equity	(35)			(35)	(3)
Shareholder loan	750			750	70
Total equity and shareholder's loan	**715**			**715**	**67**
Non-current liabilities—third parties					
Interest bearing debt	22,438			22,438	2,099
Lease equalisation	416			416	39
Finance lease liability	294			294	27
Employee benefit liability	186			186	17
Derivative financial instruments	39			39	4
Deferred tax	987			987	92
Total non-current liabilities	**24,360**			**24,360**	**2,278**
Current liabilities					
Interest bearing debt	5,276	(4,300)	(c)	976	91
Current taxation	11			11	1
Derivative financial instruments	1,128			1,128	105
Deferred Revenue	201			201	19
Finance lease liability	38			38	4
Trade & other payables	4,664			4,664	436
Total current liabilities	**11,318**	**(4,300)**		7,018	656
TOTAL EQUITY & LIABILITIES	**R 36,393**	**R (4,300)**		**R 32,093**	**€ 3,001**

	Historical (Note 2)	Adjustments	Note 4	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 R10.69 = €1.00, which represents the exchange rate used in our financial statements as at 29 September 2012.

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 Holdco as at and for fiscal year 2012, prepared in accordance with IFRS, included elsewhere in this Offering Memorandum.

(b) the unaudited condensed consolidated financial statements of Holdco as at and for 26-week 2013, 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 position of finance charges on trade receivables recorded by Edcon and OtC II in connection with our private label store card programme over the respective periods that is attributable to receivables sold pursuant to the Receivables Sale, and consisting primarily of interest paid by store card holders. Such revenue will not re-occur following the entry into our New Strategic Relationship with Absa, unless we decide to deliver store cards and extend credit at our own risk to customers whose application is denied by Absa. This is partly offset by the estimated fee chargeable by us to Absa under our new strategic relationship with Absa.

(b) Corresponds to the net reduction in income from credit resulting from the discontinuation of our credit activities with respect to the portion of our store card portfolio sold to Absa, partly offset by the estimated net fee chargeable by us to Absa under our new strategic relationship with Absa.

(c) Corresponds to the interest expense on the receivables-backed notes issued by OtC to finance our OtC Securitisation Programme over the respective periods. We unwound our OtC Securitisation Programme on 31 October 2012, and repaid R4.3 billion aggregate principal amount of receivables-backed notes on the same date.

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

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

(a) Corresponds to the book value of the receivables sold under the Receivables Sale.

(b) Corresponds to the net cash proceeds from the Receivables Sale (after redemption of OtC's receivables-backed notes).

(c) Corresponds to the reduction in indebtedness resulting from the redemption of OtC's receivables-backed notes, in an aggregate principal amount of R4.3 billion.

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 31 March 2012	26 weeks ended 29 September 2012	52 weeks ended 29 September 2012
Operating loss after tax	R (2,124)	R (2,887)	R (3,660)
Taxation	(44)	1,783	2,230
Net financing costs	3,368	1,490	3,285
Depreciation and amortization	1,172	530	1,126
Corporate EBITDA	**2,372**	**916**	**2,980**
Net fair value movement on notes and associated derivatives	690	449	(11
Discount on repurchase of senior secured notes	(36)	—	—
Impairment of intangible assets	126	—	126
Net asset write-off	22	16	33
Transitional projects-related expenditure	278	139	365
Advisory fees relating to refinancing transactions	96	—	96
MasterCard termination receipt	—	(141)	(141
Adjusted Corporate EBITDA	**3,548**	**1,379**	**3,448**
Consolidation adjustments for OtC	493	172	394
Adjusted EBITDA	**4,041**	**1,551**	**3,842**
Net income from previous card programme	(1,050)	(530)	(1,060
Net income from new card programme	189	115	204
Pro Forma Adjusted EBITDA	**R 3,180**	**R 1,136**	**R 2,986**

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

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

Our selected historical financial information as at and for fiscal years 2010, 2011 and 2012 has been derived from HoldCo's audited historical consolidated financial statements as at and for fiscal years 2010, 2011 and 2012 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 26-week 2012 and 26-week 2013 has been derived from HoldCo's unaudited interim condensed consolidated financial statements for 26-week 2013 in a meaningful way. "26-week 2012" and "26-week 2013", when used in this Offering Memorandum, mean the 26-week periods ended 1 October 2011 and 29 September 2012, respectively. Note 1 to our unaudited interim condensed consolidated financial statements as at and for 26-week 2013 indicates the existence of a material uncertainty which may cast significant doubt on Edcon Holdings Limited's ability to continue as a going concern. See "Risk Factors—Risks related to the Senior Secured Notes—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" and note 1 to our unaudited interim condensed consolidated financial statements as at and for 26-week 2013 included elsewhere in this Offering Memorandum.

Our selected historical financial information as at and for the 52 weeks ended 29 September 2012 ("LTM 2012") has been derived by adding the unaudited historical financial information for 26-week 2013 to the audited historical financial information for fiscal year 2012 and subtracting our unaudited historical financial information for 26-week 2012. 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.

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 26-week 2013 should not be regarded as indicative of our expected results for fiscal year 2013.

OntheCards Investments II Proprietary Limited and OntheCards Investments Limited

We terminated our OtC Securitisation Programme on 31 October 2012, prior to the Receivables Sale to Absa on 1 November 2012. No receivables or debt remain in OtC and any outstanding receivables under the OtC Securitisation Programme have been transferred to Edcon and debt repaid with proceeds. See "Presentation of Information—Non-IFRS financial measures" and "Summary—Recent developments—Sale of private label store card portfolio, unwinding of our OtC Securitisation Programme and new strategic relationship with Absa". 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 because we are deemed to control OtC I and OtC II within the meaning of IFRS. In this Offering Memorandum, we present certain financial information that excludes the impact of OtC I and OtC II on our consolidated assets, liabilities and results because we believe that such information is useful for assessing our financial position. Because we sold our receivables under our OtC Securitisation Programme on a non-recourse basis, we retained no rights to such receivables. See "Annex B—Presentation of Selected Financial Information Excluding the Impact of OtC".

	53 weeks ended 3 April 2010	52 weeks ended 2 April 2011	52 weeks ended 31 March 2012	26 weeks ended 1 October 2011	26 weeks ended 29 September 2012	52 weeks ended 29 September 2012	52 weeks ended 29 September[2]
				(in millions)			
Income statement data[1]							
Revenues	R 24,876	R 25,586	R 27,884	R 11,772	R 12,062	R 26,061	€ 2,491
Retails sales[3]	*21,888*	*22,716*	*24,664*	*11,216*	*11,453*	*24,901*	*2,381*
Cost of sales	(13,848)	(14,332)	(15,642)	(7,092)	(7,269)	(15,819)	(1,512)
Gross Profit	**R 8,040**	**R 8,384**	**R 9,022**	**R 4,124**	**R 4,184**	**R 9,082**	**€ 869**
Other income[4]	473	490	565	269	433	729	70
Store costs	(4,078)	(4,348)	(4,622)	(2,188)	(2,352)	(4,786)	(458)
Other operating costs[5]	(3,028)	(3,221)	(3,803)	(1,719)	(1,902)	(3,986)	(381)
Retail trading profit	**R 1,407**	**R 1,305**	**R 1,162**	**R 486**	**R 363**	**R 1,039**	**€ 100**
Income credit	2,049	1,833	2,113	—	—	—	—
Expenses from credit	(1,771)	(1,209	(1,343	—	—	—	—
Income from joint ventures	435	487	541	249	315	607	58
Trading profit	**R (2,120)**	**R 2,416**	**R 2,473**	**R 735**	**R 678**	**R 1,646**	**€ 158**
Derivative loss	(5,081)	(2,343)	(10)	(3)	(1)	(8)	(1)
Foreign exchange gain/(loss)	4,622	230	(680)	(1,147)	(448)	19	1
Foreign exchange gain/ (loss) on foreign notes	4,622	534	(1,518)	(2,703)	(1,014)	171	16
Foreign exchange (loss)/ gain on cash flow hedge	—	(304)	838	1,556	566	(152)	(15)
Discount on repurchase of senior secured notes	—	—	36	36	—	—	—
Fees incurred on funding facilities	(33)	(10)	—	—	—	—	—
Impairment of brands and goodwill	(137)	—	(126)	—	—	(126)	(12)
Profit/(loss) before financing costs	**R 1,491**	**R 293**	**R 1,693**	**R (379)**	**R 229**	**R 1,531**	**€ 146**
Interest received	31	60	68	38	25	55	5
Profit before financing costs	**R 1,522**	**R 353**	**R 1,761**	**R (341)**	**R 254**	**R 1,586**	**€ 151**
Financing costs	(2,946)	(2,557)	(3,756)	(1,772)	(1,676)	(3,660)	(350)
Loss before taxation	**R (1,424)**	**R (2,204)**	**R (1,995)**	**R (2,113)**	**R (1,422)**	**R (2,074)**	**€ (199)**
Taxation	370	561	(4)	567	(1,694)	(2,049)	(196)
Loss for the period from continuing operations	**R (1,054)**	**R (1,643)**	**R (1,999)**	**R (1,546)**	**R (3,116)**	**R (4,123)**	**€ (395)**
Dicounted operations							
Profit for the period from discontinued operations, net of tax	—	—	—	275	237	516	49
Loss for the period	**R (1,054)**	**R (1,643)**	**R (1,999)**	**R (1,271)**	**R (2,879)**	**R (3,607)**	**€ (346)**
Cash flow data[1]							
Operating cash inflow before changes in working capital	R 3,352	R 3,622	R 3,691	R 1,711	R 1,733	R 3,713	€ 355
Working capital movement	952	(69)	(1,603)	(984)	495	(124)	(12)
Cash inflow from operating activities	4,304	3,553	2,088	727	2,228	3,589	343
Net cash outflow from investing activities	(353)	(374)	(694)	(579)	(368)	(483)	(46)
Net cash (outflow)/inflow from financing activities	(650)	250	447	358	213	301	29
Increase/(Decrease) in cash and cash equivalents	774	1,201	(1,232)	(1,058)	486	312	30

	At 3 April 2010	At 2 April 2011	At 31 March 2012	At 29 September 2012	At 29 September 2012[(2)]
			(in millions)		
Financial position[(1)]					
Cash and cash equivalents	R 1,125	R 2,315	R 1,08	R 1,569	€ 147
Working capital	7,685	7,712	9,29	8,835	826
Total assets	33,768	35,329	36,35	36,393	3,404
Total debt at unhedged rates	19,670	22,440	26,76	28,046	2,624
Total net debt including cash and derivatives	22,455	23,349	26,06	26,333	2,463
Total equity and shareholder's loan	5,752	4,760	3,52	715	67

(1) Except as otherwise indicated, figures presented in the summary financial statements above include the impact of consolidating OtC. See "Annex B—Presentation of Selected Financial Information Excluding the Impact of 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 R10.46 = € 1.00, which represents the average Bloomberg Composite Rate for the 12 months ended 29 September 2012. Rand amounts relating to financial position data have been translated into euro at an exchange rate of R10.69 = € 1.00, which represents the exchange rate used in our financial statements as at 29 September 2012.

(3) "Retail sales" reflects total revenues less club fees, income from joint ventures, dividends, finance charges, interest received and manufacturing sales.

(4) "Other income" comprises fees from our *Edgars* and *Jet* clubs and manufacturing sales.

(5) "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.

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. "26-week 2012", "26-week 2013" and "LTM 2012", when used in this Offering Memorandum, mean the 26-week periods ended 1 October 2011 and 29 September 2012 and the 52 weeks ended 29 September 2012, 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, and in 2012 we had a 27% market share of the South African C&F market by revenue, which was more than two times that of our nearest competitor. We have been in operation for more than 80 years and have expanded our footprint to include 1,173 stores as at 29 September 2012 under three principal divisions comprising nine key store chains 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*, and accounted for 52.2% of our total retail sales in LTM 2012. Our Discount division, which consists of our discount stores selling value merchandise targeted at lower- to middle-income customers, includes store chains such as *Jet*, *Legit* and *Jet Mart*, and accounted for 39.5% of our total retail sales in LTM 2012. We are a leading retailer of books and magazines in South Africa under our *CNA* division, which accounted for 8.3% of our total retail sales in LTM 2012. We also sell mobile phones, related accessories and airtime across all of our divisions, which accounted for 10.3% of our total retail sales in LTM 2012. The Issuer is an operating company active in the abovementioned divisions. Our popular retail store chains allow us to serve a wide cross-section of South African society. In November 2012, we opened our first mono-brand store, *Topshop*, in Johannesburg followed by the opening of our second *Topshop* store in Durban in December 2012. 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 provide private label store cards to over 3.8 million active customers through a relationship with Absa, an affiliate of Barclays Bank. 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 R8.8 billion aggregate amount of receivables to Absa. We expect to complete the sale of the remaining R1.2 billion aggregate amount of receivables under our private label store card programme to Absa in calendar year 2013. See "Summary—Recent developments—Sale of private label store card portfolio, unwinding of our OtC Securitisation Programme and new strategic relationship with Absa". We also introduced our *"Thank U"* loyalty programme to our customers in February 2012, which had over 8.8 million members as at 31 December 2012. Between February 2012 and September 2012, approximately 64% of our total retail sales earned *"Thank U"* loyalty points.

Our primary operations are in South Africa, where we generated 93% of our retail sales in LTM 2012. The balance of our operations are in neighbouring Namibia, Botswana, Lesotho, Swaziland, Mozambique and Zambia.

In LTM 2012, we generated revenues of R26,061 million (€ 2,491 million), including retail sales of R24,901 million (€2,381 million) and Adjusted EBITDA of R3,842 million (€367 million). On a pro forma basis after giving effect to the Pro Forma Transactions, in LTM 2012, we would have generated an Adjusted EBITDA of R2,986 million (€ 285 million).

From fiscal year 2007 to fiscal year 2012, we increased our retail sales by a CAGR of 8.9% and our Adjusted EBITDA by a CAGR of 8.4%. As at 31 December 2012, we employed approximately 20,900 permanent employees.

Financial Statement Presentation

We discuss below the financial statements and results of operations of Edcon on a consolidated basis in fiscal years 2010, 2011 and 2012, as well as 26-week 2012 and 26-week 2013. The financial statements for fiscal years 2010, 2011 and 2012 have been audited and prepared in accordance with IFRS, and the financial statements for the 26-weeks ended 1 October 2011 and 29 September 2012 have been reviewed in accordance with International Standard on Review Engagements 2410 or ISRE 2410, each included elsewhere in this Offering Memorandum. Note 1 to our unaudited interim condensed consolidated financial statements as at and for 26-week 2013 indicates the existence of a material uncertainty which may cast significant doubt on Edcon Holdings Limited's ability to continue as a going concern. See "Risk Factors—Risks related to the Senior Secured Notes—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" and note 1 to our unaudited interim condensed consolidated financial statements as at and for 26-week 2013 included elsewhere in this Offering Memorandum. See "Summary—Summary Historical Consolidated Financial Information and Other Data" and "Selected Historical Consolidated Financial Information and Other Data".

We terminated our OtC Securitisation Programme on 31 October 2012 and sold R8.8 billion aggregate amount of receivables, representing 88% of the related net receivables to Absa. No receivables remain in OtC and any outstanding receivables under the OtC Securitisation Programme have been transferred to Edcon. 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 because we are deemed to control OtC I and OtC II within the meaning of IFRS. In this Offering Memorandum, we present certain historical financial information that excludes the impact of OtC I and OtC II on our consolidated assets, liabilities and results because we believe that such information is useful for assessing our financial position. 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 in excess of the amount of the R2,062 million subordinated loan provided to OtC by Edcon. 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. See "Annex B—Presentation of Selected Financial Information Excluding the Impact of OtC". See "Presentation of Information—Non-IFRS financial measures" and "Summary—Recent developments—Sale of private label store card portfolio, unwinding of our OtC Securitisation Programme and new strategic relationship with Absa".

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 89% of our revenues in fiscal year 2011, 88% of our revenues in fiscal year 2012 and 95% in 26-week 2013. Our retail products were available for sale in 1,173 stores as at 29 September 2012, 93% of which are in South Africa, with the remainder in Namibia, Botswana, Lesotho, Swaziland 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; and

- the volume of our products sold and changes in the mix of products sold within our different product lines.

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 offices, 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; and (vii) costs associated with logistics in our distribution and supply chains.

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; and

- changes in cost associated with our logistics in our distribution and supply chains.

Credit and financial services operating profit

In addition to our retail sales, we generate profit from our credit and financial services business.

Credit and financial services operating profit primarily consists of: (i) income from our insurance joint ventures, which earn money from premiums paid by customers; (ii) administration fees; (iii) costs associated with running the credit and financial services business, including payroll for our credit and financial services business employees, collection costs, and credit bureau costs; and (iv) taxes incurred on the profit of the credit and financial services business. In addition, for periods prior to the sale of our receivables portfolio to Absa, credit and financial services operating profit also included (i) interest earned from our store card customers and (ii) revenue from the sale of credit receivables less (iii) bad debts on the credit accounts which we have underwritten and our provisions for doubtful debts.

Credit and financial services operating profit from period to period is affected generally by the following factors:

- the level of store card sales;

- the level of sales of insurance products;

- the incidence of bad debts on the store card accounts which we have underwritten, and the provision for doubtful debts;

- prior to the completion of the Receivables Sale, interest rate fluctuations and changes to restrictions on the level of interest we are able to charge our credit customers;

- prior to the completion of the Receivables Sale, changes in the amount of receivables we sell or changes in the discount rate applicable to such receivables; and

- the general level of payroll and benefit increases given to selected credit and financial service employees.

For a further discussion of the components which comprise credit and financial services operating profit, see note 26 to fiscal year 2012 audited consolidated financial statements included elsewhere in this Offering Memorandum.

Significant Factors Affecting Our Results of Operations

Economic conditions in South Africa

In LTM 2012, 93% 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 services 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 the government's commitment to macroeconomic growth. Real GDP increased by 2.6%, 3.1% and 2.8%

in fiscal year 2012, fiscal year 2011 and fiscal year 2010, respectively, and over the same periods, consumer price inflation has been 5.4%, 6.1% and 3.5%, respectively. Real GDP in South Africa is expected to increase by 3.4% 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 8.4% from fiscal year 2007 to fiscal 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 intend to strengthen our strategic relationships with low-cost suppliers in these countries in fiscal year 2013. 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 our existing stores. From fiscal year 2010 to fiscal year 2012, we increased our same store growth from a negative growth rate of 4.7% at the end of fiscal year 2010 to a positive growth rate of 7.4% during fiscal year 2012, and increased our trading density from R16,285 per square metre to R18,404 per square metre. The amount of retail sales we generate from our existing store sites is contingent on a number of factors, including average customer spend, customer retention and merchandise assortment and allocation. We have also recently completed the refitting of our *Jet* stores, which represent approximately 80% of the retail sales in respect of our *Jet* store chains.

New store openings

Historically, we have increased retail sales by opening new stores. We increased our total trading space by 4% in LTM 2012 and added a net of 14 stores during this period. We also recently opened two 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. 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.

Performance of our receivables book

Our credit and financial services business generated R1,311 million (R818 million excluding OtC) of operating profit in fiscal year 2012. The size of the receivables book managed by us increased from R9.8 billion in fiscal year 2010 to R10.9 billion in fiscal year 2012, due primarily to increased credit balances from existing customers and an increase in new accounts. During this period, the incidence of net impairment of receivables in our receivables book decreased from 12.9% in fiscal year 2010 to 6.7% in fiscal year 2012, due to initiatives implemented during fiscal year 2010 to limit the extension of credit to high-risk customers, strong collection activity and the improvement in the macroeconomic environment in South Africa. We completed the sale of R8.8 billion of receivables to Absa on 1 November 2012. We expect to complete the sale of the remaining R1.2 billion aggregate amount of receivables under our private label store card programme to Absa in calendar year 2013. See "Summary—Recent developments—Sale of private label store card portfolio, unwinding of our OtC Securitisation Programme and new strategic relationship with Absa".

Results of Operations

	53 weeks ended 3 April 2010[(1)]	52 weeks ended 2 April 2011[(1)]	52 weeks ended 31 March 2012[(1)]	26 weeks ended 1 October 2011[(1)]	26 weeks ended 29 September 2012[(1)]
			(in millions)		
Income statement data					
Retail sales	R21,888	R22,716	R24,664	R11,216	R11,453
Cost of sales	(13,848)	(14,332)	(15,642)	(7,092)	(7,269)
Gross profit	8,040	8,384	9,022	4,124	4,184
Gross profit as % of retail sales	36.7 %	36.9 %	36.5 %	36.8 %	36.5 %
Other income	473	490	565	269	433
Store costs	(4,078)	(4,348)	(4,622)	(2,188)	(2,352)
Other operating costs[(2)]	(3,028)	(3,221)	(3,803)	(1,719)	(1,902)
Retail trading profit	1,407	1,305	1,162	486	363
Trading profit	2,120	2,416	2,473	735	678
Depreciation and amortisation	(1,225)	(1,216)	(1,172)	(576)	(530)
Income from joint ventures	435	487	541	249	315
Credit operating profit (including tax)[(3)]	278	624	770	382	329
Net financing costs	(2,915)	(2,497)	(3,688)	(1,734)	(1,651)
Taxation (including discontinued operations)[(3)]	370	561	(4)	460	(1,786)

(1) All figures presented in the summary financial information above consolidate OtC I and OtC II. See "Annex B—Presentation of Selected Financial Information Excluding the Impact of OtC" for a reconciliation of key affected items.

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

(3) These figures reflect continuing and discontinued operations.

26-week 2013 compared to 26-week 2012

The total number of our stores increased from 1,159 to 1,173 and our trading space increased by 2.9% in 26-week 2013.

Retail sales

Total retail sales increased by R237 million, or 2.1%, from R11,216 million in 26-week 2012 to R11,453 million in 26-week 2013. On a same store basis, our total retail sales increased by R108 million, or 1.03%, from R10,521 million in 26-week 2012 to R10,629 million in 26-week 2013.

Under our *Edgars* division, our total retail sales increased by R194 million, or 3.3%, from R5,859 million in 26-week 2012 to R6,053 million in 26-week 2013. This was primarily due to the introduction of 84 new Edgars Active stores during this period. On a same store basis, retail sales under our Edgars division decreased by R111 million, or 2.0%, from R5,642 million in 26-week 2012 to R5,531 million in 26-week 2013. In 26-week 2013, we experienced a growth in the sales of cosmetics, menswear, footwear and childrenswear compared to 26-week 2012 whereas sales of ladieswear remained stable and the sales of home products decreased in 26-week 2013 compared to 26-week 2012.

Under our Discount division, our total retail sales increased by R40 million, or 0.9%, from R4,491 million in 26-week 2012 to R4,531 million in 26-week 2013. Following our decision to discontinue our *Discom* brand, the total retail sales attributable to our *Discom* brand decreased by R346 million, or 94.3%, from R367 million in 26 week 2012 to R21 million in 26 week 2013. We closed our last *Discom* store by the end of 26-week 2013. On a same store basis, total retail sales under our Discount division increased by R192 million, or 4.7%, from R4,062 million in 26-week 2012 to R4,254 million in 26-week 2013. In 26-week 2013, we experienced a growth in the sales of ladieswear, menswear, childrenswear and footwear compared to 26-week 2012 whereas sales of cosmetics, mobile phones and home products decreased in 26-week 2013 compared to 26-week 2012. The decline in sales of cosmetics and home products were primarily due to the closure of our *Discom* stores.

Under our *CNA* division, our total retail sales increased by R3 million, or 0.4%, from R866 million in 26-week 2012 to R869 million in 26-week 2013. On a same store basis, total retail sales under our *CNA* division increased R27 million, or 3.3%, from R817 million in 26-week 2012 to R844 million in 26-week 2013, primarily as a result of the decrease in the number of our *CNA* stores from 203 to 193 during this period. In 26-week 2013, we experienced a growth in the sales of our entertainment and digital products, stationery and mobile phones compared to 26-week 2012 whereas the sales of books decreased in 26-week 2013 compared to 26-week 2012.

Our credit sales increased by 1.1%, from 51.6% of our retail sales in 26-week 2012 to 52.7% of our retail sales in 26-week 2013, primarily due to increased spend per account as a result of higher retail selling prices.

Gross profit

Gross profit increased by R60 million, or 1.5%, from R4,124 million in 26-week 2012 to R4,184 million in 26-week 2013. Gross profit as a percentage of retail sales decreased slightly from 36.8% in 26-week 2012 to 36.5% in 26-week 2013. Our product range and mix remained substantially the same in 26-week 2013 compared to 26-week 2012 except for a decrease in the sales of cosmetics under our Discount division following the closure of our *Discom* chain of stores.

Gross margin in our *Edgars* division decreased from 41.4% in 26-week 2012 to 40.0% in 26-week 2013, primarily due to aggressive winter stock clearance markdowns during the first months of fiscal year 2013.

Gross margin in our Discount division increased from 31.6% for 26-week 2012 to 32.7% in 26-week 2013, primarily due to the conversion of less profitable *Discom* stores to *Edgars Active* stores.

CNA gross margin increased from 32.1% for 26-week 2012 to 32.2% for 26-week 2013.

Store costs

Store costs increased by R164 million, or 7.5%, from R2,188 million in 26-week 2012 to R2,352 million in 26-week 2013, primarily due to higher rents, electricity and water costs as well as assessment rates.

Other operating costs

Other operating costs increased by R183 million, or 10.6%, from R1,719 million in 26-week 2012 to R1,902 million in 26-week 2013, primarily due to IT costs related to the modification of the debtors system as well as higher head office costs related to divisional management.

Depreciation and amortisation

Depreciation and amortisation decreased by R46 million, or 8.0%, from R576 million in 26-week 2012 to R530 million in 26-week 2013 primarily due to a change in the mix of assets and their respective useful lives.

Income from joint ventures

Income from joint ventures increased by R66 million, or 26.5%, from R249 million in 26-week 2012 to R315 million in 26-week 2013, primarily due to a 21% increase in our insurance premium revenue. Costs associated with our insurance joint ventures grew at a slower rate than revenues. Although claims increased by 16%, administration expenses increased by 5% due to effective cost management.

Credit operating profit

Credit operating profit (reflected in both continued and discontinued operations) decreased by R53 million, or 13.9%, from R382 million in 26-week 2012 to R329 million in 26-week 2013. The consolidated impairment of receivables for the 12 months ended 29 September 2012 as a percentage of average receivables was 7.1%, compared with 8.9% for the 12 months ended 1 October 2011. The consolidated provision for impairment of receivables increased to 8.6% for 26-week 2013 from 8.1% in 26-week 2012 due to a rise in arrear accounts following the addition of new credit accounts in the past 12 months.

Net financing costs

Net financing costs decreased by R83 million, or 4.8%, from R1,734 million in 26-week 2012 to R1,651 million in 26-week 2013 primarily due to a reduction in the prime interest rate during the second half of 26-week 2013.

Taxation

Taxation increased by R2,246 million from a R460 million income in 26-week 2012 to a R1,786 million expense in 26-week 2013, primarily due to a decrease in loss before taxation from R2,113 million in 26-week 2012 to R1,422 million in 26-week 2013, resulting from a decrease in foreign exchange losses for the period attributable to favourable changes in foreign currency exchange rates and the impact in 26-week 2013 of our settlement with SARS. See “Business—Legal and Regulatory Proceedings—Tax settlement”.

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.

Under our *Edgars* division, our total retail sales 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.

Under our Discount division, our total retail sales 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.

Under our *CNA* division, our total retail sales 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 R141million, or 7.7%, from R1,835 million in fiscal year 2011 to R1,976 million in fiscal year 2012.

Our 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 in *CNA* 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 R582 million, or 18.1%, from R3,221 million in fiscal year 2011 to R3,803 million in fiscal year 2012 primarily due to higher fuel costs and increases in salary costs for corporate staff.

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 ventures

Income from joint ventures 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 insurance sales.

Credit operating profit

Credit operating profit increased by R146 million, or 23.3%, from R624 million in fiscal year 2011 to R770 million in fiscal year 2012 primarily due to an increase in interest income and a decrease in impairment of receivables following the improvement in the quality of the receivables book. This results from our initiatives in fiscal year 2010 to restrict the growth of our receivables book for higher risk customers and improved collection activity. Consolidated annualised impairment of receivables as a percentage of average receivables decreased to 6.7% for fiscal year 2012 from 10.9% in fiscal year 2011 due to ongoing improvements in the quality of the receivables book and strong collection activity. The number of active accounts increased from 3.7 million accounts at March 2011 to 3.8 million at March 2012 following an increased credit marketing focus.

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 expense increased by R565 million, from R561 million taxation income in fiscal year 2011 to an expense of R4 million 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.

Fiscal year 2011 compared to fiscal year 2010

Retail sales

Total retail sales increased by R828 million, or 3.8%, from R21,888 million in fiscal year 2010 to R22,716 million in fiscal year 2011. On a same store basis, our total retail sales increased by R663 million, or 3.1%, from R21,229 million in fiscal year 2010 to R21,892 million in fiscal year 2011.

Under our *Edgars* division, our total retail sales increased by R559 million, or 5.0%, from R11,213 million in fiscal year 2010 to R11,772 million in fiscal year 2011. This increase was primarily due to strong growth in sales of ladieswear, menswear and mobile phones. On a same store basis, our total retail sales increased by R240 million, or 2.2%, from R10,905 million in fiscal year 2010 to R11,145 million in fiscal year 2011.

In our Discount division retail sales increased by R229 million, or 2.6%, from R8,824 million in fiscal year 2010 to R9,053 million in fiscal year 2011, primarily due to the growth in sales of our cosmetic products, home products and mobile phones. On a same store basis, our total retail sales increased by R340 million, or 4%, from R8,542 million in fiscal year 2010 to R8,882 million in fiscal year 2011.

Under our *CNA* division, our total retail sales increased by R40 million, or 2.2%, from R1,851 million in fiscal year 2010 to R1,891 million in fiscal year 2011. This increase was primarily due to growth in sales of mobile phones and stationery.

Our credit sales decreased by 1%, from 50% of our retail sales in fiscal year 2010 to 49% of our retail sales in fiscal year 2011, resulting from the credit-tightening measures that we implemented in fiscal year 2010.

Gross profit

Gross profit increased by R508 million, or 6.3%, from R8,040 million in fiscal year 2010 to R8,384 million in fiscal year 2011. Gross profit as a percentage of retail sales was 36.9%, substantially similar to 36.7% in fiscal year 2010, because an improvement in the winter season was offset by increased seasonal markdowns in the third quarter and input price inflation.

Gross profit as a percentage of retail sales for our *Edgars* division increased from 41.2% in fiscal year 2010 to 41.5% in fiscal year 2011, primarily due to reduced markdowns on ladieswear and home products offsetting the impact from higher input prices. Gross profit as a percentage of retail sales in *CNA* decreased from 32.8% in fiscal year 2010 to 32.6% in fiscal year 2011 primarily due to an increase in contribution to retail sales from lower margin merchandise such as mobile phones and digital products. In the Discount division, gross profit as a percentage of retail sales was substantially similar, decreasing from 31.9% in fiscal year 2010 to 31.8% in fiscal year 2011, with a lower level of markdowns across most major product categories being offset by input price inflation.

Store costs

Store costs increased by R270 million, or 6.6%, from R4,078 million in fiscal year 2010 to R4,348 million in fiscal year 2011 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 increased by R193 million, or 6.4%, from R3,028 million in fiscal year 2010 to R3,221 million in fiscal year 2011. This increase was principally the result of higher fuel costs and an increase in unit volumes in the distribution centres.

Depreciation and amortisation

Depreciation and amortisation remained substantially similar, decreasing by R9 million from R1,225 million in fiscal year 2010 to R1,216 million in fiscal year 2011.

Income from joint ventures

Income from joint ventures increased by R52 million, or 12.0%, from R435 million in fiscal year 2010 to R487 million in fiscal year 2011 primarily due to increased insurance sales.

Credit operating profit

Credit operating profit increased by R346 million, or 124.5%, from R278 million in fiscal year 2010 to R624 million in fiscal year 2011. This increase was primarily because of a decrease in impairment of receivables and provision for impairment of receivables. This results from our initiatives in fiscal year 2010 to restrict the growth of our receivables book for higher risk customers and improved collection activity. The improvement was offset to an extent by lower interest income associated with a reduction in the prevailing interest rate charged to customers. Consolidated annualised impairment of receivables as a percentage of average receivables decreased to 10.9% for fiscal year 2011 from 12.9% in fiscal year 2010. The number of active accounts decreased from 4.0 million accounts at March 2010 to 3.7 million at March 2011 due to our tightened credit standards in fiscal year 2010.

Net financing costs

Net financing costs decreased by R418 million, from R2,915 million in fiscal year 2010 to R2,497 million in fiscal year 2011. This decrease is primarily a result of lower interest rates and lower average drawings under the short-term borrowings facilities during fiscal year 2011.

Taxation

Taxation income increased by R191 million, from R370 million in fiscal year 2010 to R561 million in fiscal year 2011. The increase was primarily due to higher taxable losses in fiscal year 2011 compared to fiscal year 2010.

Historical cash flows

The table below summarises our historical cash flows for fiscal years 2010, 2011 and 2012 and 26-week 2012 and 26-week 2013.

	53 weeks ended 3 April 2010	52 weeks ended 2 April 2011	52 weeks ended 31 March 2012	26 weeks ended 1 October 2011	26 weeks ended 29 September 2012
Cash flow data[(1)]					
Operating cash inflow before changes in working capital............	R3,352	R3,622	R3,691	R1,711	R1,733
Working capital movement................	952	(69)	(1,603)	(984)	495
Cash inflow from operating activities	4,304	3,553	2,088	727	2,228
Net cash outflow from investing activities	(353)	(374)	(694)	(579)	(368)
Net cash (outflow)/inflow from financing activities.........................	(650)	250	447	358	213
Increase/(Decrease) in cash and cash equivalents	774	1,201	(1,232)	(1,058)	486

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

26-week 2013 compared to 26-week 2012

Operating cash inflow before changes in working capital increased by R22 million, or 12.9%, from R1,711 million in 26-week 2012 to R1,733 million in 26-week 2013 as a result of a decrease in loss before taxation from R2,113 million in 26-week 2012 to R1,422 million in 26-week 2013 due to a decrease in foreign exchange losses for the period attributable to favourable changes in foreign currency exchange rates.

Working capital decreased by R495 million in 26-week 2013 compared to an increase of R984 million in 26-week 2012. This was mainly due to lower investment in inventories and trade receivables as a result of efficient inventory management and a payment cycle shift resulting in a lower cashflow requirement for working capital due to improved cash collection.

Cash generated by operating activities increased by R1,501 million, from R727 million in 26-week 2012 to R2,228 million in 26-week 2013.

Capital expenditure decreased by R211 million, or 57.3%, to R368 million in 26-week 2013 from R579 million in 26-week 2012. We opened 77 new stores (including 30 conversions) and closed 71 stores which, combined with store refurbishments, resulted in investments in store fixtures of R218 million during 26-week 2013.

We invested R120 million in information systems infrastructure in 26-week 2013 compared to R179 million in 26-week 2012.

Net cash inflow from financing activities decreased by R145 million, from R358 million in 26-week 2012 to R213 million in 26-week 2013 because less interest-bearing debt was required to fund the activities of the Group given increased cash generation from operating activities.

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 which educated customers about 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 78 stores (primarily non-performing *Discom* units which combined with the store refurbishment programme resulted in an investment of R396 million in store fixtures). In addition, in fiscal year 2012 we invested R254 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 the 2014 Senior Secured Notes 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.

Fiscal year 2011 compared to fiscal year 2010

Operating cash inflow before changes in working capital increased by R270 million, or 8.1%, from R3,352 million in fiscal year 2010 to R3,622 million in fiscal year 2011, due to the higher trading profit in fiscal year 2011.

Working capital increased by R69 million in fiscal year 2011 compared with a decrease of R952 million for fiscal year 2010. This was principally due to: (i) an increase in receivables of R217 million in fiscal year 2011 compared with a decrease in receivables of R695 million in fiscal year 2010 resulting from the credit tightening implemented in fiscal year 2010; (ii) an increase in inventory of R224 million in fiscal year 2011 compared to an decrease of R138 million in fiscal year 2010; and (iii) an increase in payables of R372 million in fiscal year 2011 compared to an increase of R119 million in fiscal year 2010 due to higher purchases in fiscal year 2011 compared to fiscal year 2010.

Cash generated by operating activities decreased by R751 million, from R4,304 million in fiscal year 2010 to R3,553 million in fiscal year 2011 primarily because of the higher working capital investment.

Capital expenditure was R474 million in fiscal year 2011, up from R473 million in fiscal year 2010 due to an accelerated store refurbishment programme in Edgars and Jet stores partially offset by lower new space growth. The store refurbishment programme combined with the opening of 38 new stores resulted in an investment of R337 million in store fixtures. In addition, in fiscal year 2011 we invested R127 million in IT infrastructure compared with R174 million in fiscal year 2010. The last remaining administrative building we owned was sold for R100 million.

During fiscal year 2011 foreign currency swaps of R5,001 million were settled early and their mark-to-market position extinguished. The settlement proceeds were funded by the issuance of the 2018 Senior Secured Notes of R4,616 million (net of fees) and a super senior secured term loan of R985 million, which was subsequently refinanced in April 2011 through the issuance of R1,010 million of 2016 Super Senior Secured ZAR Notes.

During fiscal year 2011, as part of the OtC Securitisation Programme, Edcon sold R523 million trade receivable to OtC II for R516 million.

Buyback of Senior Floating Rate Notes

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, representing 90% of the face value of the 2014 Senior Secured 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.

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 the 2014 Senior Secured Notes 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 audited consolidated financial statements included elsewhere in this Offering Memorandum).

The settlement proceeds were funded through the issuance of the 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.

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. 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. See “Summary—Recent developments—Sale of private label store card portfolio, unwinding of our OtC Securitisation Programme and new strategic relationship with Absa”.

As at 29 September 2012 our total debt, net of cash, cash equivalents and derivatives and excluding debt and cash and cash equivalents of OtC amounted to R23,171 million and consisted of: (i) the carrying value of the 2014 Senior Secured Notes of R12,133 million; (ii) the carrying value of the 2018 Senior

Secured Notes of R5,329 million; (iii) 2016 Super Senior Secured ZAR Notes of R1,010 million; (iv) borrowings under the Super Senior Revolving Credit Facility of R976 million; (v) finance lease liability of R332 million; (vi) the carrying value of the 2015 Senior Notes; less (vii) net derivative assets of R144 million; and (viii) cash and cash equivalents of R431 million.

As at 29 September 2012, the total limit under the Super Senior Revolving Credit Facility was R3,967 million. This facility matures on 31 March 2014.

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 30 March 2013.

We expect our capital expenditure for fiscal years 2013 and 2014 to be approximately R818 million (of which R365 million has been used as at 29 September 2012) and R1,149 million, respectively. We plan to invest approximately 67% of our total capital expenditure budget for fiscal year 2013 and approximately 93% 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 plan to invest approximately 30% of our total capital expenditure in fiscal year 2013 and 7% of our total capital expenditure in fiscal year 2014 on IT development projects.

Scheduled Repayments of Our Obligations

The following table summarises, as at 29 September 2012, 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	385	—	—	—	—	4,120	385	—	—
2015 Senior Notes	4,041	378	—	—	4,041	378	—	—	—	—
2018 Senior Secured Notes	5,464	511	—	—	—	—	—	—	5,464	511
Senior Secured Notes offered hereby	3,207	300	—	—	—	—	—	—	3,207	300
2016 Super Senior Secured ZAR Notes	1,010	94	—	—	—	—	1,010	94	—	—
Finance Leases(3)	332	31	37	3	35	3	28	3	232	22
Leases(3)(4)	8,947	837	1,824	171	3,018	282	2,095	196	2,010	188
Medical aid(5)	186	17	—	—	—	—	—	—	186	17
Interest (net of derivatives)(6)	8,455	791	2,005	188	3,505	328	2,494	233	452	42
Total long-term obligations	**35,762**	**3,344**	**3,866**	**362**	**10,599**	**991**	**9,747**	**912**	**11,751**	**1,080**

(1) We have translated euro and rand amounts in this table based on an exchange rate of R10.69 = €1.00, which represents the exchange rate used in our financial statements as at 29 September 2012.

(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 31 December 2012, R199 million of our 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. Thereafter, interest is based on the floating interest and exchange rates at the reporting date. See note 33.2 to fiscal year 2012 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 31 March 2012, the future minimum property operating lease commitments due within one year amounted to R1,492 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 2014 Senior Secured Notes, the 2015 Senior Notes and 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. 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 2014 Senior Secured Notes, the 2015 Senior Notes and the 2018 Senior Secured Notes. See “Description of Certain Other Indebtedness—Hedging”.

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 the 2014 Senior Secured Notes and the 2015 Senior Notes until March 2014. 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 and judgments made relate to credit risk valuation adjustments in determining the fair value of derivative instruments to reflect non-performance risk, a provision for impairment of receivables, allowances for slow-moving inventory, residual values, useful lives and depreciation methods for property, fixtures, equipment and vehicles, pension fund and employee benefit obligations, operating leases, loyalty points deferred revenue, intangible asset impairment tests, deferred tax assets and the derecognition of financial instruments. Other judgments made relate to classifying financial assets and liabilities into categories.

For a full discussion regarding our use of estimates, judgments and assumptions in the preparation of our financial statements, see note 1 to our audited consolidated financial statements for fiscal years 2010, 2011 and 2012 included elsewhere in this Offering Memorandum.

Applicability of going concern basis

Note 1 to our unaudited interim condensed consolidated financial statements as at and for 26-week 2013 indicates the existence of a material uncertainty which may cast significant doubt on Edcon Holdings Limited's ability to continue as a going concern. See "Risk Factors—Risks related to the Senior Secured Notes—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" and note 1 to our unaudited interim condensed consolidated financial statements as at and for 26-week 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. 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 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 of points that includes the expected redemption rate, attributed to the credits awarded, is deferred as a provision and recognised as revenue on the redemption of the vouchers by customers.

Club fees

Club fees are recognised as revenue as incurred.

Revenue from joint ventures

Group customers are offered *Edgars* and *Jet* branded insurance products, in pursuance of a joint venture formed with Hollard Insurance Company Limited and Hollard Life Assurance Company Limited (collectively, "Hollard Insurance"). Hollard Insurance underwrites all insurance products and 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 Insurance 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 the 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 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 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.

Leases

Leases are classified as finance leases where substantially all of the risks and rewards associated with ownership of an asset are transferred from the lessor to Edcon as lessee. The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the 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 Edcon does not obtain ownership thereof. Finance lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in financing costs, and the capital repayment, which reduces the liability to the lessor.

Operating leases are those leases that 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 sublease 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 of 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.

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 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 a 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 credit ratings similar to the Group's. 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 that 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.

Properties, fixtures, equipment and vehicles

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 that 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.

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 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.

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 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 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 judgment is exercised by management in determining the fair value of the points.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition will be met if the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale and the sale must be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the statement of comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting profit or loss net of tax is reported separately in the statement of comprehensive income.

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 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. Favourable experience adjustments are retained within the funds. Net benefit assets are only brought into account 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.

MARKET OVERVIEW

We primarily operate within the large and growing C&F market, which accounted for 69% of our retail sales in LTM 2012. 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 R64 billion in sales in 2012.

South Africa 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. 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 27% market share in 2012. 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 8.4%.

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 8.4% from fiscal year 2007 to fiscal year 2012 and a CAGR of 10.2% from fiscal year 2000 to fiscal year 2012, which included periods of economic contraction. 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 recording a CAGR of 5.09% from January 2007 to December 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 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. The South African government is looking to spend R3.2 trillion in the next 20 years on over 43 major infrastructure projects, of which R845 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 youthful, fashionable, upper-income consumers. *Foschini* operates specialty stores targeting 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, and in 2012 we had a 27% market share of the South African C&F market by revenue, which was more than two times that of our nearest competitor. We have been in operation for more than 80 years and have expanded our footprint to include 1,173 stores as at 29 September 2012 under three principal divisions comprising nine key store chains 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*, and accounted for 52.2% of our total retail sales in LTM 2012. Our Discount division, which consists of our discount stores selling value merchandise targeted at lower- to middle-income customers, includes store chains such as *Jet*, *Legit* and *Jet Mart*, and accounted for 39.5% of our total retail sales in LTM 2012. We are a leading retailer of books and magazines in South Africa under our *CNA* division, which accounted for 8.3% of our total retail sales in LTM 2012. We also sell mobile phones, related accessories and airtime across all of our divisions, which accounted for 10.3% of our total retail sales in LTM 2012. The Issuer is an operating company active in the abovementioned divisions. Our popular retail store chains allow us to serve a wide cross-section of South African society. In November 2012, we opened our first mono-brand store, *Topshop*, in Johannesburg followed by the opening of our second *Topshop* store in Durban in December 2012. 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.

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

We provide private label store cards to over 3.8 million active customers through a relationship with Absa, an affiliate of Barclays Bank. 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 R8.8 billion aggregate amount of receivables to Absa. We expect to complete the sale of the remaining R1.2 billion aggregate amount of receivables under our private label store card progamme to Absa in calendar year 2013. See "Summary—Recent developments—Sale of private label store card portfolio, unwinding of our OtC Securitisation Programme and new strategic relationship with Absa". We also introduced our *"Thank U"* loyalty programme to our customers in February 2012, which had over 8.8 million members as at 31 December 2012. Between February 2012 and September 2012, approximately 64% of our total retail sales earned *"Thank U"* loyalty points.

Our primary operations are in South Africa, where we generated 93% of our retail sales in LTM 2012. The balance of our operations are in neighbouring Namibia, Botswana, Lesotho, Swaziland, Mozambique and Zambia.

In LTM 2012, we generated revenues of R26,061 million (€ 2,491 million), including retail sales of R24,901 million (€2,381 million) and Adjusted EBITDA of R3,842 million (€367 million). On a pro forma basis after giving effect to the Pro Forma Transactions, in LTM 2012, we would have generated an Adjusted EBITDA of R2,986 million (€ 285 million).

From fiscal year 2007 to fiscal year 2012, we increased our retail sales by a CAGR of 8.9% and our Adjusted EBITDA by a CAGR of 8.4%. As at 31 December 2012, we employed approximately 20,900 permanent employees.

The company's activities are broader, it is an operating company engaged in the clothing and footwear retail.

Competitive strengths

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

Market-leading brands and attractive market dynamics

Edgars and *Jet* are our number one brands in South Africa, in each case by sales and total apparel retail space. In 2012, *Edgars* was voted the number one retailer for ladieswear and menswear and the best department store in South Africa in an annual survey commissioned by The Times and Sowetan (newspapers in circulation in South Africa). We are also the market leader in cosmetics and mobile phones by revenue.

We believe that our leading brand position results from a combination of factors, including the range, diversity and quality of our products. We believe our strong brand recognition and market-leading positions allow us to capitalise on the attractive C&F market in South Africa, where we generated 93% of our retail sales in LTM 2012. According to the RLC, C&F sales in South Africa, which accounted for 69% of our retail sales in LTM 2012, grew at a CAGR of 8.4% from fiscal year 2007 to fiscal year 2012, despite the recession in 2008/2009, when South Africa was facing the effects of the global economic downturn. South Africa's retail market exceeded a trillion rand for the first time in 2011, and is expected to increase to R1.46 trillion by 2016. C&F spend as a percentage of household expenditure has also increased, in part, as a result of a rapidly emerging middle class, which has more than doubled in size since 2000. Our large retail footprint positions us to continue to benefit from this growth in the South African market.

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, mobile phones, cosmetics, homewares, stationery and books. We sell high-end South African apparel brands such as *Jo Borkett* and *Marion and Lindie*, as well as a number of well-known international apparel brands, such as *Nike*, *Adidas*, *Guess*, *Playtex*, *Puma*, *Levis*, *Topshop* and *Topman*, and cosmetic brands such as *Chanel*, *Dior*, *Givenchy*, *Bobbi Brown*, *Tom Ford* and *Estee Lauder* in our *Edgars* stores, all of which we believe increases our appeal to customers. Our varied brands and broad range of products substantially cover the entire South African socioeconomic customer base, including the expanding middle class. We believe that the diversity of our business portfolio across different market segments and customer spending categories helps us to retain customers as their spending patterns evolve and 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*, and replacing them with *Edgars* or *Jet*-branded stores in cases where the store location was attractive. We have also introduced new speciality stores, such as *Edgars Active* and *Edgars Shoe Gallery*, leveraging our leading brand, *Edgars*. We also opened our first mono-brand store, *Topshop*, in 2012.

Strong financial services offering and loyalty programmes

We instituted South Africa's first customer credit programme over 80 years ago and currently have over 3.8 million active private label store cards, giving us access to a customer network that we are able to target for specific marketing purposes. On 1 November 2012, we entered into a long-term strategic relationship with Absa, an affiliate of Barclays Bank, to continue to provide our customers access to credit under our private label store card programme.

In February 2012, we introduced our *"Thank U"* loyalty programme, which had over 8.8 million customers as at 31 December 2012. This programme provides us with data on the spending habits of our customers that are essential for targeted marketing and promotional purposes. Over 60% 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, of which there are over 2 million combined members each 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.

Significant economies of scale and unrivalled footprint

As the largest non-food retailer in South Africa, we believe that our size provides us with the ability to obtain high-quality products at competitive prices, as well as other scale advantages, such as those in real estate, IT development and infrastructure, and advertising. For example, the strength of our brands allows us to obtain prime retail locations because our stores are attractive tenants to landlords and our *Edgars* and *Jet* chains usually serve as anchor tenants in malls and shopping centres. These prime retail locations help attract high foot traffic to our stores.

In addition, our scale allows us to invest in the development of our IT systems. We believe that our IT systems give us an operational advantage over our competitors because they are among the most advanced in the South African retail industry. We have recently invested in new and current retail software developed by Oracle to upgrade our merchandise systems. The Oracle system has replaced our IT systems for financial planning, forecast, size profile optimisation, replenishment and merchandise reporting. According to initial feedback, the new merchandising system has resulted in improvements to customer service levels, improved inventory management and better sales planning. We leverage the data, which we store in a data warehouse, to improve stock turn and product mix, facilitate merchandise selection and allocation, reduce stock imbalances and enhance customer service and supply chain management. We are also in the process of implementing IT improvements to optimise store plan and layout and to organize the assortment of merchandise on offer at our stores.

Improved supply chain efficiencies

We have decreased the number of our suppliers for our retail business from over 1,800 in fiscal year 2010 to over 1,200 in fiscal year 2012.

We began centralising procurement across divisions 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 Bangladesh 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 believe that these initiatives will enable us to react more quickly to customer demand and to increase sales by improving product availability and reducing markdowns and have a positive effect on working capital.

Experienced management team and strong equity sponsorship

Our senior leadership team combines strong international experience and long-term service within Edcon. In the last two years, we have appointed our new 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 CFO and deputy CEO, 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 CEO and CFO, together with Dr. Urin Ferndale and Mr. Christo Claassen, who constitute our executive management team, 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 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:

- continuing to identify and promote new merchandise brands and assortments in our stores to offer our customers greater range, choice and value as a part of our merchandising strategy. We have, for instance, introduced several popular international brands such as *Forever New*, *Accessorize*, *Steven Madden*, *Gosh!* and *Chanel* in our *Edgars* stores and plan to continue to offer our customers greater variety by introducing several other popular international brands. We also intend to continue maintaining fashion-right offerings under our Discount division brands such as *Jet* and *Legit*, a strategy which we believe has, in the past, resulted in the increased market share of our Discount division in ladieswear;

- remodelling and refurbishing our stores to offer our customers an improved in-store experience, which, we believe will help us increase same-store revenues and sales per square metre. We have *recently initiated the process of transforming 72 of our leading Edgars stores within our Edgars division, which represented over 63% of our retail sales for LTM 2012 and approximately 20% of the total number of stores as at 29 September 2012. We invested approximately R65 million in the first phase of this project, which we initiated in May 2012 and completed in November 2012. Our sales in these 72 stores were adversely affected during the time they were being refurbished but exhibited growth with respect to the merchandise categories covered by our merchandising initiative of approximately 6% higher than the remainder of our Edgars stores since completion. We plan to implement the second phase of this project, which includes the introduction of "store-in-store" formats dedicated to international brands such as Topshop, from April to August 2013, across the same 72 stores and expect to invest approximately R300 million in this second phase. We have also recently completed the refitting of our Jet stores which represents approximately 80% of the retail sales in respect of our Jet store chains; and*

- *continuing to leverage our "Thank U" loyalty programme through selective direct marketing to our customers. We intend to expand our marketing programmes, which at present include, among others, private in-store* events and special magazine issues, which we believe will continue to help us generate interest in our products and brands.

We also offer our customers the ability to accumulate points that can be redeemed against qualifying purchases, which we believe will help us attract new customers as well as cross-sell to our existing customers by increasing their product know-how and brand awareness.

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 1,173 stores at 29 September 2012. We plan to grow our offering by:

- continuing to selectively add new stores with a focus on our speciality offerings such as Edgars Active and Edgars Shoe Gallery and also promote our mono-brand offerings, such as Topshop, which we believe will help us build brand aspiration and promote demand amongst the fast-growing urban youth and middle class in South Africa. After our mono-brand offerings gain momentum within the South African market, we intend to introduce them on a wider scale in certain of our Edgars stores on an exclusive basis;

- 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

- 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.

Between January 2013 and June 2014, we intend to open an additional net 22 *Edgars* and 63 *Jet* stores. During the same period, we also plan to open an additional net 89 *Edgars Active* and 34 *Legit* stores. In total, we expect that these planned new stores will add over 140,947 square metres of new store space over approximately the next 18 months, representing a 10% increase in square metres as compared to the current aggregate square meterage of our existing stores. In fiscal year 2014, we 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 and expect to increase our space by a further 105,000 square metres.

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 China and Bangladesh, closer to certain of our suppliers, to reduce our dependence on, and the costs associated with, intermediaries. We have also increased the number of South African and regional suppliers pursuant to our "quick response" strategy. Our product order to South African and regional suppliers increased by more than two times between summer 2011 and summer 2012. Our quick response strategy allows us to source stock in smaller, more customised orders, thereby allowing us to gauge consumer interest in our merchandise. We 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, taken together, these programmes will allow us to increase sales while significantly reducing permanent markdowns and therefore improve our margins.

We are also making investments in upgrading our merchandising systems and 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.

Increase our sales by leveraging our private label store card programme

We expect the recent sale of our receivables to, and our new strategic relationship with, Absa will allow us to better focus on our core retail operations. It will also increase our working capital by changing our business to a cash business. We have been focused for several years on improving the performance and attractiveness of our private store card programme, which has over 3.8 million active accounts and extensive customer reach across southern Africa. Absa, supported by Barclays, 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 continue to draw customers to our stores and help us grow our customer base.

Maximise our cash flow and reduce our financial leverage

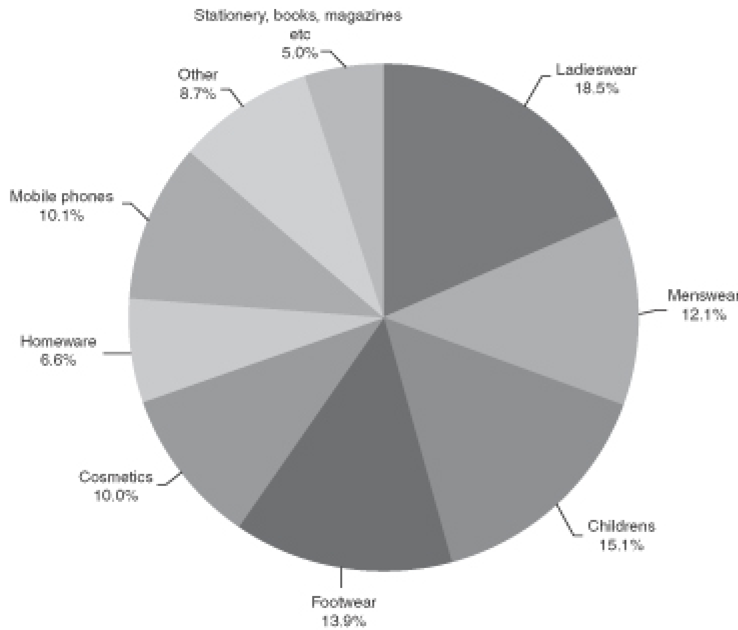
We expect to reduce our financial leverage over time on a multiple basis, in terms of the ratio of debt to EBITDA, as well as on an absolute basis by increasing our EBITDA and paying down debt. We expect that we will be able to do so by growing our existing business. Because the sale of our credit book to Absa and the unwinding of our OtC Securitisation Programme are intended to support our cash generation, we expect that our new orientation as a cash business will help us reduce our financial leverage.

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 retail divisions: the *Edgars* division, which consists of department store chains 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 to holders of our store cards. With 3.8 million customer credit accounts as at 29 September 2012 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.

The split of our retail sales in fiscal year 2012 by category is shown below. In LTM 2012, the split of our retail sales was substantially similar to fiscal year 2012.



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 52.2% of our retail sales in LTM 2012 and 52% of our retail sales in fiscal year 2012. 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* and *Edgars Active*. Our four key department store chains 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 47.1% of our retail sales in LTM 2012 and 47.7% of our retail sales in fiscal year 2012. At 29 September 2012, our *Edgars* chain comprised 179 stores with an average size of approximately 3,500 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. At 29 September 2012, the *Boardmans* chain comprised 34 stores with an average size of approximately 1,200 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. At 29 September 2012, 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. At 29 *September* 2012, our *Edgars Active* store chains comprised 102 stores with an average size of approximately 400 sqm.

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 8.3% of our retail sales in LTM 2012 and in fiscal year 2012. *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 at 29 September 2012, *CNA* comprised 193 stores with an average size of approximately 460 sqm.

Discount division

Our Discount division sells value merchandise targeted at lower- to middle-income consumers and accounted for 39.5% of our retail sales in LTM 2012 and 40% of our retail sales in fiscal year 2012. 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 21.4% of our retail sales in LTM 2012 and 20.8% of our retail sales in fiscal year 2012. At 29 September 2012, the *Jet* chain comprised 327 stores with an average size of approximately 900 sqm.

- *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 14.3% of our retail sales in LTM 2012 and 14% of our retail sales of our retail sales in fiscal year 2012. The *Jet Mart* chain began trading in 2004 and at 29 September 2012 comprised 120 stores with an average size of approximately 1,900 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 at 29 September 2012 comprised 172 stores with an average size of approximately 270 sqm.

- Our total number of stores reduced from 1,181 at the end of fiscal year 2011 to 1,167 at the end of fiscal year 2012, primarily due to the rationalisation of our *CNA* stores from 202 to 194 and our Discount stores from 718 to 665. Our total number of stores as at 29 September 2012 and 31 December 2012 were 1,173 and 1,220, respectively.

Credit and financial services business

We provide private label store cards to over 3.8 million active customers through a relationship with Absa, an affiliate of Barclays Bank. 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 R8.8 billion aggregate amount of receivables to Absa. We expect to complete the sale of the remaining R1.2 billion aggregate amount of receivables under our private label store card programme to Absa in calendar year 2013. See "Summary—Recent developments—Sale of private label store card portfolio, unwinding of our OtC Securitisation Programme and new strategic relationship with Absa".

We also offer insurance products through our financial services business, which in fiscal year 2012 and LTM 2012 generated operating profits of R541 million and R607 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 venture 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 September 2012, there were 5.7 million insurance policies generating annual gross premiums of R1,427 million.

- 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 September 2012, annual gross premiums amounted to R36 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, of which we are the largest with a market share more than two times the size of our nearest competitor by revenue. 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 from *Truworths, Foschini, Woolworths and Mr Price. Truworths* is a public company, which concentrates on specialty retail formats targeted at youthful, fashionable upper-income customers. *Foschini* is a public company, which operates specialty stores in the clothing, cosmetics, jewellery, accessories, sporting goods and homewares retail segments and caters to upper-income customers throughout southern Africa. *Woolworths* is a public company that targets middle- to upper-income customers with a selected range of clothing, footwear, toiletries, cosmetics and homewares, and, in recent years, the majority of *Woolworths'* revenue was derived from its food operations. *Mr Price* is a public company targeting middle-income customers and comprising four retail chains focusing on clothing, footwear, accessories and homewares.

Our Discount division operates in the lower- to middle-income segment of the C&F market, and faces competition 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 lower-income customers and offering 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. As a result of the type and variety of products it offers, our *CNA* brand competes with different retailers across its various product lines.

Suppliers and Distribution

We had over 1,200 suppliers for our three retail divisions, with the average supplier providing R13.3 million worth of goods in fiscal year 2012. Our supplies consist of direct imports 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 September 2012 we had 1,173 leased stores in southern Africa, including approximately 1,094 stores in South Africa, 29 in Namibia, 28 in Botswana, eight in Lesotho, 12 in Swaziland and two in Zambia.

We have a relatively high concentration of landlords and in December 2012 we rented 44% of our trading space from our 14 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 2012, the minimum property operating lease commitments due within one year amounted to R1,492 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 intend to expand our programmes, which at present include marketing features, such as private in-store events and special magazine issues, as well as the ability to accumulate points for qualifying purchases, to attract new customers as well as to cross-sell our merchandise to our existing customers by increasing their product know-how and brand-awareness.

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 4.2 million readers of its magazine per month.

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 will help create a loyal following for our brands and promote repeat custom. The *"Thank U"* store card loyalty programme was launched across all of our stores in February 2012. As at 31 December 2012, our *"Thank U"* loyalty programme had over 8.8 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. Under another recent initiative, which we refer to as our *Tipping Point* initiative, we launched a comprehensive 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. Under our *Tipping Point* initiative, we have recently initiated the process of transforming 72 of our leading *Edgars* stores, which represented over 63% of our retail sales for LTM 2012 and we have also recently completed the refitting of our *Jet* stores which represent approximately 80% of the retail sales in respect of our *Jet* store chains.

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. We plan to launch sales of our *Red Square* merchandise 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 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. 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

At 31 December 2012, we had a total of over 49,650 employees, of whom approximately 20,900 were permanent and 28,750 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 April 2012, about 38% of employees in the bargaining unit, and approximately 26% of active employees, were members of the SACCAWU. Our current wage agreement with the SACCAWU was entered into for a two-year period in April 2011, which ends in May 2013, and fixed salary increases at 8% per annum. We plan to commence negotiations for an additional two-year agreement in February 2013.

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 300 learning programmes and spent approximately 2% of payroll expenditure on learning in fiscal year 2012. 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.

We conduct internal surveys to assess employee satisfaction on a regular basis. As a result of our proactive management of our talent, our staff turnover has fallen from 30% in fiscal year 2003 to 15% for the 52 weeks ended 31 December 2012. Our policies promote equitable human resource practices for greater inclusivity amongst all groups.

Information Technology

From fiscal year 2010 to fiscal year 2012, we invested R555 million on application systems to create one of the most advanced IT retail systems in the South African retail market. 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 southern 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 the 2014 Senior Secured Notes and the 2015 Senior Notes or any refinancing thereof (the "Acquisition Indebtedness") to 50% of such interest, on an aggregate principal amount of indebtedness of approximately € 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 September 2012, after giving pro forma effect to the Refinancing Transactions, we would have had €1.1 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

HoldCo has a unitary Board structure comprising three executive directors, four non-executive directors and four independent non-executive directors. Jürgen Schreiber, Mark R. Bower and Dr. Urin Ferndale, the three executive director listed below, comprise the board of the Issuer. 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	50	Executive director, chief executive officer
Mark R. Bower	57	Executive director, deputy chief executive officer and chief financial officer
Dr. Urin Ferndale	48	Executive director, chief operating officer
Dwight M. Poler	47	Non-executive director, chairman
Matthew S. Levin	46	Non-executive director
Marc M. Valentiny	48	Non-executive director
Edward B. Berk	39	Non-executive director
Zohra B. Ebrahim	52	Independent non-executive director
Louis L. von Zeuner*	51	Independent non-executive director
Thabo F. Mosololi	43	Independent non-executive director
David H. Brown	50	Independent non-executive director

* We expect Mr. von Zeuner to join the Board effective 1 April 2013.

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 a member of the Board of HoldCo 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 HoldCo 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 HoldCo in 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 HoldCo 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 HoldCo 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 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 HoldCo in 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. We expect that Mr. von Zeuner will join the Board effective 1 April 2013.

Thabo F. Mosololi—Mr. Mosololi was appointed director of HoldCo 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 HoldCo 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, AIM and Coal of Africa Limited in August 2012. Mr. Brown holds a Bachelor of Commerce, CTA, CA(SA) degree from the University of Cape Town.

We are not aware of any conflicts of interest between the duties of the persons listed under our Board above and their private interests or other duties.

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 HoldCo and to remove and replace those directors. LuxCo is entitled, but not obligated, to appoint four directors of HoldCo. 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 and our overall Group to our executive managers. Our executive management team is mandated to assist in reviewing the operations of and performance by HoldCo 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..............................	50	Executive director, chief executive officer
Mark R. Bower	57	Executive director, deputy chief executive officer and chief financial officer
Dr. Urin Ferndale..............................	48	Executive director, chief operating officer
Christo Claassen..............................	44	Chief executive of the 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.

Compensation

In fiscal year 2012, we paid our executive directors (including prescribed officers) and executive managers aggregate compensation, including bonuses, of R57 million and R19 million, respectively.

Our directors and executive managers are indirect equity investors in Edcon Holdings Limited. Our non-executive directors (excluding independent non-executive directors) may be deemed beneficial owners of securities in Edcon (BC) S.A.R.L., which in turn is a shareholder of HoldCo. Our executive managers are beneficiaries of the Founder Investor Trusts, which in turn are shareholders of HoldCo.

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

Holdco 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 HoldCo. 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 HoldCo. Our executive managers are beneficiaries of the Founder Investor Trusts, which in turn are shareholders of HoldCo. 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 2012.

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

Edcon'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. Louis von Zeuner, Thabo F. Mosololi and David H. Brown. 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, Edward B. Berk 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 HoldCo 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 HoldCo designated as “A” ordinary shares (the “A Ordinary Shares”), C ordinary shares of R0.00001 each in the capital of HoldCo designated as “C” ordinary shares (the “C Ordinary Shares”), D ordinary shares of R0.00001 each in the capital of HoldCo designated as “D” ordinary shares (the “D Ordinary Shares”), and E ordinary shares of R0.00001 each in the capital of HoldCo 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 HoldCo, 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 HoldCo 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 HoldCo subject to the distribution entitlements of the A Preference Shares, the B ordinary shares of R0.001 each in the capital of HoldCo 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 HoldCo: 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.

Public Company/Change of Name

In terms of the New Companies Act, Edcon is classified as a public company. As such, Edcon has all the responsibilities and duties of a public company as provided for in the New Companies Act. Edcon has passed the necessary special resolutions in accordance with the relevant provisions of the New Companies Act to change its name to “Edcon Limited” and to adopt a public company memorandum of incorporation. The required documentation to give effect to these changes was filed at the Company and Intellectual Property Commission (“CIPC”) on 20 December 2012. The CIPC have issued the requisite registration certificate on 7 March 2013 and accordingly, the aforesaid changes have taken effect from the date of filing, being 20 December 2012.

PRINCIPAL SHAREHOLDERS AND SHARE CAPITAL

HoldCo's shareholders are LuxCo, the Edcon Staff Empowerment Trust (the "Empowerment Trust") and seven other trusts. LuxCo, a *société à responsabilité limitée* incorporated in Luxembourg, holds 86% of the ordinary shares of HoldCo. 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 HoldCo. 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 HoldCo are the five 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. HoldCo indirectly owns 100% of the issued capital of the Issuer. The members of the Board of HoldCo 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, HoldCo entered into a loan agreement (the "Subordinated Shareholder Loan") with LuxCo, under which LuxCo advanced R5,057 million to HoldCo. Repayment of the Subordinated Shareholder Loan is subordinated to payments under all other debt obligations concluded by HoldCo 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 September 2012, the outstanding principal balance under the Subordinated Shareholder Loan was R8,949 million.

Pursuant to a subordination agreement entered into between HoldCo 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 HoldCo to the extent required to pay their claims in full. The subordination agreement will remain in force until such time as HoldCo's assets exceed its liabilities as certified by its auditors, whereupon it will automatically lapse.

Subordinated Matching Loan

HoldCo and the Issuer have entered into a loan agreement (the "Subordinated Matching Loan"), under which HoldCo advanced R5,057 million to the Issuer. Repayment of the Subordinated Matching Loan is subordinated to payments under all 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 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 September 2012, the outstanding balance under the Subordinated Matching Loan was R6,859 million.

Subordinated Proceeds Loan

HoldCo and the Issuer have entered into a loan agreement (the "Subordinated Proceeds Loan"), under which HoldCo advanced R6,250 million to the Issuer. Interest on advances under the Subordinated Proceeds Loan accrue at a rate to be agreed from time to time between HoldCo and the Issuer 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 September 2012, the outstanding balance under the Subordinated Proceeds Loan was R6,462 million.

Transaction Services Agreement

In May 2007, HoldCo 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 HoldCo 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, HoldCo 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 HoldCo or CaymanCo, or a public offering of the shares of HoldCo or any of its subsidiaries.

Consulting Services Agreement

In May 2007, HoldCo 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 HoldCo.

In consideration for these services, HoldCo 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 HoldCo or a public offering of the shares of HoldCo 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 HoldCo under the Consulting Agreement were novated to the Issuer.

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 A, Tranche B1 and Tranche B2. Tranche A matured on 15 June 2012. We may draw up to R250 million under Tranche B1, which matures on 31 December 2013. We may draw up to R3,717 million under Tranche B2 (following the accession of certain new lenders providing additional commitments on 23 July 2012), which matures on 31 March 2014. The terms of Tranche A, Tranche B1 and B2 are the same save as described herein. We are required to make drawdowns under our Super Senior Revolving Credit Facility pro rata under Tranche B1 and Tranche B2.

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 B1 and Tranche B2 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 B1 and Tranche B2 is 4.0%. The applicable margin for borrowings under Tranche B1 and Tranche B2 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 B1 and Tranche B2, we are required to pay a commitment fee of 40% of the applicable margin for Tranche B1 and Tranche B2, 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 Secured Notes, the 2018 Senior Secured Notes, 2014 Senior Secured Notes, 2015 Senior 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 Secured Notes, the 2018 Senior Secured Notes, the 2014 Senior Secured Notes or the 2015 Senior 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 principal amount outstanding of the loans under Tranche B1 is due and payable in full on 31 December 2013. The principal amount outstanding of the loans under Tranche B2 is due and payable in full on 31 March 2014.

Guarantees and security

All obligations under our Super Senior Revolving Credit Facility are unconditionally guaranteed by HoldCo, BidCo, the Issuer 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 HoldCo'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 the Issuer 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 the Issuer including the 2014 Senior Secured Notes, the 2018 Senior Secured Notes, the ZAR Term Loan and the Senior Secured Notes. The 2015 Senior Notes are subordinated in right of security and payment to each of the Super Senior Revolving Credit Facility, the 2016 Super Senior Secured ZAR Notes, the 2014 Senior Secured Notes, the 2018 Senior Secured Notes, the ZAR Term Loan and the Senior Secured Notes offered hereby.

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 Secured Indenture.

ZAR Term Loan

Overview

We expect to enter into a term loan agreement (the "ZAR Term Loan") and related security and other agreements with Absa Bank Limited (acting through its corporate and investment banking division), Bank of America, N.A., FirstRand Bank Limited (acting through its rand merchant bank division), Goldman Sachs Lending Partners LLC, JPMorgan Chase Bank, N.A., Johannesburg Branch and Morgan Stanley Senior Funding, Inc., as arrangers.

Our ZAR Term Loan would provide senior secured financing of approximately R4,120 million. The ZAR Term Loan will be used for the (partial) refinancing of the 2014 Senior Secured Notes and related fees, costs and expenses.

Although not currently agreed, we expect our ZAR Term Loan to reflect substantially the following terms:

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 2015), (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 notes or indebtedness issued to refinance those notes (excluding the Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes and any other super senior notes from time to time).

Guarantees and security

All obligations under our ZAR Term Loan will be unconditionally guaranteed by HoldCo, BidCo, the Issuer 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 will rank *pari passu* with the 2014 Senior Secured Notes, the 2018 Senior Secured Notes and the Senior Secured Notes in right of security over the assets of the Issuer 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 the Issuer including the 2015 Senior Secured Notes.

Certain covenants and events of default

Our ZAR Term Loan shall contain 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.

2018 Senior Secured Notes

On 1 March 2011, the Issuer issued €317 million in aggregate principal amount of euro-denominated senior secured fixed rate notes (the “2018 EUR Senior Secured Notes”) and $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 Senior Secured Notes and the 2018 Senior Secured Notes will be treated as a single class for all purposes under the Senior Secured Indenture, including those with respect to waivers, amendments, redemptions and offers to purchase. See “Description of the Senior Secured Notes”.

2016 Super Senior Secured ZAR Notes

In April 2011, the Issuer 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 the Issuer 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, the Issuer 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 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 2016 Super Senior Secured ZAR 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 2016 Super Senior Secured ZAR Notes. The 2016 Super Senior Secured ZAR Notes are also subject to certain customary covenants and events of default.

The 2016 Super Senior Secured ZAR Notes are guaranteed on a senior secured basis by HoldCo, 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 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.

If an event treated as a change of control of the Issuer occurs, HoldCo 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, the Issuer 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.

2015 Senior Notes

In June 2007, HoldCo issued € 630 million in aggregate principal amount of senior secured floating rate notes due 15 June 2015 (the "2015 Senior Notes"). The interest payable on the 2015 Senior Notes is three-month EURIBOR plus 5.5% per year, reset quarterly and payable quarterly in cash. Following a partial buyback of the 2015 Senior Notes in 2008, the current outstanding principal of the 2015 Senior Notes is €378 million. The 2015 Senior Notes are structurally subordinated to all existing and future indebtedness of HoldCo's subsidiaries, including the 2014 Senior Secured Notes, the 2018 Senior Secured Notes, the Senior Secured Notes offered hereby, the ZAR Term Loan, the Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes. The 2015 Senior Notes are currently issued on the Global Exchange Market of the Official List of the Irish Stock Exchange.

The 2015 Senior Notes are governed by an indenture among the Issuer, Holdco, Bidco, ECSL, the SPV Guarantor and The Bank of New York, as trustee. The 2015 Senior 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 2015 Senior 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 2015 Senior Notes. The 2015 Senior Notes are also subject to certain customary covenants and events of default.

The 2015 Senior Notes are guaranteed on a senior subordinated basis by the Issuer, BidCo and ECSL. These guarantees may be released in certain circumstances, including upon the sale of one of the guarantors. The terms of the Intercreditor Agreement provide that no payments in respect of the guarantees relating to the 2015 Senior Notes may be made if a payment default has occurred and is continuing under the Super Senior Revolving Credit Facility, the 2014 Senior Secured Notes, the 2018 Senior Secured Notes, the Senior Secured Notes offered hereby, the ZAR Term Loan, the 2016 Super Senior Secured ZAR Notes and the hedging arrangements or during the continuation of a payment blockage period. The 2015 Senior Notes are secured by a third-ranking pledge of the Subordinated Proceeds Loan through the SPV Guarantor.

If an event treated as a change of control of the Issuer occurs, HoldCo must offer to purchase the 2015 Senior Notes for a purchase price in an amount equal to 101% of the principal amount of the 2015 Senior Notes, plus accrued and unpaid interest. In certain circumstances, HoldCo will be required to offer to purchase the 2015 Senior Notes with the net cash proceeds from asset sales. The purchase price would be equal to 100% of the principal amount of the 2015 Senior Notes, plus accrued and unpaid interest.

2014 Senior Secured Notes

In June 2007, the Issuer issued €1,180 million in aggregate principal amount of senior secured floating rate notes due 15 June 2014 (the "2014 Senior Secured Notes"). Following a partial buyback of the 2014 Senior Secured Notes in 2011, the current outstanding principal amount of the 2014 Senior Secured Notes is €1,141 million. The interest payable on the 2014 Senior Secured Notes is three-month EURIBOR plus 3.25% per year, reset quarterly and payable quarterly in cash. The 2014 Senior Secured Notes rank *pari passu* with the Senior Secured Notes offered hereby. The 2014 Senior Secured Notes are currently issued on the Global Exchange Market of the Official List of the Irish Stock Exchange.

The 2014 Senior Secured Notes are governed by an indenture among the Issuer, Holdco, Bidco, ECSL, the SPV Guarantor and The Bank of New York, as trustee. The 2014 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 2014 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 2014 Senior Secured Notes. The 2014 Senior Secured Notes are also subject to certain customary covenants and events of default.

The 2014 Senior Secured Notes are guaranteed on a senior secured basis by HoldCo, BidCo and ECSL and are also guaranteed by the SPV Guarantor under the SPV Guarantee. The guarantee of the 2014 Senior Secured Notes by each guarantor 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.

If an event treated as a change of control of the Issuer occurs, HoldCo must offer to purchase the 2014 Senior Secured Notes for a purchase price in an amount equal to 101% of the principal amount of the 2014 Senior Secured Notes, plus accrued and unpaid interest. In certain circumstances, the Issuer will be required to offer to purchase the 2014 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 2014 Senior Secured Notes, plus accrued and unpaid interest.

We intend to use the net proceeds from this Offering, together with part of the net proceeds from the Receivables Sale and the net proceeds from the ZAR Term Loan, to repurchase the 2014 Senior Secured Notes tendered pursuant to the Tender Offer and to fund the 2014 Senior Secured Notes Redemption. See "Use of Proceeds". The entry into the ZAR Term Loan is subject to certain conditions, including the negotiation, execution and delivery of definitive finance documents and other customary conditions for financings of this type. The terms of the ZAR Term Loan have not been finalised and may change significantly, and there can be no assurance that any of the conditions to the entry of the ZAR Term Loan will be satisfied or that we will be able to obtain the ZAR Term Loan on such terms or at all. If we do not obtain the ZAR Term Loan, the portion of the 2014 Senior Secured Notes that we expect to refinance with the ZAR Term Loan will remain outstanding.

Hedging

We maintain hedging arrangements with respect to indebtedness under our 2014 Senior Secured Notes, 2015 Senior Notes and 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 Secured 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 Secured Notes. However, we may decide to hedge these amounts for a longer period of time. In addition, we intend to hedge the majority of the aggregate principal of the Senior Secured 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 Secured Notes will share rateably in the guarantees and security interests granted for the benefit of the Senior Secured Notes. Likewise, our hedging agreement entered into in connection with the 2014 Senior Secured Notes, the 2015 Senior Notes and 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 2014 Senior Secured Notes

The 2014 Senior Secured Notes have a floating rate of interest.

In February 2011, we entered into cross-currency swaps which (i) protect against variability in future interest cash flows that are subject to fluctuations based on future interest rates and foreign exchange rates, and (ii) hedge the repayment of €963 million in principal amount on the 2014 Senior Secured Notes to 15 March 2014 and €178 million to 15 June 2014. The cross-currency swaps have been designated as a cash flow hedge.

In connection with the Refinancing Transactions, we intend to terminate the hedging arrangements we implemented for the 2014 Senior Secured Notes.

Hedging under the 2015 Senior Notes

The 2015 Senior Notes also have a floating rate of interest.

In February 2011, based on a notional value of €303 million, we entered into an interest rate swap to hedge the interest rate risk on the coupons of the 2015 Senior Notes up to 15 March 2014. This transaction hedges the interest rate on the cash flows occurring during the first three years of the 2015 Senior Notes and has been designated as a cash flow hedge.

In line with the above, based on a notional value of € 303 million, a series of foreign currency forward contracts were entered into in February 2011 to hedge the euro/ZAR currency risk on the cash flows. These hedges have been designated as a cash flow hedge. These foreign currency forward contracts hedge the euro/ZAR currency risk on the combined cash flows of the interest rate swap and the first three years of anticipated interest payments on the 2015 Senior Notes and have been designated as a cash flow hedge.

We also entered into a cross-currency swap in February 2011 which (i) protects against variability in future interest cash flows that are subject to fluctuations based on future interest rates and foreign exchange rates, and (ii) hedges the repayment of €75 million in principal on the 2015 Senior Notes to 15 March 2014. The cross-currency swap has been designated as cash flow hedge.

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 $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 cross-currency transactions hedge liabilities that had not been hedged using the previously mentioned instruments. These additional currency options hedge a portion of our principal obligations on our 2018 Senior Secured Notes to 31 March 2014.

In November 2012, we entered into two additional short-term hedging arrangements to hedge approximately €348.9 million in euro-denominated liabilities arising from potential bond repayment obligations. We intend to utilise rand-denominated proceeds from the Receivables Sale in connection with these short term hedging transactions. Including these short-term hedging arrangements, we would be approximately 94% hedged on a principal basis.

Intercreditor Agreement

To establish the relative rights of our creditors, we have amended and restated our intercreditor deed 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, the 2016 Super Senior Secured ZAR Notes, the 2015 Senior Notes and the 2014 Senior Secured 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 Secured Note, holders of Senior Secured 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 Subordinated Note 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, which summary gives effect to certain amendments we expect to make in connection with the entry into the ZAR Term Loan. See "—ZAR Term Loan". 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 Secured Notes, our Super Senior Revolving Credit Facility, the ZAR Term Loan, the 2018 Senior Secured Notes, the 2016 Super Senior Secured ZAR Notes, the 2014 Senior Secured Notes, the hedging agreements, the claims against HoldCo under the 2015 Senior Notes and the claims of the trustees for the Senior Secured Notes, the 2014 Senior Secured Notes and the 2015 Senior Notes for certain fees and expenses owing to them shall rank in right and priority of payment (*pari passu* between themselves) ahead of claims under the 2015 Senior Notes (other than claims against HoldCo under the 2015 Senior Notes) 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 Senior Secured Notes, the 2018 Senior Secured Notes, the 2014 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, second to secure claims, *pari passu*, under the ZAR Term Loan, the Senior Secured Notes, the 2018 Senior Secured Notes, the 2014 Senior Secured Notes and the hedging arrangements, and third, to secure claims under the 2015 Senior Notes.

The guarantee of the 2015 Senior Notes given by the SPV Guarantor and directly by Guarantors shall rank after the guarantees of our Super Senior Revolving Credit Facility, our 2016 Super Senior Secured ZAR Notes, the ZAR Term Loan, the Senior Secured Notes, the 2018 Senior Secured Notes, the 2014 Senior Secured Notes and the hedging arrangements given by the SPV Guarantor and directly by 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, Senior Secured Notes, the 2018 Senior Secured Notes and 2014 Senior Secured Notes.

Certain payments of principal, interest and other amounts may be made under the 2015 Senior Notes and the Subordinated Proceeds Loan prior to a payment blockage whereupon no further payments under the 2015 Senior Notes and Subordinated Proceeds Loan may be made unless the payment blockage has expired. A payment blockage will arise upon the occurrence of a payment default or other default under our Super Senior Revolving Credit Facility, the ZAR Term Loan, the 2016 Super Senior Secured ZAR Notes, Senior Secured Notes, the 2018 Senior Secured Notes or 2014 Senior Secured

Notes in respect of which a payment blockage notice has been served. A payment blockage will expire upon the date on which the 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 HoldCo on the 2015 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 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 Senior Secured Notes, the 2018 Senior Secured Notes, the 2014 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 the facility agent of the Super Senior Revolving Credit Facility, or the trustee in respect of the 2016 Super Senior Secured ZAR Notes or following the expiry of the standstill period or otherwise in the circumstances referred to under "—Standstill on enforcement" below, the trustees in respect of the Senior Secured Notes and the 2014 Senior Secured Notes and the facility agent under the ZAR Term Loan. The facility agent of the Super Senior Revolving Credit Facility may direct the Security Administrator to enforce 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 trustee in respect of the 2016 Super Senior Secured ZAR Notes may direct the Security Administrator to enforce if the ZAR Notes Debt exceeds 50% of the aggregate of the RCF Debt and the ZAR Notes Debt.

The Security Administrator may refrain from directing the SPV Guarantor to enforce the security over our assets if instructed to do so (i) in certain circumstances until a period of consultation between the trustees in respect of the Senior Secured Notes, the 2018 Senior Secured Notes and the 2014 Senior Secured Notes, the facility agent under the ZAR Term Loan, the facility agent in respect of the Super Senior Revolving Credit Facility, the trustee in respect of the 2016 Super Senior Secured ZAR Notes and the hedging counterparties has elapsed; and (ii) if the instructions given to the Security Administrator by a senior representative that conflict with the instructions of another senior representative, the Security Administrator may 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 expedious enforcement over the security over our assets, the recoveries thereunder of the 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) the holders of the Senior Secured Notes, the Lenders under the ZAR Term Loan, 2018 Senior Secured Notes and the 2014 Senior Secured Notes may not, prior to the repayment of the Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes, 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 and (b) the holders of the 2015 Senior Notes may not, prior to the repayment of the Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes and the repayment in full of the Senior Secured Notes, the ZAR Term Loan, the 2018 Senior Secured Notes and 2014 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 trustees for the Senior Secured Notes, the 2018 Senior Secured Notes and 2014 Senior Secured Notes, direct the SPV Guarantor to enforce or take any other action relating to the security over the Subordinated Proceeds Loan for the 2015 Senior Notes.

The limitations on enforcement in the preceding paragraph will not apply if, in the case of enforcement by the holders of the Senior Secured Notes, the facility agent under the ZAR Term Loan, the 2018 Senior Secured Notes and 2014 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 under the Senior Secured Notes and the 2014 Senior Secured Notes 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, if, in the case of enforcement by the holders of the 2015 Senior Notes or by HoldCo 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 2015 Senior Notes at maturity.

Application of proceeds

Amounts received by the SPV Guarantor, the facility agent for our Super Senior Revolving Credit Facility, the trustee in respect of the 2016 Super Senior Secured ZAR Notes, the facility agent under the ZAR Term Loan, the trustee for the Senior Secured Notes, the 2018 Senior Secured Notes, the 2014 Senior Secured Notes and the 2015 Senior Notes representing the proceeds from enforcement of any security or recoveries under any guarantee (or SPV Counter-Indemnity of any SPV Guarantee) of the Senior Subordinated Notes, will 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 Senior Secured Notes, the 2018 Senior Secured Notes, the 2014 Senior Secured Notes, the 2015 Senior 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 Secured Notes, the 2018 Senior Secured Notes and the 2014 Senior Secured Notes on behalf of the holders of any 2016 Super Senior Secured ZAR Notes, the Senior Secured Notes, the 2018 Senior Secured Notes and the 2014 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 Senior Secured Notes on behalf of the holders of any Senior Secured Notes, the trustee for the 2018 Senior Secured Notes on behalf of the holders of any 2018 Senior Secured Notes, the trustee for the 2014 Senior Secured Notes on behalf of the holders of any 2014 Senior Secured Notes and the hedging counterparties in respect of the Senior Secured Notes, the 2014 Senior Secured Notes and the 2015 Senior Notes for application towards the discharge of their liabilities on a pro rata basis;

- in payment to the trustee for the 2015 Senior Notes towards discharge of the 2015 Senior Notes on a pro rata basis;

- in payment to HoldCo (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 Senior Secured Notes, the trustee for the 2018 Senior Secured Notes, the trustee for the 2014 Senior Secured Notes and the trustee for the 2015 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, the noteholders under the Senior Secured Notes, the noteholders under the 2018 Senior Secured Notes, the noteholders under the 2014 Senior Secured Notes and the noteholders under the 2015 Senior Notes in connection with the enforcement of the guarantees;

- 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) to the trustee of the Senior Secured Notes, the trustee of the 2018 Senior Secured Notes, the trustee of the 2014 Senior Secured Notes and the hedging counterparties in respect of the hedging for the Senior Secured Notes, the 2014 Senior Secured Notes and the 2015 Senior Notes to discharge the liabilities under the Senior Secured Notes and the related hedging liabilities on a pro rata basis;

- in the case of any other guarantee amounts, in payment to the trustee of the 2015 Senior Notes towards discharge of the liabilities under the 2015 Senior Notes, pro rata;

- in payment to HoldCo (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 Senior Secured 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 as to fairness from a financial point of view, (C) the relevant asset or guarantor (and its subsidiaries) is 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 Secured Notes, the 2018 Senior Secured Notes and the 2014 Senior Secured Notes, and (D) the proceeds from such disposal are applied in accordance with the Intercreditor Agreement.

Subordination Agreement

To establish the relative rights of our shareholders and our other creditors, the Issuer, BidCo, ECSL LuxCo and HoldCo (amongst others) entered into a subordination agreement with, amongst others, the lenders under the Super Senior Revolving Credit Facility, the trustees for the noteholders of the 2014 Senior Secured Notes and the 2015 Senior Notes, the SPV Guarantor and the hedging counterparties on 24 May 2007, as amended and restated on or about February 2011. The trustee for the Senior Secured Notes has acceded and the facility agent for the ZAR Term Loan will accede, to such agreement if we enter into the ZAR Term Loan.

Additionally, the Issuer, BidCo, ECSL LuxCo and HoldCo (amongst others) have entered into a subordination agreement with, amongst others, the lender under the Super Senior Secured ZAR facility and the SPV Guarantor on or about February 2011, as amended from time to time. The 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 Secured Notes holders and the Senior Secured 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 Secured Notes, the 2018 Senior Secured Notes, the 2014 Senior Secured Notes, the 2015 Senior 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 the

Issuer, BidCo, ECSL, LuxCo or HoldCo, 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 2014 Senior Secured Notes, the 2015 Senior Notes, the 2018 Senior Secured Notes, the Senior Secured 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 the Issuer, BidCo, ECSL, LuxCo and HoldCo 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 Secured Notes, the 2018 Senior Secured Notes, the 2014 Senior Secured Notes and the 2015 Senior 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 SECURED NOTES

In this "Description of the Senior Secured Notes," the word "Issuer" refers only to Edcon Limited (formerly known as Edcon Proprietary Limited) and not to any of its Subsidiaries. The word "HoldCo" refers to Edcon Holdings Limited (formerly Edcon Holdings Proprietary Limited. The word "Guarantors" (and each a "Guarantor") refers to HoldCo, BidCo and Edgars Consolidated Stores Limited ("ECSL"), each of which (other than HoldCo) is a direct or indirect Wholly-Owned Subsidiary of HoldCo and will Guarantee the Senior Secured Notes on the Issue Date, and to any future person that Guarantees the Senior Secured 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 Secured Notes") under the existing indenture (the "Indenture") among the Issuer, HoldCo, the Guarantors, the SPV Guarantor, The Bank of New York Mellon, as Senior Secured Trustee and certain other parties thereto, pursuant to which the Issuer issued the 2018 Senior Secured Notes and the Senior Secured Notes will be "Additional Notes" for the purposes of the Indenture. The Senior Secured Notes constitute a further issuance of, and an additional series of, the Issuer's outstanding 2018 Senior Secured Notes. The Senior Secured Notes and the 2018 Senior Secured Notes 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. However, the Senior Secured Notes will be issued, and will trade, with different ISINs and common codes, as applicable, than those assigned to the 2018 Senior Secured Notes, and the issuance of the Senior Secured Notes will not be treated as a qualified reopening of the 2018 Senior Secured Notes for U.S. federal income tax purposes.

The terms of the Senior Secured Notes include those set forth in the Indenture. The Indenture does not incorporate or include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), except as specifically provided herein. The Indenture is not required to be, nor will it be, qualified under the Trust Indenture Act. Consequently, the holders of Senior Secured Notes will not be entitled, except as specifically provided herein, 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 Secured Notes", unless the context requires otherwise, also refers to "book-entry interests" in the Senior Secured Notes, as defined herein.

The obligations of the Issuer under the Indenture and the Senior Secured Notes, and of the Guarantors under the Indenture and their Guarantees, will be secured as described below under the caption "—Security".

The registered Holder of a Senior Secured 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 Secured 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 and the Security Documents. It does not, however, restate the Indenture or the Security Documents in their entirety and where reference is made to particular provisions of the Indenture or the Security Documents, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all of the provisions of the Senior Secured Notes, the Guarantees, the Indenture and the Security Documents. You should read the Indenture and the Security Documents because they contain additional information and because they, and not this description, define your rights as a Holder. Copies of the form of the Indenture and of the Security Documents may be obtained by requesting them from the Issuer at the address indicated under "Available Information" or, if and so long as the Senior Secured 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 for the Senior Secured 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. This Offering Memorandum constitutes "Listing Particulars" for such application. Application has been made for these Listing Particulars to be approved by the Irish Stock Exchange.

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 Secured Notes

The Senior Secured Notes will:

(a) be the Issuer's general obligations;

(b) mature on 1 March 2018;

(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 Secured Notes;

(d) be effectively senior to all of the Issuer's existing and future Indebtedness that is unsecured, or secured on a basis junior to the security granted in respect of the Senior Secured Notes, in each case to the extent of the assets securing the Senior Secured Notes;

(e) 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 Secured Notes, including the Senior Floating Rate Notes and the ZAR Term Loan;

(f) be effectively junior to the Issuer's Indebtedness under the Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes with respect to the Collateral; and

(g) be secured as described below under the caption "—Security" (the Holders will receive proceeds from the Collateral after the lenders under the Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes in the event of foreclosure or in any bankruptcy, insolvency or other similar events).

The Senior Secured Notes will be structurally subordinated to all debt and liabilities of the Issuer's Subsidiaries that have not Guaranteed the Senior Secured Notes. In the event of a bankruptcy, liquidation or reorganization of any of these Subsidiaries, the holders of the debt 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 the Issuer's obligations under the Indenture and the due and punctual payment of all amounts payable under the Senior Secured Notes, including principal, premium, if any, and interest payable under the Senior Secured Notes. No direct or indirect Subsidiary of the Issuer or HoldCo other than the Guarantors will provide a Guarantee on the Issue Date. HoldCo and 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 Secured 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 Secured 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 be:

(a) the general obligation of such Guarantor;

(b) secured as described below under the caption "—Security";

(c) senior in right of payment to all of the existing and future Indebtedness that is subordinated in right of payment to its Guarantee;

(d) effectively senior to all of such Guarantor's existing and future Indebtedness that is unsecured, or secured on a basis junior to the security granted in respect of its Guarantee, in each case to the extent of the assets securing its Guarantee;

(e) 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;

(f) effectively junior to the Guarantor's Indebtedness under the Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes with respect to the Collateral; and

(g) structurally subordinated to all existing and future Indebtedness of such Guarantor's Subsidiaries that do not Guarantee the Senior Secured Notes.

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 Secured 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 HoldCo's consolidated balance sheet as at 29 September 2012, after giving pro forma effect to the Refinancing Transactions, on a consolidated basis, the Issuer, the Guarantors and the Restricted Subsidiaries would have had total Indebtedness of R19,267 million (€1,804 million), of which R15,281 million (€1,430 million) would have been Pari Passu Debt and R3,986 million (€373 million) would have been represented by the Senior Floating Rate Notes.

Release of a Guarantor's Guarantee

The Guarantee of a Guarantor will be released:

(a) when (i) any Guarantor (other than HoldCo or BidCo) ceases to be a Restricted Subsidiary of HoldCo in accordance with the applicable provisions of the Indenture or (ii) any Guarantor (other than HoldCo or BidCo) 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 HoldCo and its Restricted Subsidiaries;

(b) upon defeasance or discharge of the Senior Secured Notes under the Indenture as provided below under the captions "—Legal Defeasance or Covenant Defeasance of Indenture" and "—Satisfaction and Discharge".

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 HoldCo), or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made, is a corporation organized 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 Senior Secured 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 Secured 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) HoldCo will have delivered to the Senior Secured 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 Intercreditor Agreement provides that the Guarantee of a Guarantor (and the Guarantee, if any, of any Subsidiary of such Guarantor) also 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. See "Description of Certain Other Indebtedness—Intercreditor Agreement".

Restricted and Unrestricted Subsidiaries

As of the date of the Indenture, all of HoldCo's Subsidiaries will be "Restricted Subsidiaries." Under the circumstances described below in "—Certain Definitions—Unrestricted Subsidiary", HoldCo will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries". HoldCo 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 HoldCo will not be subject to any of the restrictive covenants in the Indenture. Any Unrestricted Subsidiaries of HoldCo will not guarantee the Senior Secured Notes.

Acceptance of Intercreditor Agreement and Subordination Agreement

The Indenture will also provide that each Holder, by accepting a Senior Secured 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.

Security

The security

The obligations of the Issuer under the 2018 Senior Secured Notes, the guarantees of the 2018 Senior Secured Notes, the Senior Secured Floating Rate Notes, the guarantees of the Senior Secured Floating Rate Notes and the obligations of the hedging counterparties under the Existing Hedging Arrangements are, and the Senior Secured Notes, the Guarantors under the Guarantees, the ZAR Term Loan and certain other Hedging Obligations will be, secured by security interests on an equal and rateable basis (collectively, the "Second-Ranking Security Interests") in collateral (the "Collateral") that will consist of substantially all of the assets of HoldCo and its Restricted Subsidiaries, including pledges (the "Share Pledges") of all of the Share Capital of the Issuer and the Restricted Subsidiaries, other than certain non-material assets.

The Issuer's obligations under the Super Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes are secured by security interests (the "First-Ranking Security Interests") in the Collateral that rank senior to the Second-Ranking Security Interests in respect of the Senior Secured Notes and the Guarantees. See "—Other secured Indebtedness".

Assets of HoldCo and its Restricted Subsidiaries that will not secure the Senior Secured Notes or the Guarantees consist of certain non-material assets, assets over which a security interest cannot be granted under South African law or under the terms of leases and other agreements to which such assets are subject and assets in respect of which the Agreed Security Principles prevent security being given.

The Collateral may also be subject to certain Permitted Collateral Liens securing certain other obligations of HoldCo or a Restricted Subsidiary. See "—Certain Covenants—Impairment of Security Interest" and "—Certain Definitions—Permitted Collateral Liens".

To the extent third parties hold Permitted Collateral Liens with respect to the Collateral such third parties may have rights and remedies with respect to the property subject to such Liens that, if exercised, could adversely affect the value of the Collateral. The ability of the Holders to realize upon the Collateral is subject to certain bankruptcy law limitations in the event of a bankruptcy. See "—Risk Factors—Risks related to the Senior Secured Notes—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".

The security interests in the Collateral will not be granted directly to the Holders or the Senior Secured Trustee for the Holders. Instead, the security interests will be granted to the SPV Guarantor which will, in turn, provide a guarantee to the Senior Secured Trustee for the Holders. The Senior Secured Trustee for the Holders will not therefore be entitled to take any enforcement action with respect to the Collateral other than through its guarantee from the SPV Guarantor. The SPV Guarantor will be instructed exclusively in this regard by the Senior Secured Trustee for the Holders acting in accordance with the Intercreditor Agreement. See "—SPV Guarantor and the SPV Guarantee".

As of 29 September 2012, after giving pro forma effect to the Pro Forma Transactions and the Refinancing Transactions, the total consolidated book value of HoldCo's and its Restricted Subsidiaries' assets was R26,565 million (€2,485 million), substantially all of which is Collateral subject to the Security Interests securing the Senior Secured Notes and the Guarantees.

Other secured Indebtedness

The Issuer's obligations under the Senior Revolving Credit Facility are, and the 2016 Super Senior Secured ZAR Notes will be, secured by the First-Ranking Security Interests in the Collateral that rank senior to the Security Interests in respect of the Senior Secured Notes and the Guarantees. The Senior Secured Floating Rate Notes and the guarantees thereof are secured by the same Collateral that will secure the Senior Secured Notes. HoldCo and its Restricted Subsidiaries will be entitled to incur additional Indebtedness secured by the Collateral. See "—Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares" and "—Certain Covenants—Limitations on Liens".

SPV Guarantor and the SPV Guarantee

As mentioned above, the Second-Ranking Security Interests and the First-Ranking Security Interests have been or will be, as applicable, granted to the SPV Guarantor. The SPV Guarantor is a special purpose company incorporated under the laws of the Republic of South Africa with no assets whose business will be limited under its articles of incorporation to holding the Collateral, the Second-Ranking Security Interests and the First-Ranking Security Interests. This structure (the "SPV Security Structure") is commonly used to facilitate the holding and sharing of security located in South Africa in financing transactions with multiple lenders.

Under the SPV Security Structure, the SPV Guarantor has issued a guarantee (the "SPV Guarantee") to the Senior Secured Trustee for the Holders and for the holders of the 2018 Senior Secured Notes. The SPV Guarantee will guarantee the obligations of the Issuer under the Senior Secured Notes and the obligations of the Guarantors under the Guarantees and the ZAR Term Loan. The Senior Secured Trustee for the Holders will not be entitled to take any enforcement action with respect to the Collateral other than through the SPV Guarantee. To secure the obligations of the SPV Guarantor under the SPV Guarantee, the Issuer and Guarantors providing the Security Interests (the "SPV Indemnifiers") have, pursuant to counter-indemnity agreements (the "SPV Counter-Indemnities"), indemnified the SPV Guarantor in respect of the SPV Guarantee. The Issuer's and the Guarantors' obligations under the SPV Counter-Indemnities are secured by security interests in the Collateral. See "Risk Factors—Risks related to the Senior Secured Notes—The Collateral will not be granted directly to the holders of the Senior Secured Notes". The SPV Guarantor has also issued a guarantee to the trustee for the holders of the Senior Secured Floating Rate Notes, the trustee for the holders of the 2016 Super Senior Secured ZAR Notes, the lenders under the Senior Revolving Credit Facility and the obligations of the hedging counterparties under the Existing Hedging Arrangements.

Pursuant to the SPV Guarantee, any distribution to the holders of the SPV Guarantee of the proceeds from the sale of any Collateral will, subject to the Intercreditor Agreement, be allocated pro rata to such holders in accordance with the obligations created by such SPV Guarantee and under the Indenture, the Senior Secured Notes and the Guarantees. Lenders under the Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes will receive any proceeds from the Collateral prior to the Holders. Holders of the 2018 Senior Secured Notes, the Senior Secured Floating Rate Notes and the ZAR Term Loan will receive any proceeds from the Collateral *pari passu* with the holders of the Senior Secured Notes. See "Risk Factors—Risks related to the Senior Secured Notes—Creditors under the Senior Revolving Credit Facility and the 2016 Super Senior Secured ZAR Notes are entitled to be repaid with the proceeds of Collateral sold in any enforcement sale in priority to the holders of the Senior Secured Notes and the value of such Collateral may not be sufficient to satisfy our obligations under the Senior Secured Notes".

The Senior Secured Trustee for the Holders is a party to the Intercreditor Agreement (as defined in "—Certain Definitions—Intercreditor Agreement") governing the enforcement of security interests in the Collateral. This agreement is governed by English law and provides that the Security Administrator (as defined in the Intercreditor Agreement) has the exclusive authority to direct and instruct the SPV Guarantor as to the enforcement of the security interests in the Collateral and as to the release of any security interests in the Collateral. The Senior Secured Trustee for the Holders is also party to the Subordination Agreement (as defined in "—Certain Definitions— Subordination Agreement"), the terms of which are substantially similar to those of the Intercreditor Agreement, in respect of the subordination of intercompany debt. This agreement is governed by South African law.

Recourse against the SPV Guarantor will be limited to the proceeds from enforcement of the Collateral and the SPV Counter-Indemnities.

The SPV Guarantee and the SPV Counter-Indemnities are each governed by South African law.

Security Documents

To grant the security interests in the Collateral, the SPV Indemnifiers have entered into the following documents (the "Security Documents") collectively:

(a) Covering Mortgage Bonds will hypothecate certain specified immovable property and owned by the SPV Indemnifiers identified as owning immovable property in favor of the SPV Guarantor;

(b) A deed of security will hypothecate specified incorporeal assets of SPV Indemnifiers identified as owning same in favour of the SPV Guarantor;

(c) A Pledge and Cession in Security will pledge all of the ordinary shares of the Issuer and all of the ordinary shares of the Restricted Subsidiaries owned directly or indirectly by the Issuer or HoldCo in favor of the SPV Guarantor;

(d) A Pledge and Cession in Security will pledge to the SPV Guarantor certain intangibles of the SPV Indemnifiers, including bank accounts, certain agreements, trade receivables, insurance proceeds, indebtedness owing and trademarks to the extent such assets are assignable (many of the agreements of the SPV Indemnifiers may prohibit assignment entirely or require the consent of the counterparty in order to grant a security interest); and

(e) General Notarial Bonds will hypothecate all other movable assets of the SPV Indemnifiers identified as owning movable assets in favor of the SPV Guarantor.

The Security Documents relating to the Collateral are governed by South African law, and the creation, perfection, validity and enforceability of the security interests that are the subject of such Security Documents are governed by South African law. For a description of certain of the risks relating to the enforceability of the security interests granted under the Security Documents, see "Risk Factors—Risks related to the Senior Secured Notes—Fraudulent conveyance statutes under South African law may limit your rights as a holder of the Notes to enforce the security provided by the Senior Secured Guarantors".

Release of security

All of the Security Interests in respect of the Senior Secured Notes and the Guarantees will be released upon the payment in full of all amounts outstanding under the Senior Secured Notes, the Guarantees, the 2018 Senior Secured Notes and the 2018 Senior Secured Guarantees. Prior to such time, the Security Interests on the Collateral may not be released, other than (i) upon release of a Guarantee (with respect to the Security Interests securing such Guarantee granted by such Guarantor which are not securing a SPV Counter-Indemnity), (ii) in connection with any disposition of Collateral to any Person other than HoldCo or any of its Restricted Subsidiaries (but excluding any transaction subject to "—Certain Covenants—Merger, Consolidation, or Sale of All or Substantially All Assets") that is permitted by the Indenture or (iii) upon release of a SPV Counter-Indemnity (with respect to the Security Interests securing such SPV Counter-Indemnity). See "—Release of a Guarantor's Guarantee" and "Description of Certain Other Indebtedness—Intercreditor Agreement".

Security Arrangement Agreement

A security arrangement agreement has been entered into for the appointment of a Security Administrator to have exclusive authority to direct enforcement of the Security Interests and the SPV Guarantee through the SPV Guarantor as contemplated in "—SPV Guarantor" above, subject to direction under the Intercreditor Agreement. See "Description of Certain Other Indebtedness— Intercreditor Agreement".

Other

Subject to the terms of the Security Documents, the SPV Indemnifiers will have the right to remain in possession and retain exclusive control of the Collateral, to collect, invest and dispose of any income therefrom, and to vote pledged shares upon the occurrence of an enforcement action being undertaken by the SPV Guarantor.

No appraisals of any of the Collateral have been prepared by or on behalf of the Issuer or the Guarantors in connection with the issuance of the Senior Secured Notes and the Guarantees. There can be no assurance that the proceeds from the sale of the Collateral would be sufficient to satisfy the obligations owed to the Holders. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. In addition, certain of the security may be subject to waiting periods depending upon when the Security Interest is perfected. Accordingly, there can be no assurance that the Collateral will be able to be sold in a short period of time, if at all. See "Risk Factors—Risks related to the Senior Secured Notes—The insolvency laws of the Republic of South Africa may not be as favourable to you as the insolvency laws of other jurisdictions with which you may be familiar".

Principal, Maturity and Interest

The Senior Secured Notes will mature on 1 March 2018 unless redeemed prior thereto as described herein. The Issuer will issue €300.0 million in aggregate principal amount of Senior Secured 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 Secured Notes ("Additional Senior Secured Notes") under the Indenture from time to time, *provided* that if any Additional Senior Secured Notes are not fungible with the relevant series of Senior Secured Notes for U.S. federal income tax purposes, such Additional Senior Secured Notes will have a separate Common Code and ISIN number, as applicable, from the relevant series of Senior Secured Notes. The Senior Secured Notes and any Additional Senior Secured 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 Secured Notes" for all purposes of the Indenture and in this "Description of the Senior Secured Notes" include references to any Additional Senior Secured Notes that are issued.

Interest on the Senior Secured Notes will accrue at a rate of 9.5% per annum. Interest on the Senior Secured Notes will be payable in cash, semi-annually in arrears on every 15 March and 15 September, beginning 15 March 2013, to the holders of record on the 1 March or 1 September 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 Secured Notes to receive payments of interest on such Senior Secured Notes are subject to applicable procedures of Euroclear and Clearstream Banking. If the due date for any payment in respect of any Senior Secured 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 Secured Notes

The Senior Secured 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 Secured Notes.

The Senior Secured Notes will be initially in the form of one or more global notes (the "Global Senior Secured Notes"). The Global Senior Secured 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 Secured 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 Secured Notes in certain circumstances. See “Description of Book-Entry System”.

Transfer

The Senior Secured 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 Secured Notes; Paying Agent

The Issuer will make all payments, including principal of, premium, if any, and interest on the Senior Secured 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 Senior Secured Trustee. The Bank of New York Mellon SA/NV, Dublin Branch will act as paying agent in Ireland. 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 Secured Notes other than for the purposes of effecting a redemption described under “—Optional Redemption” or an offer to purchase the Senior Secured Notes described under either of “—Purchase of Senior Secured 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 Secured Notes will be made to the common depositary as the registered Holder of the Global Senior Secured 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 Secured 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 Secured 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 organized, 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 Secured 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 Secured Notes or such Guarantee, as the case may be, the Issuer or such Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as may be necessary so that the net amount (including Additional Amounts) received by each holder or beneficial owner of the Senior Secured 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 Secured 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 Secured Note or by reason of the receipt of payments thereunder or the exercise or enforcement of rights under such Senior Secured Note or the Indenture (such as citizenship, nationality, 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 Secured Note, prior to the relevant date on which a payment under and with respect to the Senior Secured 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, 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 Secured 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 Secured Note;

(4) any Tax which would not have been so imposed but for the presentation by the holder or beneficial owner of a Senior Secured 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; or

(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 Secured Note be made by, or presenting a Senior Secured Note for a payment to, another paying agent in a Member State of the European Union.

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 Secured 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 Senior Secured 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 Senior Secured Trustee, or the Paying Agent to pay such Additional Amounts to the holders on the payment date. The Senior Secured 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, or receipt of payments with respect to, the Senior Secured 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 Secured Notes or any other such document or instrument following the occurrence of any Event of Default with respect to the Senior Secured 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 organized, 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 Secured 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 Secured 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 Secured Notes".

Currency Indemnity

Euro is the sole currency of account and payment for all sums payable under the Senior Secured Notes and the Indenture. Any amount received or recovered in respect of the Senior Secured 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 Senior Secured Trustee or a Holder in respect of any sum expressed to be due to the Senior Secured 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 Secured 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 Senior Secured 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 Secured Note or any other judgment or order.

Repurchase at the Option of Holders for Failure to Refinance the Senior Floating Rate Notes

In the event that on or prior to 15 March 2015, any Senior Floating Rate Notes then outstanding have not been either (i) discharged or defeased in accordance with the Senior Floating Rate Notes Indenture or irrevocably called for redemption and cash deposited with the trustee under the Senior Floating Rate Notes Indenture in an amount required to pay the redemption price for all then outstanding Senior Floating Rate Notes or (ii) amended to extend the date of maturity thereof to no earlier than the date six months after the maturity of the Senior Secured Notes in accordance with the terms of the Senior Floating Rate Notes Indenture, the Issuer will, on the next Business Day following 15 March 2015, send a notice (a "Refinancing Offer") to such effect to the Senior Secured Trustee and the Holders of the Senior Secured Notes. Each Holder will then have the option to require the Issuer to repurchase all or any part (equal to €1,000 or any integral multiple thereof; *provided* that in no event shall any holder hold less than €100,000 in principal amount of Senior Secured Notes) of its Senior Secured Notes at a price (expressed as a percentage of the principal amount on the repayment date) of 100%, plus accrued and unpaid interest to the repayment date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date occurring on or prior to the repayment date). Holders must give notice of the exercise of this option within five Business Days of the date of the Issuer's notice and the date of repayment will be the seventh Business Day after the date of the Issuer's notice.

Optional Redemption

Optional Redemption prior to 1 March 2014 upon Equity Offering. At any time prior to 1 March 2014, upon not less than 30 nor more than 60 days' notice, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Senior Secured Notes at a redemption price equal to 109.500% 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 (a) at least 65% of the aggregate principal amount of Senior Secured Notes that were initially issued would remain outstanding immediately after the proposed redemption; and (b) the redemption occurs within 90 days after the closing of such Equity Offering.

Optional Redemption prior to 1 March, 2014. At any time prior to 1 March, 2014, upon not less than 30 nor more than 60 days' notice, the Issuer may redeem the Senior Secured Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Senior Secured 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 1 March 2014. At any time on or after 1 March 2014 upon not less than 30 nor more than 60 days' notice, the Issuer may redeem all or part of the Senior Secured 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 Secured 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 12-month period commencing on 1 March of the years set forth below.

Year	**Redemption Price of the Senior Secured Notes**
2014	104.750%
2015	102.375%
2016 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 Secured Notes, in whole but not in part, at any time upon giving not less than 15 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 Secured Notes, would be obligated 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 Secured 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 Secured 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 Secured Notes under this provision (a) if the Relevant Taxing Jurisdiction changes under the Indenture and the Issuer is obligated 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 Secured Notes, which the Issuer, such Guarantor or such Surviving Entity could avoid by having the Senior Secured 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 organized or resident in the same jurisdiction) first makes a payment on the Senior Secured 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 Secured 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 Senior Secured 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 recognized standing, qualified under the laws of the Relevant Taxing Jurisdiction and reasonably satisfactory to the Senior Secured 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 Senior Secured 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 Secured Notes described above in accordance with the provisions of the Indenture described under "—Notices". If the Senior Secured 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 Secured Notes that have not been redeemed in connection with any optional redemption. If fewer than all the Senior Secured Notes are to be redeemed at any time, the Senior Secured Trustee will select the Senior Secured Notes by a method that complies with the requirements, as certified to the Senior Secured Trustee by the Issuer, of the principal securities exchange, if any, on which the Senior Secured Notes are listed at such time or, if the Senior Secured Notes are not listed on a securities exchange, pro rata, by lot or by such other method as the Senior Secured 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 Secured Note not redeemed to less than €100,000. The Senior Secured 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 Secured Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Senior Secured Notes as described under the captions "—Repurchase at the Option of Holders for Failure to Refinance the Senior Floating Rate Notes", "—Purchase of Senior Secured Notes upon a Change of Control" and "—Limitations on Asset Sales". The Issuer may at any time and from time to time purchase Senior Secured Notes in the open market or otherwise.

Reports to Holders

(a) So long as any Senior Secured Notes are outstanding, HoldCo will furnish to the Senior Secured Trustee (who, at HoldCo's expense, will furnish by mail to Holders):

(1) within 120 days after the end of HoldCo's fiscal year, annual reports containing the following information with a level of detail that is substantially comparable to the Offering Memorandum for the 2018 Senior Secured Notes: (a) audited consolidated balance sheets of HoldCo 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 HoldCo 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 HoldCo, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations 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 HoldCo 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 HoldCo, 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 HoldCo need describe only any material changes); and (e) material risk factors relating to the business of HoldCo and material recent developments;

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of HoldCo, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet of HoldCo as of the end of such quarter and unaudited condensed consolidated statements of income

and cash flow of HoldCo 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 HoldCo, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations 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, HoldCo 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 HoldCo, or change in auditors of HoldCo or any other material event that HoldCo 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 HoldCo.

At any time that any of HoldCo'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 HoldCo, 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 HoldCo and its Restricted Subsidiaries separate from the financial condition and results of operations of its Unrestricted Subsidiaries of HoldCo 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 HoldCo 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 Senior Secured Trustee of the reports specified in (1), (2) and (3) above, HoldCo will also (A) use its commercially reasonable efforts (x) to post copies of such reports on such website as may be then maintained by HoldCo and its Subsidiaries or (y) otherwise to provide substantially comparable public availability of such reports (as determined by HoldCo in good faith) or (B) to the extent HoldCo 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 Secured Notes.

So long as the Senior Secured 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), HoldCo will furnish to the Holders and, upon their request, prospective purchasers of the Senior Secured Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Limitations on Asset Sales

(a) HoldCo will not, and will not permit the Issuer or any other Restricted Subsidiary to, consummate an Asset Sale, unless:

(1) HoldCo or such 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 HoldCo's Board of Directors; and

(3) at least 75% of the consideration therefore received by HoldCo or such 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 HoldCo's or the applicable Restricted Subsidiary's most recent balance sheet or in the notes thereto) of HoldCo or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Senior Secured Notes, the Guarantees and the SPV Counter-Indemnities) that are assumed by the transferee of any such assets and from which HoldCo and all Restricted Subsidiaries have been validly released by all creditors in writing; (B) any securities or other obligations received by HoldCo or such Restricted Subsidiary from such transferee that are converted by HoldCo 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 HoldCo or such Restricted Subsidiary from such transferee; (D) any Designated Noncash Consideration received by HoldCo 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 HoldCo), 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 HoldCo 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, HoldCo (or, if applicable, the Restricted Subsidiary) may apply those Net Proceeds at its option:

(1) to repay any Indebtedness of HoldCo that ranks pari passu with the Senior Secured Notes or Indebtedness of a Guarantor that ranks senior to or pari passu with such Guarantor's Guarantee of the Senior Secured Notes (provided that if HoldCo will so reduce obligations under unsecured Indebtedness that ranks pari passu with the Senior Secured Notes or a related Guarantee, it will equally and ratably reduce obligations under the Senior Secured 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 Secured 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 HoldCo 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 HoldCo 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 HoldCo 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, HoldCo, or the applicable Restricted Subsidiary, will make an offer (an "Asset Sale Offer") to all Holders and Indebtedness that ranks pari passu with such Senior Secured 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 Secured 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, HoldCo, 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, HoldCo 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 Secured Notes tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Senior Secured Trustee will select the Senior Secured 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) HoldCo, 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 Secured 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, HoldCo, 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 Secured 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 Secured Notes, HoldCo 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 Secured Notes on the terms set forth in the Indenture. In the Change of Control Offer, HoldCo will offer a payment (a "Change of Control Payment") in cash equal to 101% of the aggregate principal amount of Senior Secured Notes repurchased plus accrued and unpaid interest and Additional Amounts, if any, on the Senior Secured Notes repurchased, to the date of purchase (the "Change of Control Purchase Price"). Within 30 days following any Change of Control, unless HoldCo at such time has given notice of redemption under "—Optional Redemption" with respect to all outstanding Senior Secured Notes, HoldCo will mail a notice as set forth in the Indenture to each Holder offering to repurchase Senior Secured 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 30 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, HoldCo will:

(1) cause a notice of the Change of Control Offer to be published for so long as the Senior Secured 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 Secured 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 Senior Secured 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 capitalization 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 Secured 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 Secured 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.

HoldCo 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 Secured 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, HoldCo 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, HoldCo will, to the extent lawful:

(1) accept for payment all Senior Secured Notes or portions of Senior Secured Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Senior Secured Notes or portions of Senior Secured Notes properly tendered; and

(3) deliver or cause to be delivered to the Senior Secured Trustee the Senior Secured Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Senior Secured Notes or portions of Senior Secured Notes being purchased by HoldCo.

The Paying Agent will promptly mail to each Holder of Senior Secured Notes properly tendered the Change of Control Payment for such Senior Secured Notes, and the Senior Secured Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Senior Secured Note equal in principal amount to any unpurchased portion of the Senior Secured Notes surrendered, if any; provided that each new Senior Secured Note will be in a minimum principal amount of €100,000 or an integral multiple of €1,000 in excess thereof. HoldCo 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.

HoldCo 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 HoldCo and purchases all Senior Secured 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 Secured 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 HoldCo 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 HoldCo repurchase or redeem the Senior Secured Notes in the event of a takeover, recapitalization 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 Secured 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 Secured Notes in the event of certain transactions including a reorganization, 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 Secured 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 Secured 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 Secured 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 Senior Secured 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 Secured Notes as described above.

Certain Covenants

The Indenture will contain, among others, the following covenants:

Limitations on Restricted Payments

(a) HoldCo will not, and will not permit the Issuer or any other Restricted Subsidiary to, directly or indirectly:

(1) declare or pay any dividend or make any distribution on account of HoldCo'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 HoldCo or any Restricted Subsidiary (other than (x) dividends or distributions by HoldCo payable in Equity Interests (other than Disqualified Share Capital) of HoldCo 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, HoldCo 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 HoldCo or any direct or indirect parent entity of HoldCo, 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 capitalization 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 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) HoldCo 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 HoldCo and the Restricted Subsidiaries after the FRN 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 HoldCo for the period (taken as one accounting period) from the beginning of the first fiscal quarter in which the FRN Issue Date occurred to the end of HoldCo'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 HoldCo, of property and marketable securities received by HoldCo after the FRN Issue Date from the issue or sale of (x) Equity Interests of HoldCo (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 HoldCo and, to the extent actually contributed to HoldCo, Equity Interests of HoldCo's direct or indirect parent entities to members of management, directors or consultants of HoldCo, any direct or indirect parent entity of HoldCo and its Restricted Subsidiaries after the FRN 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 HoldCo, Equity Interests of HoldCo's direct or indirect parent entities and (y) debt securities of HoldCo issued following the FRN Issue Date that have been converted into such Equity Interests of HoldCo (other than Refunding Capital Stock or Equity Interests or convertible debt securities of HoldCo 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 HoldCo, of property and marketable securities contributed to the capital of HoldCo following the FRN 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 HoldCo, of property and marketable securities received after the FRN Issue Date by means of (A) the sale or other disposition (other than to HoldCo or a Restricted Subsidiary) of Restricted Investments made by HoldCo or the Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from HoldCo or the Restricted Subsidiaries and repayments of loans or advances which constitute Restricted Investments by HoldCo or the Restricted Subsidiaries or (B) the sale (other than to HoldCo 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 HoldCo or a Restricted Subsidiary or the transfer of assets of an Unrestricted Subsidiary to HoldCo or a Restricted Subsidiary, the fair market value of the Investment in such Unrestricted Subsidiary, as determined by the Board of Directors of HoldCo 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 Secured Notes, if at the date of any irrevocable 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 HoldCo or any direct or indirect parent entity of HoldCo, (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 HoldCo, Shareholder Debt or cash contributions to the equity capital of HoldCo (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 HoldCo 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 HoldCo and the Senior Secured 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 HoldCo or any direct or indirect parent entity of HoldCo held by or for the benefit of any future, present or former employee, director or consultant of HoldCo, any of its Subsidiaries or any direct or indirect parent entity of HoldCo (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 HoldCo and, to the extent contributed to HoldCo, Equity Interests of any of its direct or indirect parent entities, in each case to members of management, directors or consultants of HoldCo, any of its Restricted Subsidiaries or its direct or indirect parent entities,

that occurred after the FRN Issue Date plus (B) the cash proceeds from key man life insurance policies received by HoldCo or its Restricted Subsidiaries, or by any direct or indirect parent entity to the extent contributed to HoldCo, after the FRN Issue Date (provided that HoldCo 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 HoldCo 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 FRN Issue Date and the declaration and payment of dividends to any direct or indirect parent entity of HoldCo, 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 HoldCo issued after the FRN 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, HoldCo 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 HoldCo from any such sale of Designated Preference Shares issued after the FRN 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 HoldCo'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 HoldCo's Share Capital or the share capital of any of its direct or indirect parent entities after the FRN Issue Date, of up to 6.0% per annum of the net cash proceeds received by or contributed to HoldCo after the FRN 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 Securitization Fees and purchases of Securitization Assets pursuant to a Securitization Repurchase Obligation in connection with a Qualified Securitization 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 HoldCo 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 Secured Notes tendered by Holders of the Senior Secured 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 HoldCo 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 HoldCo or which are otherwise payable by, with respect to or attributable to the ownership, business operations or profits of HoldCo or any Subsidiary;

(B) income taxes to the extent such income taxes are attributable to the income of HoldCo 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 HoldCo and its Restricted Subsidiaries would be required to pay for such fiscal year were HoldCo 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 HoldCo to the extent such salaries, bonuses, severance, indemnification obligations and other benefits are attributable to the ownership or operation of HoldCo and its Restricted Subsidiaries;

(D) general corporate overhead and operating expenses for such direct or indirect parent entity of HoldCo to the extent such expenses are attributable to the ownership or operation of HoldCo and its Restricted Subsidiaries;

(E) fees and expenses incurred in connection with the issuance of 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 HoldCo;

(F) obligations under the Management Agreements (as in effect on the FRN 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 HoldCo 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 HoldCo; 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 HoldCo);

(15) BBBEE Payments;

(16) the distribution, as a dividend or otherwise, of (A) Equity Interests of, or Indebtedness owed to HoldCo 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;

(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 HoldCo 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); and

(18) payment of, and any dividend or other loan or distribution by HoldCo or any Restricted Subsidiary of HoldCo to fund the payment of, fees and expenses incurred in connection with the issuance of the Senior Secured Floating Rate Notes and the transactions related thereto owed to or in respect of Affiliates, in each case, to the extent permitted under “Limitation on Transactions with Affiliates”,

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 HoldCo 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 HoldCo if the fair market value exceeds €10.0 million.

(d) As of the Issue Date, all of HoldCo’s Subsidiaries will be Restricted Subsidiaries. For purposes of designating any other Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by HoldCo 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) HoldCo 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) HoldCo will not, and will not permit the Issuer or any other Restricted Subsidiary of HoldCo 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 HoldCo will not permit any Restricted Subsidiary to issue any shares of Preference Shares; *provided*, *however*, that (i) HoldCo, the Issuer and any Subsidiary Guarantor may incur Indebtedness (including Acquired Indebtedness), (ii) the Issuer and any Subsidiary Guarantor may issue Preference Shares and (iii) any Restricted Subsidiary may incur up to €10.0 million of Indebtedness if the Fixed Charge Coverage Ratio of HoldCo 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 HoldCo 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 HoldCo or any Restricted Subsidiary since the date of the Indenture 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 HoldCo or any Restricted Subsidiary under any Securitization 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 Securitization Financing Amount and (y) the aggregate amount of all Net Proceeds from Asset Sales applied by HoldCo or any Restricted Subsidiary since the date of the Indenture to permanently repay any Indebtedness under any Securitization Financing and (B) the Securitization Borrowing Base;

(3) Indebtedness represented by the Senior Secured Notes (excluding Additional Senior Secured Notes), the Senior Notes (excluding additional Senior Notes), any Guarantees, any SPV Counter-Indemnity and the Collateral;

(4) Existing Indebtedness (other than Indebtedness described in clauses (1), (2) and (3) above), including the Senior Floating Rate Notes and the Senior Secured Floating Rate Notes;

(5) Indebtedness of HoldCo and any Restricted Subsidiary (including Capitalized 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 HoldCo 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 HoldCo 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 HoldCo 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 HoldCo 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 HoldCo and any Restricted Subsidiary in connection with such disposition;

(8) Indebtedness of HoldCo or any Restricted Subsidiary owed to HoldCo or any Restricted Subsidiary; provided, however, that, (A) if HoldCo or an SPV Indemnifier 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 Secured 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 HoldCo 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 HoldCo 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 HoldCo 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 HoldCo 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 Secured Notes;

(11) obligations in respect of performance and surety bonds, appeal bonds and other similar bonds and completion or performance guarantees provided by HoldCo 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 HoldCo 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 HoldCo 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 Senior Secured Notes, the Guarantee or the SPV Counter-Indemnity of such Restricted Subsidiary, as applicable, any such guarantee by HoldCo with respect to such Indebtedness will be subordinated in right of payment with respect to HoldCo's Guarantee of the Senior Secured Notes substantially to the same extent as such Indebtedness is subordinated to the Senior Secured Notes, the Guarantee or the SPV Counter-Indemnity of such Restricted Subsidiary, as applicable, (B) any guarantee by a Restricted Subsidiary that is not the Issuer, a Guarantor or an SPV Indemnifier of Indebtedness of another Restricted Subsidiary that is not the Issuer, a Guarantor or an SPV Indemnifier incurred in accordance with the terms of the Indenture and (C) any guarantee by a Guarantor or an SPV Indemnifier of Indebtedness of HoldCo incurred in accordance with the terms of the Indenture;

(14) the incurrence by HoldCo 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 Secured Notes; (B) to the extent such Refinancing Indebtedness refinances (1) Subordinated Indebtedness or Indebtedness which ranks pari passu with the Senior Secured 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 Secured 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 HoldCo or a Guarantor and an SPV Indemnifier, or (y) Indebtedness or Preference Shares of HoldCo 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 Secured Notes then outstanding;

(15) the issuance by HoldCo 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 HoldCo or any Restricted Subsidiary or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) HoldCo or a Restricted Subsidiary; provided that after giving effect to such acquisition, merger, amalgamation or combination, either (A) HoldCo 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 HoldCo would be greater than immediately prior to such acquisition;

(17) Indebtedness incurred by a Receivables Purchaser in a Qualified Securitization Financing that is not recourse to HoldCo or any Restricted Subsidiary other than a Receivables Purchaser (except for Standard Securitization Undertakings);

(18) Indebtedness consisting of promissory notes issued by HoldCo 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 HoldCo or any of its direct or indirect parent corporations permitted by "Limitations on Restricted Payments";

(19) Contribution Indebtedness; and

(20) Indebtedness of HoldCo 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, HoldCo 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) HoldCo and its Restricted Subsidiaries will not grant any Liens with respect to any Collateral to secure any Indebtedness unless: (1) the lenders with respect to such Indebtedness will have acceded to the Intercreditor Agreement or entered into an intercreditor agreement with HoldCo, the relevant Restricted Subsidiary and the Senior Secured Trustee on terms substantially similar to the Intercreditor Agreement, as determined in good faith by the Board of Directors, (which will, among other things, provide for, (i) in the case where the Liens on the Collateral granted to such other Indebtedness rank pari passu with the Liens securing the Senior Secured Notes, (A) pro rata sharing of the proceeds from enforcement and (B) pro rata voting in connection with the disposition or enforcement with respect to the Collateral and (ii) in the case where the Liens on the Collateral granted to such other Indebtedness rank junior to the Liens securing the Senior Secured Notes, a standstill on enforcement actions by such junior Lien holders of not less than 179 days); (2) the collateral agent in respect of such Indebtedness will be the collateral agent in respect of the Senior Secured Notes; and (3) all assets and properties (including the Collateral) that secure such Indebtedness also secure the Senior Secured Notes.

(f) 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) HoldCo will not, and will not permit the Issuer or any other 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 Secured 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, HoldCo will not, and will not permit the Issuer or any other 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 Secured 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 HoldCo and its Subsidiaries or any Holding Company of such owner, are sold or otherwise disposed of in each case, to any Person other than HoldCo 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) HoldCo 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 HoldCo 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 HoldCo or any Restricted Subsidiary; (ii) make loans or advances to HoldCo or any Restricted Subsidiary; or (iii) sell, lease or transfer any of its properties or assets to HoldCo 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 date of the Indenture (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 HoldCo 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 utilized 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 HoldCo);

(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 date of the Indenture 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 (as determined in good faith by HoldCo) 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 HoldCo) and either (x) HoldCo determines that such encumbrance or restriction will not adversely affect HoldCo's ability to make principal and interest payments on the Senior Secured 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 HoldCo to a Restricted Subsidiary subsequent to the date of the Indenture; 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 date of the Indenture);

(10) Indebtedness of Restricted Subsidiaries that are Guarantors which Indebtedness is permitted to be incurred pursuant to an agreement entered into subsequent to the date of the Indenture 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 HoldCo'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 Securitization Financing that, in the good faith determination of the Board of Directors of HoldCo, are necessary or advisable to effect such Qualified Securitization Financing.

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 organized 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 Senior Secured 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 Senior Secured 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 HoldCo or any Successor Company, as applicable, would be greater than the Fixed Charge Coverage Ratio for HoldCo 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 Secured 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) HoldCo will have delivered to the Senior Secured 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 Secured 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 Secured Notes.

(c) Notwithstanding paragraph (a) above, (i) HoldCo and BidCo may merge, amalgamate or otherwise combine into BidCo or HoldCo, as the case may be; (ii) a Restricted Subsidiary may merge, consolidate, amalgamate or otherwise combine into HoldCo or any other Restricted Subsidiary or transfer all or part of its properties and assets to HoldCo 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.

Future Guarantors

(a) At any time HoldCo or any Restricted Subsidiary of HoldCo acquires or creates a Restricted Subsidiary (other than an Immaterial Subsidiary), HoldCo will cause such acquired or created Restricted Subsidiary within 10 days (or such longer period as the Senior Secured Trustee may agree in writing) after becoming a Restricted Subsidiary, to execute and deliver in a form reasonably satisfactory to (A) the Senior Secured Trustee, a Guarantee of payment of the Senior Secured Notes by such Restricted Subsidiary on the same terms as the Guarantees of the Senior Secured Notes provided for in the Indenture, (B) the SPV Administrator, an SPV Counter-Indemnity, and (C) an Officers' Certificate and an opinion of counsel (reasonably acceptable to the Senior Secured 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) The obligations of each Guarantor under the Guarantees will be limited to the maximum amount that would not render the 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. The provision of any such additional Guarantee, however, will not be required if it would violate applicable law.

(c) The obligations of a Guarantor under the Guarantees will terminate:

(1) when (i) any Guarantor (other than HoldCo or BidCo) ceases to be a Restricted Subsidiary of HoldCo 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 HoldCo and its Restricted Subsidiaries; or

(2) upon (A) repayment and performance in full of all amounts due and payable under the Indenture and the Senior Secured Notes; (B) Legal Defeasance; (C) Covenant Defeasance or (D) satisfaction and discharge of the Indenture.

Additional Security

(a) At any time within 60 days (or such longer period as the Senior Secured Trustee may agree in writing) after (1) any Restricted Subsidiary executes and delivers to the Senior Secured Trustee a supplement to the Indenture and an SPV Counter-Indemnity or (2) HoldCo or any of its Restricted Subsidiaries acquires any material property that is not automatically subject to a perfected security interest under the Security Documents, HoldCo will (i) cause the shares of such Restricted Subsidiary to be pledged, (ii) cause such Restricted Subsidiary (or HoldCo, as applicable) to grant a security interest over its present and future material assets (or such material property) in favor of the Security Agent on behalf of the Senior Secured Trustee and the Holders, consistent with the security interests granted by the Guarantors on the date of issue of the Senior Secured Notes and (iii) take (or will cause such Restricted Subsidiary to take) such additional actions (including the giving of notices, the filing of statements and the provision of all instruments and documents reasonably requested by the Senior Secured Trustee) to perfect and protect the security interests of the Senior Secured Trustee and the Holders under the Security Documents.

(b) The obligations of HoldCo or any of its Restricted Subsidiaries under the Security Documents will terminate upon:

(1) any sale, exchange, transfer or other disposition to any Person (other than HoldCo or any Restricted Subsidiary) of all of the Share Capital owned by HoldCo and its Restricted Subsidiaries in (or any sale, exchange, transfer or other disposition of Share Capital following which the applicable Guarantor is no longer a Restricted Subsidiary), or all or substantially all the assets of, such Restricted Subsidiary (which sale, exchange, transfer or other disposition is not prohibited by the Indenture);

(2) HoldCo or such Restricted Subsidiary ceasing to be a Guarantor in accordance with the Indenture;

(3) except in the case of HoldCo, the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;

(4) (A) repayment of all amounts due and payable and performance in full of all obligations under the Indenture and the Senior Secured Notes; (B) Legal Defeasance; (C) Covenant Defeasance or (D) satisfaction and discharge of the Indenture.

(c) The assets or property of HoldCo or any of its Restricted Subsidiaries forming part of the Collateral will be released from the Lien created under any Security Document to which HoldCo or such Restricted Subsidiary is a party upon the sale or disposition of such assets or property (other than to HoldCo or a Restricted Subsidiary) in a transaction permitted by the Indenture (other than a sale or disposition subject to the “Merger, Consolidation or Sale of All or Substantially all Assets” covenant).

Limitations on Transactions with Affiliates

(a) HoldCo will not, and will not permit the Issuer or any other 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 HoldCo (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 HoldCo or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm's-length transaction by HoldCo 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, HoldCo delivers to the Senior Secured Trustee a resolution adopted by a majority of the disinterested members of the Board of Directors of HoldCo, 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 HoldCo also will have received a written opinion as to the fairness to HoldCo 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 HoldCo and/or any Restricted Subsidiary or joint venture or similar entity which would constitute an Affiliate Transaction solely because HoldCo 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 date of the Indenture and described in this Offering Memorandum for the 2018 Senior Secured Notes 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 date of the Indenture);

(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 HoldCo, 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 HoldCo in good faith;

(5) payments by HoldCo 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 HoldCo in good faith;

(6) transactions in which the Issuer or any Restricted Subsidiary delivers to the Senior Secured 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 HoldCo, any Restricted Subsidiary or any of HoldCo's direct or indirect parent entities, which are approved by the Board of Directors of HoldCo in good faith and which are otherwise permitted under the Indenture;

(8) payments made or performance under any agreement of HoldCo and/or its Restricted Subsidiaries as in effect as of the date of the Indenture or any amendment thereto after the date of the Indenture (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 date of the Indenture) or any transaction contemplated thereby;

(9) the existence of, or the performance by HoldCo 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 date of the Indenture and any similar agreement that it may enter into thereafter; provided, however, that the existence of, or the performance by HoldCo 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 date of the Indenture 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 HoldCo and the Restricted Subsidiaries, in the good faith determination of a majority of the disinterested members of the Board of Directors of HoldCo or of the senior management thereof, or are on terms at least as favorable to HoldCo 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 HoldCo to any Permitted Holder, direct or indirect parent entity of HoldCo or other Affiliate of HoldCo or any member of management, employee or consultant of HoldCo, any Restricted Subsidiary of HoldCo and any direct or indirect parent entity of HoldCo 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 HoldCo;

(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 HoldCo; and

(15) any customary employment agreements entered into by HoldCo or any of the Restricted Subsidiaries in the ordinary course of business.

Payments for Consent

HoldCo will not, and will not permit the Issuer or 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 Secured Notes unless such consideration is offered to be paid and is paid to all holders of the Senior Secured 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, HoldCo, 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 Secured 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 HoldCo, 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 HoldCo 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 HoldCo and the Restricted Subsidiaries

HoldCo will not, and will not permit the Issuer or any other Restricted Subsidiary to, engage in any business other than Similar Businesses, except to such extent as would not be material to HoldCo and its Subsidiaries taken as a whole.

Limitation on Sale and Leaseback Transactions

HoldCo will not, and will not permit the Issuer or any other Restricted Subsidiary 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 HoldCo and a Guarantor and an SPV Indemnifier, (ii) between Restricted Subsidiaries which are Guarantors and SPV Indemnifiers, (iii) from a Restricted Subsidiary that is not a Guarantor or an SPV Indemnifier to HoldCo or a Guarantor and an 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) HoldCo 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) HoldCo 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.

Impairment of Security Interest

HoldCo will not, and will not cause or permit the Issuer or 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 Senior Secured 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, HoldCo delivers to the Senior Secured Trustee either (1) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Senior Secured Trustee confirming the solvency of the HoldCo 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 Senior Secured 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 Senior Secured 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 HoldCo and without the consent of the holders of Senior Secured Notes, the collateral agent for the Senior Secured 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 Secured Notes in any material respect.

In the event that the Issuer complies with this covenant, the Senior Secured Trustee and the collateral agent for the Senior Secured 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 Secured Notes.

Suspension of Covenants

If on any date following the date of the Indenture:

(1) the Senior Secured 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 Secured Notes:

(1) "—Limitations on Asset Sales";

(2) "—Limitations on Restricted Payments";

(3) "—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares" and the Senior Secured Leverage Ratio;

(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, HoldCo'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 HoldCo and its Restricted Subsidiaries are not subject to the Suspended Covenants with respect to the Senior Secured 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 Secured Notes such that the Senior Secured Notes are no longer rated Investment Grade by both Rating Agencies, then HoldCo 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 FRN 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 HoldCo or any of its Subsidiaries will bear any liability for, any actions taken or events occurring after such Senior Secured 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.

Restrictions Relating to the Investment of the Credit and Financial Services Business

Notwithstanding anything to the contrary contained in this "Description of the Senior Secured Notes", HoldCo and its Restricted Subsidiaries may designate a CFS as an Unrestricted Subsidiary or HoldCo 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 HoldCo and its Restricted Subsidiaries than those that would have been obtained in a comparable arm's-length transaction by HoldCo and its Restricted Subsidiaries with an unrelated Person;

(b) HoldCo delivers to the Senior Secured Trustee a resolution adopted by a majority of the members of the Board of Directors of HoldCo, 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) HoldCo 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 HoldCo 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 HoldCo 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 HoldCo 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 HoldCo 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 HoldCo 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 HoldCo 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 HoldCo 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 HoldCo and the Restricted Subsidiaries", at the time of, or prior to, the Incurrence by HoldCo, 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 HoldCo, the Issuer and/or the relevant Subsidiary Guarantors will, as applicable, and the Senior Secured Trustee will, be authorized (i) to enter into with the holders of such indebtedness (or their duly authorized 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 Senior Secured Trustee, adversely affect the rights, duties, liabilities, obligations or immunities of the Senior Secured 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 Senior Secured Trustee or the Holders being in breach or violation of the Intercreditor Agreement.

(b) The Indenture will also provide that at the direction of HoldCo and without the consent of the Holders, the Senior Secured 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 HoldCo, 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 HoldCo or the Issuer that would not otherwise have been permitted pursuant to the terms thereof, (v) further secure the Senior Secured Notes, (vi) make provision for the security securing Additional Senior Secured Notes to rank pari passu with the Collateral or (vii) make any other such change thereto that does not adversely affect the rights of Holders in any material respect. HoldCo will not otherwise direct the Senior Secured 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 Secured Notes.

The Indenture will also provide that each Holder, by accepting a Senior Secured 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 Senior Secured Trustee into the Intercreditor Agreement and the performance by the Senior Secured 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 Senior Secured Trustee and, for so long as any Senior Secured Notes are listed on the Global Exchange Market of the Irish Stock Exchange, at the offices of the paying agent in Ireland.

Statement as to Compliance

HoldCo will deliver to the Senior Secured 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. HoldCo will comply with TIA Section 314(a)(4).

When any Default has occurred and is continuing under the Indenture, HoldCo will deliver to the Senior Secured 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 HoldCo 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 Secured Notes;

(2) a default in the payment when due of interest or Additional Amounts, if any, on or with respect to the Senior Secured Notes and such default continues for a period of 30 days;

(3) a default in the performance of, or breaches 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 Senior Secured Trustee or Holders of at least 30% in principal amount of outstanding Senior Secured 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 HoldCo or any Restricted Subsidiary or the payment of which is guaranteed by HoldCo or any Restricted Subsidiary (other than Indebtedness owed to HoldCo or a Restricted Subsidiary), whether such Indebtedness or guarantee now exists or is created after the date of the Indenture, 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 HoldCo 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) any security interest under the Security Documents on any material Collateral will, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Documents and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture or such Security Document or any such security interest created thereunder will be declared invalid or unenforceable or either HoldCo or any Restricted Subsidiary will assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days;

(7) a breach by HoldCo or any of its Restricted Subsidiaries of any material representation or warranty or agreement in the Security Documents, the repudiation by HoldCo or any of its Restricted Subsidiaries of any of its obligations under the Security Documents or the unenforceability of the Security Documents (other than in accordance with their terms) against HoldCo or any of its Subsidiaries for any reason;

(8) 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 HoldCo, 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;

(9) HoldCo, 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

(10) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against HoldCo 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 HoldCo 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 HoldCo or any of its Restricted Subsidiaries; or

(C) orders the liquidation of HoldCo 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 (9) or (10) above) shall occur and be continuing, the Senior Secured Trustee or the holders of at least 30% in principal amount of outstanding Notes under the Indenture may, and the Senior Secured Trustee, upon the written request of such holders will, declare the principal of and accrued interest on such Notes to be due and payable by notice in writing to HoldCo and the Senior Secured 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 (9) or (10) above occurs and is continuing, then all unpaid principal of, and premium, if any, and accrued and unpaid interest on all of the outstanding 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 Senior Secured Trustee or any holder of the Senior Secured Notes.

(d) The Indenture will provide that, at any time after a declaration of acceleration with respect to the Senior Secured Notes as described in the two preceding paragraphs, the holders of a majority in principal amount of the Senior Secured 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 Senior Secured Trustee its reasonable compensation and reimbursed the Senior Secured 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 Senior Secured 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 Secured 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 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 Senior Secured Trustee or the holders of the Senior Secured Notes, if within 30 Business Days after such Event of Default arose HoldCo delivers an Officers' Certificate to the Senior Secured 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 Notes as described above be annulled, waived or rescinded upon the happening of any such events.

(g) In the event that HoldCo 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 Secured Notes) will be annulled, waived and rescinded, automatically and without any action by the Senior Secured 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 Senior Secured Trustee, the Senior Secured 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 Secured Notes, unless such holders have offered to the Senior Secured 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 Secured 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 Senior Secured Trustee or exercising any trust or power conferred on the Senior Secured 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 Secured Notes, elect to have the obligations of the Issuer discharged with respect to the outstanding Senior Secured 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 Secured Notes except as to:

(a) the rights of Holders of outstanding Senior Secured Notes to receive payments in respect of the principal of, premium, if any, and interest on such Senior Secured Notes when such payments are due from the trust referred to below;

(b) the Issuer's obligations to issue temporary Senior Secured Notes, register, transfer or exchange any Senior Secured Notes, replace mutilated, destroyed, lost or stolen Senior Secured Notes, maintain an office or agency for payments in respect of the Senior Secured Notes and segregate and hold such payments in trust;

(c) the rights, powers, trusts, duties and immunities of the Senior Secured 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 Secured 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 Secured Notes. These events do not include events relating to non-payment, bankruptcy, insolvency, receivership and reorganization. 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 Senior Secured Trustee, for the benefit of the Holders, cash in euro, European Government Obligations, or a combination thereof and cash in U.S. dollars, U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay and discharge the principal of, premium, if any, and interest, on the outstanding Senior Secured 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 Secured Notes are being defeased to maturity or to a particular redemption date and (ii) if applicable, have delivered to the Senior Secured Trustee an irrevocable notice to redeem all of the outstanding Senior Secured Notes of such principal, premium, if any, or interest;

(b) the Issuer must have delivered to the Senior Secured Trustee an opinion of counsel (reasonably acceptable to the Senior Secured Trustee) to the effect that the holders of the outstanding Senior Secured Notes will not recognize 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 Senior Secured Trustee an opinion of counsel (reasonably acceptable to the Senior Secured Trustee) to the effect that the holders of the outstanding Senior Secured Notes will not recognize 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)(9) or (10) 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 Senior Secured Trustee for the Senior Secured 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 Senior Secured Trustee an opinion of independent counsel in the country of the Issuer’s incorporation, such counsel to be reasonably acceptable to the Senior Secured 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, reorganization or similar laws affecting creditors’ rights generally and an opinion of independent counsel reasonably acceptable to the Senior Secured Trustee that the Senior Secured 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 Senior Secured 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 Senior Secured Trustee an Officers’ Certificate and an opinion of counsel, such counsel to be reasonably acceptable to the Senior Secured 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 Senior Secured Trustee to effect Covenant Defeasance are insufficient to pay the principal of, premium, if any, and interest on the Senior Secured 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 Secured Notes issued thereunder, when:

(a) either:

(1) all such Senior Secured Notes that have been authenticated, except lost, stolen or destroyed Senior Secured Notes that have been replaced or paid and Senior Secured Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Senior Secured Trustee for cancellation; or

(2) all such Senior Secured Notes that have not been delivered to the Senior Secured 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 Senior Secured Trustee as trust funds in trust solely for the benefit of the holders of the Senior Secured Notes, cash in euro, non-callable European Government Obligations, or a combination thereof and cash in U.S. dollars, non-callable U.S. 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 Secured Notes not delivered to the Senior Secured 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 Senior Secured Trustee under the Indenture to apply the deposited money toward the payment of the Senior Secured 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 Senior Secured 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 Senior Secured 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 Secured 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 Secured Notes), the Issuer and the Senior Secured Trustee are permitted to amend or supplement the Indenture, the Senior Secured 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 Secured Note affected thereby or (y) at least 90% of the aggregate principal amount of the Senior Secured 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 Secured Notes):

(a) change the Stated Maturity of the principal of, or any installment of or Additional Amounts or interest on, any Senior Secured Note;

(b) reduce the principal amount of any Senior Secured Note (or Additional Amounts or premium, if any) or the rate of or change the time for payment of interest on any Senior Secured Note;

(c) change the coin or currency in which the principal of any Senior Secured 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 Secured Note in accordance with the provisions of such Senior Secured Note and the Indenture;

(e) reduce the principal amount of Senior Secured 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 Secured 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 Secured 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 Secured 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 Secured 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, HoldCo or HoldCo'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 Senior Secured Trustee may modify, amend or supplement the Indenture, the Senior Secured 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 Secured 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 Secured 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 Secured Notes, as applicable, in the Indenture, the Senior Secured 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 Secured 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 Secured 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 Secured 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 Secured Notes, any Guarantees, the Security Arrangement Agreement or the Security Documents to any provision of this "Description of the Senior Secured Notes" to the extent that such provision in this "Description of the Senior Secured Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Senior Secured 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 Senior Secured Trustee under the Indenture;

(g) to mortgage, pledge, hypothecate or grant a security interest in favor of the Senior Secured 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 Senior Secured Trustee pursuant to the Indenture or otherwise;

(h) to provide for the issuance of Additional Senior Secured 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 Secured Notes; or

(i) to further secure the Senior Secured 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 Senior Secured 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 Senior Secured Trustee, and an Officers' Certificate.

The Holders of a majority in aggregate principal amount of the Senior Secured 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 Senior Secured Trustee is authorized 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 Senior Secured 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 Secured Notes, or otherwise adversely affect the rights of the Holders.

For so long as the Senior Secured 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 Secured 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 Secured 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 Secured Notes, mailed to Holders of such Senior Secured 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 Secured 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 Senior Secured 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 Secured Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange.

The Senior Secured Trustee

The Indenture directly or by reference will contain limitations on the rights of the Senior Secured Trustee under the Indenture in the event the Senior Secured Trustee becomes a creditor of the Issuer or any Guarantor. These include limitations on the Senior Secured Trustee's rights to obtain payment of claims in certain cases or to realize 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 Senior Secured 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, the Senior Secured Trustee or any Guarantor will not have any liability in such capacity for any obligations of the Issuer under the Senior Secured Notes or the Indenture or of such Guarantor under its Guarantee 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 Secured 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 Secured 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 Secured 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.

"***Agreed Security Principles***" will mean the security and guarantee principles set out in Schedule 11 of the Senior Revolving Credit Facility as in effect on the date of the Indenture, as applied reasonably and in good faith by HoldCo.

"***Applicable Redemption Premium***" will mean, with respect to any Senior Secured Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Senior Secured Note; and

(b) the excess of:

(i) the present value at such redemption date of: (x) the redemption price of such Senior Secured Note at 1 March 2014 (such redemption price being set forth in the table appearing below the caption "Optional Redemption—Optional Redemption on or after 1 March 2014"); *plus* (y) all required interest payments that would otherwise be due to be paid on such Senior Secured Note during the period between the redemption date and 1 March 2014 (excluding accrued but unpaid interest), 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 Secured 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 HoldCo (other than the sale of Equity Interests of HoldCo) or any Restricted Subsidiary of HoldCo (each referred to in this definition as a "disposition") or (ii) the issuance or sale of Equity Interests of any Restricted Subsidiary of HoldCo (whether in a single transaction or a series of related transactions), in each case, by HoldCo or a Restricted Subsidiary of HoldCo 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 HoldCo and its Restricted Subsidiaries;

(c) the disposition of all or substantially all of the assets of HoldCo or any Subsidiary 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 HoldCo 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 HoldCo, or by HoldCo 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 HoldCo or any Restricted Subsidiary upon foreclosures on a Lien granted in favor of HoldCo or any Restricted Subsidiary;

(k) disposition of an account receivable in connection with the collection or compromise thereof;

(l) sales or dispositions of Securitization Assets to a Receivables Purchaser either in connection with any Qualified Securitization Financing or that would, but for a guarantee by any member of the Group of the Indebtedness of such Receivables Purchaser, be a Qualified Securitization 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 Securitization 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 HoldCo 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 Securitization 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 HoldCo'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 Capitalized Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capitalized 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 reorganization 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 HoldCo or its Subsidiaries who are its beneficiaries, approved in good faith by the Board of Directors of HoldCo for the benefit of employees of HoldCo 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 HoldCo 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 authorized committee thereof;

(b) with respect to any partnership, the board of directors of the general partner of the partnership or any duly authorized committee thereof; and

(c) with respect to any other Person, the board or any duly authorized 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 HoldCo and its Restricted Subsidiaries and (z) 2.0% of retail sales of HoldCo 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 1 March 2014; *provided*, *however*, that if the period from the redemption date to 1 March 2014 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 1 March 2014 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.

"***Capitalized 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 capitalized 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 HoldCo 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 HoldCo 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 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 HoldCo 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 HoldCo and its Restricted Subsidiaries, taken as a whole, to any Person other than a Restricted Subsidiary or one or more Permitted Holders; or

(b) HoldCo 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 HoldCo (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 Secured 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, the Holders or any Guarantee.

"***Commission*** " will mean the U.S. Securities and Exchange Commission and any successor thereto.

"***Consolidated Depreciation and Amortization Expense***" will mean, with respect to any Person for any period, the total amount of depreciation and amortization expense, including the amortization 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 HoldCo 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 HoldCo 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 Amortization 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, recapitalization, 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 amortization 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) Securitization 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) unrealized 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 amortization 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 HoldCo 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) amortization of original issue discount, (b) non-cash interest

payments, (c) the interest component of Capitalized 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 unrealized gains and losses arising with respect to Hedging Obligations in accordance with GAAP); provided, however, that amortization of deferred financing fees and interest expense in relation to Shareholder Debt and Securitization 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 capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (but excluding capitalized 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 HoldCo) and any gain (or loss) realized 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 HoldCo in a net loss of any such Person for such period to the extent HoldCo 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 amortization 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 amortization, 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 HoldCo and its Restricted Subsidiaries from a Person other than HoldCo 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 unrealized non-cash gains (losses) resulting from Hedging Obligations and any ineffectiveness recognized in earnings related to qualifying hedging transactions with respect to Hedging Obligations or the fair value therein recognized 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 HoldCo and the Restricted Subsidiaries, any repurchases and redemptions of Restricted Investments made by HoldCo and any Restricted Subsidiary, any repayments of loans and advances which constitute Restricted Investments made by HoldCo 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 HoldCo and its Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP, as set forth on the consolidated balance sheet of HoldCo as of such date. Consolidated Total Assets will include as of any date, any assets acquired by HoldCo or any Restricted Subsidiary on such date.

"***Contribution Indebtedness***" will mean Indebtedness of HoldCo 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 HoldCo or such Subsidiary Guarantor after the FRN 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 HoldCo 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 Secured 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 HoldCo 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 HoldCo 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 HoldCo or any direct or indirect parent corporation of HoldCo (other than Disqualified Share Capital of HoldCo) that are issued for cash (other than to HoldCo or any of its Subsidiaries or an employee stock ownership plan or trust established by HoldCo 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 Secured Notes and the date the Senior Secured 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 HoldCo 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 organized 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, HoldCo 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 HoldCo).

"***euro***" or "***€*** " will mean the single currency of the Participating Member States.

"***European Government Obligation***" shall mean direct obligations (or certificates representing an ownership interest in such obligations) of a member state of the European Union, Switzerland, Norway, Iceland or Liechtenstein as of the FRN Issue Date (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 HoldCo 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 HoldCo 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 HoldCo and Indebtedness and Preference Shares of its Restricted Subsidiaries outstanding on the date of the Indenture (including, for the avoidance of doubt, the Senior Floating Rate Notes and the Senior Secured Floating Rate 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 HoldCo 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 Capitalized 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 Capitalized 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, the date on which the Senior Secured Floating Rate Notes and the Senior Floating Rate Notes were first issued.

"***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 HoldCo and any Subsidiary Guarantor and any other Person that incurs a Guarantee of the Senior Secured 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***").

"***HoldCo***" will mean Edcon Holdings Limited.

"***Holder*** " will mean the Person in whose name a Senior Secured 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 HoldCo that has Consolidated Total Assets and revenues of less than 5% of the Consolidated Total Assets and revenues of HoldCo 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 HoldCo that would, if determined for that Subsidiary as if it were HoldCo, 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 Capitalized 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 HoldCo) 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 HoldCo 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 Secured Notes and 2018 Senior Secured Notes, dated as of 1 March 2011, among the Issuer and the Guarantors and The Bank of New York Mellon, as Senior Secured Trustee, and the other parties thereto.

"***Independent Financial Advisor***" will mean an accounting, appraisal or investment banking firm or consultant of internationally recognized standing that is, in the good faith judgment of the Board of Directors of HoldCo, 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 and 24 February 2011 , 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 Secured Floating Rate Notes, the holders of the Senior Floating Rate Notes and the lenders under the Senior Revolving Credit Facility Documents and the Hedging Agreements.

"***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 HoldCo or any Restricted Subsidiary of HoldCo sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of HoldCo such that, such Person is no longer a Restricted Subsidiary of HoldCo, HoldCo 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 HoldCo 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 HoldCo's equity interest in such Subsidiary) of the fair market value of the net assets of a Restricted Subsidiary of HoldCo 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, HoldCo will be deemed to continue to have a permanent

"***Investment***" in an Unrestricted Subsidiary in an amount (if positive) equal to (x) HoldCo's "Investment" in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to

HoldCo'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 FRN 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 HoldCo in good faith as of the date of initial acquisition) of the Share Capital of such entity owned by HoldCo and its Restricted Subsidiaries immediately after such transfer.

"***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.

"***Issue Date***" will mean the date on which the Senior Secured Notes are issued under the Indenture.

"***Issuer*** " will mean Edcon Limited (formerly known as Edcon Proprietary Limited and as Elephant RetailCo Proprietary Limited) (Registration No. 2007/003525/07), a public company duly incorporated according to the laws of the Republic of South Africa.

"***Joint Venture***" will mean any Person (other than a Restricted Subsidiary) in which HoldCo 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 HoldCo or any Restricted Subsidiary of HoldCo and the Sponsors, as in effect on the FRN 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 HoldCo and the Issuer on the FRN Issue Date together with (a) any new directors of HoldCo or the Issuer whose election by such Boards of Directors or whose nomination for election by the shareholders of HoldCo was approved by a vote of a majority of the directors of HoldCo then still in office who were either directors on the FRN Issue Date or whose election or nomination was previously so approved and (b) executive officers and other management personnel of HoldCo or the Issuer hired at a time when the directors on the FRN Issue Date together with the directors so approved constituted a majority of the directors of HoldCo.

"***Material Subsidiary***" will mean any Restricted Subsidiary of HoldCo, 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 HoldCo 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 HoldCo as a reserve in accordance with GAAP against any liabilities associated with the asset disposed of in such transaction and retained by HoldCo 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 HoldCo, one of whom is the principal executive officer, the principal financial officer or the treasurer.

"***Pari Passu Indebtedness***" will mean (a) any Indebtedness of HoldCo that is *pari passu* in right of payment to the Senior Secured Notes and (b) 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 authorized by HoldCo to pay the principal of, premium, if any, or interest on any Senior Secured Notes on behalf of HoldCo.

"***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 HoldCo or any Restricted Subsidiary that is permitted to be incurred under clause (b)(1), (2), (3) (other than the Senior Notes), (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"; provided, however, that such Lien ranks equal or junior to all other Liens on such Collateral securing Indebtedness of HoldCo or such Restricted Subsidiary, as applicable (except that a Lien in favor of Indebtedness incurred under clause (b)(1) and (2) of "—Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares" and the Hedging Obligations provided by the lenders under the Credit Facilities, any Securitization Financing and the Hedging Documents or their affiliates may have super priority not materially less favorable to the Holders than that accorded to the Credit Facilities, such Securitization Financing or Hedging Obligations on the FRN Issue Date);

(c) to secure Indebtedness permitted to be incurred under clause (a) of "—Certain Covenants— Limitations on Incurrence of Indebtedness and Issuance of Preference Shares", Pari Passu Indebtedness, Subordinated Indebtedness or other obligations of HoldCo and its Restricted Subsidiaries, provided that (1) if such Indebtedness is Pari Passu Indebtedness such Lien must rank pari passu with or junior to the Liens on the Collateral securing the Senior Secured Notes and (2) if such Indebtedness is Subordinated Indebtedness such Lien must rank junior to the Liens on the Collateral securing the Senior Secured Notes; provided further that after giving effect to the incurrence of any Senior Secured Indebtedness pursuant to this clause (z) (other than pursuant to clause (b)(5) of "—Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares"), the Senior Secured Leverage Ratio would be less than or equal to 5 to 1; and

(d) Permitted Liens (other than Liens described in clauses (i) and (j) 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 HoldCo or 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 HoldCo 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 HoldCo or any Restricted Subsidiary;

(b) any Investment in cash or Cash Equivalents;

(c) any Investment by HoldCo 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, HoldCo 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 date of the Indenture 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 date of the Indenture 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 HoldCo or any Restricted Subsidiary (i) in exchange for any other Investment or accounts receivable held by HoldCo or any such Restricted Subsidiary, in each case, in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization or other settlement of such other Investment or accounts receivable or (ii) as a result of a foreclosure by HoldCo 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 HoldCo 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 HoldCo 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 date of the Indenture or of an entity merged into HoldCo or merged into or consolidated with a Restricted Subsidiary after the date of the Indenture 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 Securitization Financing that, in the good faith determination of HoldCo, are necessary or advisable to effect or maintain such Qualified Securitization Financing;

(p) Investments consisting of earnest money deposits required in connection a purchase agreement or other acquisition;

(q) guarantees by HoldCo or any Restricted Subsidiary of operating leases (other than Capitalized 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 HoldCo or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into HoldCo 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 HoldCo 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 HoldCo 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 HoldCo or any of its Restricted Subsidiaries not securing the Indebtedness so refinanced;

(i) Permitted Collateral Liens;

(j) Liens on Securitization Assets incurred in connection with a Qualified Securitization Financing provided that any such Liens over the proceeds from the Receivables Assets for such Qualified Securitization Financing when received into a collection account of HoldCo 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);

(k) 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;

(l) 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;

(m) 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;

(n) 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 HoldCo or any of its material Restricted Subsidiaries or (y) secure any Indebtedness;

(o) the rights reserved or vested in any Person by the terms of any lease, license, franchise, grant or permit held by HoldCo 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;

(p) 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 HoldCo or any of its Subsidiaries in excess of those set forth by applicable law or regulation;

(q) (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 Capitalized 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 Capitalized Lease Obligations; provided that individual financings of property provided by one lender may be cross collateralized to other financings of equipment provided by such lender;

(r) Liens with respect to the assets of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of such Restricted Subsidiary permitted by "Limitations on Incurrence of Indebtedness and Issuance of Preference Shares";

(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 HoldCo 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 to secure the performance of statutory obligations, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(y) (i) Liens existing on the date of the Indenture 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 date of the Indenture on the same assets which were the subject of the original Liens;

(z) (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.

"***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 HoldCo in good faith.

"***Qualified Securitization Financing***" will mean any Securitization Financing of a Receivables Purchaser that meets the following conditions: (1) the Board of Directors of HoldCo will have determined in good faith that such Securitization Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to HoldCo or the Subsidiary participating in such Securitization 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 HoldCo), and (3) the financing terms, covenants, termination events and other provisions thereof will be market terms, in the context of the South African securitization market for assets such as the relevant Receivables Assets utilizing the relevant securitization structure (as determined in good faith by HoldCo), and may include Standard Securitization Undertakings. The grant of a security interest in any accounts receivable of HoldCo or any of its Restricted Subsidiaries to secure Indebtedness under the Credit Facilities will not be deemed a Qualified Securitization 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 recognized statistical rating organization with the meaning of Rule 15c3-1(c)(2) under the Exchange Act, as the case may be, selected by HoldCo, 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 HoldCo 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 HoldCo or such Subsidiary.

"***Receivables Purchaser***" will mean any Person who acquires Receivables Assets or is granted a security interest in Receivables Assets in a Securitization Financing; provided that (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of the Receivables Purchaser, (i) is guaranteed by HoldCo or any Restricted Subsidiary of HoldCo (excluding guarantees of obligations other than the principal of, and interest on, Indebtedness pursuant to Standard Securitization Undertakings and any guarantee of the Indebtedness of a Receivables Purchaser in connection with a Securitization Financing that would, but for such guarantee, constitute a Qualified Securitization Financing), (ii) is recourse to or obligates HoldCo or any Restricted Subsidiary or HoldCo in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of HoldCo or any Restricted Subsidiary of HoldCo, directly or indirectly, contingently or otherwise, to the satisfaction thereof other than pursuant to Standard Securitization Undertakings; (b) the Receivables Purchaser has no contract, agreement, arrangement or understanding with HoldCo or any Restricted Subsidiary or HoldCo other than on terms which HoldCo reasonably believes to be no less favorable to HoldCo or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of HoldCo and (c) neither HoldCo nor any Restricted Subsidiary of HoldCo 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 HoldCo 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.

"***Securitization Assets***" are any assets that are or will be the subject of a Qualified Securitization Financing.

"***Securitization Borrowing Base***" will mean, as of any date, an amount equal to 85% of the face value of all accounts receivable of HoldCo 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), Securitization Borrowing Base will include the applicable percentage of any accounts receivable to be acquired in connection with such acquisition.

"***Securitization 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 Securitization Financing.

"***Securitization Financing***" will mean any transaction or series of transactions that may be entered into by HoldCo or any of its Subsidiaries pursuant to which HoldCo 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.

"***Securitization Financing Amount***" will mean, as of any date, the amount of all outstanding Indebtedness incurred by a Receivables Purchaser in connection with a Securitization 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 HoldCo and its Restricted Subsidiaries in connection with such Securitization Financings, so long as such Securitization Financing is not recorded as a liability on the balance sheet of HoldCo or any of its Restricted Subsidiaries.

"***Securitization Repurchase Obligation***" will mean any obligation of a seller of receivables in a Qualified Securitization 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 each Senior Revolving Credit Facility Agreement.

"***Senior Floating Rate Notes***" will mean the €630,000,000 Senior Floating Rate Notes due 2015 issued by HoldCo on 15 June 2007.

"***Senior Floating Rate Notes Indenture***" will mean the indenture governing the Senior Floating Rate Notes and dated 15 June 2007.

"***Senior Indebtedness***" will mean, with respect to any Person:

Indebtedness of such Person, whether outstanding on the date of the Indenture 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 Secured 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 Secured Floating Rate Notes***" will mean the € 1,180,000,000 Senior Secured Floating Rate Notes due 2014 issued by the Issuer on 15 June 2007.

"***Senior Secured Indebtedness***" will mean any Senior Indebtedness of HoldCo, the Issuer or a Guarantor that is secured by a Lien that also secures the Senior Secured Notes or a Guarantee on a *pari passu* first-priority basis.

"***Senior Secured Leverage***" will mean the sum of the aggregate outstanding Senior Secured Indebtedness of HoldCo and its Restricted Subsidiaries, other than Indebtedness incurred pursuant to paragraph (b)(2) of the "—Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Preference Shares" covenant and Hedging Obligations, as of the relevant time of determination on a consolidated basis in accordance with GAAP.

"***Senior Secured Leverage Ratio***" will mean, as of any time of determination, the ratio of (x) Senior Secured Leverage at such time to (y) the aggregate amount of Consolidated EBITDA for the period of the most recently ended four fiscal quarters for which internal financial statements are available at the date of such determination; provided, however, that:

(1) if the Issuer or any Restricted Subsidiary has incurred any Senior Secured Indebtedness since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Senior Secured Leverage Ratio is an Incurrence of Senior Secured Indebtedness, or both, Consolidated EBITDA for such period will be calculated after giving effect on a *pro forma* basis to such Senior Secured Indebtedness as if such Senior Secured Indebtedness had been Incurred on the first day of such period;

(2) if the Issuer or any Restricted Subsidiary has repaid, repurchased, defeased or otherwise discharged any Senior Secured Indebtedness since the beginning of such period or if any Senior Secured Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each ease other than Senior Secured Indebtedness Incurred under any revolving credit facility unless such Senior Secured Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Senior Secured Leverage Ratio, Consolidated EBITDA for such period will be calculated on a *pro forma* basis as if such discharge had occurred on the first day of such period and as if the Issuer or such Restricted Subsidiary had not earned the interest income actually earned during such period in respect of cash or Cash Equivalents used to repay, repurchase, defease or otherwise discharge such Senior Secured Indebtedness;

(3) Consolidated EBITDA for such period will be calculated in a manner consistent with the calculation of Consolidated EBITDA in the definition of Fixed Charge Coverage Ratio.

"***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 the Issuer, 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 Trustee***" will mean The Bank of New York Mellon or any other person acting as trustee under the Indenture.

"***Share Capital***" will mean:

(a) in the case of a corporation, authorized 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 HoldCo (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 amortization, 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 HoldCo or any Indebtedness meeting the requirements of this definition) of the Senior Secured Notes or the date on which no Senior Secured Notes are outstanding, (2) does not require, prior to the first anniversary of the maturity of the Senior Secured 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 Secured Notes and the date on which the Senior Secured Notes are no longer outstanding, (4) does not provide for or require any security interest or encumbrance over any asset of HoldCo 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 Secured 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-Indemnities, as applicable, as in effect on the date of the Indenture.

"***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 HoldCo and its Subsidiaries on the date of the Indenture or any business activity that is a reasonable extension, development or expansion thereof or ancillary thereto.

"***Sponsor Group***" shall mean funds managed and/or advised by Affiliates of Bain Capital Partners, LLC.

"***Sponsor Group Affiliate***" shall 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 each counter-indemnity given by the SPV Indemnifiers in favor of the SPV Guarantor and "***SPV Counter-Indemnities***" will mean all of such counter-indemnities.

"***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 HoldCo and each Guarantor under the Indenture and the Senior Secured 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.

"***Standard Securitization Undertakings***" will mean representations, warranties, covenants, indemnities and guarantees of performance entered into by HoldCo or any Subsidiary of HoldCo, which HoldCo has determined in good faith to be customary in a Securitization Financing, utilizing the relevant securitization structure and involving the relevant Receivables Assets in the South African securitization market, including, without limitation, those relating to the servicing of the assets of a Receivables Purchaser, it being understood that any Securitization Repurchase Obligation will be deemed to be a Standard Securitization 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 HoldCo, any Indebtedness of HoldCo which is by its terms subordinated in right of payment to the Senior Secured 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), HoldCo, 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 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 Secured 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.

"***Unrestricted Subsidiary***" will mean (i) any Subsidiary of HoldCo which at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of HoldCo, as provided below) and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors of HoldCo 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, HoldCo or any Subsidiary of HoldCo (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 HoldCo or any Restricted Subsidiary (other than could be released upon such designation). The Board of Directors of HoldCo 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 HoldCo 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 HoldCo to the Senior Secured Trustee by promptly filing with the Senior Secured 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.

"***U.S. Government Obligation***" shall mean direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged.

"***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 Secured 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 Secured 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 Secured Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Senior Secured Notes for any purpose.

So long as the Senior Secured Notes are held in global form, Euroclear and/or Clearstream, as applicable (or their respective nominees), will be considered the sole holders of the Global Notes for all purposes under the Senior Secured 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 Secured 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 Secured 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 Secured Notes—Additional Amounts”. If any such deduction or withholding is required to be made, then, to the extent described under “Description of the Senior Secured 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 Secured Indenture, the Issuer and the trustee will treat the registered holder of the Global Notes (e.g., Euroclear or Clearstream (or their respective nominees)) 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 Secured 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 Secured Notes (including the presentation of Senior Secured 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 Secured 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 Secured 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 Secured Notes to persons in jurisdictions that require physical delivery of securities or to pledge such Senior Secured 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 Secured 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 Secured 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 Secured 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 Secured Indenture.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Senior Secured 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 Secured Notes, (ii) any date fixed for redemption of the Senior Secured Notes or (iii) the date fixed for selection of the applicable series of Senior Secured Notes to be redeemed in part. Also, we are not required to register the transfer or exchange of any Senior Secured 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 Secured Indenture. We may require a holder to pay any taxes and fees required by law and permitted by the Senior Secured Indenture and the applicable series of Senior Secured 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 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 judgment of both to protect us, the trustee or the Paying Agent appointed pursuant to the Senior Secured 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 Secured 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 Secured Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Senior Secured Notes. See “Notice to U.S. Investors” and “Notice to Non-U.S. Investors”.

So long as the Senior Secured 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 Secured Notes. It is intended as a general guide only. Prospective purchasers of the Senior Secured 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 Secured Notes including without limitation, the consequences of receipt of interest and premium or gain, if any, on and sale or redemption of, the Senior Secured Notes or any interest therein.

Certain South African Tax Considerations

The following is a summary of the material South African tax consequences of the acquisition, ownership and disposition of the Senior Secured Notes by South African tax residents and non residents who are beneficial owners of the Senior Secured Notes.

The summary below is based on the South African income tax implications relevant to the acquisition, ownership or disposition of the Senior Secured Notes and the consequences of the receipt of interest and premium or gain, if any, on the sale or redemption of, the Senior Secured Notes or any interest therein. The summary is in respect of the provisions of the 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.

Payments of interest

Interest received by or accruing to a South African tax resident holder of the Senior Secured 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). The interest accrual must be determined in accordance with the relevant provisions of the South African income tax act (the "Income Tax Act"). The Income Tax Act requires a South African tax resident holder of the Senior Secured Notes to account for, *inter alia*, any interest accrued (whether received or not) to the holder on the Senior Secured Notes and any premium or discount on the issuance and/or redemption of the Senior Secured Notes as interest. The tax accrual of such interest must be spread over the term of the Senior Secured Notes using a yield-to-maturity or an acceptable alternative methodology, as set out in section 24J of the Income Tax Act, unless the holder is a company whose business comprises the trading of certain instruments, in which case such company may be subject to a special dispensation in respect of the South African tax treatment of its bonds, in terms of which such company will be allowed to use a mark-to-market methodology. This special dispensation is proposed to be replaced by a new system with effect from 1 January 2014, in terms of which certain 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, any fair value adjustments of such instruments required in terms of IFRS, that are recognised through profits or loss.

Since the Senior Secured Notes will be denominated in euro, the interest accruing to the holders of the Senior Secured Notes must be converted to rand on the date that the interest accrues for tax purposes, using the rate prescribed in the Income Tax Act.

South African tax residents: Issue, sale and redemption of the Senior Secured Notes

A sale of the Senior Secured Notes by a South African tax resident holder may result in a capital gain or loss if the Senior Secured Notes were held as capital assets or an income gain or loss if the

Senior Secured Notes were held as trading stock. 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.

The issue, sale and redemption of the Senior Secured Notes are not subject to value-added tax or any transfer taxes.

Taxation of foreign exchange gains and losses

As the Senior Secured 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 Secured Notes as trading stock will be required to account for foreign exchange gains and losses on the translation and realisation of the Senior Secured 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 Secured Notes.

Non-trading trusts and natural persons who hold the Senior Secured 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 Secured 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 Secured Notes.

Nonresidents: Withholding tax

Under current taxation law in South Africa, all payments made under the Senior Secured Notes to resident and nonresident noteholders will generally be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa. South Africa imposes income tax on nonresidents in respect of South African sourced income, unless an exemption is available. In terms of section 9(2) of the Income Tax Act, the interest on the Senior Secured Notes will be deemed to be from a South African source. Non-South African residents will be exempt from income tax on the interest unless they:

- are natural persons who were physically present in South Africa for a period exceeding 183 days in aggregate during the relevant year of assessment; or

- carried on business through a permanent establishment in South Africa at any time during the relevant year of assessment.

Apart from the two exceptions, non-South African residents are exempt from South African income tax on interest earned on a South Africa source.

There will be withholding tax on interest payments to nonresidents (subject to certain exclusions) at 15%, effective 1 July 2013. The rate of this withholding tax may be reduced to the extent any relevant double taxation treaty applies. There are exemptions, which include interest paid in respect of any debt instrument listed on a recognised exchange. Should the Senior Secured Notes be listed on the Irish Stock Exchange (which currently constitutes a recognised exchange) the exemption should be available, subject to any amendments to the legislation, and interest paid by the Issuer will not be subject to any withholding tax. The legislation providing for the withholding tax may be subject to change before it is implemented on 1 July 2013.

Nonresidents: Issue, sale and redemption of the Senior Secured Notes

A sale of Senior Secured Notes by a nonresident holder will only be subject to capital gains tax in South Africa if the Senior Secured 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 Secured Notes are not subject to value-added tax or any transfer taxes.

Non residents: Notes held as trading stock

Senior Secured 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 Secured 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 Secured Notes to a liability for income tax in South Africa.

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 Secured 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 Secured Notes. This summary deals only with Senior Secured Notes that are held as capital assets (generally, property held for investment) by a U.S. holder (as defined below) who acquires our Senior Secured Notes in this Offering at the offer price indicated on the cover page of this Offering Memorandum.

For purposes of this discussion, a “U.S. holder” means a beneficial owner of Senior Secured 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 Secured 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 Secured Notes whose "functional currency" is not the U.S. dollar;

- tax consequences to a U.S. holder who holds the Senior Secured 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 Secured Notes, the tax treatment of a partner will generally 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 Secured 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 Secured 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 Secured 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 Secured Notes (as described under "Description of the Senior Secured Notes—Additional Amounts") or make additional payments in redemption of the Senior Secured Notes in addition to their stated principal amount and accrued interest (as described under "Description of the Senior Secured Notes—Purchase of Senior Secured Notes upon a Change of Control" and "Description of the Senior Secured 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 Secured Notes, does not result in the Senior Secured Notes being treated as contingent payment debt instruments under the 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 Secured Notes". These positions will be based in part on our determination that, as at the date of the issuance of the Senior Secured Notes, the possibility that additional amounts will have to be paid, or additional payments in redemption of the Senior Secured 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 Secured 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 Secured Notes based upon a comparable yield, regardless of its method of accounting and the Senior Secured Notes would not be treated as issued pursuant to a qualified reopening of the 2018 Senior Secured Notes. 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 Secured Notes. In addition, any gain on the sale, exchange, redemption or other taxable disposition of the Senior Secured Notes would be recharacterised as ordinary income. Each holder should consult its own tax adviser regarding the tax consequences of the Senior Secured Notes being treated as contingent payment debt instruments. The remainder of this discussion assumes that the Senior Secured Notes will not be treated as contingent payment debt instruments.

Payments of stated interest

Stated interest on a Senior Secured Note will be included in the gross income of a U.S. holder as ordinary income at the time that such interest is accrued or received, in accordance with the holder's method of accounting for U.S. federal income tax purposes.

If you hold a Senior Secured Note and 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 on the Senior Secured Note, 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. Under applicable Treasury Regulations, the "spot rate" generally means a rate that reflects a fair market rate of exchange available to the public for currency under a "spot contract" in a free market and involving representative amounts. A "spot contract" is a contract to buy or sell a currency on the nearest conventional settlement date, generally two business days following the date of the execution of the contract. If such a spot rate cannot be demonstrated, the IRS has the authority to determine the spot rate.

If you hold a Senior Secured Note and 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 recognised with respect to such stated interest on the Senior Secured Note 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 adviser as to the availability and advisability of making such election.

Upon receipt of a stated interest payment on a Senior Secured Note (including, upon the sale or exchange of a Senior Secured 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 recognise U.S. source ordinary gain or loss in an amount equal to the difference between the U.S. dollar value of such payment (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 stated interest income you previously included in income with respect to such payment.

You may be entitled to deduct or credit foreign taxes, if any, imposed on stated interest (including OID and 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). Stated interest income (including OID and any additional amounts) on a Senior Secured 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 Secured Notes where 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 adviser regarding the availability of the foreign tax credit under your particular circumstances.

Original issue discount

Because the issue price of a Senior Secured Note is less than its stated principal amount by an amount equal to or greater than a statutorily defined *de minimis* amount (1/4 of 1% of the principal amount of the Senior Secured Note multiplied by the number of complete years to maturity from its issue date), such Senior Secured Note will be treated as issued with OID for U.S. federal income tax purposes. The "issue price" of a Senior Secured Note generally is equal to the U.S. dollar value (determined at the spot rate) of the euro-denominated first price at which a substantial amount of the Senior Secured Notes is sold for money (not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

Because each Senior Secured Note will be issued with OID, then, in addition to the stated interest on the Senior Secured Note, a U.S. holder (whether a cash or accrual method taxpayer) will be required to include in gross income (as ordinary income) OID as it accrues on a constant yield basis, before the receipt of cash payments to which such income is attributable. The amount of OID includible in gross income for a taxable year will be the sum of the daily portions of OID with respect to the Senior Secured Note for each day during that taxable year on which the U.S. holder holds the Senior Secured Note. The daily portion is determined by allocating to each day in an accrual period a pro rata portion of the OID allocable to that accrual period. The OID allocable to any accrual period other than the final accrual period will equal (a) the product of the adjusted issue price of the Senior Secured Note as at the beginning of such period and the Senior Secured Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the stated interest allocable to the accrual period. The "adjusted issue price" of a Senior Secured Note as at the beginning of any accrual period will equal its issue price, increased by previously accrued OID. The OID allocable to a final accrual period generally will be the difference between the amount payable at maturity, other than a payment of stated interest, and the adjusted issue price at the beginning of the final accrual period. Special rules apply for calculating OID for an initial short accrual period.

A U.S. holder will not be required to recognize any additional income upon the receipt of any cash payment on a Senior Secured Note that is attributable to previously accrued OID, but such U.S. holder may be required to recognize exchange gain or loss, as described below.

The accrual of OID on a Senior Secured Note will be computed in euros, and the amount of accrued OID determined for any accrual period then will be translated into U.S. dollars, regardless of the U.S. holder's method of accounting and in the same manner as accrued stated interest on a Senior Secured Note in the hands of a U.S. holder who uses the accrual method of accounting. See "—Payments of stated interest".

Upon receipt of a payment attributable to OID on a Senior Secured Note (whether in connection with a payment on such Senior Secured Note or the sale, exchange or other disposition of such Senior Secured Note), a U.S. holder generally will recognise exchange gain or loss in an amount equal to the difference between the U.S. dollar amount of OID that such holder has previously included in income and the U.S. dollar value of such payment (determined by translating any foreign currency received at the spot rate on the date of payment). Generally, any such exchange gain or loss will be treated as ordinary income or loss and will not be treated as interest income or expense, except to the extent provided in administrative pronouncements of the IRS. For this purpose, all payments on a Senior Secured Note generally will be viewed first as the payment of stated interest, second as the payment of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first, and thereafter as the payment of principal.

Sale, exchange or retirement of Senior Secured Notes

If you sell or exchange a Senior Secured Note, or if a Senior Secured 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 Secured Note. Your adjusted tax basis in a Senior Secured Note generally will equal the U.S. dollar value of your purchase price for the Senior Secured 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 Secured Note previously made to you and increased by the amount of OID on such Senior Secured Note previously included in income (including in the year of disposition) by you. If you sell or exchange a Senior Secured Note for euros, or receive euros on the retirement of a Senior Secured 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 Secured 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 foreign currency gain or loss, any gain or loss that you recognise on the sale, exchange or retirement of a Senior Secured 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 Secured 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 Secured 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 Secured 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 Secured 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 Secured Note calculated as at the date you purchased the Senior Secured Note. The amount of exchange gain or loss will be limited to the amount of overall gain or loss realised on your disposition of the Senior Secured Note.

Exchange of foreign currencies

A U.S. holder's tax basis in the euro received as interest on or on the sale or other disposal of a Senior Secured Note will be the U.S. dollar value of such euro at the time described above. 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 Secured 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 (U.S. $50,000 in a single transaction for an individual or trust, and higher amounts for non-individual, non-trust taxpayers). You are urged to consult your own tax adviser to determine the reporting obligations, if any, with respect to an investment in the Senior Secured Notes, including any requirement to file IRS Form 8886.

Foreign financial asset reporting

Legislation enacted in March 2010 imposes new reporting requirements on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds U.S. $50,000. The Senior Secured Notes are expected to constitute foreign financial assets subject to these requirements, unless the Senior Secured Notes are held in an account at a financial institution (in which case the account may be reportable if maintained at a foreign financial institution). U.S. holders should consult their tax advisers regarding the application of this legislation.

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 Secured Notes.

Backup withholding and information reporting

Payments in respect of the Senior Secured Notes (including accruals of OID) 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, currently at a rate of 28%, 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 Secured 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 Secured Notes. Prospective purchasers of Senior Secured 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 Secured 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 Secured Notes (including the Senior Secured 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 Secured 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 Secured Notes prior to their final maturity (including any repurchase of Senior Secured Notes pursuant to a change of control, tax event or asset sale offer).

Under the terms of the SARB's approval for the Senior Secured Notes, no South African entity or institution or any offshore subsidiary or branch thereof may subscribe for or purchase any Senior Secured Note or beneficially hold or own any Senior Secured 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, Barclays Bank PLC, Goldman Sachs International, Morgan Stanley & Co. International plc, Merrill Lynch International and J.P. Morgan Securities 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 Secured 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 Secured 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 Secured 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, HoldCo, 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 Goldman Sachs International.

The Issuer and the Senior Secured 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 Secured 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 Secured 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 Secured Notes and the Senior Secured 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 Secured 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 Secured 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 Secured 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.

This Offering Memorandum does not, nor is it intended to, constitute a "registered prospectus" (as that term is defined in the New Companies Act) prepared and registered under the New Companies Act. Accordingly, the Senior Secured Notes will not be offered or sold to prospective investors in South Africa in contravention of the prohibition on making an "offer to the public" (as such expression is defined in the New Companies Act) in South Africa that is not accompanied by a registered prospectus. This Offering Memorandum is not an "offer to the public" and is for distribution in South Africa only to persons who fall within section 96(1) of the New Companies Act (such persons 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. Senior Secured Notes will not be offered for subscription or sale in South Africa to any single addressee acting as principal for an amount of less than R1 million.

No South African residents or their offshore subsidiaries may subscribe or purchase any Senior Secured Notes or beneficially hold or own Senior Secured 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.

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 Secured Notes in circumstances in which section 21(1) of the FSMA does not apply to any Issuer or any 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 Secured Notes in, from or otherwise involving the United Kingdom.

Persons who purchase Senior Secured 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 Secured Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Senior Secured Notes in any jurisdiction where action for this purpose is required. Accordingly, the Senior Secured 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 Secured 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 Secured 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 Secured Notes, the distribution of this Offering Memorandum and resale of the Senior Secured Notes. See "Notice to U.S. Investors" and "Notice to Non-U.S. Investors".

The Senior Secured Notes are new issues of securities with no established trading market. We have applied to list the Senior Secured 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 Secured 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 Secured 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 Secured 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 Secured 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 Secured 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 Secured 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 Secured 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 Secured Notes. Any such short positions could adversely affect future trading prices of Senior Secured 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 Barclays Bank PLC, Goldman Sachs International, Morgan Stanley & Co. International plc, Merrill Lynch International and J.P. Morgan Securities 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 hedge counterparty under the Existing Hedging Agreements and a party to our strategic partnership for our private label store card programme, and has entered into a commitment for the ZAR Term Loan;

- Goldman Sachs International and/or one of its affiliates is a hedge counterparty under the Existing Hedging Agreements and is the sole dealer manager for the Tender Offer, and has entered into a commitment for the ZAR Term Loan;

- Morgan Stanley & Co. International plc and/or one of its affiliates is a lender under the Revolving Super Senior Credit Facility and has entered into a commitment for the ZAR Term Loan;

- Merrill Lynch International and/or one of its affiliates has entered into a commitment for the ZAR Term Loan; and

- J.P. Morgan Securities plc and/or one of its affiliates is a lender under the Super Senior Revolving Credit Facility and a hedge counterparty under the Existing Hedging Agreements, and has entered into a commitment for 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 Secured Notes offered hereby.

The Senior Secured Notes and the Senior Secured Guarantees have not been registered under the U.S. Securities Act, or any securities laws of any state and, therefore, the Senior Secured 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 Secured 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 Secured 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 Secured 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 Secured Notes nor the Senior Secured 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 Secured Notes to it will be made in reliance on Rule 144A and the acquisition of the Senior Secured Notes will be for its own account or for the account of another QIB; or

(ii) a non-U.S. person purchasing the Senior Secured 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 Secured 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 Secured 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 Secured Notes. It has

had access to such financial and other information concerning us and the Issuer, the Senior Secured Guarantors, the Senior Secured Indenture, the Senior Secured Notes, the Senior Secured Guarantees and the security documents as it deemed necessary in connection with its decision to purchase any of the Senior Secured Notes, including an opportunity to ask questions of, and request information from, the Issuer, the Senior Secured Guarantors and the Initial Purchasers.

(4) It is purchasing the Senior Secured 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 Secured 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 Secured Notes agrees on its own behalf and on behalf of any investor account for which it is purchasing the Senior Secured Notes, and each subsequent holder of the Senior Secured Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Senior Secured Notes prior to the date (the "Resale Restriction Termination Date") that is one year (in the case of Senior Secured Notes issued in reliance on Rule 144A ("Rule 144A Notes")) or 40 days (in the case of Senior Secured 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 Secured Notes (or any predecessor thereto) only (i) to the Issuer, the Senior Secured 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 Secured 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 Secured 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 Secured 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 SECURED 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 SECURED 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 Secured Notes, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Senior Secured Notes as well as to holders of these Senior Secured Notes.

(6) It agrees that it will give to each person to whom it transfers the Senior Secured Notes notice of any restrictions on transfer of such Senior Secured Notes.

(7) It acknowledges that until 40 days after the commencement of this Offering, any offer or sale of the Senior Secured 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 Secured 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 Secured Notes are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Senior Secured 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 Secured Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Senior Secured Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Senior Secured Notes will be subject to the selling restrictions set out under “Plan of Distribution”.

(11) It acknowledges that, to the extent applicable, each certificate evidencing the Senior Secured Notes shall be endorsed with a legend substantially in the form set out below:

THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT (“OID”) FOR U.S. FEDERAL INCOME TAX PURPOSES, THE ISSUE PRICE, THE AMOUNT OF OID, THE ISSUE DATE AND THE YIELD TO MATURITY OF THIS NOTE MAY BE OBTAINED BY CONTACTING DEBBIE MILLAR, EXECUTIVE INVESTOR RELATIONS, INVESTOR RELATIONS, EDCON, EDGARDALE, 1 PRESS AVENUE, P.O. BOX 200 CROWN MINES, 2025 SOUTH AFRICA, TELEPHONE +27 11 495 4086.

NOTICE TO NON-U.S. INVESTORS

South Africa

This Offering Memorandum does not, nor is it intended to, constitute a "registered prospectus" (as that term is defined in the New Companies Act) prepared and registered under the New Companies Act. Accordingly, the Senior Secured Notes will not be offered or sold to prospective investors in South Africa in contravention of the prohibition on making an "offer to the public" (as such expression is defined in the New Companies Act) in South Africa that is not accompanied by a registered prospectus. This Offering Memorandum is not an "offer to the public" and is for distribution in South Africa only to persons who fall within section 96(1) of the New Companies Act (such persons 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. Senior Secured Notes will not be offered for subscription or sale in South Africa to any single addressee acting as principal for an amount of less than R1 million.

No South African residents or other offshore subsidiary may subscribe for the purchase any of the Senior Secured Notes or beneficially own or hold any or the Senior Secured 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. In addition, the Issuer is required to make the disclosure set out under Annex C pursuant to paragraph 3(5) of the exemption notice published in terms of the South African Banks Act, 1990 (the "Banks Act") under Government Notice 2172 in Government Gazette 16167 of 14 December 1994 (the "Commercial Paper Regulations") exempting the designation of certain activities from falling within the meaning of "the business of a bank" (as that term is defined in the Banks Act). See "Annex C—Disclosure Relating to the South African Commercial Paper Regulations".

United Kingdom

In the United Kingdom the Senior Secured 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 Secured Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or any Senior Secured 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 Secured 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 Secured 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 Secured Notes. Accordingly, any person making or intending to make any offer within the EEA of the Senior Secured 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 Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Senior Secured 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 Secured 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 Secured 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 Notes to the public" in relation to the Senior Secured 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 Secured Notes to be offered so as to enable an investor to decide to purchase or subscribe the Senior Secured 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 Secured Notes as the governing law thereof.

Jurisdiction

According to said counsel, subject as set out below, any party's (i) irrevocable submission under the 2015 Senior Indenture, the Senior Secured Indenture and the Senior Secured 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 judgment obtained in the foreign jurisdiction will be recognised and be enforceable by the courts of South Africa without the need for re-examination of the merits. 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 Judgments

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 judgment 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 judgments, namely a provisional sentence summons, application or action claiming enforcement of the foreign judgment; *provided* that the judgment was pronounced by a proper court of law, was final and conclusive (in the case of a judgment 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 judgment 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 judgments)) 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 judgment 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 HoldCo and its subsidiaries on a consolidated basis for fiscal years 2010, 2011 and 2012 have been audited by Ernst & Young Inc., South Africa, independent auditors, as stated in their reports appearing herein. The Issuer's financial statements are not presented separately and have been integrated in the Group's consolidated financial statements audited by Ernst & Young Inc., South Africa. 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 Secured Indenture governing the Senior Secured Notes, we will furnish periodic information to holders of the Senior Secured Notes. See "Description of the Senior Secured Notes—Reports to Holders".

In addition, documents concerning this Offering can be inspected at HoldCo'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 Secured Notes will be available at the specified office of the paying agent in Ireland.

For so long as any of the Senior Secured 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 Secured Note, or to any prospective purchaser of a Senior Secured 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 HoldCo's company secretary.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to admit the Senior Secured Notes 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 application is subject to the approval of the Irish Stock Exchange. This Offering Memorandum constitutes "Listing Particulars" and does not constitute "a Prospectus" for such an application. Application has been made for these Listing Particulars to be approved by the Irish Stock Exchange.

We will maintain a paying and transfer agent in Ireland for as long as any of the Senior Secured 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 Secured 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 paying agent for the Senior Secured Notes in Ireland, 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 Secured 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 paying agent for the Senior Secured Notes in Ireland, 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 Secured Guarantors;
- the Senior Secured Indenture;
- our most recent audited financial statements, and any interim financial statements published by us;
- the Purchase Agreement; and
- any other material documents relating to the listing.

The total expenses related to the admission of the Senior Secured Notes to trading on the Global Exchange Market of the Irish Stock Exchange are expected to be approximately €10,000. 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 year ended 31 March 2012. 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 financial condition or trading position since 29 September 2012. Except as disclosed in this Offering Memorandum, as at the date of this Offering Memorandum, there has been no material adverse change in our prospects since the date of our last published audited financial statements (i.e. as at and for the year ended 31 March 2012).

Prescription

Claims against the Issuer for the payment of principal or Additional Amounts, if any, on the Senior Secured 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 Secured Notes will be prescribed five years after the applicable due date for payment of interest.

Clearing Information

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set out below.

	ISIN	Common code
Rule 144A Global Notes		
Senior Secured Notes	XS0888937272	088893727
Regulation S Global Notes		
Senior Secured Notes	XS0888936118	088893611

Organisational Information

The issuer of the Senior Secured Notes, Edcon Limited (formerly known as Edcon Proprietary Limited) (the Issuer) is a company registered under the laws of South Africa and was incorporated on 5 February 2007 under Registration No. 2007/003525/07 pursuant to the Old Companies Act.

The Senior Secured Notes will be guaranteed on a senior secured basis by Edcon Acquisition Proprietary Limited ("BidCo"), formerly Elephant Acquisition (BC) Proprietary Limited, a company registered under the laws of South Africa and incorporated on 12 January 2007 under Registration No. 2007/000518/07 pursuant to the Old Companies Act.

The Senior Secured Notes will be guaranteed on a senior secured basis by Edcon Holdings Limited, formerly Edcon Holdings Proprietary Limited ("HoldCo"), a company registered under the laws of South Africa and incorporated on 27 November 2006 under Registration No. 2006/036903/07 and now bearing Registration No. 2006/036903/06 pursuant to the Old Companies.

The Senior Secured Notes will be guaranteed on a senior secured basis by Edgars Consolidated Stores Limited ("ECSL"), 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.

ANNEX A—GLOSSARY OF DEFINED TERMS

The following glossary of defined terms is intended as a general source of information and has not been prepared or independently verified by us, our advisers or the Initial Purchasers or any of their respective affiliates or advisers.

"*Active customer*" is, with respect to our private label store card programme, a customer who has effected at least one purchase within the last 24 months using our store card.

"*Anchor store / tenant*" is a large store within a shopping area that is attractive to landlords because it is viewed as a draw to retail traffic, which increases the financial stability of the shopping project.

"*BBBEE*" means Broad-Based Black Economic Empowerment, the South African governmental initiative designed to increase equity ownership and management positions for black South Africans, given statutory effect in accordance with the following legislation:

- the Broad-Based Black Economic Empowerment Act no. 53 of 2003 and the codes of good practice issued thereunder in relation to all sectors of the economy other than the mining sector, as read in conjunction with the Preferential Procurement Framework Policy Act in relation to public sector procurement; and
- the Mineral and Petroleum Resource Development Act no. 28 of 2002 and the mining charter issues thereunder in relation to the mining sector.

"*Co-branded store card*" is a store card that has the labels of both a retailer and a financial institution affixed on the card; the credit risk is underwritten by the financial institution.

"*Credit life*" is an insurance policy for the repayment of all credit upon death.

"*Credit retailer*" refers to a retail company with credit services such as a private label store card.

"*Lead time*" is the amount of time between a procurement decision and the receipt of the ordered goods.

" *Markdown*" is a reduction in the original retail selling price of a product. Markdowns are made for one of three reasons:

- Clearance: a permanent markdown occurs because the original price is either too high, the product is not selling well at the current price or the product is at the end of its range. This type of markdown may indicate poor buying.
- Promotion: a temporary markdown in order to help improve sale levels.
- New Low Prices: a permanent markdown because a new product is replacing an existing one at a lower price. This type of markdown is usually applicable to mobile phones, where newer models continually replace older models.

"*Private label store card*" is a card issued and underwritten by a retailer to be used for credit at its stores, usually with some discounted purchase prices or other rewards for using the card.

"*Product flow*" is the production process through its various stages, from raw materials to the final product.

"*Product mix*" is the total composite of all of the products offered by a particular organisation.

"*Same store sales*" is sales from stores open for the full period of each of two comparable periods.

"*Stock imbalance*" describes the situation in which the supply of products readily available for sale to customers is too small or too large to be efficient.

"*Stock turn*" is the number of times that an organisation replaces its stock during a given time period, usually one year.

"*Trading density*" is retail sales per average square metre of store space.

ANNEX B—PRESENTATION OF SELECTED FINANCIAL INFORMATION EXCLUDING THE IMPACT OF OTC

The following tables reconcile the consolidated financial information of HoldCo presented in the tables above to financial information of HoldCo and its subsidiaries, excluding the impact of consolidating OtC.

	At and for the 53 weeks ended 3 April 2010 (in millions)		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
	(audited)	(audited)	(unaudited)
Comprehensive Income data			
Revenues	**R24,876**	**R603**	**R24,273**
Operating profit from credit	278	179	99
Other financial data			
Adjusted EBITDA (unaudited)	3,368	324	3,044
Financial position data			
Working capital	7,685	5,404	2,281
Total assets	33,768	4,224	29,544
Total debt at unhedged rates	19,670	4,300	15,370
Total net debt including cash and derivatives	22,455	3,616	18,839
Cash flow data			
Operating cash inflow before changes in working capital	3,352	364	2,988
Working capital movement	952	493	459

	At and for the 52 weeks ended 2 April 2011 (in millions)		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
	(audited)	(audited)	(unaudited)
Comprehensive Income data			
Revenues	**R25,586**	**R654**	**R24,932**
Operating profit from credit	624	434	190
Other financial data			
Adjusted EBITDA (unaudited)	3,624	464	3,160
Financial position data			
Working capital	7,712	5,513	2,199
Total assets	35,329	4,341	30,988
Total debt at unhedged rates	24,440	4,300	20,140
Total net debt including cash and derivatives	23,349	3,661	19,688
Cash flow data			
Operating cash inflow before changes in working capital	3,622	463	3,159
Working capital movement	(69)	377	(446)

	At and for the 52 weeks ended 31 March 2012 (in millions)		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
	(audited)	(audited)	(unaudited)
Comprehensive Income data			
Revenues	**R27,884**	**R539**	**R27,345**
Operating profit from credit	770	493	277
Other financial data			
Adjusted EBITDA (unaudited)	4,041	493	3,548
Financial position data			
Working capital	9,294	5,523	3,771
Total assets	36,354	4,518	31,836
Total debt at unhedged rates	26,763	4,300	22,463
Total net debt including cash and derivatives	26,068	3,482	22,586
Cash flow data			
Operating cash inflow before changes in working capital	3,691	493	3,198
Working capital movement	(1,603)	6	(1,609)

	At and for the 26 weeks ended 1 October 2011 (in millions)		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
	(unaudited)	(unaudited)	(unaudited)
Comprehensive Income data			
Revenues	**R11,772**	**R16**	**R11,756**
Profit from discontinued operations, net of tax	275	195	80
Other financial data			
Adjusted EBITDA	1,750	271	1479
Financial position data			
Working capital	8,830	5,346	3,484
Total assets	36,979	4,441	32,538
Total debt at unhedged rates	27,499	4,300	23,199
Total net debt including cash and derivatives	26,027	3,386	22,641
Cash flow data			
Operating cash inflow before changes in working capital	1,711	271	1,440
Working capital movement	(984)	166	(1,150)

	At and for the 26 weeks ended 29 September 2012 (in millions)		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
	(unaudited)	(unaudited)	(unaudited)
Comprehensive Income data			
Revenues	**R12,062**	**R21**	**R12,041**
Profit from discontinued operations, net of tax	237	124	113
Other financial data			
Adjusted EBITDA	1,551	172	1,379
Financial position data			
Working capital	8,835	5,213	3,622
Total assets	36,393	4,473	31,920
Total debt at unhedged rates	28,046	4,300	23,746
Total net debt including cash and derivatives	26,333	3,162	23,171

	At and for the 26 weeks ended 29 September 2012 (in millions)		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
	(unaudited)	(unaudited)	(unaudited)
Cash flow data			
Operating cash inflow before changes in working capital	1,733	172	1,561
Working capital movement	495	309	186

	At and for the 52 weeks ended 29 September 2012 (in millions)		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
	(unaudited)	(unaudited)	(unaudited)
Comprehensive Income data			
Revenues	**R26,061**	**R37**	**R26,024**
Profit from discontinued operations, net of tax	516	285	231
Other financial data			
Adjusted EBITDA	3,842	394	3,448
Financial position data			
Working capital	8,835	5,213	3,622
Total assets	36,393	4,473	31,920
Total debt at unhedged rates	28,046	4,300	23,746
Total net debt including cash and derivatives	26,333	3,162	23,171
Cash flow data			
Operating cash inflow before changes in working capital	3,713	394	3,319
Working capital movement	(124)	149	(273)

ANNEX C—DISCLOSURE RELATING TO THE SOUTH AFRICAN COMMERCIAL PAPER REGULATIONS

Disclosure Requirements in terms of paragraph 3(5) of the Commercial Paper Regulations, published in terms of the Banks Act, under Government Notice number 2172 in Government Gazette number 16167, dated 14 December 1994

Paragraph 3(5)(a)

The ultimate borrower will be the Issuer.

Paragraph 3(5)(b)

The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Senior Secured Notes. However, note 1 to the unaudited interim condensed consolidated financial statements of Holdco as at and for the 26-weeks ended 29 September 2012 indicates the existence of a material uncertainty which may cast significant doubt on HoldCo's ability to continue as a going concern. See "*Risk Factors—Risks related to the Senior Secured Notes* 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" and note 1 to the unaudited interim condensed consolidated financial statements of Holdco as at and for the 26-weeks ended 29 September 2012 included elsewhere in this Offering Memorandum.

Paragraph 3(5)(c)

The auditor of the Issuer is Ernst & Young Inc.

Paragraph 3(5)(d)

As at the date of this issue:

the Issuer has issued commercial paper in the amount of ZAR1,010 million; and

It is not anticipated that the Issuer will issue additional commercial paper during the remainder of its current financial year.

Paragraph 3(5)(e)

All information that may be reasonably necessary to enable an investor to ascertain the nature of the financial and commercial risk of its investment is contained in the Offering Memorandum. The audited financial statements of the Issuer for the 52 week period ended 31 March 2012 are available on request from the Registered Office of the Issuer.

Paragraph 3(5)(f)

There has been no material adverse change in the Issuer's financial position since the date of its last audited financial statements, other than as reflected in the unaudited interim condensed consolidated financial statements of Holdco as at and for the 26 weeks ended 29 September 2012 included elsewhere in this Offering Memorandum.

Paragraph 3(5)(g)

The Senior Secured Notes will be listed on the Global Exchange Market of the Irish Stock Exchange.

Paragraph 3(5)(h)

The funds to be raised through the issue of the Senior Secured Notes are to be used to repurchase the 2014 Senior Secured Notes tendered pursuant to the Tender Offer and to fund the 2014 Senior Secured Notes Redemption.

Paragraph 3(5)(i)

The Senior Secured Notes are secured.

Paragraph 3(5)(j)

Ernst & Young Inc, the statutory auditors of the Issuer, have confirmed that nothing has come to their attention to cause them to believe that this issue of Senior Secured Notes does not comply in all material respects with the relevant provisions of the Commercial Paper Regulations.

SIGNED at London, United Kingdom this 5th day of February 2013

For and on behalf of
ISSUER
(Registration Number: 2007/003525/07)

/s/ Jürgen Schreiber
Name: Jürgen Schreiber
Capacity: Executive Director
Who warrants his authority hereto

/s/ Mark Bower
Name: Mark Bower
Capacity: Executive Director
Who warrants his authority hereto

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Unaudited Interim Condensed Consolidated Financial Statements

Edcon Holdings Proprietary Limited (“Edcon”)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF EDCON HOLDINGS PROPRIETARY LIMITED

(Registration number 2006/036903/07)

FINANCIAL STATEMENTS
for the 26 weeks ended 29 September 2012

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

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The unaudited interim condensed consolidated financial statements were re-issued on 4 February 2013 to take account of the adjusting post balance sheet event (refer to note 6).

Unaudited Condensed Consolidated Statement of Financial Position

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

Unaudited Condensed Consolidated Quarterly Statement of Comprehensive Income

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

Unaudited Condensed Consolidated Half-year Statement of Comprehensive Income

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

Unaudited Condensed Consolidated Statements of Changes in Equity

	Share capital and premium	Foreign currency translation reserve	Cash flow hedging reserve	Revaluation surplus	Retained loss	Shareholder's loan	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
26 weeks to 1 October 2011							
Balance at 2 April 2011	2,148	(35)	(568)	3	(4,972)		(3,424)
Total comprehensive income for the period		8	(203)		(1,271)		(1,466)
Loss for the period					(1,271)		(1,271)
Other comprehensive income for the period		8	(203)				(195)
Balance at 1 October 2011	2,148	(27)	(771)	3	(6,243)		(4,890)
26 weeks to 29 September 2012							
Balance at 31 March 2012	2,153	(30)	(661)	3	(6,887)	8,290	2,868
Total comprehensive income for the period		—	(24)		(2,879)		(2,903)
Loss for the period					(2,879)		(2,879)
Other comprehensive income for the period		—	(24)				(24)
Balance at 29 September 2012	**2,153**	**(30)**	**(685)**	**3**	**(9,766)**	**8,290**	**(35)**

Unaudited Condensed Consolidated Quarterly Statement of Cash Flows

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

Unaudited Condensed Consolidated Half-year Statement of Cash Flows

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

Notes to the unaudited Condensed Consolidated Financial Statements

1. Basis of preparation

Basis of Accounting

Edcon Holdings Proprietary Limited's 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, certain information and note disclosures normally included in the annual financial statements have been condensed or omitted.

These Financial Statements have not been audited by an auditor. In the opinion of management, all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods have been made.

In preparing these Financial Statements, the same accounting principles and methods of computation are applied as in the Audited Group Financial Statements of Edcon Holdings Proprietary Limited on 31 March 2012 and for the period then ended.

These Financial Statements should be read in conjunction with the audited Financial Statements as at and for the period ended 31 March 2012 as included in the 2012 Audited Group Annual Financial Statements of Edcon Holdings Proprietary Limited.

Going concern

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

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

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

Derivative assets and liabilities

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

- The unwinding of a portion of the derivative liabilities balance due to the payment of coupons to which the hedges relate, i.e., swap and forward settlements;

- Favourable changes in foreign currency exchange rates resulting in a considerable increase in derivative assets; and
- Increase in derivative liabilities largely as a result of unfavourable movements in interest rates.

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

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

Interest-bearing debt—current

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

	2012 26 weeks to 29 September Rm	2011 26 weeks to 1 October Rm
2. SEGMENTAL RESULTS		
2.1 Revenues		
Edgars	**6,190**	5,983
CNA	**869**	866
Discount	**4,645**	4,596
Manufacturing	**41**	40
Financial Services	**314**	265
Group Services	**3**	22
	12,062	11,772
2.2 Retail sales		
Edgars	**6,053**	5,859
CNA	**869**	866
Discount	**4,531**	4,491
	11,453	11,216
2.3 Number of stores		
Edgars	**359**	270
CNA	**193**	203
Discount	**621**	686
	1,173	1,159

	2012 26 weeks to 29 September Rm	2011 26 weeks to 1 October Rm
2.4 Operating profit/(loss)		
Edgars	**1,110**	1,229
CNA	**11**	30
Discount	**397**	461
Manufacturing	**1**	(2)
Financial Services	**644**	632
Group Services[(1)]	**(1,605)**	(2,347)
	558	3
Discontinued operations	**(329)**	(382)
Profit/(loss) before net financing costs	**229**	(379)

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

	2012	2011
3. REVENUES		
Retail sales	**11,453**	11,216
Club fees	**251**	229
Income from joint ventures	**292**	249
Interest received	**25**	38
Manufacturing sales to third parties	**41**	40
	12,062	11,772

4. DISCONTINUED OPERATIONS

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

The results of the discontinued operations are as follows:

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

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

5. Consolidation of OntheCards Investments II Proprietary Limited

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

	2012 13 weeks to 29 September	2011 13 weeks to 1 October
	Rm	Rm
Quarterly Statement of Comprehensive Income		
Continuing operations		
Total revenues	**11**	9
Interest received[(a)]	**11**	9
Profit before financing costs	**11**	9
Financing costs	**(94)**	(88)
Loss before taxation	**(83)**	(79)
Taxation	**24**	23
Loss for the period from continuing operations	**(59)**	(56)
Discontinued operations		
Profit for the period from discontinued operations, net of tax	**91**	131
Profit for the period	**32**	75

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

(a) Comprises of interest earned on cash balances

Notes to the unaudited Condensed Consolidated Financial Statements — (Continued)

	2012 29 September Rm	2012 31 March Rm	2011 1 October Rm
Included in the Condensed Consolidated Statement of Financial Position by line, are the following balances:			
ASSETS			
Non-current assets			
Intangible assets	**79**	79	79
Held-to-maturity investments			(78)
Loan—Edcon Proprietary Limited	**(2,062)**	(2,062)	(2,062)
Deferred tax	**51**	53	88
Total non-current assets	**(1,932)**	(1,930)	(1,973)
Current assets			
Held-to-maturity investments	**(78)**	(78)	
Trade, other receivables and prepayments		5,708	5,500
Cash and cash equivalents	**1,138**	818	914
	1,060	6,448	6,414
Assets of disposal group classified as held for sale	**5,345**		
Total current assets	**6,405**	6,448	6,414
Total assets	**4,473**	4,518	4,441
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Retained profit/(loss)	**41**	33	(13)
Total equity	**41**	33	(13)
Non-current liabilities—third parties			
Interest-bearing debt		2,150	4,300
Total non-current liabilities		2,150	4,300
Current liabilities			
Interest bearing debt	**4,300**	2,150	
Trade and other payables	**132**	185	154
Total current liabilities	**4,432**	2,335	154
Total equity and liabilities	**4,473**	4,518	4,441
Total managed capital per IAS 1	**4,341**	4,333	4,287

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

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

6. Events after the reporting period

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

On 1 November 2012 all conditions required for the first closing of the South African portion of the private label store card portfolio were satisfied and R8.8 billion of the South African book was sold to

Absa. Simultaneously, the long term commitment to provide future retail credit to existing and new qualifying South African customers became effective (refer to note 4 for further details on the discontinued operation).

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

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

The main terms of the settlement agreement are as follows:

- for fiscal year 2008 through fiscal year 2013, we agreed to reduce our tax losses carry forward by approximately R9.0 billion;

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

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

Corporate Information

Edcon Holdings Proprietary Limited
Incorporated in the Republic of South Africa
Registration number 2006/036903/07

Non-executive directors
DM Poler* (Chairman), EB Berk*, M Levin*, ZB Ebrahim, MMV Valentiny**

Executive directors
J Schreiber *** (Managing Director and Chief Executive Officer), MR Bower, U Ferndale

*USA **BELGIUM ***GERMANY

Group Secretary
CM Vikisi

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Crown Mines, Johannesburg, 2092
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Postal address
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United Kingdom

Listing Agent & Irish Paying Agent
The Bank of New York Mellon (Ireland)
Limited Hanover Building,
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JSE Debt Sponsor
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1 Merchant Place
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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)

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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)).

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 5 to 86.

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

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 5 to 86 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.

Notes to the Group Financial Statements — (Continued)

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.

Notes to the Group Financial Statements — (Continued)

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

Notes to the Group Financial Statements — (Continued)

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.

Notes to the Group Financial Statements — (Continued)

3. PROPERTIES, FIXTURES, EQUIPMENT AND VEHICLES

	2012 31 March	2011 2 April	2010 3 April
	Rm	**Rm**	**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).

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.

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
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)

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
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

	2012 31 March	2011 2 April	2010 3 April
	Rm	Rm	Rm
	)	)	)
Carrying value of joint ventures	**67**	6	—

6.2 Share of joint ventures' net assets, revenue and expenses

	2012 31 March	2011 2 April	2010 3 April
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

	2012 31 March	2011 2 April	2010 3 April
Interest rate swaps		30	
Cross currency swaps	**472**		
	472	30	

7.2 Non-current derivative liabilities

	2012 31 March	2011 2 April	2010 3 April
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

Notes to the Group Financial Statements — (Continued)

	2012 31 March	2011 2 April	2010 3 April
	Rm	Rm	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

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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.

7.5 Derivative losses

Derivative losses recognised in profit or loss	**(10**	(2,343	(5,081
	(10	(2,343	(5,081

	2012 31 March	2011 2 April	2010 3 April
	Rm	Rm	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.

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.

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.

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.

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

Notes to the Group Financial Statements — (Continued)

12. SHARE CAPITAL AND PREMIUM

12.1 Authorised ordinary share capital

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
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

	2012 31 March Number	2011 2 April Number	2010 3 April Number
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	2011 2 April	2010 3 April
	Rm	Rm	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

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

Notes to the Group Financial Statements — (Continued)

	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).

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
17.3 Senior floating rate notes			
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).

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
17.4 Senior secured fixed rate notes			
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.

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
17.5 OtC receivables-backed notes			
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				

OtC receivables—backed notes	Amount and Fair Value 31 March 2012	Maturity Date	Applicable Interest	Margin
	Rm			%
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	2011 2 April	2010 3 April
	Rm	Rm	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	2011 2 April	2010 3 April
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	2011 2 April	2010 3 April
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

	2012 31 March	2011 2 April	2010 3 April
	Rm	Rm	Rm

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 over-night 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	2011 2 April	2010 3 April
	Rm	Rm	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	2011	2010
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.

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	2011 2 April	2010 3 April
	Rm	Rm	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

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	2011 2 April	2010 3 April
	Rm	Rm	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	2011 52 weeks to 2 April	2010 53 weeks to 3 April
	Rm	Rm	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

	2012 31 March	2011 2 April	2010 3 April
	Rm	Rm	Rm
Leased assets	**16**		
Total charge for the period (refer to note 3)	**755**	798	807

25.4 Fees payable

	2012 31 March	2011 2 April	2010 3 April
Managerial, technical, administrative and secretarial fees paid outside the Group	**456**	158	139
Outsourcing of IT function	**345**	317	298
	801	475	437

Notes to the Group Financial Statements — (Continued)

	2012 52 weeks to 31 March	2011 52 weeks to 2 April	2010 53 weeks to 3 April
	Rm	Rm	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	2011	2010
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	2011	2010
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

Notes to the Group Financial Statements — (Continued)

	2012 52 weeks to 31 March	2011 52 weeks to 2 April	2010 53 weeks to 3 April
	R 000 Directors and prescribed officers	R 000 Directors	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	2011 52 weeks to 2 April	2010 53 weeks to 3 April
	Rm	Rm	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)

	2012 52 weeks to 31 March	2011 52 weeks to 2 April	2010 53 weeks to 3 April
	R 000 Directors and prescribed officers	R 000 Directors	R 000 Directors
Net asset	**154**	—	—

Notes to the Group Financial Statements — (Continued)

	2012 52 weeks to 31 March	2011 52 weeks to 2 April	2010 53 weeks to 3 April
	Rm	Rm	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	2011	2010
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

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	2011 52 weeks to 2 April	2010 53 weeks to 3 April
	Rm	Rm	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	Members	Contributions
	Number	Number	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	2011 52 weeks to 2 April	2010 53 weeks to 3 April
	Rm	**Rm**	**Rm**

27.5.1 Edcon Medical Aid

	2012 Rm	2011 Rm	2010 Rm
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	2011 2 April	2010 3 April
	Rm	**Rm**	**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	**15**	11	10	**21**	15	13
Current service and interest cost—Rm	**14**	13	13	**1**	1	1	**1**	1	1
Retirement age sensitivity		**63 years**		**One year younger**			**One year older**		
Accrued liability—Rm	**182**	130	114	**19**	13	11	**17**	12	11
Discount rate	**8.25%**	9%	9.3%	**Decrease 1%**			**Increase 1%**		
Accrued liability—Rm	**182**	130	114	**21**	15	13	**15**	11	10
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	**20**	13	11			

	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

	2012 52 weeks to 31 March Rm	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm
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

Notes to the Group Financial Statements — (Continued)

	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	2011 52 weeks to 2 April	2010 53 weeks to 3 April
	Rm	Rm	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	2011 52 weeks to 2 April	2010 53 weeks to 3 April
	Rm	Rm	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**		

Notes to the Group Financial Statements — (Continued)

	2012 52 weeks to 31 March	2011 52 weeks to 2 April	2010 53 weeks to 3 April
	Rm	Rm	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	Fair value through other comprehensive income	Held to maturity investments	Available for sale	Total
	Rm	Rm	Rm	Rm	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
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)**	

Index	Sensitivity	Derivative asset / (liability)	Other comprehensive income	Profit or loss effect
		Rm	Rm	Rm
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)

	Total	Floating rate
	Rm	Rm
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

Notes to the Group Financial Statements — (Continued)

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.

Notes to the Group Financial Statements — (Continued)

33.7 Liquidity risk

	2012 31 March	2011 2 April	2010 3 April
	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	**7,60**	7,60	7,988
Actual borrowings (notes 17 and 18)	**(5,05**	(4,30	(4,650
Unutilised borrowing facilities	**2,55**	3,30	3,338
Total banking and loan facilities of the Group comprise:			
Revolving credit facility—Tranche A	**65**	65	
Revolving credit facility—Tranche B1	**25**	25	3,500[4]
Revolving credit facility—Tranche B2	**2,21**	2,21	
OtC receivables-backed notes	**4,30**	4,30	4,300
Receivable purchase facility	4	4	43
OtC liquidity facility	**14**	14	145
	7,60	7,60	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:

		2012	2011	2010
• Revolving credit facility	— Tranche A	June 201	June 201	June 2012
	— Tranche B1	December 201	December 201	
	— Tranche B2	March 201	March 201	
• Revolving credit ancillary facilities		Reviewe annual	Reviewe annual	Reviewed annually
• OtC receivables-backed notes (note 17.5)		July 2012 April 201	July 2012 April 201	July 2010 to April 2014
• Receivables purchase facility		April 201	April 201	April 2014
• OtC liquidity facility		April 201	April 201	April 2014

33.7.1 Maturity analysis of derivative financial instruments' cash flows

	2012	2011	2010
Cash outflows			
Due within one year	**2,56**	2,58	2,282
Total due within one year	**2,56**	2,58	2,282

	2012 31 March Rm	2011 2 April Rm	2010 3 April Rm
After one year but within two years	**12,74**	2,47	545
After two years but within three years	**1,81**	12,53	21,623
After three years but within four years		1,81	
Total due after one year	**14,55**	16,81	22,168
Total	**17,11**	19,39	24,450
Cash inflows			
Due within one year	**1,32**	1,44	1,337
Total due within one year	**1,32**	1,44	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)

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

	2012 31 March	2011 2 April	2010 3 April
	Rm	Rm	Rm

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:

		Fair value measurement using		
	Total	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
	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.

	2012 52 weeks to 31 March	2011 52 weeks to 2 April	2010 53 weeks to 3 April
	Rm	Rm	Rm
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:			
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:			
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)

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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 5 to 79.

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
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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 5 to 79 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 premiu m	Foreign currency translation reserve	Cash flow hedging reserve	Revaluati on 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 Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March 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**	11,2	11,250	**2,540**	2,457	2,715
CNA Division.....	**1,891**	1,851	1,836	**1,891**	1,8	1,836	**128**	138	154
Discount Division........	**9,244**	9,039	9,206	**9,053**	8,8	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**	21,8	22,075	**293**	1,491	2,088
South Africa	**24,177**	23,533	23,915	**21,432**	20,6	20,946	**164**	1,123	1,687
Other[7]	**1,409**	1,343	1,280	**1,284**	1,2	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			73	**199**	156	126
CNA Division.....	**22**	21	17			111	**20**	24	43
Discount Division........	**111**	110	106			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			697	**474**	473	569
South Africa	**1,205**	1,214	1,088			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.

Notes to the Group Financial Statements — (Continued)

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					1,833		**1,833**

	Edgars	CNA	Discount Division	Manufacturing	Credit and Financial Services	Group Services	Total
trade receivables							
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	2010 53 weeks to 3 April	2009 52 weeks to 28 March
	Rm	Rm	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.

Notes to the Group Financial Statements — (Continued)

3. PROPERTIES, FIXTURES, EQUIPMENT AND VEHICLES

	2011 2 April	2010 3 April	2009 28 March
	Rm	Rm	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

	2011 2 April	2010 3 April	2009 28 March
	Rm	**Rm**	**Rm**
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)

Notes to the Group Financial Statements — (Continued)

	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	2010 3 April	2009 28 March
	Rm	Rm	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

Notes to the Group Financial Statements — (Continued)

	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.

	2 April	3 April	28 March
	Rm	Rm	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

	2 April Rm	3 April Rm	28 March Rm
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

	2 April Rm	3 April Rm	28 March Rm
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	2010 3 April	2009 28 March
	Rm	Rm	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).

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	2010 3 April	2009 28 March
	Rm	Rm	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	2010 3 April	2009 28 March
	Rm	Rm	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

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

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 79

15.1 Aggregate profits/(losses) of subsidiaries and joint venture

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
Profits	**419**	355	254
Losses	**(2,062)**	(1,437)	(3,415)
	(1,643)	(1,082)	(3,161)

16. SHAREHOLDER'S LOAN

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
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.

Notes to the Group Financial Statements — (Continued)

2011 2 April	2010 3 April	2009 28 March

17. NON-CURRENT INTEREST BEARING DEBT

	Rm	Rm	Rm
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).

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.

Notes to the Group Financial Statements — (Continued)

2011 2 April	2010 3 April	2009 28 March
Rm	Rm	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

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	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 II receivables-backed notes	Amount and Fair Value at 3 April 2010	Maturity Date	Applicable interest	Margin
	Rm			%
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	2010 3 April	2009 28 March
	Rm	Rm	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	2010 3 April	2009 28 March
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

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
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

	2011 2 April	2010 3 April	2009 28 March
	Rm	Rm	Rm
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.

Notes to the Group Financial Statements — (Continued)

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:

	2011	2010	2009
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	2010 53 weeks to 3 April	2009 52 weeks to 28 March
	Rm	Rm	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

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

Notes to the Group Financial Statements — (Continued)

	2011 52 weeks to 2 April	2010 53 weeks to 3 April	2009 52 weeks to 28 March
	Rm	Rm	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

	2011	2010	2009
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

Notes to the Group Financial Statements — (Continued)

	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

	Pensioners Number	Members Number	Contributions
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	2010 53 weeks to 3 April	2009 52 weeks to 28 March
	Rm	Rm	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	2010 3 April	2009 28 March
	Rm	Rm	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		**135**	119	116	**124**	110	109
Accrued liability—% change				**4**	4	4			
Discount rate ...	**9%**	9.3%		**Decrease 1%**			**Increase 1%**		
Accrued liability—Rm	**130**	114		**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		114		**136**	119	117			
Accrued liability—% change				**5**	4	4			

	2011	**2010**	**2009**	**2008**	**2007**
26.5.4 Analysis of employee benefit liability (Rm)					
Accrued liability for post retirement medical aid	**130**	114	112	120	123

	2011 52 weeks to 2 April	2010 53 weeks to 3 April	2009 52 weeks to 28 March
	Rm	Rm	Rm
27. FINANCING COSTS AND INTEREST RECEIVED			
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

Notes to the Group Financial Statements — (Continued)

	2011 52 weeks to 2 April	2010 53 weeks to 3 April	2009 52 weeks to 28 March
	Rm	Rm	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)

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March Rm
Income tax expense reported in other comprehensive income	**(69)**	(23)	(433)

28.3 Deferred income tax comprises:

	2011	2010	2009
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)

Notes to the Group Financial Statements — (Continued)

	2011 52 weeks to 2 April Rm	2010 53 weeks to 3 April Rm	2009 52 weeks to 28 March 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.

29. CASH FLOW

	2011 52 weeks to 2 April	**2010 53 weeks to 3 April**	**2009 52 weeks to 28 March**
	Rm	**Rm**	**Rm**
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

Notes to the Group Financial Statements — (Continued)

	2011 52 weeks to 2 April	**2010 53 weeks to 3 April**	**2009 52 weeks to 28 March**
	Rm	**Rm**	**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

Notes to the Group Financial Statements — (Continued)

	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.

Notes to the Group Financial Statements — (Continued)

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				

	Foreign currency	Derivative fair value	Contract equivalent	Average rate
	Rm	Rm	Rm	%
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

	Fixed Rate		Floating Rate	
	Short-term	Long-term	Short-term	Long-term
	Rm	Rm	Rm	Rm
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	Floating rate
	Rm	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	**3,044**			**10.86**			**58**		

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
fixed rate notes (Euro tranche)......................									
Pay fixed / receive fixed interest rate hedges > 1 year-Senior secured fixed rate notes (USD tranche)......................	**1,320**			**10.99**			**38**		

Referto 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 Rm	2010 Rm	2009 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.....................................	**7,60**	7,98	10,20
Actual borrowings (notes 17 and 18)	**(4,30**	(4,65	(5,30
Unutilised borrowing facilities...	**3,30**	3,33	4,90
Total banking and loan facilities of the Group including OtC I and OtC II comprise:			
Revolving credit facility—Tranche A	**65**		
Revolving credit facility—Tranche B1	**25**	3,50	3,50
Revolving credit facility—Tranche B2	**2,21**		

	2011	2010	2009
	Rm	Rm	Rm
Borrowing base facility			3,90
OtC I receivable backed facility			2,60
OtC II receivables-backed notes	**4,30**	4,30	
Receivable purchase facility	**4**	4	
OtC I liquidity facility			20
OtC II liquidity facility	**14**	14	
	7,60	7,98	10,20

-

1 Includes R350 million ancillary facilities.

2 Includes R1,750 million ancillary facilities.

3 Includes R2,250 million ancillary facilities.

The maturity dates of the facilities are:		2011	2010	2009
		Rm	Rm	Rm
• 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**	

	Total	Fair value measurement using Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
	Rm	Rm	Rm	Rm
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

Notes to the Group Financial Statements — (Continued)

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.

	2011 2 April Rm	2010 3 April Rm	2009 28 March Rm
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:			
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

	2011 2 April	2010 3 April	2009 28 March
	Rm	Rm	Rm
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

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 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.

Group Secretary
CM Vikisi

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Group Financial Statements

Edcon Holdings (Proprietary) Limited

For the period ended 3 April 2010

Group Financial Statements of Edcon Holdings (Proprietary) Limited

(Registration number 2006/036903/07)

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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 3 April 2010, 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
2 June 2010

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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 3 April 2010, 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 F-18 to F-87.

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 3 April 2010, 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.
Registered Auditor

2 June 2010
Johannesburg

GOING CONCERN AND DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

For the period 3 April 2010

GOING CONCERN

The Group's statement of financial position at 3 April 2010 reports a net debit of R408 million in other reserves, an accumulated retained loss of R3,329 million and share premium of R2,148 million in equity attributable to shareholders. Therefore, the total deficit reported in equity at 3 April 2010 is R1,589 million.

The directors' having considered the going concern assumption have included the shareholder's loan of R7,341 million in the assessment (refer to note 33, management of capital). To the extent required to maintain the solvency of the Group, the Shareholder's loan agreement is subordinated to the claims of all of the creditors of the Group.

As a result, the Group Financial Statements set out on pages F-18 to F-87 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.

PRESENTATION OF FINANCIAL STATEMENTS

With effect 14 May 2007, the issued ordinary shares and preference shares in Edgars Consolidated Stores Limited (the "Predecessor") were acquired by Edcon Acquisition (Proprietary) Limited whose sole shareholder is Edcon Holdings (Proprietary) Limited (the "Successor"). Edcon Acquisition (Proprietary) Limited is the legal successor to Edgars Consolidated Stores Limited and Edcon Holdings (Proprietary) Limited is the parent of the Edcon Group.

As of 5 May 2007, all conditions precedent to the private equity transaction had been fulfilled and the new Group consisting of Edcon Holdings (Proprietary) Limited and all its subsidiaries has been consolidated as from 6 May 2007.

The Group Financial Statements for the period ended 3 April 2010 incorporate the results for the 53 weeks ended 3 April 2010 of the Successor. The Group Financial Statements for the comparative period ended 28 March 2009 incorporate the results for the 52 weeks of the Successor and for the period ended 29 March 2008 47 weeks of the Successor. One months results, being 5 weeks relating to the Predecessor for the period ending 5 May 2007, have been presented for comparative purposes.

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 28 March 2009 and for the periods then ended except for the changes set out on page F-19.

Accordingly, information for the current and comparative periods has been provided on the following basis: For periods ending prior to 6 May 2007, the financial position and results of the Predecessor are included and presented. For periods ending after 6 May 2007, the financial position and results of the Successor are included and presented.

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.

No event, material to the understanding of this report, has occurred between the financial year-end and the date of this report.

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.

COMPARABILITY

OntheCards Investments II (Proprietary) Limited

In August 2009, OntheCards Investments II (Proprietary) Limited (OtC II) raised R1 billion through the issuance of a combination of one year (R445 million) and three-year (R555 million) receivables-backed notes listed on the Bond Exchange of South Africa. OtC II used the proceeds from this issuance, together with a subordinated loan from Edcon (Proprietary) Limited of R515 million, to acquire accounts receivable of R484 million and R939 million from Edcon (Proprietary) Limited and OntheCards Investments Limited (OtC) respectively.

In November 2009, OtC II raised a further R3,378 million through the issuance of three-year receivables-backed notes, including R78 million issued to Edcon (Proprietary) Limited. OtC II used the proceeds from this issuance, together with a subordinated loan from Edcon (Proprietary) Limited of R1,547 million, to acquire accounts receivable of R1,429 million and R2,562 million from Edcon (Proprietary) Limited and OtC respectively.

In March 2010, OtC II acquired a further R152 million of trade accounts receivable from Edcon (Proprietary) Limited and refinanced R750 million of the notes issued in November 2009 with notes listed on the Bond Exchange of South Africa.

The results of OtC and OtC II have been consolidated and the results thereof are included in note 36 of these Group Financial Statements.

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, Group Chief Executive Officer

Johannesburg
2 June 2010

Currency of Group Financial Statements

The presentation and functional currency of the Group Financial Statements is South African Rand (R).

The approximate Rand cost of a unit of the following currencies at year-end was:

	2010	2009	2008
US Dollar	**7.24**	9.48	8.15
Sterling	**11.07**	13.68	16.26
Botswana Pula	**1.07**	1.23	1.25
Euro	**9.82**	12.78	12.82

Group Statement of Financial Position

	Note	Successor 2010 3 April	2009 28 March	2008 29 March
		Rm	Rm	Rm
ASSETS				
Non-current assets				
Properties, fixtures, equipment and vehicles	3	**2,663**	3,128	3,263
Intangible assets	4	**18,442**	18,997	20,112
Equity accounted investment in joint ventures	7	**—**	1	11
Derivative financial instruments	8		2,393	5,429
Deferred tax	9	**153**		
Total non-current assets		**21,258**	24,519	28,815
Current assets				
Inventories	10	**2,402**	2,544	2,148
Trade, other receivables and prepayments	11	**8,983**	9,710	8,742
Derivative financial instruments	8		188	421
Cash and cash equivalents	12	**1,125**	379	492
Total current assets		**12,510**	12,821	11,803
Total assets		**33,768**	37,340	40,618
EQUITY AND LIABILITIES				
Equity attributable to shareholders				
Share capital	13	**—**	—	—
Share premium	13	**2,148**	2,143	2,143
Other reserves	14	**(408)**	(280)	836
Retained loss	15	**(3,329)**	(2,289)	(1,590)
		(1,589)	(426)	1,389
Non-controlling interest		**—**	—	1
Total equity		**(1,589)**	(426)	1,390
Non-current liabilities—shareholder's loan				
Shareholder's loan	17	**7,341**	6,492	5,547
Total equity and shareholder's loan		**5,752**	6,066	6,937
Non-current liabilities—third parties				
Interest bearing debt	18	**18,875**	19,600	22,761
Subordinated loan	18			25
Lease equalisation		**386**	369	399
Derivative financial instruments	8	**3,093**	1,002	379
Employee benefit liability	27.1	**114**	112	120
Deferred tax	9		374	1,851
		22,468	21,457	25,535
Total non-current liabilities		**29,809**	27,949	31,082
Current liabilities				
Interest-bearing debt	19	**795**	5,300	4,507
Current taxation		**236**	470	138
Derivative financial instruments	8	**817**	514	
Trade and other payables	20	**3,700**	3,533	3,501
Total current liabilities		**5,548**	9,817	8,146
Total equity and liabilities		**33,768**	37,340	40,618
Total managed capital per IAS 1	33	**25,422**	30,966	34,204

Group Statement of Comprehensive Income

		Successor			Predecessor
	Note	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
		Rm	Rm	Rm	Rm
Total revenues	23	**24,876**	25,195	20,950	2,094
Revenue—retail sales		**21,888**	22,075	18,244	1,939
Cost of sales		**(13,848)**	(13,774)	(11,407)	(1,178)
Gross profit		**8,040**	8,301	6,837	761
Other income	24	**473**	467	411	35
Store costs		**(4,078)**	(3,847)	(3,162)	(270)
Other operating costs	25	**(3,028)**	(3,284)	(2,476)	(206)
Retail trading profit		**1,407**	1,637	1,610	320
Income from credit	26.1	**2,049**	2,271	1,783	102
Expenses from credit	26.2	**(1,771)**	(1,772)	(1,382)	(92)
Equity accounted earnings of joint venture		**435**	349	264	23
Trading profit		**2,120**	2,485	2,275	353
Restructure costs				(152)	(5)
Acquisition costs				(39)	
Gain on buy-back of senior floating rate notes	18.2		1,350		
Derivative (loss)/gain	8.6	**(5,081)**	(1,184)	4,612	
Unrealised foreign exchange gain/(loss) on notes issued	18.1	**4,622**	134	(5,926)	
Fees incurred on OtC II		**(33)**			
Impairment of indefinite life brands and goodwill	4	**(137)**	(697)		
Profit before net financing costs		**1,491**	2,088	770	348
Interest received	28.2	**31**	33	248	—
Profit before financing costs		**1,522**	2,121	1,018	348
Financing costs	28.1	**(2,946)**	(3,288)	(3,100)	(8)
(Loss) / profit before taxation		**(1,424)**	(1,167)	(2,082)	340
Taxation	29	**370**	472	522	(95)
(LOSS) /PROFIT FOR THE PERIOD		**(1,054)**	(695)	(1,560)	245
Other comprehensive income after tax:					
Gains on revaluation of buildings				23	
Cash flow hedges		**(60)**	(1,113)	782	
Exchange difference on translating foreign operations		**(48)**	(3)	31	(5)
Other		**(1)**	(5)	(4)	(1)
Other comprehensive income for the period after tax		**(109)**	(1,121)	832	(6)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(1,163)**	(1,816)	(728)	239
(Loss)/profit attributable to:					
Owners of the parent		**(1,054)**	(694)	(1,559)	245
Non-controlling interest		**—**	(1)	(1)	—
Total comprehensive income attributable to:					
Owner of the parent		**(1,163)**	(1,815)	(730)	239
Non-controlling interest		**—**	(1)	2	—

Group Statement of Changes in Equity

	Share capital	Share premium	Translation of foreign operations	Cash flow hedges	Revaluation surplus	Retained (loss)/ surplus	Total	Non-controlling interest	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Predecessor									
Balance at 1 April 2007		23	5			4,67	4,96	1	4,97
Total comprehensive income for the period			(			24	23		23
Share based payments									
Acceleration of options		72					72		72
Balance at 5 May 2007		95	5			4,91	5,93	1	5,94
Successor									
Opening balance at 6 May 2007									
Total comprehensive income for the period			3	78	2	(1,56	(72		(72
Ordinary share capital issued	-	1,93					1,93		1,93
Preference share capital issued	-	20					20		20
Preference share dividends						(2	(2		(2
Balance at 29 March 2008	-	2,14	3	78	2	(1,59	1,38		1,39
Total comprehensive income for the period			(	(1,11		(69	(1,81	(	(1,81
Balance at 28 March 2009	-	2,14	2	(33	2	(2,28	(42	-	(42
Total comprehensive income for the period			(4	(6		(1,05	(1,16	-	(1,16
Transfer to retained earnings					(2	2			
Preference share capital issued	-	18					18		18
Ordinary share capital repurchased	-	(17					(17		(17
Preference dividends						(	(		(
Balance at 3 April 2010	**-**	**2,14**	**(2**	**(39**		**(3,32**	**(1,58**	**-**	**(1,58**
Note	13	13.	1	1	1	1			

Group disclosure of tax effects on other comprehensive income

	Successor			Predecessor
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm
Disclosure of tax effects relating to each component of other comprehensive income:				
Before tax amount				
Gains on revaluation of buildings			26	
Cash flow hedges	**(83)**	(1,546)	1,086	
Exchange differences on translating foreign operations	**(48)**	(3)	31	(5)
Other	**(1)**	(5)	(4)	(1)
Other comprehensive income for the period before tax	**(132)**	(1,554)	1,139	(6)
Tax (expense) / income				
Gains on revaluation of buildings			(3)	
Cash flow hedges	**23**	433	(304)	
Tax (expense) / income	**23**	433	(307)	
After tax amount				
Gains on revaluation of buildings			23	
Cash flow hedges	**(60)**	(1,113)	782	
Exchange differences on translating foreign operations	**(48)**	(3)	31	(5)
Other	**(1)**	(5)	(4)	(1)
Other comprehensive income for the period after tax	**(109)**	(1,121)	832	(6)

Group Statement of Cash Flows

	Note	Successor 2010 53 weeks to 3 April Rm	Successor 2009 52 weeks to 28 March Rm	Successor 2008 47 weeks to 29 March Rm	Predecessor 2007 5 weeks to 5 May Rm
Cash retained from operating activities					
(Loss)/profit before taxation		**(1,424)**	(1,167)	(2,082)	340
Interest received		**(31)**	(33)	(248)	—
Financing costs		**2,946**	3,288	3,100	8
Impairment of intangibles	4	**137**	697		
Derivative realised and unrealised loss/(gain)	8.6	**5,081**	1,184	(4,612)	
Unrealised foreign exchange (gain)/loss on notes issued	18.1	**(4,622)**	(134)	5,926	
Gain on buy-back of senior floating rate notes	18.2		(1,350)		
Amortisation	25.1	**418**	418	380	—
Depreciation	25.3	**807**	681	410	27
Other non-cash items	31.1	**40**	131	14	(16)
Operating cash inflow before changes in working capital		**3,352**	3,715	2,888	359
Working capital movement	31.2	**952**	(1,553)	165	(506)
Cash generated/(utilised) from operating activities		**4,304**	2,162	3,053	(147)
Interest received		**31**	15	248	—
Financing costs paid		**(2,190)**	(2,280)	(2,298)	(8)
Taxation paid	31.3	**(368)**	(235)	(246)	—
Net cash retained/(utilised)		**1,777**	(338)	757	(155)
Cash utilised in investment activities					
Investment to maintain operations	31.4	**(264)**	(419)	(332)	(26)
Investment to expand operations	31.5	**(89)**	(149)	(24,390)	(21)
Net cash invested		**(353)**	(568)	(24,722)	(47)
Cash effects of financing activities					
Increase in shareholder funding	31.6			7,025	
Notes issued	31.7			17,063	
Buy-back of senior floating rate notes	31.8		(1,768)		
Proceeds from derivatives			1,793		
Proceeds from receivables-backed notes issued	31.9	**4,300**			
(Decrease)/increase in interest-bearing debt	31.10	**(4,950)**	768	106	238
Net cash (outflow)/inflow from financing activities		**(650)**	793	24,194	238
Increase/(decrease) in cash and cash equivalents	31.11	**774**	(113)	229	36
Cash and cash equivalents at the beginning of the period		**379**	492	—	471
Consolidation of OtC				261	
Currency adjustments		**(28)**	—	2	—
Cash and cash equivalents at the end of the period		**1,125**	379	492	507

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.

With effect 14 May 2007, the issued ordinary shares and preference shares in Edgars Consolidated Stores Limited (the "Predecessor") were acquired by Edcon Acquisition (Proprietary) Limited whose sole shareholder is Edcon Holdings (Proprietary) Limited (the "Successor"). Edcon Acquisition (Proprietary) Limited is the legal successor to Edgars Consolidated Stores Limited and Edcon Holdings (Proprietary) Limited the parent of the Edcon Group.

As of 5 May 2007, all conditions precedent to the private equity transaction had been fulfilled and the new Group consisting of Edcon Holdings (Proprietary) Limited and all its subsidiaries has been consolidated as from 6 May 2007.

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 28 March 2009 and for the period then ended.

Financial information for the current and comparative periods has been provided on the following basis: For periods ending prior to 6 May 2007, the financial position and results of the Predecessor are included and presented. For periods ending after 6 May 2007, the financial position and results of the Successor are included and presented.

These Financial Statements should be read in conjunction with the audited Financial Statements as at and for the period ended 28 March 2009 as included in the 2009 audited Group Financial Statements of Edcon Holdings (Proprietary) Limited.

The Financial Statements are prepared in accordance with the historical cost basis except for land and buildings and financial instruments that have been measured at fair value.

The 2010 and 2009 financial period consisted of 53 weeks and 52 weeks respectively while, the 2008 financial period consisted of 47 weeks relating to the Successor and 5 weeks relating to the Predecessor.

1.2 Comparability

1.2.1 Standards and interpretations issued

The Group has adopted all applicable Standards and Interpretations which have become effective during the current period which include:

IFRS 8, Operating Segments

This standard was issued in November 2006 and became effective for financial years on or after 1 January 2009. The standard specifies how an entity should report information about its operating segments in financial statements.

The effect of implementing this standard has impacted the identification of operating segments. Edgars and CNA are now considered to be two distinct operating segments, whereas previously they were combined and reported under the Department Stores Division. Additionally, information presented in note 2 introduces a management reporting approach to measuring the results of reportable operating segments and the amounts reported for each segment are consistent with internal management reports.

The comparative results in note 2 have been restated in accordance with IFRS 8 and the related disclosures presented.

IAS 1, Presentation of Financial Statements

IAS 1 was revised and became effective for financial periods beginning on or after 1 January 2009. The standard separates owner and non-owner changes in equity, introduces a Statement of Comprehensive Income to replace the Income Statement and what was previously termed the Balance Sheet is now known as the Statement of Financial Position.

As a result of implementing this standard, these audited Financial Statements present a Statement of Financial Position, a single statement of Comprehensive Income which, presents all items of income and expense recognised in profit or loss together with all other items of recognised income and expense and, a Statement of Changes in Equity which only includes details of transactions with owners.

The comparative periods have been appropriately restated and presented on the same basis.

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—Vesting Conditions and Cancellations
- IAS 23, Borrowing Costs
- Amendment to IAS 32 and IAS 1, Puttable Financial Instruments
- IFRIC 13, Customer Loyalty Programmes
- IFRIC 16, Hedges of Net Investment and a Foreign Operation
- Amendments to IFRIC 9 and IAS 39, Embedded Derivatives
- Amendments to IFRS 7 Financial Instruments : Disclosures
- IFRIC 18, Transfers of Assets from Customers
- Annual Improvements, May 2008

The Group Financial Statements conform to International Financial Reporting Standards. The Financial Statements incorporate the following accounting policies:

1.3 Basis of consolidation

The Group Financial Statements comprise the financial statements of the parent company (Edcon Holdings (Proprietary) Limited), its subsidiaries, the Staff Empowerment Trust, OtC, OtC II 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. Where there is a loss of control of a subsidiary, the Group Financial Statements include the results for the part of the reporting period during which the Group has control. The identifiable assets and liabilities of entities acquired are assessed and included in the Group statement of financial position at their fair values as at the dates of acquisition.

New acquisitions are included in the Group Financial Statements using the purchase method whereby the assets and liabilities are measured at their fair value. The purchase consideration is allocated to the assets and liabilities on the basis of fair values at the date of acquisition.

Notes to the Group Financial Statements — (Continued)

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the profit or loss and within equity in the Group statement of financial position, separately from Edcon Holdings (Proprietary) Limited's shareholders' equity.

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), an allowance for doubtful debts (refer to note 1.9.3), allowances for slow-moving inventory (refer to note 1.10), residual values, useful lives and depreciation methods (refer to note 1.12), pension fund and employee obligations (refer to note 1.19, 27.2.1 and 27.2.2), and intangible asset impairment tests (refer to note 5). Other judgments made relate to classifying financial assets and liabilities into categories.

The Group owns 40% of the shares in Edgars Zimbabwe Limited. Edgars Zimbabwe has not been equity accounted in the current or prior years as the effect is considered to be immaterial and no further disclosure is made in these Group Financial Statements.

1.5 Foreign currency transactions

The functional and presentation currency of the Group Financial Statements is the South African Rand. Transactions in foreign currencies are initially recorded in the functional 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 functional currency, being the South African Rand, at exchange rates ruling at the reporting date. Exchange differences arising on the settlement of transactions, 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 and Swaziland News Agency (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 Goodwill

Goodwill is initially measured at cost and represents the excess of the purchase consideration over the fair value of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses relating to goodwill are not reversed in future periods.

If on acquiring an entity, the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity exceed the purchase consideration, this excess/(discount) is recognised in profit or loss immediately.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the acquisition. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. 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 that operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

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 and assessed for indicators of impairment. Annually, intangible assets with an indefinite useful life are reviewed for impairment or changes in estimated future benefits, either individually or at the cash-generating unit level. Such 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. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

The Group's intangible assets and 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 held-to-maturity investments, trade and other receivables and cash and cash equivalents which are classified as either loans and receivables, held to maturity investments, or as 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 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 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. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses from changes in fair value on derivatives are taken directly to profit or loss except for the effective portion of cash flow hedges, which is recognised in other comprehensive income. 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 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 values for similar instruments. A credit risk valuation adjustment is incorporated to appropriately reflect both our 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 current net exposure of each derivative (excluding potential future exposure) and then discounting the estimated cash flows at a rate adjusted with 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 comprehensive income are transferred to profit or loss in the same period in which the hedged item affects the profit or loss, for example when interest payments are made.

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 comprehensive income is kept in 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 comprehensive income is transferred to profit or loss for the period.

1.9.2 Held-to-maturity investments

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest rate method, less impairment. Interest received on loan and debt securities is included in profit or loss as interest received and is recognised on an accrual basis. The losses arising from any impairment are recognised in profit or loss in financing costs. The Group did not have any held-to-maturity investments during the periods ended 3 April 2010, 28 March 2009 and 29 March 2008.

1.9.3 Trade and other receivables

Subsequent to initial measurement, receivables are recognised at amortised cost less an allowance for doubtful debts. 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. Bad debts incurred 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.

1.9.4 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.

1.9.5 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.

1.9.6 Financial liabilities

Financial liabilities, other than derivatives, are subsequently amortised at their original debt value, less principal payments and amortisation. Discounts arising from the difference between the net proceeds from 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.

1.9.7 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 readily disposable.

All store inventories are physically verified at least twice a year through the performance of inventory counts and shortages identified are written off immediately in profit or loss. Stores, which have a history of high inventory losses, are subject to more frequent inventory counts. An allowance is made, based on historical trends of inventory losses, for losses incurred between the last physical count and the reporting date.

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 valued 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 the asset revaluation reserve, 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, less accumulated impairment loss, and 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 equity is recognised in equity 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 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% (12.5% to October 2007) 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 the Group statement of comprehensive income 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, equity accounted earnings of 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

IFRS 1, First-time Adoption of International Financial Reporting Standards

Certain amendments and revisions have been made to IFRS 1 to make the standard more structured and provide exemptions for the accounting for the cost of an investment in a subsidiary, jointly controlled entity or associate and amendments to address the retrospective application of the standard in particular situations.

The revision and amendments to the standard will have no impact on the Group.

IFRS 2, Share-based Payments—Group Cash-settled Share-based Payment Transactions

IFRS 2 was amended in June 2009 and is effective for financial periods beginning on or after 1 January 2010. The amendment clarifies the scope of IFRS 2 and the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. The amendments also incorporated the guidance in IFRIC 8, scope of IFRS 2 and IFRIC 11, Group and Treasury Share Transactions and therefore both IFRIC 8 and IFRIC 11 were withdrawn.

The Group has not entered into any share-based payment schemes and therefore having evaluated the effect of adopting this standard, has concluded it will not materially impact the Group.

IFRS 3, Business Combinations and IAS 27, Consolidated and Separate Financial Statements

These standards were revised and reissued in January 2008 and become effective for financial periods beginning on or after 1 July 2009 with prospective application. IFRS 3 applies to all transactions and events that meet the definition of a business combination. IAS 27 was revised to require that a change in ownership interest of a subsidiary is accounted for as an equity transaction and the accounting for losses incurred by a subsidiary as well as the loss of control of a subsidiary was changed.

The Group has evaluated the effect of adopting these standards and has resolved that the standards will have a material effect on all future business combinations in future reporting periods on adoption of the standards.

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.

The Group is still evaluating the effect of adopting this standard but does not expect adoption thereof to have a material impact on the Group Financial Statements.

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.

IAS 32, Financial Instruments: Presentation—Classification of Rights Issues

An amendment was issued in October 2009 and becomes effective for financial periods beginning on or after 1 February 2010. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer.

Previously such rights issues were accounted for as derivative liabilities. The amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

The Group has evaluated the effect of adopting this amendment and does not expect adoption thereof, to impact the Group Financial Statements.

IAS 39, Eligible Hedged Items

This amendment was issued in July 2008 to clarify how principles that determine whether a hedged risk or portion of cash flows is eligible for designation and how this should be applied in certain situations. The amendment becomes effective for financial periods beginning on or after 1 July 2009.

The Group has evaluated the effect of adopting this amendment and does not expect that adoption thereof will impact the Group Financial Statements.

IFRIC 14, Prepayments of a 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 17, Distributions of Non-cash Assets to Owners

The IFRIC is effective for annual periods beginning on or after 1 July 2009 with prospective application. IFRIC 17 provides guidance on how an entity should account for the distribution of assets other than cash, as dividends to its owners, acting in their capacity as owners including prescribed disclosures.

The Group has evaluated the impact of adopting this interpretation and has concluded that IFRIC 17 will only impact the Group's Financial Statements where the Group distributes assets other than cash to its owners in terms of recognising any dividend payable, measurement of any dividend payable and applicable disclosures prescribed by this interpretation.

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 April 2009)

The Standard deals with the amendments to standards and interpretation listed below and become effective for financial periods beginning on or after 1 January 2010 unless otherwise stated below:

- IFRS 2, Share-based Payment—effective periods beginning on or after 1 July 2009
- IFRS 5, Non-current Assets Held for Sale and Discontinued Operations

- IFRS 8, Operating Segments
- IAS 1, Presentation of Financial Statements
- IAS 7, Statement of Cash Flows
- IAS 17, Leases
- IAS 36, Impairment of Assets
- IAS 38, Intangible Assets—effective periods beginning on or after 1 July 2009
- IAS 39, Financial Instruments: Recognition and Measurement
- IFRIC 9, Reassessment of Embedded Derivatives
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation—effective periods beginning on or after 1 July 2009

The Group has evaluated the impact of all improvements and has concluded the improvements shall have no material impact on the Group's Financial Statements on adoption of these improvements.

2. OPERATING SEGMENT REPORT

For management purposes, the Group is organised into business units based on their target markets and product offering, and all retail business is structured under four reportable operating segments. The operating segments are as follow:

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.

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]			
	Successor			Predecessor	Successor			Predecessor	Successor			Predecessor
	2010	2009	2008 47 weeks to March	2007 5 weeks to 5 May	2010	2009	2008 47 weeks to March	2007 5 weeks to 5 May	2010	2009	2008 47 weeks to March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Edgars Division..	**11,425**	11,455	9,71	1,05	**11,213**	11,250	9,53	1,03	**2,457**	2,715	2,24	29
CNA Division..	**1,851**	1,836	1,57	14	**1,851**	1,836	1,57	14	**138**	154	16	1
Discount Division..	**9,039**	9,206	7,33	77	**8,824**	8,989	7,13	75	**1,011**	1,226	96	16
Manufacturing Division..	**46**	45	3						**6**	2	(	
Credit and Financial Services.	**2,504**	2,633	2,05	12					**713**	848	66	3
Group Services [2]............	**11**	20	23	-					**(2,834**	(2,857	(3,27	(15
Group.........	**24,876**	25,195	20,95	2,09	**21,888**	22,075	18,24	1,93	**1,491**	2,088	77	34
South Africa.	**23,533**	23,915	20,01	2,01	**20,688**	20,946	17,42	1,85	**1,123**	1,687	48	31
Other[7].........	**1,343**	1,280	93	8	**1,200**	1,129	82	8	**368**	401	28	3

	DEPRECIATION AND AMORTISATION				IMPAIRMENT OF INTANGIBLES[5]				CAPITAL EXPENDITURE[6]			
	Successor			Predecessor	Successor			Predecessor	Successor			Predecessor
	2010	2009	2008 47 weeks to March	2007 5 weeks to 5 May	2010	2009	2008 47 weeks to March	2007 5 weeks to 5 May	2010	2009	2008 47 weeks to March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Edgars Division..	**126**	124	9		**17**	73			**156**	126	19	1
CNA Division..	**21**	17	1		**71**	111			**24**	43	3	
Discount Division..	**110**	106	8		**49**	513			**114**	168	8	
Manufacturing Division..	**2**	2		-					**1**	1	–	-
Credit and Financial Services.	**5**	4		-					**1**	—		-
Group	**961**	846	59	1					**177**	231	20	3

	REVENUES				REVENUE-RETAIL SALES				SEGMENT RESULT-OPERATING PROFIT[3]			
	Successor			Predecessor	Successor			Predecessor	Successor			Predecessor
	2010	2009	2008 47 weeks to March	2007 5 weeks to 5 May	2010	2009	2008 47 weeks to March	2007 5 weeks to 5 May	2010	2009	2008 47 weeks to March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Services[2]												
Group.........	**1,225**	1,099	79	2	**137**	697			**473**	569	52	4
South Africa.	**1,214**	1,088	78	2	**137**	697			**467**	562	51	4
Other[7]	**11**	11	1						**6**	7		

Notes

1 Represents manufacturing sales to third parties. In deriving the revenue, inter-group manufacturing sales of R96 million (52 weeks to 28 March 2009 R145 million, 47 weeks to 29 March 2008, R153 million and 5 weeks to 5 May 2007 R13 million) have been eliminated.

2 Incorporating corporate divisions and consolidation adjustments, including additional depreciation and amortisation which arose on formation of the Successor.

3 The 2010 and 2009 segmental result is stated after impairment of intangibles.

4 Includes equity accounted earnings of joint ventures of R435 million (52 weeks to 29 March 2009 R349 million, 47 weeks to 29 March 2008 R264 million and 5 May 2007 R23 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 31.4).

7 Comprising Botswana, Lesotho, Swaziland and Namibia.

8 2010 financial data is presented for 53 weeks, 2009 financial data is presented for 52 weeks and 2008 financial data is presented for the 47 weeks ended 29 March 2008 for the Successor. Comparative data of the Predecessor is for the 5 weeks ended 5 May 2007.

Notes to the Group Financial Statements — (Continued)

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
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					349		349

	Edgars	CNA	Discount Division	Manufacturing	Credit and Financial Services	Group Services	Total
earnings of joint ventures							
Interest received.....					13	20	33
Total revenue........	11,455	1,836	9,206	45	2,633	20	25,195
47 weeks to 29 March 2008							
Retail sales............	9,537	1,572	7,135				18,244
Club revenue..........	174		198				372
Manufacturing sales[1].................				39			39
Finance charges on trade receivables					1,779		1,779
Equity accounted earnings of joint ventures					264		264
Preference dividend.............					4		4
Interest received.....					12	236	248
Total revenue........	9,711	1,572	7,333	39	2,059	236	20,950
5 weeks to 5 May 2007							
Retail sales............	1,036	144	759				1,939
Club revenue..........	16		17				33
Manufacturing sales[1].................				2			2
Finance charges on trade receivables					93		93
Equity accounted earnings of joint ventures					23		23
Preference dividend.............					4		4
Total revenue........	1,052	144	776	2	120		2,094

Note

1 Represents manufacturing sales to third parties. In deriving the revenue, inter-group manufacturing sales of R96 million (52 weeks to 28 March 2009, R145 million, 47 weeks to 29 March 2008, R153 million and 5 weeks to 5 May 2007 R13 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:

	Successor			Predecessor
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm
Clothing	**10,197**	9,974	8,403	971
Footwear	**3,066**	2,870	2,372	258
Cosmetics..	**2,370**	2,448	1,847	152
Homeware	**1,480**	1,482	1,309	127
Cellular	**1,531**	1,968	1,744	196

	Successor			Predecessor
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm
Stationery, books, magazines etc	**1,627**	1,596	1,354	120
Hardlines and FMCG	**1,617**	1,737	1,215	115
Total sales	**21,888**	22,075	18,244	1,939

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:

	2010 3 April	2009 28 March	2008 29 March
Edgars division	**263**	267	253
CNA division	**203**	211	200
Discount division	**762**	755	688
Group	**1,228**	1,233	1,141

2.3 Reportable operating segment assets and liabilities

The following is an analysis of the operating segments assets and liabilities:

	TOTAL ASSETS			TOTAL LIABILITIES		
	Successor			Successor		
	2010	2009	2008	2010	2009	2008
	Rm	Rm	Rm	Rm	Rm	Rm
Edgars Division	**2,181**	2,348	1,670	**327**	377	459
CNA Division	**420**	392	323	**58**	50	52
Discount Division	**1,879**	1,887	1,303	**242**	219	281
Manufacturing Division	**46**	53	62	**6**	18	21
Credit and Financial Services	**9,656**[1]	9,619[1]	8,758[1]	**4,457**	162	146
Group Services[2]	**19,586**	23,041	28,502	**30,267**	36,940	38,269
Group	**33,768**	37,340	40,618	**35,357**	37,766	39,228
South Africa	**33,086**	36,652	39,987	**35,326**	37,673	39,163
Other[3]	**682**	688	631	**31**	93	65

Notes

1 Includes investment in joint ventures of Rnil million (2009 and 2008: R1 million and R11 million).

2 Incorporating corporate divisions and consolidation adjustments, including additional depreciation and amortisation which arose on formation of the Successor.

3 Compromising Botswana, Lesotho, Swaziland and Namibia.

3. PROPERTIES, FIXTURES, EQUIPMENT AND VEHICLES

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
Historic cost except for revalued land and buildings			
Land and buildings			
Historic cost	**40**	131	98
Revaluation surplus	**1**	35	35
Leasehold improvements	**564**	495	470
Fixtures and fittings	**2,656**	2,438	2,272

	Successor		
	2010 3 April	**2009 28 March**	**2008 29 March**
	Rm	**Rm**	**Rm**
Computer equipment and software	**1,122**	952	642
Machinery and vehicles	**170**	169	156
	4,553	4,220	3,673
Accumulated depreciation			
Buildings	**3**	8	4
Leasehold improvements	**254**	155	58
Fixtures and fittings	**1,018**	595	206
Computer equipment and software	**547**	290	126
Machinery and vehicles	**68**	44	16
	1,890	1,092	410
Net carrying value	**2,663**	3,128	3,263
Comprising:			
Land and buildings	**38**	158	129
Leasehold improvements	**310**	340	412
Fixtures and fittings	**1,638**	1,843	2,066
Computer equipment and software	**575**	662	516
Machinery and vehicles	**102**	125	140
	2,663	3,128	3,263
Opening net carrying value	**3,128**	3,263	—
Movements for the year			
Land and buildings—revaluation, cost less accumulated depreciation			26
Capital expenditure			
Buildings	**—**	—	—
Leasehold improvements	**68**	65	64
Fixtures and fittings	**230**	233	257
Computer equipment and software	**174**	265	201
Machinery and vehicles	**1**	3	2
	473	566	524
Fair value of acquisitions (note 31.12)			
Acquisition of the Edcon Group:			
Land and buildings			105
Leasehold Improvements			409
Fixtures and fittings			1,973
Computer equipment and software			440
Machinery and vehicles			155
Acquisition of Discom—fixtures and fittings			39
			3,121
Other			
Currency adjustments	**(4)**	(1)	8
Reclassification of assets		—	
Buildings		33	
Leasehold improvements		(36)	
Fixtures and fittings		(57)	
Computer equipment and software		50	
Machinery and vehicles		10	
	469	565	3,679
Disposals			
Land and buildings	**113**	—	—
Leasehold improvements	**3**	4	1
Fixtures and fittings	**11**	10	5
Computer equipment and software		5	—
Machinery and vehicles		—	—
	127	19	6
Depreciation (note 25.3)	**807**	681	410
Closing net carrying value	**2,663**	3,128	3,263

Notes to the Group Financial Statements — (Continued)

The reclassifications on page F-45 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 Edcon Group acquisition.

Land and buildings were revalued at 1 March 2008 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 is R40 million (2009 and 2008: R156 million and R98 million) and the accumulated depreciation is R3 million (2009 and 2008: R8 million and R4 million).

At 3 April 2010 the properties, fixtures, equipment and vehicles have an estimated replacement cost and insurance value of R6,4 billion (2009 and 2008: R6,0 billion and R5,2 billion) which excludes input value added-tax where appropriate. The Group had no idle fixed assets. The gross cost of fully depreciated fixtures, equipment and vehicles is immaterial.

These assets are security in terms of the floating rate notes issued (note 18) and the revolving credit facility (note 19).

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	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	**18,997**	20,112	
Current period movements			
Goodwill on acquisition of Edcon Group (note 31.12.1)			8,348
Goodwill on acquisition of Discom (note 31.12.2)			86
Goodwill on consolidation of OtC (note 31.12.3)			79
Intangible assets on acquisition of the Edcon Group (note 31.12.1)			11,906
Intangible asset on acquisition of Discom (note 31.12.2)			73
Amortisation of intangible assets:			
Charge for the period (note 25.1)	**(418)**	(418)	(380)
Impairment of goodwill	**(71)**	(12)	
Impairment of indefinite life brands	**(66)**	(685)	
Balance at the end of the period	**18,442**	18,997	20,112
Comprising:			
Goodwill at cost	**8,513**	8,513	8,513
Intangible assets at cost	**11,979**	11,979	11,979
Impairment of intangibles	**(834)**	(697)	
Accumulated amortisation of intangible assets	**(1,216)**	(798)	(380)
	18,442	18,997	20,112

Notes to the Group Financial Statements — (Continued)

	Successor		
	2010 3 April	2009 28 March	2008 29 March

	Rm	Rm	Rm
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)**	(685)	
	(751)	(685)	
Accumulated amortisation of intangible assets:			
Finite life brands	**(64)**	(41)	(18)
Customer relationships	**(659)**	(433)	(207)
Trademarks recognised	**(60)**	(40)	(19)
Customer lists	**(217)**	(142)	(68)
Technology	**(216)**	(142)	(68)
	(1,216)	(798)	(380)
Carrying value of intangible assets:			
Indefinite life brands	**7,741**	7,807	8,492
Finite life brands	**165**	188	211
Customer relationships	**1,315**	1,541	1,767
Trademarks recognised	**146**	166	187
Customer lists	**344**	419	493
Technology	**301**	375	449
	10,012	10,496	11,599

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 is 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.

Notes to the Group Financial Statements — (Continued)

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% (2009 and 2008: 15%) and for the Credit and Financial Services division, 17% (2009 and 2008: 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% (2009 and 2008: 6% and 5% respectively) 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**

During the current period a total impairment of R66 million (2009: R685 million) has been 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 has been fully impaired at 3 April 2010, R71 million in the current period (2009: R12 million).

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. The gross margin of Edgars, CNA and the Discount Division is held constant over the financial forecast period.

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.

Notes to the Group Financial Statements — (Continued)

6. HELD-TO-MATURITY INVESTMENTS

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. These notes are eliminated on consolidation. Refer to note 18.3.

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
7. EQUITY ACCOUNTED INVESTMENT IN JOINT VENTURES			
Hollard Insurance—50% holding offering long and short-term insurance products to account holders	**—**	1	11
SA Eagle Legal (Pty) Ltd	**—**	—	—
	—	1	11
7.1 Share of joint ventures' reserves			
Balance at the beginning of the period	**1**	11	—
Acquisition of Edcon Group			38
Profit for the period	**435**	349	264
Administration fee	**(267)**	(129)	
Dividends received	**(169)**	(230)	(291)
Carrying value of joint ventures	**—**	1	11
7.2 Share of joint ventures' net assets, revenue and profit			
Current assets	**511**	270	222
Current liabilities	**60**	56	23
Revenue	**1,049**	990	622
Expenses	**527**	515	210
Profit after tax	**435**	349	264

8. DERIVATIVE FINANCIAL INSTRUMENTS

	2010 3 April	2009 28 March	2008 29 March
8.1 Non-current derivative assets			
Foreign currency forward contracts[1]		232	942
Currency swaps		2,161	4,487
		2,393	5,429
8.2 Current derivative assets			
Interest rate swaps[1]			5
Foreign currency forward contracts[1]		188	416
		188	421
8.3 Non-current derivative liabilities			
Interest rate swaps[1]	**91**	503	379
Foreign currency forward contracts[1]	**76**	68	
Currency swaps	**2,926**	431	
	3,093	1,002	379
8.4 Current derivative liabilities			
Interest rate swaps[1]	**487**	454	
Foreign currency forward contracts[1]	**330**	60	
	817	514	
8.5 Total derivatives			
Interest rate swap liability	**(578)**	(957)	(374)
Foreign currency forward contracts (liability)/asset	**(406)**	292	1,358
Currency swaps (liability)/asset	**(2,926)**	1,730	4,487
	(3,910	1,065	5,471

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
	)		

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
Credit risk valuation adjustments[2]			
Interest rate swaps	**(79)**	(240)	—
Foreign currency forward contracts	**(23)**	(18)	—
Currency swaps	**(561)**	(168)	—
	(663)	(426)	—
Total derivatives before credit risk valuation adjustments			
Interest rate swap liability	**(657)**	(1,197)	(374)
Foreign currency forward contracts (liability)/asset	**(429)**	274	1,358
Currency swaps (liability)/asset	**(3,487)**	1,562	4,487
	(4,573)	639	5,471

1 Refer to note 34.2 for details of hedging activities.

2 Credit risk valuation adjustments are included in the total fair value of derivatives above.

The Group issued Euro denominated floating rate notes to the value of € 1,810 million on the Irish Stock Exchange on 15 June 2007. The issue consisted of senior secured floating rate notes and senior floating rate notes of €1,180 million and €630 million respectively.

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.

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.

The remaining notes expose the Group to both interest rate risk and foreign exchange risk. The Group has executed the following hedging strategy:

- A series of interest rate swaps were entered at a swap rate of pay 4.529% fixed, receive three months EURIBOR, quarterly. Settlement dates match the quarterly payment dates for coupons on the floating rate 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 and the senior secured floating rate notes (refer to note 18) 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 at each payment date. 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 floating rate notes and were designated as a cash flow hedge.
- A currency swap was entered to economically hedge the repayment of the €1,558 million (2009 and 2008: €1,558 million and €1,810 million respectively) principal on the senior and senior secured floating rate notes and matures on 15 June 2012.

Notes to the Group Financial Statements — (Continued)

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
8.6 Derivative (losses)/gains			
Derivative (losses)/gains	**(5,081)**	(1,184)	4,612
	(5,081)	(1,184)	4,612
Included in derivative (losses)/gains:			
Ineffective portion of cash flow hedges released from equity	**(39)**	12	
Included in profit before net financing costs, released from equity (note 14)		231	(148)
Included in net financing costs released from equity (note 14)	**6**	265	
Derivative (losses)/gains released from equity	**(33)**	508	(148)
8.8 Maturity analysis of derivative financial instruments' cash flows			
Cash outflows			
Due within one year	**2,282**	2,205	1,663
Total due within one year	**2,282**	2,205	1,663
After one year but within two years	**545**	2,268	1,935
After two years but within three years	**21,623**	564	2,026
After three years but within four years		21,623	504
After four years but within five years			23,054
Total due after one year	**22,168**	24,455	27,519
Total	**24,450**	26,660	29,182
Cash inflows			
Due within one year	**1,337**	1,738	2,116
Total due within one year	**1,337**	1,738	2,116
After one year but within two years	**350**	1,831	2,239
After two years but within three years	**17,500**	475	2,383
After three years but within four years		23,617	623
After four years but within five years			29,933
Total due after one year	**17,850**	25,923	35,178
Total	**19,187**	27,661	37,294
Net cash (outflows)/inflows			
Due within one year	**(945)**	(467)	453
Total due within one year	**(945)**	(467)	453
After one year but within two years	**(195)**	(437)	304
After two years but within three years	**(4,123)**	(89)	357
After three years but within four years		1,994	119
After four years but within five years			6,879
Total due after one year	**(4,318)**	1,468	7,659
Total	**(5,263)**	1,001	8,112

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.

	Successor			Predecessor
	2010 3 April	2009 28 March	2008 29 March	2007 5 May
	Rm	Rm	Rm	Rm
9. DEFERRED TAXATION				
Balance at the beginning of the period	**(374)**	(1,851)	—	82
Deferred tax arising on acquisitions and consolidation of OtC (note 31.12)			(2,289)	—
Group profit or loss (note 29.1)	**515**	1,193	718	(5)
Deferred tax in other comprehensive income—currency forwards (note 29.2)	**121**	279	(280)	—
Deferred tax in other comprehensive income—interest rate swaps (note 29.2)	**(109)**			
Other		5		(77)
Balance at the end of the period	**153**	(374)	(1,851)	—
Comprising:				
Appro sales	**14**	20	—	
Intangible assets	**1,543**	1,669	1,881	
Property, fixtures, equipment and vehicles	**359**	431	430	
Prepayments	**2**	4	2	
Revaluation reserve		3	3	
Unearned finance income	**19**	—	—	
Fair value gain on interest rate swaps		2	20	
Fair value gain on currency forwards	**114**			
Cash flow hedges in equity		—	401	
Deferred STC raised		10	9	
Other	**23**	15	14	
Deferred tax liability	**2,074**	2,154	2,760	
Doubtful debts	**282**	244	175	
Other payables	**132**	129	75	
Leave pay accrual	**38**	34		
Operating lease adjustment	**113**	112	118	
Unearned finance income		19	15	
Fair value loss on interest rate swaps	**167**	270	125	
Fair value loss on currency forwards		82		
Assessed loss	**1,487**	890	401	
Other	**8**	—	—	
Deferred tax asset	**2,227**	1,780	909	
Net deferred tax asset/(liability)	**153**	(374)	(1,851)	

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
10. INVENTORIES			
Merchandise	**2,385**	2,515	2,119
Raw materials	**12**	20	22
Work in progress	**5**	9	7

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
Total inventories on hand	**2,402**	2,544	2,148
Inventory write-downs included above	**99**	85	95

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
11. TRADE, OTHER RECEIVABLES AND PREPAYMENTS			
Trade accounts receivable—retail	**9,824**	10,506	9,325
Trade accounts receivable—personal loans	**1**	1	7
Allowance for doubtful debts	**(1,126)**	(1,045)	(827)
Total trade receivables	**8,699**	9,462	8,505
Other receivables	**271**	224	190
Staff loans	**5**	9	5
Total receivables	**8,975**	9,695	8,700
Fair value gain on forward exchange contracts (note 34.4)	**—**	—	29
Prepayments	**8**	15	13
Net trade, other receivables and prepayments	**8,983**	9,710	8,742

At 3 April 2010, all obligations under the OtC II receivables-backed notes issued (see note 18 and 19) are secured by pledge and cession of the eligible receivables that OtC II acquires from time to time. As at 3 April 2010 R6,041 million is designated as eligible receivables.

At 28 March 2009, all obligations under the borrowing base facility (see note 19) 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 (2008: R2,792 million) was designated as eligible receivables. All obligations under the OtC receivables backed facility (see note 19) were secured by a pledge and cession of the eligible receivables that OtC acquired from time to time. As at 28 March 2009 R4,157 million (2008: R4,017 million) was designated as eligible receivables. Subsequently the borrowing base facility and the OtC receivables backed facility were fully settled, cancelled and replaced with the OtC II receivable-backed notes (see note 18 and 19).

11.1 Analysis of trade receivables past due but not impaired			
Overdue 30 days – 60 days	**1,049**	1,691	1,105
Overdue 60 days – 90 days	**158**	212	405
Overdue 90 days – 120 days	**86**	105	194
Greater than 120 days	**265**	260	324
	1,558	2,268	2,028
11.2 Trade receivables provided for	**1,126**	1,045	827
11.3 Interest on impaired receivables			
Interest recognised on impaired receivables	**214**	201	212

This interest is included in the finance charges in note 23.

11.4 Allowance for doubtful debts

Balance at the beginning of the period	**1,045**	827	
Acquisition of the Edcon Group			548
Consolidation of OtC			198
Increase in allowance	**81**	218	88
Release of provision		—	(7)
Balance at the end of the period	**1,126**	1,045	827

Amounts written off are disclosed in note 26.2.

12. CASH AND CASH EQUIVALENTS

Cash on hand	**1,071**	233	382
Cash on deposit	**54**	146	110
	1,125	379	492

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
13. SHARE CAPITAL AND PREMIUM			
13.1 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	**—**	—	—
	—	—	—
13.2 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	**—**		
	—	—	—
13.3 Number of ordinary shares in issue			
Number of shares at the beginning of the period	**610,438**	610,438	
"A" ordinary shares issued			550,438
"B" ordinary shares issued			69,213
"C" ordinary shares issued			20,000
"D" ordinary shares issued			20,000
"E" ordinary shares issued			20,000
Treasury Shares—Staff Empowerment Trust			(69,213)
"A" ordinary shares repurchased	**(50,305)**		
Number of shares at the end of the period	**560,133**	610,438	610,438
Number of ordinary shares in issue comprise:			
"A" ordinary shares issued	**500,133**	550,438	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	610,438	610,438

13.4 Number of preference share capital in issue

Number of shares at the beginning of the period	**200,866**	200,866	
"A" preference shares of R0.00001 each issued			200,866
"B" preference shares of R0.00001 each issued	**51,583**		
Number of shares at the end of the period	**252,449**	200,866	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**		
	252,449	200,866	200,866

Notes to the Group Financial Statements — (Continued)

	Successor		
	2010 3 April	**2009 28 March**	**2008 29 March**
	Rm	**Rm**	**Rm**

13.5 Voting rights of ordinary and preference shares

Each "A" ordinary share of the Successor shall entitle the holder thereof to 1,000 votes on all matters upon which shareholders have the right to vote.

Each "A" preference share of the Successor 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 Successor 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" preference share of the Successor 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.

13.6 Issued shares and premium

Balance at the beginning of the period	**2,143**	2,143	
Ordinary shares issued—share capital			—
Preference shares issued—share capital	**—**		—
Ordinary shares issued—share premium			2,756
Preference shares issued—share premium	**180**		207
Treasury shares—Staff Empowerment Trust			(820)
Ordinary shares repurchased—share capital	**—**		
Ordinary shares repurchased—share premium	**(175)**		
Balance at the end of the period	**2,148**	2,143	2,143
Comprising:			
Share capital	**—**	—	—
Share premium	**2,148**	2,143	2,143
Total	**2,148**	2,143	2,143

During the current period the share capital structure changed through the repurchase of “A” ordinary shares and the issue of “B” preference shares.

R175 million of ordinary shares were issued through the capitalisation of a portion of the shareholder’s loan at 29 March 2008.

Notes to the Group Financial Statements — (Continued)

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
Balance at the beginning of the period comprising:			
Revaluation reserve net of deferred taxation	**23**	23	
Foreign currency translation reserve	**28**	31	
Cash flow hedges net of tax	**(331)**	782	
	(280)	836	
Movements			
Net (decrease)/increase in revaluation reserve	**(20)**	—	23
Foreign currency translation reserve	**(48)**	(3)	31
Cash flow hedges recognised in equity	**(116)**	(2,054)	1,234
Cash flow hedges reclassified to profit or loss (note 8.6)	**33**	508	(148)
Tax impact of cash flow hedges (note 29.2)	**23**	433	(304)
Balance at the end of the period	**(408)**	(280)	836
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

15. RETAINED (LOSS)/SURPLUS

Comprising:			
Holding company—Edcon Holdings (Proprietary) Limited	**2,062**	2,039	(454)
Consolidated subsidiaries	**(5,391)**	(4,328)	(1,136)
	(3,329)	(2,289)	(1,590)

Distributions by certain foreign subsidiaries will give rise to withholding taxes of R87 million (2009 and 2008: R68 million and R43 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 R206 million (2009 and 2008: R161 million and R109 million).

16. CONSOLIDATED SUBSIDIARIES (Annexure 1 : page F-87)

16.1 Aggregate profits/(losses) of subsidiaries and joint venture

Profits	**355**	254	25,382
Losses	**(1,437)**	(3,415)	(26,906)
	(1,082)	(3,161)	(1,524)

Notes to the Group Financial Statements — (Continued)

Successor		
2010 3 April	2009 28 March	2008 29 March
Rm	Rm	Rm

17. SHAREHOLDER'S LOAN

Loan by Edcon (BC) S.A.R.L.	**7,341**	6,492	5,547
Comprising:			
Principal at the beginning of the period	**5,729**	5,057	
Loan from Edcon (BC) S.A.R.L.			5,057
Interest capitalised during the period	**868**	672	
Principal at the end of the period	**6,597**	5,729	5,057
Interest accrued at the beginning of the period	**763**	490	
Interest accrued for the period (note 28.1)	**849**	945	665
Interest capitalised during the period	**(868)**	(672)	
Share capital issued			(175)
Interest accrued at the end of the period	**744**	763	490

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 by no later than May 2037. This shareholder's loan is regarded as capital for IAS 1 purposes (refer to note 33).

18. LONG TERM INTEREST BEARING DEBT

Senior secured floating rate notes issued	**11,259**	11,259	11,259
Foreign currency on senior secured floating rate notes	**331**	3,832	3,863
Fees capitalised on senior secured floating rate notes	**(193)**	(224)	(252)
Senior secured floating rate notes	**11,397**	14,867	14,870
Senior floating rate notes issued	**3,606**	3,606	6,010
Foreign currency on senior floating rate notes	**106**	1,227	2,063
Fees capitalised on senior floating rate notes	**(89)**	(100)	(182)
Senior floating rate notes	**3,623**	4,733	7,891
Floating rate notes	**15,020**	19,600	22,761
OtC II receivables-backed notes issued	**3,855**		
Subordinated loan			25
	18,875	19,600	22,786

18.1 Reconciliation of long-term interest bearing debt

Balance at the beginning of the period	**19,600**	22,786	
Subordinated loan issued			25
OtC II receivables-backed notes issued (notes 18.3)	**3,855**		
Senior floating rate notes issued			6,010
Senior secured floating rate notes issued			11,259
Fees capitalised on senior floating rate notes			(194)
Fees capitalised on senior secured floating rate notes			(273)
Foreign currency movement on senior floating rate notes	**(1,121)**	(103)	2,063
Foreign currency movement on senior secured floating rate notes	**(3,501)**	(31)	3,863
Fees amortised on senior floating rate notes	**11**	82	12
Fees amortised on senior secured floating rate notes	**31**	28	21
Senior floating rate notes repurchased (note 18.2)		(2,404)	
Foreign currency movement on notes repurchased		(733)	
Subordinated loan repaid		(25)	
Balance at the end of the period	**18,875**	19,600	22,786
Unrealised foreign exchange gain/(loss) on notes issued	**4,622**	134	(5,926)

Fees amortised recognised in financing costs (note 28.1)...........	**42**	110	33

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
18.2 Buy-back of senior floating rate notes			
Senior floating rate notes repurchased		2,404	
Foreign currency movement on notes repurchased.................................		733	
Purchase price of senior floating rate notes..		(1,726)	
Fees paid and accrued on buy-back of senior floating rate notes		(61)	
Gain on buy-back of the senior floating rate notes after fees incurred		1,350	

The senior secured floating rate 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, by security interests over substantially all the assets of Edcon Holdings (Proprietary) Limited and its restricted subsidiaries. Currently there are no unrestricted subsidiaries in the Group. 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 3 April 2010 was R8,750 million (2009 and 2008: R5,885 million and R10,132 million respectively).

The senior floating rate notes of €378 million (2009 and 2008: €378 million €630 million respectively) are issued by Edcon Holdings (Proprietary) Limited and guaranteed on a senior subordinated basis and secured by a third ranking pledge of the proceeds from 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 principal or interest during the period. On 27 June 2008, the Group repurchased €252 million (R3,137 million) of the senior floating rate notes. The market value of the senior floating rate notes at 3 April 2010 was R2,450 million (2009 and 2008: R1,039 million and R3,714 million respectively).

18.3 OtC II Receivable-backed notes

During the 2010 financial period, both the borrowing base facility and the OtC receivables backed facility were fully settled and the facilities cancelled. Both of these facilities were maturing in June 2010. As part of the refinancing transaction, R4,300 million was raised through the issuance of a combination of one year R445 million, see note 19) and three-year (R555 million) receivables-backed notes listed on the Bond Exchange of South Africa in August 2009. A further R3,300 million was raised in November 2009 through the issuance of unlisted three-year receivables-backed notes, excluding R78 million issued to Edcon (Proprietary) Limited (see note 6) which mature in October 2012. In March 2010, R750 million of the unlisted receivables-backed notes were refinanced and listed on the Bond Exchange of South Africa.

Interest on the OtC II receivables-backed notes is payable quarterly in arrears and the applicable interest rate and margin, maturity date and fair value of listed receivables-backed notes is indicated below:

OtC II receivables-backed notes	Amount	Fair value at 3 April 2010	Maturity Date	Applicable interest	Margin
	Rm	Rm			%
Current					
Listed...	**275**	275	July 201	3m Jibar	1.9
Listed...	**170**	170	July 201	Fixed 9.1	
Total current	**445**	445			

OtC II receivables-backed notes	Amount	Fair value at 3 April 2010	Maturity Date	Applicable interest	Margin
	Rm	Rm			%
Non Current					
Listed	**555**	555	July 201	3m Jibar	2.5
Listed	**427**	427	April 201	3m Jibar	2.3
Listed	**323**	323	April 201	3m Jibar	2.5
Unlisted	**2,500**	2,500	October 201	3m Jibar	2.5
Unlisted	**50**	50	October 201	3m Jibar	4.5
Total non-current	**3,855**	3,855			
Total receivables-backed notes	**4,300**	4,300			

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
19. SHORT-TERM INTEREST BEARING DEBT			
Revolving credit facility	**350**	1,825	611
OtC II receivables-backed notes (note 18.3)	**445**		
Borrowing base facility		816	1,315
OtC receivables backed facility		2,599	2,581
OtC liquidity facility		60	
	795	5,300	4,507

The revolving credit facility provides senior secured financing of up to R3,500 million (2009 and 2008: 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 restricted subsidiaries. Currently there are no unrestricted subsidiaries in the Group. The revolving credit facility accrues interest at applicable JIBAR plus a margin of 2,5% payable monthly in arrears. The facility includes R2,225 million (2009 and 2008: R2,225 million and R2,225 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 OtC II liquidity facility with FirstRand Bank Limited accrues interest at a rate equal to the SAFEX call rate from time to time plus 1,85% calculated from the date of any particular drawdown is made 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 in 30 April 2014.

The borrowing base facility provided secured financing of up to R3,900 million in both 2009 and 2008. All obligations under that facility were secured by a first priority security interest over designated eligible receivables (see note 11) constituting the borrowing base for the facility. The facility accrued interest at applicable JIBAR plus a margin of 2,6% in 2009 and 2,1% in 2008 that was payable monthly in arrears. The facility was settled and subsequently cancelled during the 2010 financial period (note 18.3).

The OtC receivables backed facility provided secured financing of up to R2,600 million in both 2009 and 2008. All obligations under the facility were secured by a pledge and a cession of the eligible receivables that OtC acquires from time to time (see note 11). The facility accrued interest at applicable JIBAR plus a margin of 2,6% in 2009 and 2,1% in 2008 that was payable monthly in arrears. The facility was settled and subsequently cancelled during the 2010 financial period (note 18.3).

The OtC liquidity facility with FirstRand Bank Limited accrues 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 is made up to and including to the date immediately prior to the date on which the drawdown is repaid and capitalised monthly in arrears. The total liquidity facility granted is R200 million expiring in June 2010.

There have been no defaults or breaches of principal interest or redemption terms during the current or prior periods.

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
20. TRADE AND OTHER PAYABLES			
Trade accounts payable	**2,577**	2,150	2,289
Sundry accounts payable and accrued expenses	**876**	1,111	909
Lease equalisation	**17**	30	23
Leave pay accrual	**137**	126	122
Value added taxation payable	**33**	46	59
Interest accrued on Senior floating rate notes	**13**	15	33
Interest accrued on Senior secured floating rate notes	**26**	32	49
Commitment fee accrued	**10**	15	17
Fair value change on forward exchange contracts (notes 34.4)	**11**	8	
	3,700	3,533	3,501

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. FUTURE CAPITAL EXPENDITURE			
Contracted:			
Properties, fixtures, equipment and vehicles	138	214	395
Authorised by the directors but not yet contracted:			
Properties, fixtures, equipment and vehicles	319	258	373
	457	472	768

All the expenditure will be incurred during the next financial period and is to be financed from free cash flows.

Notes to the Group Financial Statements — (Continued)

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
22. 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.			
The future minimum property operating lease commitments are due as follows:	**6,260**	5,667	5,439
Within one year	**1,195**	1,069	941
Between two and five years	**3,607**	3,218	3,064
In more than five years	**1,458**	1,380	1,434

The future revenue expected from sub-leases is estimated to be R18 million (2009 and 2008: R17 million and R15 million

	Successor		
	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
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:	**249**	412	480
Within one year	**152**	167	183
Between two and five years	**97**	245	297

	Successor			Predecessor
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm
23. REVENUES				
Retail sales	**21,888**	22,075	18,244	1,939
Club fees	**427**	422	372	33
Preference dividend (note 30)			4	4
Finance charges on trade receivables (note 30)	**2,049**	2,271	1,779	93
Equity accounted earnings of joint ventures	**435**	349	264	23
Interest received (note 28.2)	**31**	33	248	—
Manufacturing sales to third parties	**46**	45	39	2
	24,876	25,195	20,950	2,094
24. OTHER INCOME				
Club fees	**427**	422	372	33
Manufacturing sales to third parties	**46**	45	39	2
	473	467	411	35
25. OTHER OPERATING COSTS				
Trading profit is stated after taking account of the following items:				
25.1 Amortisation of trademarks				
Charge for the year	**418**	418	380	—

Notes to the Group Financial Statements — (Continued)

	Successor			Predecessor
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm
25.2 Auditors' remuneration				
Audit fees—current year	**11**	10	11	—
Audit fees—prior year		1		
Fees for consulting and other services	**3**	2	5	—
	14	13	16	—
25.3 Depreciation of properties, fixtures, equipment and vehicles				

	2010	2009	2008	2007
Buildings	**4**	4	4	—
Leasehold improvements	**99**	96	58	3
Fixtures and fittings	**423**	389	206	13
Computer equipment and software	**257**	164	126	10
Machinery and vehicles	**24**	28	16	1
	807	681	410	27
25.4 Fees payable				
Managerial, technical, administrative and secretarial fees paid outside the Group	**139**	212	176	10
Outsourcing of IT function	**298**	354	233	22
	437	566	409	32
25.5 Operating lease expenses				
Properties:				
Minimum lease payments	**1,193**	1,061	841	71
Turnover clause payments	**23**	35	33	7
Operating lease adjustment	**4**	(23)	(22)	(2)
Sublease rental income	**(18)**	(17)	(14)	(1)
Equipment and vehicles	**223**	213	192	26
	1,425	1,269	1,030	101
25.6 Net loss on disposal of properties, fixtures, equipment and vehicles	**(23)**	(18)	(5)	(4)
25.7 Cost of share based payments				
Acceleration of share options				103
Staff share incentive scheme				3
Staff empowerment transaction				1
				107

Subsequent to 31 March 2007, the vesting dates for all options which were previously issued by the Predecessor were accelerated. An amount of R103 million was recognised in profit by the Predecessor on acceleration.

25.8 Cost of inventories expensed	**13,361**	13,325	10,797	1,117
25.9 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.

Notes to the Group Financial Statements — (Continued)

	Successor			Predecessor
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm
26. CREDIT INCOME AND EXPENSE				
26.1 Income from credit				
Preference dividend			4	4
Finance charges on trade receivables	**2,049**	2,271	1,779	93
Subordinated loan / credit default swap				5
	2,049	2,271	1,783	102

26.2 Expenses from credit				
Bad debt recoveries	**264**	221	198	12
Bad debt incurred	**(1,419)**	(1,226)	(1,074)	(68)
Net increase in doubtful debt provision	**(81)**	(218)	(81)	(4)
Administration and other costs	**(535)**	(549)	(425)	(32)
	(1,771)	(1,772)	(1,382)	(92)
26.3 Net credit income	**278**	499	401	10
27. DIRECTORS AND EMPLOYEES				
27.1 Employees				
The aggregate remuneration and associated cost of permanent and casual employees including directors was:				
Salaries and wages	**2,209**	2,287	1,977	159
Retirement benefit costs	**235**	217	177	14
Medical aid contributions:				
Current	**58**	53	48	5
Post-retirement	**6**	1	–	–
	2,508	2,558	2,202	178
Edcon Pension Fund				
Actuarially determined:				
Current service cost	**(1)**	(1)	(1)	(1)
Interest cost	**(38)**	(33)	(38)	(25)
Unrecognised loss (paragraph 58 limit)	**(33)**	(129)	(41)	(10)
Expected return on assets	**71**	76	79	35
Net loss	**(1)**	(87)	(1)	(1)
Company contributions	**1**	1	1	1
Actual return on pension fund assets	**137**	101	80	103
The contribution for the 2011 financial period is estimated to be approximately R1 million.				
Edcon Medical Aid				
Actuarially determined:				
Current service cost	**3**	3	3	3
Interest cost	**10**	10	11	8
Actuarial (loss)/gain	**(5)**	(15)	(12)	3
Post-retirement medical aid expense	**8**	(2)	2	14

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 Provident Fund and Edcon Botswana Provident Fund.

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 in the prior period. 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 on page F-68. The actuarial estimate was based on the principle assumptions as set out in note 27.2.1.

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 Predecessor’s 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 27.5 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.

The consequence for the Edcon Pension Fund is that prior to being permitted to distribute the enhancements to the members and pensioners, a formal surplus apportionment scheme must be prepared as envisaged by Section 15B of the Pension Fund Act.

The appointed valuator to the fund has performed interim valuations to ensure the solvency levels have been maintained. These were not statutory valuations. The advice from the valuator was that the assets exceeded the liabilities such that sufficient surplus exists to meet the requirements of the surplus legislation in addition to the medical aid obligations. The Trustees of the Edcon Pension Fund have finalised a scheme of apportionment which will be submitted to the Financial Services Board for consideration during the next financial period.

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.

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.

	Pensioners	Members	Contributions
	Number	Number	Rm
Membership of, and employer contributions to each of the funds were:			
2010 Successor 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**

	Pensioners	Members	Contributions
	Number	Number	Rm
FEDCRAW Provident Fund		**390**	**3**
	1,143	**16,858**	**221**
2009 Successor 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
2008 Successor at 29 March			
Edcon Pension Fund	1,181	29	1
Edcon Provident Fund		16,436	183
Edcon Namibia Retirement Fund	13	252	1
Topics Namibia Retirement Fund		11	—
Botswana Retirement Fund		218	1
SACCAWU National Provident Fund		1,280	6
FEDCRAW Provident Fund		504	3
	1,194	18,730	195

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 3 April 2010 was R2,863 million (2009 and 2008: R2,690 million and R2,851 million).

Medical aid fund

The Successor operates a defined benefit medical aid scheme for the benefit of permanent employees. The costs of the short-term benefit for current employees are charged against income as incurred and amounted to R58 million for the period ending 3 April 2010 (2009 and 2008: R53 million and R48 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 1,446 current and past employees by subsidising a portion of the medical aid contribution of members, after retirement. The medical aid contributions for 2011 are estimated to be approximately R6 million. The actuarial valuation was based on the main assumptions set out in note 27.2.2.

The status of the Edcon Medical Aid Fund determined in terms of IAS 19 is as follows:

	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
Recognised employee benefit liability	114	112	120
Reconciliation of employee benefit liability			
Balance at the beginning of the period	112	120	123
Current service cost	3	3	3
Interest cost	10	10	11
Actuarial gain	(5)	(15)	(12)
Employee benefit payments	(6)	(6)	(5)
	114	112	120

27.2 Valuation Assumptions

27.2.1 Defined Benefit Pension Fund Valuation Assumptions

The valuation is based on assumptions which include a discount rate of 9.3% (2009 and 2008: 9.0% and 8,8%) per annum, an inflation rate and pension increase rate of 5,5% (2009 and 2008: 5,3% and 5,5%) per annum, a salary increase rate of 6,5% (2009 and 2008: 6,3% and 6,5%) per annum, and an expected return on assets of 8.0% 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% (2009 and 2008: 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 5,5% 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.

27.2.2 Employee Benefit Liability Valuation Assumptions and Sensitivity

The valuation is based on assumptions which include a discount rate of 9.3% (2009 and 2008: 9,0% and 8,8%) per annum, inflation rate of 5.5% (2009 and 2008: 5,3% and 5,5%) per annum, income at retirement would increase by 7% 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 financial position statement 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% (2009 and 2008: 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%		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Inflation (CPI and health care costs) sensitivity	**5.5%**	5.3%	5.5%						
Accrued liability—Rm	**114**	112	120	**101**	99	106			
Accrued liability—% change ...				**(11)**	(12)	(12)			
Current service and	**13**	13	14	**11**	11	12			

	Central Assumption			Decrease 1%			Increase 1%		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
interest cost—Rm									
Current service and interest cost—% change ...				**(15)**	(15)	(14)			
Retirement age sensitivity	**63 years**			**One year younger**			**One year older**		
Accrued liability—Rm	**114**	112	120	**119**	116	125			
Accrued liability—% change ...				**4**	4	4			
Discount rate.........	**9.3%**	9.0%	8.8%	**Decrease 1%**			**Increase 1%**		
Accrued liability—Rm	**114**	112	120	**130**	128	138			
Accrued liability—% change ...				**14**	14	15			
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	**114**	112	120	**119**	117	126			
Accrued liability—% change ...				**4**	4	5			

27.3 Reconciliation of defined benefit obligation—pension fund

	2010 3 April Rm	2009 28 March Rm	2008 29 March Rm
Balance at the beginning of the period...	**440**	400	395
Service cost...	**1**	1	1
Interest cost...	**38**	33	38
Actuarial loss	**58**	43	2
Benefits paid...	**(47)**	(37)	(36)
Balance at the end of the period	**490**	440	400

	2010 3 April Rm	2009 28 March Rm	2008 29 March Rm
27.3 Reconciliation of defined benefit obligation—pension fund			
27.4 Reconciliation of fair value plan assets—pension fund			
Balance at the beginning of the period	**850**	786	740
Expected return on assets	**71**	76	79
Employer contributions	**1**	1	1
Benefits paid	**(47)**	(37)	(35)
Actuarial gain	**66**	24	1
Balance at the end of the period	**941**	850	786
Composition and percentage of the portfolio:	**%**	%	%
Cash	**35**	48	19
Equity	**13**	4	11
Bonds	**—**	—	1
International	**1**	—	13
Property and other	**51**	48	56
	100	100	100

Notes to the Group Financial Statements — (Continued)

	Successor			Predecessor	
	2010	2009	2008	2007	2006
27.5 Analysis of defined benefit obligation and the fair value of plan assets—pension fund (Rm)					
Defined benefit obligation	**(490)**	(440)	(400)	(395)	(332)
Fair value of plan assets	**941**	850	786	740	649
Unrecognised actuarial (gains) / losses	**(65)**	(64)	(84)	(84)	143
Unrecognised net asset (paragraph 58 limit)	**386**	346	302	261	460
27.6 Analysis of employee benefit liability (Rm)					
Accrued liability for post retirement medical aid	**114**	112	120	123	113

	Successor			Predecessor
	2010 53 weeks to 3 April R 000	2009 52 weeks to 28 March R 000	2008 47 weeks to 29 March R 000	2007 5 weeks to 5 May R 000
27.7 Directors' emoluments				
Non-executive directors:				
Fees	**295**	295	221	565
	295	295	221	565
Executive directors:				
Remuneration	**11,645**	10,651	9,092	827
Retirement, medical, accidental and death benefits	**480**	446	302	27
Performance bonus		350		
Loyalty bonus	**350**	423	350	
Other benefits	**82**	—	439	
Options realised			167,080	
	12,557	11,870	177,263	854

	Successor			Predecessor
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
	R 000	R 000	R 000	R 000
Retired ex directors	**72**	69	84	18
Total	**12,924**	12,234	177,568	1,437

	Successor			Predecessor
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm
28. FINANCING COSTS AND INTEREST RECEIVED				
28.1 Financing costs				
Interest paid to independent third parties	**628**	769	1,167	7
Interest accrued on shareholder's loan (note 17)	**849**	945	665	
Fees amortised on senior floating rate notes (note 18.1)	**11**	82	12	
Fees amortised on senior secured floating rate notes (note 18.1)	**31**	28	21	
Interest on senior notes	**427**	470	482	
Interest on senior secured notes	**992**	956	753	
Foreign currency losses	**6**			1
Forward exchange contracts	**2**	38		—
	2,946	3,288	3,100	8

	Successor			Predecessor
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm
28.2 Interest received				
Interest received from independent third parties	**31**	18	221	—
Foreign currency gain		15	—	
Forward exchange contracts			27	
	31	33	248	—
28.3 Net financing costs	**2,915**	3,255	2,852	8
29. TAXATION				
29.1 Taxation charge				
Current taxation — this year	**124**	696	135	90
— prior year	**21**	25	5	
Secondary taxation on companies				
— this year	**9**			
— deemed			54	
— prior year			1	
Withholding taxes — prior year	**(9)**		1	
Total current taxation	**145**	721	196	90
Deferred taxation — this year	**(502)**	(1,193)	(650)	5
— acquisitions			—	

— rate change			(57)	
— prior years	**(13)**		(11)	
Total deferred taxation credit	**(515)**	(1,193)	(718)	5
Total	**(370)**	(472)	(522)	95
Comprising:				
South African normal taxation	**(370)**	(472)	(638)	95
Secondary taxation on companies	**9**		55	
Withholding taxes	**(9)**		1	
Foreign taxes			60	
	(370)	(472)	(522)	95
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	**(11)**	(154)	28	
Deferred income tax related to items charged or credited directly to other comprehensive income:				
Unrealised gain on cash flow hedges	**(12)**	(279)	276	
Gain on revaluation of properties			4	
Income tax expense reported in equity	**(23)**	(433)	308	

Notes to the Group Financial Statements — (Continued)

	Successor			Predecessor
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm
29.3 Deferred income tax comprises:				
Arising on deferred tax assets (note 9)				
Doubtful debts	**(38)**	(69)	(97)	
Other payables	**(3)**	(54)	(27)	
Leave pay accrual	**(4)**	(34)	(2)	
Operating lease adjustment	**(1)**	6	7	
Unearned finance income	**19**	(4)	—	
Interest rate swaps	**(6)**	—	20	
Assessed loss	**(584)**	(851)	(401)	
Other	**(8)**	—	—	
Arising on deferred tax liabilities (note 9)				
Appro sales	**(6)**	20	(53)	
Property, fixtures, equipment and vehicles	**(72)**	1	—	
Intangible assets	**(126)**	(212)	(97)	
Capital expenditure		—	—	
Prepayments	**(2)**	2	(1)	
Unearned finance income	**19**			
Interest rate swaps	**(2)**			
Currency forwards	**317**			
Revaluation reserve	**(3)**			
Deferred STC raised	**(10)**	1	9	
Other	**8**	1	(8)	5

	(502)	(1,193)	(650)	5
Rate exchange			(57)	
Prior year adjustment	**(13)**		(11)	
Net deferred tax expense	**(515)**	(1,193)	(718)	5

29.4 Reconciliation of rate of taxation (%)

Standard rate—South Africa	**(28)**	(28)	(29)	29
Adjusted for:				
Equity accounted earnings of joint venture	**1**	—	(4)	(2)
Disallowable expenditure	**(1)**	(47)	8	1
Secondary taxation on companies	**1**	—	3	—
Prior year charges	**1**	5	—	—
Rate changes			(3)	
Capital profits and assessed loss utilised	**—**	43	—	—
Effective tax rate	**(26)**	(27)	(25)	28

29.5 Change in tax rate

The statutory taxation rate in South Africa in 28% for the financial period. In the prior financial period the taxation rate changed from 29% to 28%. Normal taxation had therefore been calculated using a rate of 28% for the 2010 financial period (2009: 28% and 2008: 29%). As the change rate was substantively enacted before the end of the 2008 financial period, deferred taxation in 2008 was calculated using a rate of 28%.

Notes to the Group Financial Statements — (Continued)

	Successor			Predecesso r
	2010 53 weeks t o 3 April	2009 52 weeks t o 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm
30. INCOME, EXPENSE, GAINS AND LOSSES FROM FINANCIAL ASSETS AND LIABILITIES				
Held-to-maturity investments—preference dividends (note 23)				
Finance charges on trade receivables (note 23)	**2,0**	2,2	1,7	
Interest on cash deposits (note 28.2)			2	
Interest on financial liabilities carried at amortised cost (note 28.1)	**(2,9**	(3,2	(3,1	
(Loss)/gain recognised on forward exchange contracts at fair value (note 28.1 and 28.2)		(		
Foreign currency (loss)/gain recognised on financial assets (note 28.1 and 28.2)				
Income recognised on credit default swap				
Interest settlement on Usury/Usury star swap				
Derivative (losses)/gains (note 8.6)	**(5,0**	(1,1	4,6	
Unrealised foreign exchange gain/(loss) on notes issued (note 18.1)	**4,6**	1	(5,9	
	(1,3	(2,0	(2,3	

31. CASH FLOW

31.1 Other non-cash items

Net loss on disposal of properties, fixtures, equipment and vehicles (note 25.6) paid in the current period.

	Successor			Predecessor
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm
....				
Cost of share-based payments				
Equity accounted investment in joint ventures				(
Vat expense..		1		
Operating lease adjustment		(		
Other non-cash items				
		1		(

-

1 Includes R90 million relating to prior periods for the 52 weeks to 28 March 2009 (note 25.9) and R40 million for the 2009 period included in expenses from credit (note 26.2). These were paid in the current period.

31.2 Working capital movement

Decrease/(increase) in inventories................	**1**	(3		
Decrease/(increase) in trade accounts receivable	**7**	(9	(2	(
Increase in other receivables	**(**	(		(
Increase/(decrease) in trade and other payables	**1**	(1	5	(4
	9	(1,5	1	(5

Notes to the Group Financial Statements — (Continued)

	Successor			Predecessor
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm
31.3 Taxation paid				
Taxation liability at the beginning of the period	**(470)**	(138)	—	(64)
Acquisition of the Edcon Group and consolidation of OtC.........................			(160)	
Current taxation recognised in profit or loss (note 29.1)	**(145)**	(721)	(196)	(90)
Current taxation recognised in other comprehensive income (note 29.2)...	**11**	154	(28)	
Taxation liability disposed of			—	154
Taxation liability at the end of the period	**236**	470	138	—
	(368)	(235)	(246)	—
31.4 Investment to maintain operations				
Replacement of properties, fixtures, equipment and vehicles	**(384)**	(420)	(332)	(26)
Proceeds on disposal of properties, fixtures, equipment and vehicles.......	**120**	1	—	—
	(264)	(419)	(332)	(26)
31.5 Investment to expand operations				
Additions to leased premises	**(21)**	(65)	(64)	(15)
Additions to properties, fixtures,	**(68)**	(84)	(128)	(6)

	2010	2009	2008	2007
equipment and vehicles				
Net investment in subsidiaries and other assets (note 31.12.4)			(24,198)	
	(89)	(149)	(24,390)	(21)
31.6 Increase in shareholder funding				
Increase in shareholder's loan			5,057	
Ordinary share capital issued			1,761	
Preference share capital issued			207	
Net movement in treasury shares				
			7,025	
31.7 Notes issued				
Senior floating rate notes			6,102	
Senior secured floating rate notes			11,428	
Fees paid on notes issued			(467)	
			17,063	
31.8 Buy-back of senior floating rate notes				
Senior floating rate notes repurchased (note 18.2)		(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 (note 18.2)		1,411		
		(1,768)		

Notes to the Group Financial Statements — (Continued)

	Successor			Predecessor
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March	2007 5 weeks to 5 May
	Rm	Rm	Rm	Rm
31.9 Proceeds from receivables-backed notes issued				
Receivables-backed notes issued (note 18 and 19)	**4,300**			
	4,300			
31.10 (Decrease)/increase in interest bearing debt				
Net (decrease)/increase in short-term debt	**(4,950)**	793	106	238
Net decrease in long-term debt		(25)		
	(4,950)	768	106	238
31.11 Increase/(decrease) in cash and cash equivalents				
Cash on hand	**838**	(149)	384	85
Cash on deposit	**(92)**	36	108	(49)
Consolidation of OtC (note 31.12.3)			(261)	
Currency adjustments	**28**	—	(2)	—
	774	(113)	229	36

Notes to the Group Financial Statements — (Continued)

31.12.1 Acquisition of the Edcon Group

The Group acquired 100% of the shares of Edgars Consolidated Stores Limited, a clothing retailer effective 5 May 2007 as determined by IFRS 3. The fair value of the net assets acquired at the effective date of acquisition was as follows:

	Successor 2008 29 March Fair value Rm	Carrying value Rm
Non-current assets		
Properties, fixtures, equipment and vehicles	3,082	1,575
Intangible assets	11,906	77
Deferred tax asset	—	77
Other financial assets	742	742
	15,730	2,471
Current assets		
Inventories	1,901	1,915
Trade, other receivables and prepayments	5,356	5,442
Cash and cash equivalents	507	507
	7,764	7,864
Non-current liabilities		
Deferred tax liability	(2,335)	—
Current liabilities		
Interest-bearing debt	(951)	(951)
Trade and other payables	(3,442)	(3,442)
	(4,393)	(4,393)
Total identifiable assets acquired and liabilities assumed	16,766	5,942
Goodwill on acquisition	8,348	
Cost of the business combination	25,114	
Settled by way of cash	25,114	
Less: cash and cash equivalents acquired	(507)	
Less: cash received from employees	(727)	
Net cash outflow on acquisition	23,880	
The total cost of the business combination comprised of the following:		
Cash paid	25,002	
Directly attributable acquisition costs	112	
Total cost of acquisition	25,114	

The acquired business contributed revenues and net profit as presented for the 11 month period to 29 March 2008. Had this business combination been effected on 1 April 2007, Group revenue would have been R2,094 million higher and the loss reported would have reduced by R245 million as reported in the 5 weeks to 5 May 2007 of the Predecessor.

The goodwill recognised of R8,348 million is attributed to the benefits expected to be derived from combining the assets and activities with those of the Group including, expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

	Successor 2008 29 March Fair value	Carrying value
	Rm	Rm
31.12.2 Acquisition of Discom		
On 17 September 2007, the Group acquired certain Discom stores net assets from New Clicks. The fair value of the net assets acquired was as follows:		
Non-current assets		
Fixtures, equipment and vehicles	39	45
Intangible asset	73	—
	112	45
Current assets		
Inventories	148	148
	148	148
Non-current liabilities		
Deferred taxation	(20)	—
	(20)	—
Current liabilities		
Other payables	(8)	(8)
	(8)	(8)
Total identifiable assets acquired and liabilities assumed	232	185
Goodwill on acquisition	86	
Cost of the business combination	318	
Settled by way of cash	318	
The total cost of the business combination comprised of the following:		
Cash paid	316	
Directly attributable acquisition cost	2	
Total cost of acquisition	318	

The acquired Discom stores contributed revenues of R491 million and a net loss of R30 million for the period from 17 September 2007 to 29 March 2008. Had the business combination been effected on 6 May 2007 on formation of the Successor, it is estimated that the Group revenue would have been R486 million higher. The Group cannot reliably measure the impact on net loss reported had the business combination been effected on 6 May 2007.

The goodwill recognised is attributed to the benefits expected to be derived from combining the assets and activities of the Discom stores with those of the Group.

	Successor 2008 29 March Fair value
	Rm
32.12.3 Consolidation of OntheCards Investments Limited	
The fair value of net assets consolidated at 6 May 2007 was as follows:	
Non-current assets	
Deferred taxation	66
	66
Current assets	

	Successor
	2008 29 March Fair value
	Rm
Trade, other receivables and prepayments	3,783
Cash and cash equivalents	261
	4,044
Non-current liabilities	
Notes issued	3,475
	3,475
Current liabilities	
Trade and other payables	714
	714
Net liabilities at fair value consolidated	(79)
Goodwill arising on consolidation	79
Consideration	—

	Successor		
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March
	Rm	Rm	Rm
31.12.4 Cash utilised:			
Acquisition of the Edcon Group (note 31.12.1)			23,880
Discom acquisition (note 31.12.2)			318
Consolidation of OntheCards (note 31.12.3)			—
Cash utilised in investment activities (note 31.5)			24,198

	2010 3 April	2009 28 March	2008 29 March
	Rm	Rm	Rm
32. MATURITY ANALYSIS FOR NOTES ISSUED, SHAREHOLDER'S LOAN, SUBORDINATED LOAN, SHORT-TERM INTEREST-BEARING DEBT AND TRADE AND OTHER PAYABLES			
Trade and other payables (note 20)	**3,513**	3,331	3,297
Short-term interest bearing debt (note 19)	**795**	5,300	4,507
Total due within one year	**4,308**	8,631	7,804
After one year but within two years			
After two years but within three years (note 18.3)	**3,105**		25
After three years but within four years (note 18.3)	**427**		
After four years but within five years	**11,719**		
After five years	**10,964**	26,092	28,308
Total due after one year	**26,215**	26,092	28,333
Total debt	**30,523**	34,723	36,137

Refer to note 8.8 for maturity details relating to derivatives.

33. 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 the senior secured floating rate notes and the senior floating rate notes which have a maturity of June 2014 and June 2015 respectively, and the OtC II receivables-backed notes, which mature between July 2010 and April 2014. 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. These floating rate notes expose the Group to both interest rate risk and foreign exchange risk therefore the Group has hedged these risks by entering a series of interest rate swaps, foreign currency forward contracts and currency swaps (note 8.5).

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 notes dated 8 June 2007 and the OtC II Programme Memorandum dated 3 August 2009. 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 and OtC II where certain notes are issued on the Bond Exchange of South Africa.

34. FINANCIAL RISK MANAGEMENT

34.1 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.

34.2 Cash flow hedges

The Group's cash flow hedges relate to the floating rate notes and consist of (i) interest rate swaps that are used to protect against variability in future interest cash flows on liabilities which bear interest at variable rates or which are expected to be refunded or reinvested in the future and (ii) foreign currency forward contracts that are used to protect against variability in future cash flows that are subject to fluctuations based on foreign exchange rates.

Gains and losses on derivatives are initially recognised directly in other comprehensive income, in the cash flow hedging reserve, and are transferred to the Group profit or loss when the forecast transactions affect the Group profit or loss. On a quarterly basis amounts are transferred from equity to profit or loss on both the interest rate swap and forward exchange contracts as interest payments on the notes are incurred.

The cash flow hedge forecast transactions are expected to occur until June 2011 in line with the maturity dates of the hedging instruments and will affect profit or loss over the same period.

34.3 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 equity 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 equity 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 equity (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 the consolidated profit or loss, and equity for each category of financial instrument held at the reporting date is shown below:

	Successor				
	Index	Sensitivity	Derivative asset / (liability)	Equity	Profit or loss effect
			Rm	Rm	Rm
Interest rate swaps	**EURIBOR**	**-100bps**	**171**	**(171)**	**—**
	EURIBOR	**-50bps**	**80**	**(80)**	**—**
	EURIBOR	**+50bps**	**(78)**	**78**	**—**
	EURIBOR	**+100bps**	**(155)**	**155**	**—**
Foreign currency forward contracts and currency swaps	**EUR-ZAR**	**-10%**	**1,394**	**—**	**(1,394)**
	EUR-ZAR	**-5%**	**697**	**—**	**(697)**
	EUR-ZAR	**5%**	**(697)**	**—**	**697**
	EUR-ZAR	**10%**	**(1,394)**	**—**	**1,394**

34.4 Foreign currency management

Material forward exchange contracts at 3 April 2010 are summarised below. The writing of option contracts is restricted, thus currency options may only be purchased as a cost-effective alternative to forward exchange contracts. No currency options are currently in place.

	Successor			
	Foreign currency	Derivative fair value	Contract equivalent	Average rate
	m	Rm	Rm	
Foreign currency exposure against Rand economically hedged import forward orders				
2010 US dollar	**40**	**(11)**	**303**	**7.66**
2009 US dollar	26	(8)	260	10.12

	Successor			
	Foreign currency	Derivative fair value	Contract equivalent	Average rate
	m	Rm	Rm	
2008 US dollar	28	29	201	7.18
Foreign currency exposure against Rand economically hedged floating rate notes exposure				
2010 Euro	**1,723**	**(3,332)**	**23,762**	**13.79**
2009 Euro	1,854	2,022	25,370	13.68
2008 Euro	2,321	5,845	28,749	12.39

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 3 April 2010 amounted to R2 million, being 0.7% of the total import exposure (2009 and 2008: R27 million and R21 million). The Group policy is to restrict the net aggregate cover to between 80% and 125% of total foreign order exposure.

At 3 April 2010, 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 R16 million from revaluation of forward exchange contracts (2009 and 2008: R14 million and R12 million). Conversely at 3 April 2010, 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 decrease by R16 million from revaluation of forward exchange contracts (2009 and 2008: R14 million and R12 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 nominal principal floating rate notes amounts, totalling EUR1,558 million, have been hedged economically through a foreign currency swap (refer to note 8). The interest cash flows payable quarterly have been hedged to 15 June 2011 (Refer to note 8 and 34.2). Foreign exchange gains and losses on the foreign currency swap will be largely offset by gains and losses on translation of the floating rate notes. At 3 April 2010, 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, attributable earnings for the period would have decreased by R765 million (2009 and 2008: R996 million and R1,160 million respectively). Conversely, at 3 April 2010, 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, attributable earnings for the period would have increased by R765 million (2009 and 2008: R996 million and R1,160 million respectively).

34.5 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 3 April 2010 is summarised as follows:

	Successor		
	Floating Rate short-term	Floating rate	
		Short-term	Long-term
	Rm	%	Rm
2010			
Interest-bearing debt—Rm	**170**	**625**	**18,875**
Rate %	**9.1%**	**Refer to note 19**	**Refer to note 18**
2009			
Interest-bearing debt—Rm		5,300	19,600
Rate %		Refer to note 19	Refer to note 18

	Successor		
	Floating Rate short-term	Floating rate	
		Short-term	Long-term
	Rm	%	Rm
2008			
Interest-bearing debt—Rm		4,507	22,786
Rate %		Refer to note 19	Refer to note 18

Notes to the Group Financial Statements — (Continued)

At 3 April 2010, if all interest rates on local borrowings had been 100 basis points lower, with all other variables held constant, attributable earnings would have been R62 million (2009 and 2008: R52 million and R103 million) higher. Conversely, at 3 April 2010, if all interest rates on local borrowings had been 100 basis points higher with all other variables held constant, attributable earnings would have been R62 million (2009 and 2008: R52 million and R103 million) lower.

	Successor	
	Total	Floating rate
	R	R
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
2008		
Cash on deposit and investments by currency		
US dollar	57	57
Sterling	6	6
Botswana Pula	14	14
South African Rand	415	415

	Successor								
	Notional amount EUR million			Fixed interest % payable			Fair value of the interest rate swaps R million		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Interest rate swaps (Rm)									
Pay fixed / receive floating									
Interest rate swaps > 1 year-Senior floating rate note	**378**[1]	378[1]	630[1]	**10.03**	10.03	10.03	**140**	232	130
Interest rate	**1,180**[1]	1,180[1]	1,180[1]	**7.78**	7.78	7.78	**438**	725	244

	Successor								
	Notional amount EUR million			Fixed interest % payable			Fair value of the interest rate swaps R million		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
swaps > 1 year- Senior Secured floating rate note....									

1 The Group entered into interest rate swaps to swap interest payable on the notes issued from floating, being 3 months EURIBOR, to a fixed rate of pay 4,529%.

34.6 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 3 April 2010, the Group did not consider there to be any concentration of credit risk.

At 3 April 2010, 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 R103 million (2009 and 2008: R85 million and R76 million) lower. Conversely, at 3 April 2010, 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 R103 million (2009 and 2008: R85 million and R76 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.

34.7 Liquidity risk

	Successor		
	2010	2009	2008
	Rm	Rm	Rm
The Group has minimised risk of illiquidity as shown by its substantial banking facilities and reserve borrowing capacity.			
Total banking and loan facilities...............................	**7,988**	10,200	10,200
Actual interest-bearing debt (note 19)......................	**(4,650)**	(5,300)	(4,507)
Unutilised borrowing facilities...................................	**3,338**	4,900	5,693
Total banking and loan facilities of the Group including OtC and OtC II comprise:			
Revolving credit facility..	**3,500**[1]	3,500[1]	3,500[1]
Borrowing base facility		3,900	3,900
OtC receivable backed facility..................................		2,600	2,600
OtC II receivables-backed notes..............................	**4,300**		
Receivable purchase facility.....................................	**43**		
OtC liquidity facility..		200	200
OtC II liquidity facility..	**145**		

	Successor		
	2010	2009	2008
	Rm	Rm	Rm
	7,988	10,200	10,200

1 Includes R2,225 million ancillary facilities.

These facilities are committed facilities and are therefore subject to commitment fees as follows:

- Revolving credit facilities at 0.625% p.a.
- OtC receivables backed facility 0.5% p.a.
- Receivable purchase facility at 0.8% p.a.
- OtC II liquidity facility at 0.48% p.a.
- OtC liquidity facility at 0.8% p.a.

The maturity dates of the facilities are:

• Revolving credit facility	June 2012	June 2012	June 2012
• Revolving credit Ancillary facilities	Reviewed annually	Reviewed annually	Reviewed annually
• Borrowing base facility		June 2010	June 2010
• OtC receivable backed facility		June 2010	June 2010
• Receivable purchase facility	April 2014		
• OtC II receivables-backed notes (note 18.3)	July 2010 to April 2014		
• OtC II liquidity facility	April 2014		
• OtC liquidity facility		June 2010	June 2010

34.8 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 in the table in page F-82 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 3 April 2010, 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 3 April 2010:

		Fair value measurement using		
	Total	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
	Rm	Rm	Rm	Rm
3 April 2010				
Financial assets				
Interest rate swaps				
Foreign exchange forwards and swaps				
Total financial assets				
Financial liabilities				
Interest rate swaps	**578**		**578**	
Foreign exchange forwards and swaps	**3,332**		**3,332**	

	Total	Fair value measurement using Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
	Rm	Rm	Rm	Rm
Total financial liabilities	**3,910**		**3,910**	
28 March 2009				
Financial assets				
Interest rate swaps				
Foreign exchange forwards and swaps	2,581		2,581	
Total financial assets	2,581		2,581	
Financial liabilities				
Interest rate swaps	957		957	
Foreign exchange forwards and swaps	559		559	
Total financial liabilities	1,516		1,516	
29 March 2008				
Financial assets				
Interest rate swaps	5		5	
Foreign exchange forwards and swaps	5,845		5,845	
Total financial assets	5,850		5,850	
Financial liabilities				
Interest rate swaps				
Foreign exchange forwards and swaps	379		379	
Total financial liabilities	379		379	

(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.

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 floating rate notes issued are fair valued based on the exchange rate ruling at the reporting date.

Forward instruments: forward exchange contracts are entered into to cover import orders, and fair values are determined using foreign exchange market rates at 3 April 2010. Forward exchange agreements and swaps are entered into to hedge interest rate exposure of investments, interest bearing debt and fair values are determined using market related derivative rates at 3 April 2010.

35. 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 F-87 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. The following table provides the total amount of transactions, which have been entered into with related parties:

	Successor	
	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**	

	Successor	
	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	

	Successor	
	2008	
	Fee paid to related parties	Amounts owed to related parties
	Rm	Rm
Loan including interest to shareholder	—	5,547
Preference dividend due to shareholders	—	27
Fee paid to Bain Capital affiliate	30	—

Transactions with joint ventures are detailed in note 7.

	Successor		
	53 weeks 2010	52 weeks 2009	47 weeks 2008
	Total including directors	Total including directors	Total including directors
	Rm	Rm	Rm
Remuneration	**30**	27	20
Retirement, medical, accident and death benefits	**4**	4	2
Loyalty bonus	**8**	8	–
Performance bonus			
Other benefits	**–**	1	–
Options exercised			332
	42	38	354
Comprising:			
Short-term employee benefits	**38**	34	20
Options exercised			332
Post-employment benefits	**4**	4	2

Key management personnel includes directors (refer to note 27.7) and members of the Chief Executive's Forum.

	Successor		
	2010 3 April	**2009 28 March**	**2008 29 March**
	Rm	**Rm**	**Rm**
36. CONSOLIDATION OF ONTHECARDS INVESTMENTS LIMITED (OtC) 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 and OtC II:			
ASSETS			
Non-current assets			
Intangible assets	**79**	79	79
Held-to-maturity investments	**(78)**		
Loan Edcon (Proprietary) Limited	**(2,062)**	(1,450)	(1,425)
Deferred tax	**133**		
Total non-current assets	**(1,928)**	(1,371)	(1,346)
Current assets			
Trade, other receivables and prepayments	**5,468**	3,889	3,756
Cash and cash equivalents	**684**	—	127
Total current assets	**6,152**	3,889	3,883
Total assets	**4,224**	2,518	2,537
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Retained (loss)/surplus	**(140)**	(52)	3
Total equity	**(140)**	(52)	3
Non-current liabilities—third parties			
Interest-bearing debt (note 18)	**3,855**		
Subordinated loan (note 18)			25
Deferred tax		(89)	(70)
	3,855	(89)	(45)
Total non-current liabilities	**3,855**	(89)	(45)
Current liabilities			
Interest-bearing debt (note 19)	**445**	2,659	2,581
Current taxation	**—**	(2)	(4)
Trade and other payables	**64**	2	2
Total current liabilities	**509**	2,659	2,579
Total equity and liabilities	**4,224**	2,518	2,537
Total managed capital per IAS 1	**4,160**	2,607	2,584

	Successor		
	2010 53 weeks to 3 April	2009 52 weeks to 28 March	2008 47 weeks to 29 March
	Rm	Rm	Rm
Included in the Group Statement of Comprehensive Income by line, are the following amounts relating to the consolidation of OtC and OtC II:			
Total revenues	**603**	530	479
Income from credit	**582**	517	467
Expenses from credit	**(403)**	(234)	(129)
Trading profit and profit before financing costs	**179**	283	338
Interest received	**21**	13	12
Profit before financing costs	**200**	296	350
Financing costs	**(348)**	(369)	(345)
(Loss)/profit before taxation	**(148)**	(73)	5
Taxation	**20**	18	(2)
(Loss)/profit for the period	**(128)**	(55)	3
Included in the Group Statement of Cash Flows by line, are the following amounts relating to the consolidation of OtC and OtC II:			
Cash retained from operating activities			
(Loss)/profit before taxation	**(148)**	(73)	5
Interest received	**(21)**	(13)	(12)
Financing costs	**348**	369	345
Non-cash items	**185**		
Operating cash inflow before changes in working capital	**364**	283	338
Working capital movement	**493**	(133)	13
Trade accounts receivable	**505**	(82)	(51)
Other receivables	**(19)**	(43)	76
Trade and other payables	**7**	(8)	(12)
Cash generated from operating activities	**857**	150	351
Interest received	**21**	5	12
Financing costs paid	**(293)**	(360)	(345)
Taxation paid	**(22)**	—	(8)
Net cash retained/(utilised)/Cash effects of financing activities	**563**	(205)	10
Increase in held-to-maturity investments	**78**	25	725
Loan—Edcon (Proprietary) Limited	**612**		
Proceeds from receivables-backed notes issued	**4,300**		
Purchase of trade receivables	**(2,210)**		
(Decrease)/increase in short-term interest bearing debt	**(2,659)**	53	(869)
Net cash inflow/(outflow) from financing activities	**121**	78	(144)
Increase/(decrease) in cash and cash equivalents	**684**	(127)	(134)
Cash and cash equivalents at the beginning of the period	**—**	127	—
Consolidation of OtC			261
Cash and cash equivalents at the end of the period	**684**	—	127

ANNEXURE 1—INTERESTS IN SIGNIFICANT SUBSIDIARIES

	Nature of business*	Issued ordinary capital			% interest in capital			Book value-shares		
		2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
		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	**896**	895	894	**100**	100	100	**3,482**	3,232	3,075
National Security Corporation (Pty) Limited	G	**2,000**	2,000	2,000	**100**	100	100	**7**	7	7
R22 Properties (Pty) Limited	P	**1**	1	1	**100**	100	100	**88**	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	G	**£**	**£**	**£**						
Bellfield Limited	G	**41**	41	41	**100**	100	100	**70**	70	70
Interest in subsidiaries								**6,616**	6,366	6,209

* Nature of business R: Retailing, M: Manufacturing, G: Group Services, D: Dormant, P: Property Holding, A: Acquisition company.

Note: Celrose (Pty) Ltd is consolidated as the Group retains control.

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Edcon Limited

€300,000,000 9.5% Senior Secured Notes due 2018

OFFERING MEMORANDUM

11 March 2013

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