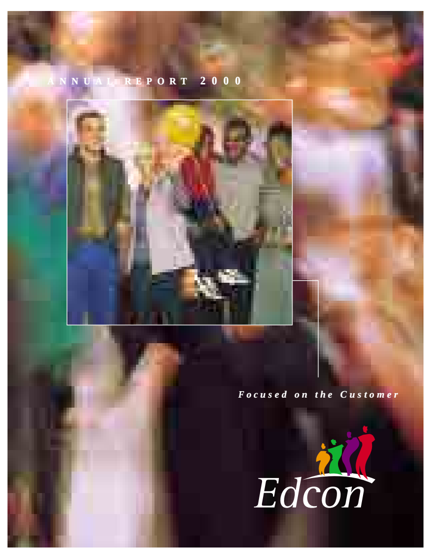
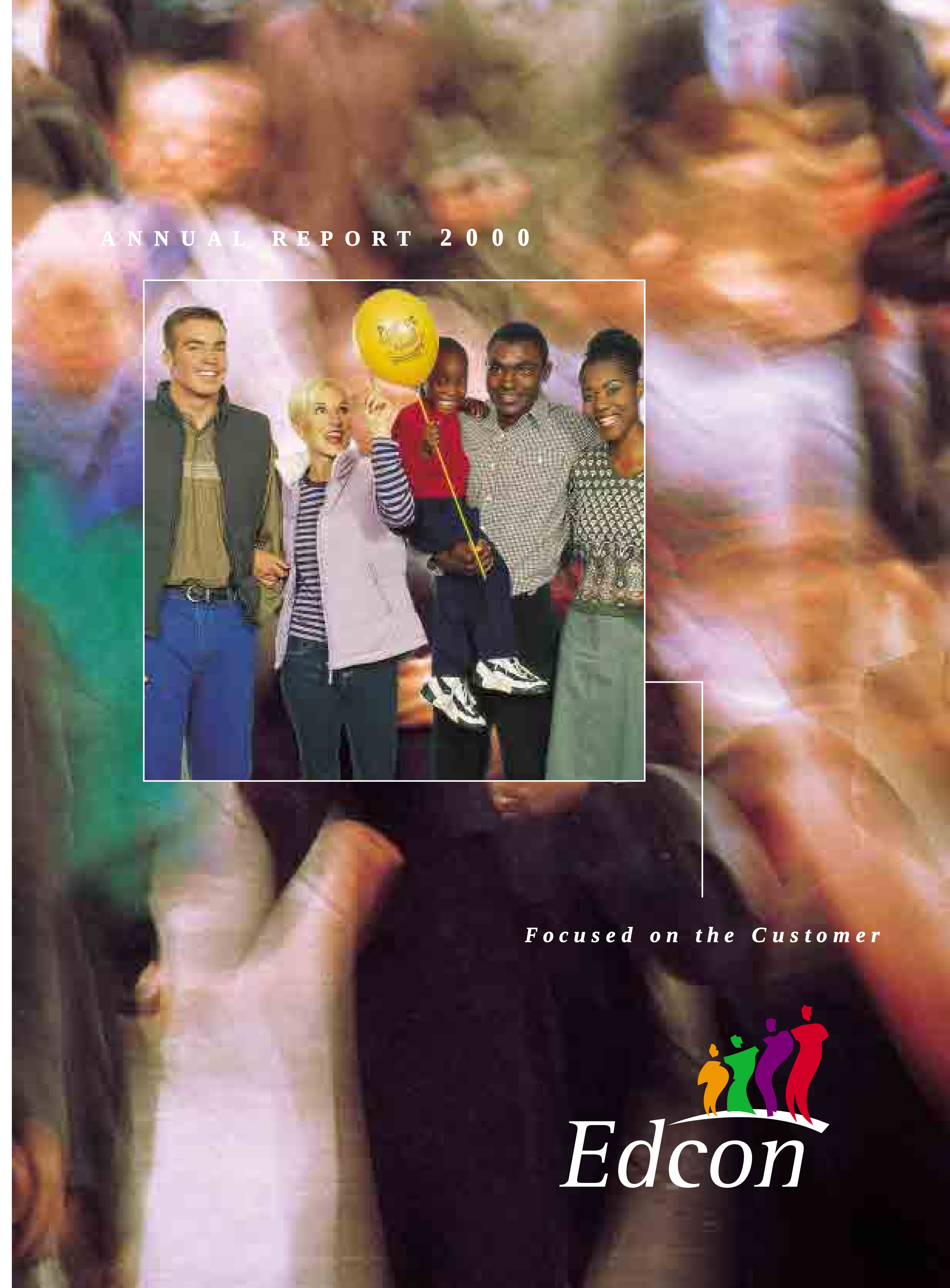


Edcon



ANNUAL REPORT 2000

Focused on the Customer

Edcon

Contents

Edcon

Group Financial Highlights

	2000 52 weeks	1999 52 weeks	Change %
GROUP SUMMARY	**Rm**	Rm	
Revenue – retail sales	**6 423,6**	5 849,8	10
Earnings attributable to ordinary shareholders	**226,5**	85,8	164
Attributable cash equivalent earnings	**447,3**	292,8	53
Cash flow from operations	**207,4**	195,6	6
Cash value added	**1 648,0**	1 709,8	(4)
Total assets	**4 105,0**	3 779,6	9
Market capitalisation	**4 056,5**	1 824,5	122
ORDINARY SHARE PERFORMANCE (CENTS PER SHARE)			
Earnings			
Attributable earnings basis	**394,8**	150,6	162
Headline earnings basis	**407,9**	147,6	176
Cash equivalent basis	**779,7**	514,0	52
Cash flow	**375,4**	349,7	7
Dividends	**152,0**	58,0	162
Net equity	**3 830,4**	3 593,6	7
Market price	**7 070**	3 180	122
FINANCIAL STATISTICS			
Trading profit as % of retail sales	**6,7**	3,9	
Return on ordinary shareholders' equity (%)	**10,6**	4,2	
Liquidity ratios			
Gearing ratio	**0,23**	0,25	
Total liabilities/shareholders' funds	**0,83**	0,81	

PROSPECTS

The key drivers of retail sales are personal disposable incomes and consumer confidence. Better growth in the economy, the lower inflation and interest rate environment, and recently reduced personal taxes, will boost disposable incomes in the year ahead. But confidence, while improving, remains fragile. This is particularly true among lower income customers, who are still burdened by relatively high, but falling, indebtedness and uncertainty surrounding employment in the formal sector. Against this background, Edcon has budgeted to maintain its sales growth at a level similar to that achieved in the past year, while earnings are expected to rise at a somewhat higher rate.

Mission

Our business mission is to serve our customers through retail outlets with courtesy, offering quality clothing, footwear, textiles and accessories at great prices. Each trading brand has a specific mission to provide customers in its market segment with service that exceeds expectations, prices that represent clear value against the competition and an assortment of product and credit facilities that respond to the needs of the community served, for fashion, quality and affordability.

Our civic mission is to help promote positive change in the quality of life for all citizens in our trading areas. Our primary focus is support for education.

Our mission as an employer is to treat our employees as family; to provide them with the tools, training and opportunity to develop themselves and provide for their families.

Edgars Consolidated Stores Limited originated from one small clothing store opened in Johannesburg in 1929. It was listed on the Johannesburg Stock Exchange in 1946. It operates through 671 stores in southern Africa.

Edcon
Group
Values

CUSTOMER FIRST

RESPECT

LEADING

INNOVATION

LEARNING

TEAMWORK

WINNING

DISCIPLINE

A company that cares for its . . .

customers, employees and community

Code of Conduct

The group will act in a manner that will earn it the reputation of:

- *having scrupulous ethics – openness, honesty, credibility and integrity*
- *being non-sectional and non-political*
- *being socially responsible*
- *being consistent in honouring its legal and moral obligations*

With regard to its people, the group subscribes to a competency based human resource approach in pursuit of:

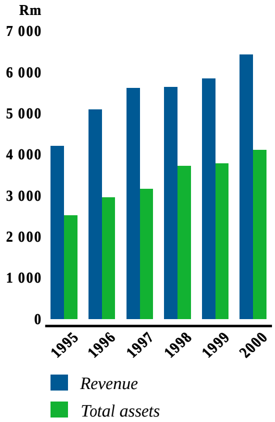
- *a highly trained and competent staff*
- *a performance and customer focused culture*
- *equitable employment practices*
- *sound employee relations*

Year Number of weeks	Five year compound growth % p.a.	2000 52	1999 52	1998 52	1997 53	1996 52	1995 52
Group income statements (Rm)							
Revenue – retail sales	8,9	**6 423,6**	5 849,8	5 641,7	5 616,7	5 097,0	4 203,6
Cost of sales		**4 100,7**	3 834,1	3 583,4	3 510,6	3 163,9	2 593,3
Gross profit		**2 322,9**	2 015,7	2 058,3	2 106,1	1 933,1	1 610,3
Expenses		**1 892,3**	1 787,2	1 641,1	1 558,8	1 354,2	1 092,6
Trading profit*	(3,6)	**430,6**	228,5	417,2	547,3	578,9	517,7
Net financing costs		**77,4**	121,4	56,8	51,8	72,9	60,5
Profit before taxation		**353,2**	107,1	360,4	495,5	506,0	457,2
Taxation		**108,3**	38,9	122,5	170,5	180,8	181,8
Equity accounted retained earnings		**—**	—	—	6,1	14,9	9,0
Attributable to outside shareholders		**(18,4)**	17,6	(7,4)	(10,2)	(2,9)	(0,1)
Earnings attributable to ordinary shareholders	(4,4)	**226,5**	85,8	230,5	320,9	337,2	284,3
Group cash flow (Rm)							
Cash generated from trading	1,7	**655,9**	422,0	587,3	692,3	687,7	601,9
Working capital requirements		**(334,9)**	(22,6)	(417,4)	(96,7)	(61,9)	(201,6)
Cash generated from operating activities		**321,0**	399,4	169,9	595,6	625,8	400,3
Net financing costs paid		**(77,4)**	(121,4)	(56,9)	(51,8)	(72,9)	(60,5)
Taxation paid		**(36,2)**	(82,4)	(149,7)	(187,0)	(175,1)	(146,1)
Cash inflow from operations		**207,4**	195,6	(36,7)	356,8	377,8	193,7
Dividends paid		**(60,6)**	(21,8)	(13,8)	(16,1)	(7,4)	(66,6)
Net cash retained		**146,8**	173,8	(50,5)	340,7	370,4	127,1
Net cash invested	(4,5)	**(137,5)**	(223,2)	(308,8)	(270,4)	(235,5)	(173,1)
Net financing repaid		**9,3**	(49,4)	(359,3)	70,3	134,9	(46,0)
Increase in shareholder funding		**0,6**	13,0	10,2	7,1	5,7	3,0
Increase in interest bearing debt		**27,8**	52,3	351,9	(53,7)	(148,8)	49,2
Net cash inflow from financing activities		**28,4**	65,3	362,1	(46,6)	(143,1)	52,2
Increase in cash and cash equivalents		**37,7**	15,9	2,8	23,7	(8,2)	6,2
Group balance sheets (Rm)							
Assets							
Non-current assets		**878,9**	899,9	846,7	731,2	604,2	446,0
Current assets		**3 226,1**	2 879,7	2 875,2	2 428,7	2 347,2	2 074,8
Total assets	10,2	**4 105,0**	3 779,6	3 721,9	3 159,9	2 951,4	2 520,8
Equity and liabilities							
Ordinary shareholders' equity	14,1	**2 197,3**	2 061,9	2 002,5	1 800,6	1 484,3	1 136,8
Minority interest		**42,4**	31,6	53,1	74,9	34,5	1,2
Interest bearing debt	7,7	**627,8**	596,9	554,5	228,1	285,7	433,4
	12,8	**2 867,5**	2 690,4	2 610,1	2 103,6	1 804,5	1 571,4
Interest free liabilities		**1 237,5**	1 089,2	1 111,8	1 056,3	1 146,9	949,4
Total equity and liabilities	10,2	**4 105,0**	3 779,6	3 721,9	3 159,9	2 951,4	2 520,8

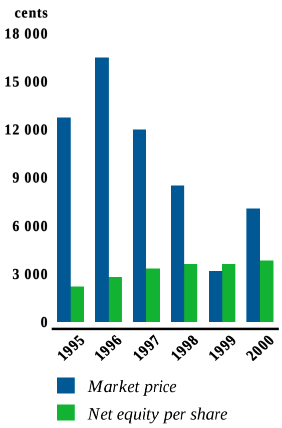
(Definitions are given in note 2 to the annual financial statements)

** Includes dividend income*

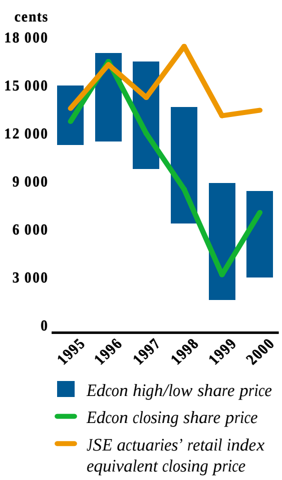
Revenue and total assets



Market price and net equity per share



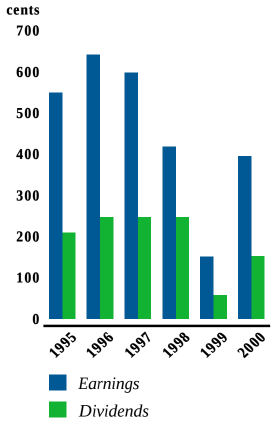
Share performance



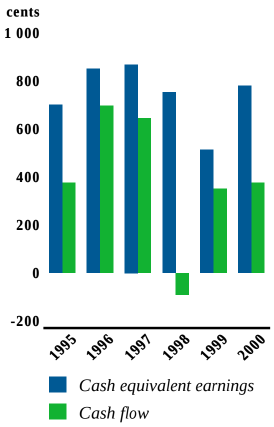
Year Number of weeks	Over time financial objectives/ constraints	Five year compound growth % p.a.	**2000** **52**	1999 52	1998 52	1997 53	1996 52	1995 52
Ordinary share performance (cents per share)								
Earnings								
attributable earnings basis		(6,4)	**394,8**	150,6	418,2	597,8	642,4	550,3
headline earnings basis		(5,7)	**407,9**	147,6	416,8	592,4	636,3	546,2
cash equivalent basis		2,1	**779,7**	514,0	753,3	868,3	850,5	701,2
Attributable cash flow			**375,4**	349,7	(91,4)	644,2	696,4	375,0
Dividends		(6,3)	**152,0**	58,0	247,0	247,0	247,0	210,0
Net equity		11,8	**3 829,8**	3 593,6	3 593,1	3 322,4	2 804,7	2 191,2
Net equity excluding trademarks		11,8	**3 815,4**	3 563,9	3 550,9	3 274,8	2 748,1	2 188,6
Returns								
Return on ordinary shareholders' equity (%)	25,0	Av. 14,4	**10,6**	4,2	12,1	19,5	25,7	28,6
Return on capital employed (%)	21,0	Av. 14,1	**11,0**	5,7	11,8	18,9	22,9	22,8
Productivity								
Cash value added (Rm)		5,5	**1 648,0**	1 709,8	1 462,1	1 780,1	1 665,0	1 261,8
Cash value added per retailing employee (R000)		9,2	**140,6**	136,0	103,8	121,7	115,9	90,6
Net asset turn (times)			**2,2**	2,2	2,2	2,8	2,8	2,7
Net assets per retailing employee (R000)			**244,6**	214,0	185,4	143,9	125,6	112,8
Trading profit to revenue (%)	10,0		**6,7**	3,9	7,4	9,7	11,3	12,3
Retail sales per square metre (Rand)		4,1	**8 002**	7 143	7 115	7 655	7 799	6 542
Retail sales per retail employee (R000)		12,3	**547,9**	465,4	400,7	384,1	354,7	306,1
Revenue growth (%)			**9,8**	3,7	0,5	10,2	21,3	15,9
Effective tax rate (%)			**30,6**	36,3	34,0	34,4	35,9	39,9
Solvency and liquidity								
Financing cost cover (times)	5,0	Av. 6,7	**5,6**	1,9	7,4	10,6	7,9	8,6
Dividend cover (times)	2,6	Av. 2,4	**2,6**	2,6	1,7	2,4	2,6	2,6
Cash realisation rate			**0,48**	0,68	(1,12)	0,74	0,82	0,53
Gearing ratio	0,5	Av. 0,20	**0,23**	0,25	0,24	0,09	0,17	0,37
Total liabilities/shareholders' funds		Av. 0,81	**0,83**	0,81	0,81	0,68	0,94	1,22
Interest free liabilities/total assets			**0,30**	0,29	0,30	0,33	0,39	0,38
Current ratio			**2,1**	2,2	2,7	2,2	2,1	2,2
Johannesburg Stock Exchange performance								
Traded prices (cents per share)								
last sale in year			**7 070**	3 180	8 520	12 000	16 500	12 750
high			**8 400**	8 900	13 650	16 500	17 000	15 100
low			**3 000**	1 600	6 400	9 800	11 500	11 300
weighted average price per share traded			**5 636**	3 065	10 296	11 803	12 019	13 759
Price earnings ratio			**17,9**	21,1	20,4	20,1	25,7	23,2
Edcon share price index (1994: 100)			**62**	28	75	105	145	112
JSE actuaries' retail index (1994: 100)			**118**	115	153	125	143	119
Year end market price/net equity per share			**1,85**	0,85	2,37	3,61	5,88	5,82
Number of shares in issue (000)			**57 376**	57 376	55 732	54 196	52 921	51 876
Volume of shares traded (000)			**34 750**	27 281	8 039	3 048	1 144	637
Number of transactions			**18 129**	9 955	2 772	1 512	795	626
Volume traded as % of number in issue			**60,6**	47,5	14,4	5,6	2,1	1,2
Value of shares traded (Rm)			**1 958,7**	836,2	827,7	359,7	137,5	87,6
Market capitalisation (Rm)			**4 056,5**	1 824,5	4 748,4	6 503,6	8 732,0	6 614,2
Number of shareholders			**2 512**	12 649	446	511	519	505
Earnings yield (%)			**5,6**	4,7	4,9	5,0	3,9	4,3
Dividend yield (%)			**2,2**	1,8	2,9	2,1	1,5	1,6

(Definitions are given in note 2 to the annual financial statements)

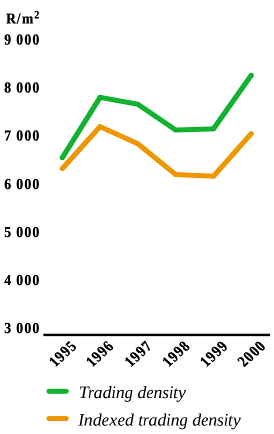
Earnings per share and dividends per share



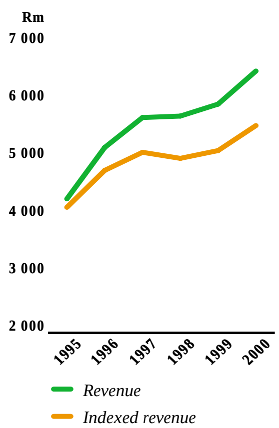
Cash equivalent earnings and cash flow per share



Trading density and indexed trading density
(Indexed on CFT inflation)



Revenue and indexed revenue
(Indexed on CFT inflation)

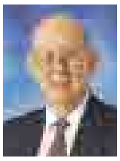


Year Number of weeks	Five year compound growth % p.a.	**2000** **52**	1999 52	1998 52	1997 53	1996 52	1995 52
Divisional analysis (Rm)							
(See accounting policy note 1.12)							
Revenue – retail sales							
Edgars		**3 675,8**	3 612,9	3 534,2	3 518,7	3 365,2	2 750,4
Sales House		**887,9**	851,4	822,3	861,4	824,8	715,4
Jet		**1 295,7**	867,8	714,0	711,7	669,6	578,9
Shoecorp		**241,3**	239,6	222,5	228,5	202,6	158,9
Zimbabwe†		**212,5**	180,0	243,6	217,2		
Smiley's Wearhouse		**110,4**	98,1	105,1	79,2	34,8	
Group	8,9	**6 423,6**	5 849,8	5 641,7	5 616,7	5 097,0	4 203,6
Trading profit							
Edgars		**243,4**	162,6	277,9	380,8	436,6	363,1
Sales House		**62,0**	58,9	79,1	104,0	118,2	103,4
Jet		**82,9**	21,8	(18,9)	(13,1)	0,6	26,0
Shoecorp		**4,0**	4,2	(3,1)	(10,5)	(6,8)	(2,8)
Zimbabwe		**46,9**	31,2	45,0	52,9		
Smiley's Wearhouse		**3,4**	(5,4)	0,6	4,0	3,2	
Manufacturing		**(12,0)**	(19,4)	9,6	7,5	17,6	6,7
Group services and consolidation adjustments		**—**	(25,4)	27,0	21,7	9,5	21,3
Group	(3,6)	**430,6**	228,5	417,2	547,3	578,9	517,7
Net assets							
Edgars		**1 019,8**	1 000,7	1 051,5	828,5	767,0	663,8
Sales House		**259,8**	244,7	230,2	178,0	170,0	151,1
Jet		**276,8**	212,6	223,3	188,5	197,4	131,8
Shoecorp		**67,8**	65,7	69,3	72,2	79,5	57,0
Zimbabwe		**85,0**	71,2	129,2	87,7	23,8	12,9
Smiley's Wearhouse		**20,1**	8,9	2,3	3,7	3,7	
Manufacturing		**135,8**	142,2	190,2	161,2	139,9	40,6
Group services		**1 002,4**	944,4	714,1	583,8	423,2	514,2
Group	12,8	**2 867,5**	2 690,4	2 610,1	2 103,6	1 804,5	1 571,4
Other statistical data (year end)							
Number of employees							
retailing		**11 725**	12 570	14 079	14 622	14 370	13 933
manufacturing		**2 776**	2 685	2 770	3 020	2 004	1 558
Total		**14 501**	15 255	16 849	17 642	16 374	15 491
Number of stores		**671**	703	702	660	545	520
Gross trading area (000 m^2)		**788**	820	811	776	676	643
Number of customer accounts (000)		**3 446**	3 725	3 598	3 643	3 695	3 335

(Definitions are given in note 2 of the annual financial statements)

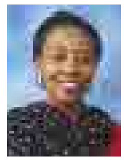
† Consolidated from April 1 1996 (previously equity accounted)

NON-EXECUTIVE DIRECTORS



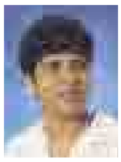
W S MacFarlane ◆† (64)
CA(SA), FCA
Director of companies. Past Group Deputy Chairman of The South African Breweries Limited. Appointed to the Board in 1982 and, after retiring from the Board in 1998, re-appointed as Chairman in 1999. Chairman of the Audit and Remuneration Committees.

W F de la H Beck ◆† (77)
BCom, CA(SA)
Director of companies. Appointed to the Board in 1978.

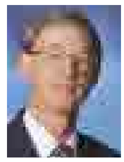


T N Mosery-Eboka # (41)
BS Textile Engineering (USA), BS Applied Mathematics (USA), MBA (USA)
Director of companies. Appointed to the Board in 1999.

A J Aaron ◆ (67)
BCom, LLB
A senior partner of a Johannesburg firm of attorneys and a director of companies. Appointed to the Board in 1978.

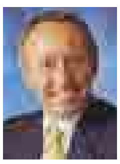


Z B Ebrahim † (40)
BA, HDE (UCT)
Director of companies. Appointed to the Board in 1999.

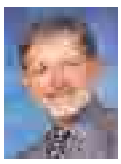


M I Wyman *(53)
CA(SA)
Group Corporate Finance and Development Director of the South African Breweries plc, director of companies within the SAB Group. Appointed to the Board in 1998.

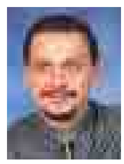
EXECUTIVE DIRECTORS



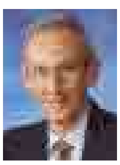
S M Ross ◆†‡# (48)
BA (USA)
Group Chief Executive. Joined the company and appointed to the Board in 1998. Chairman of the Customer Service Committee.



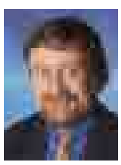
J A Day (53)
ACIS
Group Director, Information Technology and Strategic Planning. Joined the company in 1974. Appointed to the Board in 2000.



Dr U Ferndale † (35)
BA Hons, MA, Dlitt et Phil (Human Resource Management)
Group Human Resources Director. Joined the company and appointed to the Board in 1999.



M R Bower (45)
BCom, BCompt Hons, CA(SA)
Chief Executive Group Services and Acting Group Financial Director. Joined the company and appointed to the Board in 1990.



G R Evans (47)
Chief Executive Jet, Sales House and Smiley's Wearhouse. Joined the company in 1981. Appointed to the Board in 1999.

R C Maydon # (56)
Chief Executive Edgars Operations and Planning. Joined the company in 1976. Appointed to the Board in 1999.

**UK*
‡USA
◆Member of Audit Committee
†Member of Remuneration Committee
#Member of the Customer Service Committee

EDCON TOP STRUCTURE

S M Ross
Group Chief Executive Officer: Edcon
(48; joined 1998)
BA

G Davies
Edgars: Merchandise (Speciality)
(55; joined 1980)

R C Maydon
Chief Executive: Edgars Operations and Planning
(56; joined 1976)

- **A Gardiner**
  Operations
  (39; joined 1983)
- **P Raymond**
  Planning (Apparel)
  (43; joined 1987)
- **C Scott**
  Planning (Speciality)
  (53; joined 1978)
  BCom
- **F C Spies**
  Planning (Apparel)
  (42; joined 1981)
  BA

V Shera
Edgars: Merchandise (Apparel)
(33; joined 1991)

J Spotts
Group Marketing Executive
(37; joined 1999)
BS, CPA

G R Evans
Chief Executive: Sales House; Jet; Smiley's Wearhouse
(47; joined 1981)

- **A V A Boshoff**
  Operations
  (48; joined 1988)
  BA Hons
- **M J Deall**
  Planning
  (46; joined 1979)
- **P Mullen**
  Merchandise
  (53; joined 1986)
- **R A W Roberts**
  Merchandise
  (56; joined 1969)

Edgars Zimbabwe Board

NON-EXECUTIVE

J P Mkushi
Chairman
(50; joined 1991)
BSc, MSc

D M Zamchiya
Deputy Chairman
(59; joined 1990)
LLB, LLM

M R Bower
Director
(45; joined 1990)
BCom, BCompt Hons, CA(SA)

H D Ferguson
Director
(58; joined 1976)
FCMA

P Mullen
Director
(53; joined 1986)

EXECUTIVE

R Mlotshwa
Group Managing Director
(50; joined 1981)
BA

S D Guest
Director: Edgars
(51; joined 1969)

L Masterson
Group Financial Director
(44; joined 1988)
FCIS

S Ndlovu
Group Personnel Director
(48; joined 1990)
BA Hons

Z Vella
Director: Express Chain
(42; joined 1999)
BA Hons Accountancy and Economics

M R Bower
Chief Executive: Group Services
(45; joined 1990)
BCom, BCompt Hons, CA(SA)

B A Beedle
Chief Executive: Shoecorp Shoe Stores
(47; joined 1999)
BCom(Acc)

A L Kallner
Merchandise
(51; joined 1999)

M C Bekker
Operations
(40; joined 1999)

C C D Evans
Chief Executive: Manufacturing
(49; joined 1976)

J A Hodnett
Managing Director: Studio Clothing
(49; joined 1993)

K Duveen
Managing Director: H D Lee
(55; joined 1992)

D J Eager
Director: Central Services Manufacturing, Laure Fashions & Reactor Clothing
(53; joined 1982)
FCA

J A Day
Group Information Technology & Strategic Planning Director
(53; joined 1974)
ACIS

Dr U Ferndale
Group Human Resources Director
(35; joined 1999)
BA Hons, M.A., Dlitt et Phil

R J Leathers
Group Credit
(40; joined 1982)
BCom

M J Lewin
Property Development
(45; joined 1989)
BCom, BAgMan

F Gortana
Store Planning
(59; joined 1964)
MISA

M J Pienaar
Commercial
(37; joined 1998)
BSc, LLB

R Mlotshwa
Group Managing Director (Zimbabwe)
(50; joined 1981)
BA

J F Swart
Group Supply Chain Executive
(53; joined 1969)
BAdmin

M R Bower
Acting Group Financial Director
(45; joined 1990)
BCom, BCompt Hons, CA(SA)

S J Aldridge
Finance: Edgars; Group Finance
(47; joined 1981)
CA(SA)

PM Searle
Finance: Credit; Distribution; Marketing; Sales House; Shoecorp Shoe Stores; Jet; Smiley's Wearhouse
(59; joined 1967)
CA(SA)

V L Velthuis
Group Internal Auditor
(38; joined 1989)
BCom, BAcc, CA(SA), BA

D J Viviers
Group Secretary and Legal Advisor
(52; joined 1997)
BA, Proc

"THE TURNAROUND HAS BEEN A RESOUNDING SUCCESS"

RESULTS

In this my first year as Chairman, I am delighted to report that the Edcon Group has delivered much improved results in the face of difficult trading conditions. There can now be little doubt that the turnaround programme has been a resounding success and there is most certainly a new mood abroad throughout the Group. After years of falling market share and declining profitability, Edcon sales growth – at 10% for the past twelve months – comfortably exceeded the 7% reported by the Retailers' Liaison Committee

for the market, excluding the performance of the Edcon Group. The previous deterioration in operating margins has also been reversed, with this ratio improving significantly from just below 4% last year to almost 7%. As a result, headline earnings per share rose by an impressive 176% to 408 cents. Tight cash management continued to receive particular attention and net borrowings were again reduced, with gearing closing at only 23% of shareholders' funds. The investor community has clearly acknowledged the transformation that is under way, with the share price on the Johannesburg Stock Exchange rising from a low of 1 600 cents last February to above 7 000 cents by March 2000.

THE ECONOMY

These results are especially gratifying when it is recognised that they were achieved during a year of consolidation and disappointing growth for the economy as a whole. Stringent, but

Selwyn MacFarlane

necessary, fiscal and monetary policies further reduced the rate of inflation, protected the currency for the greater part of the year and facilitated a steady decline in interest rates, but the limited growth in Gross Domestic Product and the consequently high unemployment levels, were nevertheless, concerning. I remain confident, however, that a firm foundation has been laid for meaningful economic growth. However, responsible demands from labour, higher productivity and political and social stability in the region as a whole are absolute prerequisites, if vital foreign investment is to be attracted and South Africa's full potential achieved.

DIVIDEND

In terms of the Group's long-standing policy of covering dividends 2,6 times, a final dividend of 97 cents per ordinary share has been declared, bringing total dividends for the year up to 152 cents, as compared with 58 cents in the previous year.

PROSPECTS

The key drivers of retail sales are personal disposable incomes and consumer confidence. Better growth in the economy, the lower inflation and interest rate environment, and recently reduced personal taxes, will boost disposable incomes in the year ahead. But confidence, while improving, remains fragile. This is particularly true among lower income customers, who are still burdened by relatively high, but falling, indebtedness and uncertainty surrounding employment in the formal sector. Against this background, Edcon has budgeted to maintain its sales growth at a level similar to that achieved in the past year, while earnings are expected to rise at a somewhat higher rate.

APPRECIATION

It is my pleasure to welcome non-executive directors, Zora Ebrahim and Tina Mosery-Eboka, to the Board. Their varied experience has already added a new and different dimension to Board deliberations. John Day (group executive, information technology and strategic planning), Graham Evans (chief executive: Jet, Sales House and Smiley's Wearhouse), Dr Urin Ferndale (group human resources executive) and Robert Maydon (chief executive: Edgars operations and planning), were also invited to join the Board during the year, in recognition of the importance of their executive roles.

We bid farewell to Wolf Cesman, following his resignation from Liberty Life and to Darryl Cousins who has resigned after twenty-six years of service to the Group. I thank them both for their contribution.

My past year with Edcon has been an inspiring and stimulating experience. The sheer quantum and pace of change, under the skilled leadership of Steve Ross, has been impressive. His vast experience in fashion retailing, his dedication to customer service disciplines, his drive and enthusiasm, have permeated every corner of the business. But a successful turnaround always reflects a team effort and the experience at Edcon is no exception. My congratulations and thanks to the directors, the executive management and the greater Edcon family for your determination and unflinching efforts in what is a highly competitive market. Edcon is reclaiming its position as a pre-eminent fashion retailer and I look forward to being associated with its future successes.

W S MacFarlane
Chairman

"THIS HAS BEEN A YEAR OF EFFORT AND TRANSFORMATION"

We stated in our report last year that the primary goals of the Edcon Group were profitable market share recovery and regained status as store of choice for Clothing, Footwear, Textiles and Accessories in the areas we trade. Progress has been made on both initiatives. Market share for the group increased as sales grew 10% and, importantly, gross profit rose at a faster rate of 15%. The key impetus for enhanced performance is improved service. Each of the chains in the year past has deployed a new strategy that evolved from extensive consumer research undertaken over the past year. The research was started with Monitor Company to define Edcon's target audience, understand its customer needs and propose a chain strategy which best serves these needs. The research was completed by July of 1999 and by October management had formulated positionings for Edgars, Sales House and Jet. The narrative will define these positionings. The improved levels of service are a function of significant improvements in the price, taste, and size in stock, of the merchandise ranges. These advances have facilitated the building of a personal relationship with the customer. Transaction times have been reduced, inquiries and complaints have reduced, and customer satisfaction, as measured by "mystery shoppers", has been increased.

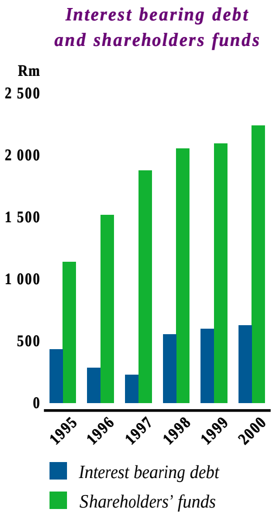
This has been a year of effort and transformation. A review of the executive masthead reflects significant change as we continue to refine our company and hone competitive efficiency, while

Mark Bower *Steve Ross*

maximising customer responsiveness. The role of energetic and enlightened human resource management has made a substantial contribution to improved staff morale. The benefits of consolidating back office services are apparent in the year on year comparisons of the cost of services provided. The focus of marketing on "in store" messages and less reliance on expensive media and price reduction propositions, has allowed Edcon to grow business by nearly 10% while spending 34% less on marketing and 21% less in cost reductions. At Edgars, we have broken its reliance on regular advertised discounting, by offering more products at better prices than ever before, without degrading quality. Improved efficiencies are reflected in the significant increase, to record levels, in sales per employee and sales per square metre. The sum of these changes and the many more, detailed in the pages ahead, illustrate that our trajectory as a company is changing. Edcon has regained much lost ground and we are building momentum to gain more.

FINANCIAL RESULTS, INVESTMENTS AND FUNDING

Assisted by the rationalisation and transformation processes trading profit rose by 88%. Numerous enhancements, many of which are detailed within this report, contributed to this impressive turnaround and the operating margin rose strongly from 3,9% last year to 6,7%. Lower average interest rates (14,7% this year vs 17,5% last) and reduced average borrowings contributed to the 36% fall in net financing costs. After accounting for taxation and minority interests, earnings attributable to ordinary shareholders rose by 164%, attributable earnings per share increased similarly to 395 cents and headline earnings by 176% to 408 cents per share. Importantly cash equivalent earnings per share at 780 cents rose by an impressive 52%, and 48% of this was realised



in the cash flow per share of 375 cents.

The marked improvement in trading profit from R228 million last year to R429 million boosted cash generated from operations to R656 million (last year R422 million). Working capital management remained a priority and after investing R302 million in debtors and a net R33 million into financing stock increases, cash generated from operating activities was R321 million. R174 million was required for interest, taxation and dividend payments leaving net cash retained and available for investment of R147 million.

"HEADLINE EARNINGS ROSE BY 176% TO 408 CENTS PER SHARE"

After crediting the proceeds on disposals, investment activity utilised R138 million and consequently net borrowings were reduced by R9 million. Closing gearing was decreased from last year's 0,25 to 0,23 and remained well under the Group's self-imposed constraint of 0,50. Interest cover, which fell below 2 last year, bounced back to 5,6 times – comfortably above the Group's over-time objective of 5.

The liability capacity model, applied in the inflation statements on page 44, reflects unused liability capacity of R852 million, while total liabilities as a percentage of shareholders' funds closed at 0,83.

Last year's annual report indicated that capital expenditure of R174 million had been approved for the year under review. The proposed spend was critically evaluated and, in the event, only R140 million was actually incurred. In addition R7 million was authorised for the acquisition of the remaining 49% minority interest in Meltz Success (Proprietary) Limited and the non-group 33% in Smiley's Wearhouse (Proprietary) Limited.

In terms of Group policy, R75 million was transferred this year from prepayments to fixed assets on the commissioning of enterprise wide software packages. In addition R27 million has been expended during the year on the merchandise systems development programme and debited to prepayments. These costs will be cleared to fixed assets and amortised over five years once the software is operative in the business.

Asset utilisation improved with net assets increasing by only 7% compared with the reported sales growth of 10%. Reduced capital expenditure is reflected in the 2% decline in net fixed assets. The 11% increase in closing inventories was in line with sales growths and stock turn remained constant at 3,65 times. Management is satisfied that closing stocks were current and at saleable prices which will generate a normal gross margin. As indicated under the credit section on page 27, new twelve month accounts were funded internally by Edcon – capping the level of funding by Nedbank – from November 1999. Consequently the 19% rise in accounts receivable exceeded the rate of growth in sales. The Group continued to write off arrear debtors on a basis consistent with past practice. These results also covered a doubtful debt provision, calculated on formulae that have proved over many years to be adequate and prudent.

The Group's treasury continued to manage its interest exposure and, at year end, 30% of borrowings were fixed for more than a year, while short term hedge instruments pegged interest rates on another R29 million for four months.

Following the unbundling of SAB's interests in Edcon in February 1999, our 12 649 shareholders at March last year were given the option in June 1999 to either sell or round up to 100 shares any small or odd lots held. This exercise was most successful and the shareholders' register has been reduced to 2 512 members at March this year.

Following the approval by shareholders on 3 June 1999 of a name change from Edgars Stores Limited to Edgars Consolidated Stores Limited, "Edcon", new share certificates were issued in exchange for old. At the same time the Group's new logo and identity were launched.

Integral to the centralisation of the accounting functions has been the introduction of the concept of Economic Value Added throughout the business. Segment results, determined after charging a weighted cost of capital, will be published next year once comparatives generated this year become available.

"EDGARS AIMS TO BE THE PRE-EMINENT CUSTOMER SERVICE PROVIDER FOR MIDDLE AND UPPER MIDDLE INCOME FAMILIES"

EDGARS

The approved strategy and positioning for Edgars in the years ahead is to be the pre-eminent customer service provider for middle and upper middle income families of southern Africa. An important dimension of service is to ensure that an assortment of product is in stock by size and colour and represents clear value to the targeted consumer for price and quality. Edgars will continue to be the largest national distributor of bona fide national and international brands. Supplementing these brands are dominant value offerings of core essential sportswear and commodity products. The fashion offered will be appropriate to the market served. Other key aspects of service include, speed of transaction, staff attitude, trading hours, collateral services, and fair and efficient return policies. Measures have been set for each and are being monitored by supervisors and "mystery shoppers".

Sales did not materialise as the chain had forecast. Turnover growth was only 1,7% above last year, well short of expectations. Nonetheless, the other important ratios indicate that significant improvement has been made. Gross margins advanced slightly, despite the application of new value focused pricing formulae. The gross profit rate after advertising improved by over 300 basis points. Markdowns were reduced by over 20%. Stocks were well managed. The chain has improved its "in stock" condition, moving service levels on core items from 73% to 91%. The balance of cash sales continues to grow and, with the launch of the Purple Cash Card in October 1999, the chain has managed to build a database of over half a million customers. Edgars focused on improving trading density and, while overall growth was meagre, there have been good contributions from the mall based stores, offset by trading declines in the city centre stores. Sandton, the number three volume Edgars store, was re-vamped and officially re-opened in November 1999. The store has been consistently doubling the Retailer's Liaison Committee density averages and year on year growth has exceeded 30% every month since modernisation. The lessons learned at Sandton with respect to store lay-out, marketing and service training are now being applied to subsequent re-vamps and new stores. The deterioration of central business district sales at Edgars has been troubling for more than three years. In this past year, a change of assortment and a reduction of space and staffing have slowed the impact of lost sales. There is still adequate traffic to support business and Edgars intends to stabilise these stores in the year ahead.

CLINIQUE

JOCKEY

Levi's

swatch

The gross profit rate improved by over . .

300 basis points

"SALES HOUSE OFFERS A CHOICE OF TRUSTED BRANDS FOR THE CLASSIC TASTE, OF DURABLE QUALITY AT AFFORDABLE PRICES, ON CREDIT"

Budgets for the coming year have been prepared on the basis of sales growths of just under 10%.

A significant improvement in profitability is, however, expected from improved efficiencies, both within stores and at head office.

SALES HOUSE

The Sales House mission is to be the leading CFTA retailer in southern Africa offering a choice of trusted brands for the classic taste, of durable quality, at affordable prices, on credit.
It targets the responsible middle market family through stores that are receptive, easy to shop and caring.

In order to position this viable trading formula for solid future growth, Sales House has been through a period of soul-searching, re-structure and consolidation. The benefits of this corrective action are not immediately apparent in the moderate rise of 4,3% in rand sales, as a unit increase of 8% in clothing was clouded by planned reductions in the average unit price of goods sold. At the gross profit level, profits were in line with last year but, through improved efficiencies, the operating margin rose slightly from 6,9% to 7,0%. The increased market penetration, from a unit perspective, has been achieved as a result of clearly defining, through data driven research, the chain's target market and then aligning trading strategies to the needs of the identified price-sensitive middle market family unit.

This was followed by an adjustment to the pricing strategy of the Sales House brand, so as to represent a value proposition, by offering more assortments of the most wanted items, in depth and at affordable prices.

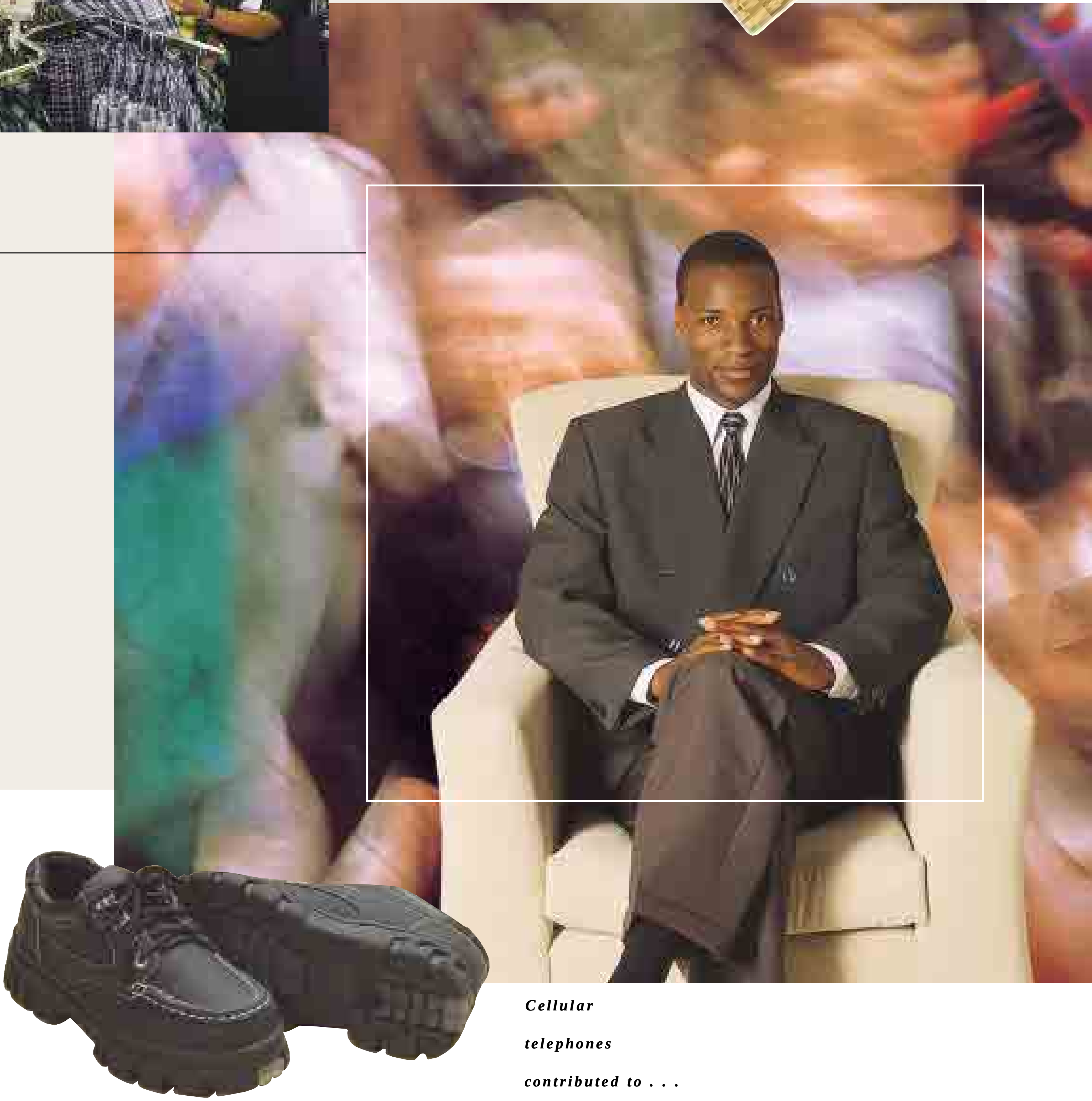
Coupled to this was a marketing and communication programme that conveyed the changed strategy to current and potential customers.

The new management team then focused on the opportunities available to the Sales House brand and communicated the changed strategies to the chain's highly committed staff, thus gaining their full and enthusiastic support for the turnaround.

The merger of the Sales House and Jet management teams has created opportunities to re-engineer staff structures and to improve the processes of buying and selling. Consequently, efficiencies, vitally necessary to support the value positioning of the brand, were achieved.

Initiatives to optimise the now combined real estate portfolios have also proved most successful. Multi-brand stores, where Jet and Sales House trade in a single location, have increased space productivity. In addition, certain stores have been reduced in size, where appropriate, and closed or converted into Jet operations, where market segmentation indicates that customers will be better served by a different format.

Specific points at which this particular customer base expects service were identified as part of the Monitor research project. Changes from a customer service perspective have been effected within stores to address these expectations. In addition,



Cellular telephones contributed to . . .

profitability

"JET OFFERS A CHOICE OF HOUSE BRANDED COMMERCIAL FASHION, OF DURABLE QUALITY, AT EXCEPTIONAL PRICES, SOLD IN VOLUME TO THE MASS LOWER MIDDLE MARKET FAMILY"

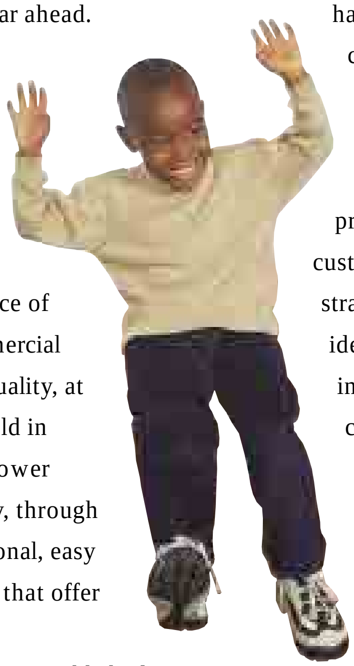
merchandise ranges now constitute a logical, disciplined and fully representative response to this target market's needs.

Products allied to normal clothing and footwear ranges, including cellular telephones, accessories, air time and eye care products, have contributed profitably to the results. Sales House Club benefits have also been updated to be more relevant and attractive to the identified target market. Financial services have also been included to form an integral part of the offering to customers. These are poised to expand rapidly with the introduction of African Bank micro loan kiosks, initially into twenty Sales House stores, followed by the launching of other products identified as pertinent to this market segment.

The plan for the year ahead is robust but flexible and will be updated as trading conditions demand. The management team has defined a number of additional profitable opportunity areas for Sales House. Following store transfers to Jet in April, Sales House will trade with 12 less stores. Nevertheless, identified projects, and benefits expected from re-focusing the chain and its merchandise ranges, should ensure that Sales House delivers double digit sales growth, with a concomitant improvement in profitability in the year ahead.

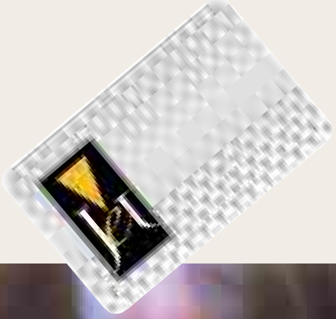
JET

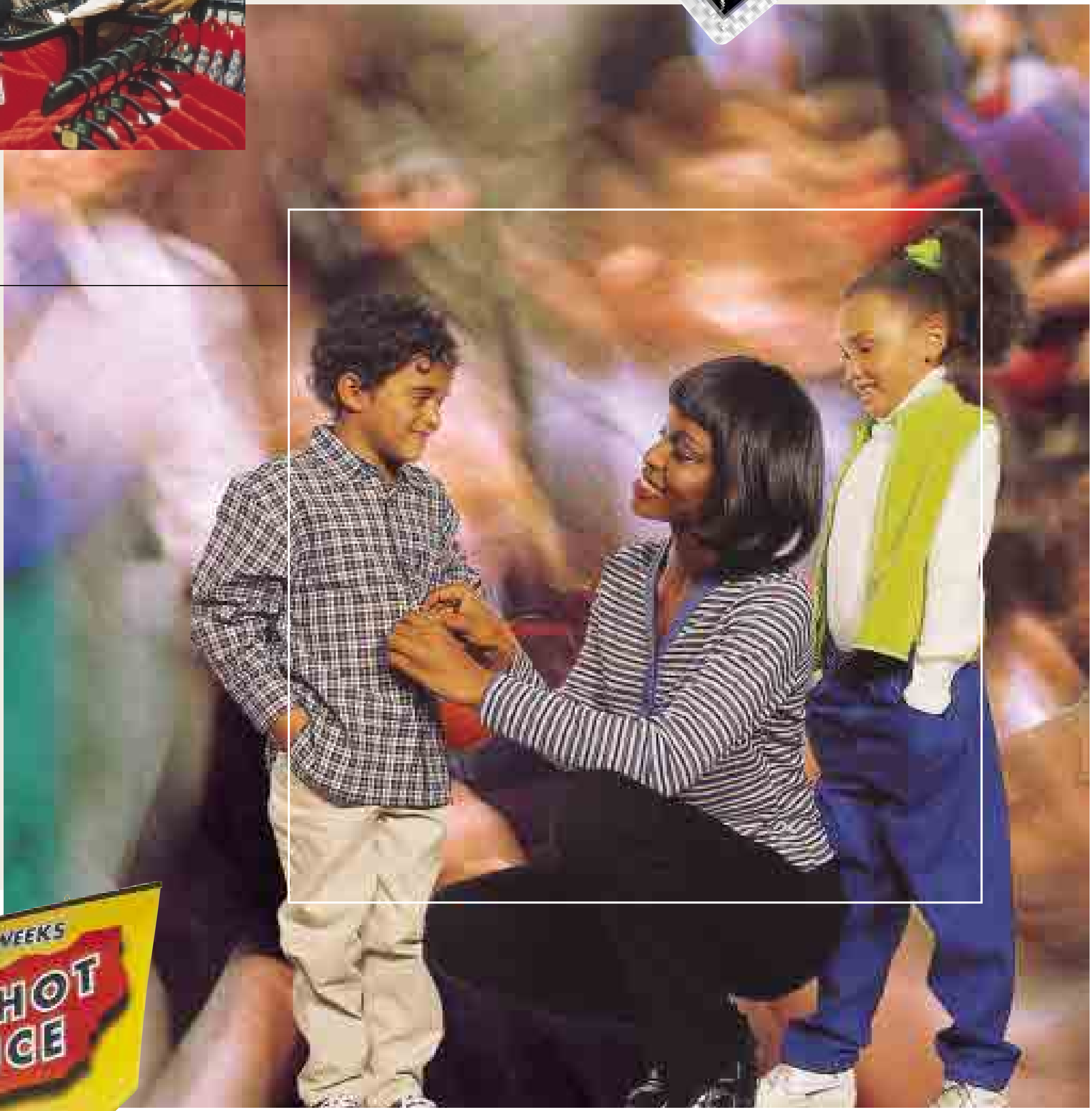
Jet's mission is to be the leading discount CFTA retailer in southern Africa offering a choice of house branded commercial fashion, of durable quality, at exceptional prices, sold in volume to the mass lower middle market family, through stores that are functional, easy to shop, exciting and that offer credit.



The Jet brand has established and cemented a trading formula that has gained the acceptance of a broad spectrum of South African consumers and the results have been quite simply exceptional. After reporting a sales growth of over 20% last year, the chain powered ahead to add a further 49% to sales in the current year. With gross profit increasing in line with sales, operating profit rose to an impressive R83 million or 6,4% of sales. This enviable position has been achieved by clearly understanding the chain's target market and appreciating the needs of an increasingly price sensitive, discerning customer. The chain's strategy includes the identification, and offering in volume, of quality, commercial fashion merchandise at exceptional prices. Stores are carefully designed to be functional and easy to shop.

During the year, customers with other Edcon brand credit cards were invited to use these cards in Jet. This gave Jet access to the





Jet

powered

ahead to . . .

add 49% to sales

"AN INCREASING PERCENTAGE OF MANUFACTURING OUTPUT IS BEING SOLD TO OVERSEAS MARKETS"

Group's credit base of 3,5 million customers and contributed meaningfully to the dramatic turnaround in activity, sales and profitability.

The discount positioning of the brand dictates that all aspects of the business must be highly efficient, including stock turns, space productivity, staff efficiencies, expense ratios, capital expenditure per m^2, head office structures and many more. Jet has re-engineered staff structures and operational processes to achieve efficiencies and provide the chain with sustainable strategic advantage.

Stores have been reduced in trading size where necessary and one new store was opened. As indicated in the Sales House report, Jet and Sales House now trade side by side in 7 shared locations. The success of these locations proves that the two brands complement one another and obvious synergies boost profitability significantly.

In addition to two conversions, Jet will trade next year through at least another 12 premises which were previously occupied by Sales House and this will add impetus to their results in the coming year. Interaction points with customers have been examined and standards that exceed expected levels of service have been instilled into our staff. All these efforts have combined to create a service-centred approach to dealing with customers.

Jet has achieved market dominance in various categories of merchandise, due to continuous efforts to offer large volumes of wanted commercial product of durable quality at exceptional prices. All marketing communications and in-store signage have focused on the target customer and on merchandise offerings at remarkable prices. This has differentiated Jet from its competitors and has engendered goodwill, and works towards keeping customers for life.

Jet has also offered products allied to its core ranges. These included cellular telephones, accessories and air time all of which proved to be highly sought after commodities in Jet's target market. The rapidly expanding Jet Club provides wanted financial and other services to its loyal clientele. If the micro loan offering from African Bank proves successful in Sales House, it will be logical to extend the service to Jet customers.

Jet will continue to trade aggressively in the year ahead. In addition to the 12 stores to be converted from Sales House, if sites become available, at least 15 additional stores will be opened. Jet is therefore poised for another year of impressive growth at both the sales and gross profit level. Costs of expansion and credit will, however, slow down the rate of growth in trading profit somewhat.

SHOECORP

Shoecorp trades through 101 Cuthberts and 39 ABC stores. Cuthberts provides the broad middle market with good value, commercial fashion footwear for all members of the family. ABC aims to satisfy aspirational, more affluent customers seeking high quality, up-market brands and fashionable designs.

The past year at Shoecorp was one of change. A new management team has taken aggressive steps to position the ABC and Cuthbert chains with more relevance to their target consumers. The introduction of house labels at Cuthberts at exceptional opening price points and exclusive import labels at ABC have relieved the need for frequent "price break" markdowns. Aged and unproductive inventory has been purged and initial results at our mall stores have been promising. The challenge remains to make the rural small stores more efficient. With a view to improving profitability, the Cuthberts brand will also be sited in Jet stores where excess space exists. The first pilot project will be in Jet Ermelo.

Reported sales growths for the year were disappointing at just under 1% and profits were well below budgeted levels. However, with the changes to management, structures and merchandise offerings effected over the past year, the chain has budgeted, off a low base, for meaningful sales and profit growth in the year ahead.

MANUFACTURING

The manufacturing division is a diversified manufacturer and supplier of predominantly men's and ladies' outerwear, sourcing products from its own manufacturing facilities as well as locally and internationally. An increasing percentage of output is being sold to overseas markets. It incorporates VOC and Meltz Success.

VOC

This division operates through:

Celrose Clothing which produces men's and boyswear on a quick response, large volume basis in modern automated facilities in Tongaat, KwaZulu-Natal. Their export sales doubled and now represent almost 30% of the division's total sales.

Studio Clothing a design facility which relies exclusively on cut, make and trim (CMT) facilities for its production.

HD Lee a jeanswear manufacturer which operates through three factories in Lesotho and several washing plants, also making use of CMT facilities when necessary.

Two CMT factories, namely **Lauré Fashions** – a specialist jacket manufacturer in Cape Town, and **Reactor Clothing,** a CMT factory in Tongaat.

Sales growths from VOC were a modest 4%, but profits were well below those reported last year. This was due solely to a disappointing performance from the Lee operation. Corrective action is being taken to re-focus this business on its core competency of manufacturing denim jeans and improved results are expected for VOC as a whole in the year ahead.

MELTZ

A controlling interest in Meltz Success (Proprietary) Limited was purchased some five years ago to secure for the Group a vitally needed international and local merchandise sourcing facility. As indicated in last year's report, the company

"2000 IS THE YEAR OF THE EMPLOYEE"

performed particularly poorly and generated unacceptable losses in the recent past. As a result, the decision was taken in 1998 to dispose of its branded businesses and concentrate on sourcing unbranded core goods for Edcon. This process continued in the year under review and the last major brand, Calvin Klein, was transferred to Busby Limited. In addition, Edcon finally purchased the minority shareholders' shares in Meltz and transferred its operations to Edgardale. The company will now serve the purpose for which it was originally purchased, and buyers and planners working for Edcon Sourcing (previously Meltz Success) will procure merchandise centrally on a commission basis for the benefit of the greater Edcon Group. Losses for the year remained unacceptably high, but were necessary to clear remaining stocks, transfer operations and collect outstanding receivables.

SMILEY'S WEARHOUSE

Smiley's is a highly focused fashion discount retailer serving a niche market with predominantly ladieswear at remarkable prices. Edcon previously owned only 33% of this operation through its investment in Meltz. Following the acquisition of Meltz shares enumerated above, Edcon acquired the remaining shares in Smiley's Wearhouse (Proprietary) Limited from its founder Tony Smily.

As a wholly owned subsidiary, under the watchful eye of the Jet team, profitability at Smiley's will improve significantly. The Jet/Sales House operations team has already taken responsibility for all Smiley's stores and buying efficiencies and merchandise improvements are expected.

ZIMBABWE

At the time of writing this report the situation in Zimbabwe is extremely worrying. The economy is struggling with inflation and interest rates at well over 50% and only limited foreign exchange is available for vital imports, including fuel and electricity. Ahead of a promised general election, the country is also politically and socially unstable. Against the background of these uncertainties, the Board has resolved to defer any strategic decisions relating to its Zimbabwe operations until after the elections. Once the outcome is known and the Zimbabwean and international reactions have been assessed, management will be in a position to formulate its strategic intent relating to its operations in Zimbabwe and to comment on whether the current accounting treatment of consolidating its results is appropriate in future. The current net interest in Edgars Zimbabwe is recorded in the Group accounts at R41 million. This includes their second interim dividend of the equivalent of R3,3 million payable on 12 November 1999 which remains unpaid. Bankers have indicated that payment cannot be expected until the foreign exchange proceeds from tobacco auctions are realised. The collectability of dividends will also be reviewed after the elections.

Edgars Zimbabwe is an independent operation listed on the Zimbabwe Stock Exchange. Edcon currently owns 56% of its issued share capital. It trades through 77 retail stores as Edgars, Express and CNA and via a manufacturing division, Carousel. Edgars Zimbabwe is the pre-eminent retailer of clothing, footwear, textiles and accessories in their market.

Ironically, Edgars Zimbabwe reported superlative results for the twelve months to December 1999. Sales in Zimbabwe dollar terms grew by 74%, well ahead of inflation, while attributable earnings rose by a remarkable 159%. In rand terms sales and earnings grew by 18% and 88% respectively. Express continued to be the vanguard of this growth by offering customers startling value on key core merchandise items. Edgars, however, remained the mainstay of the business. Prospects for this operation can best be summarised by quoting from Edgars Zimbabwe's recent year end preliminary announcement to shareholders: "The problems facing the country today are countless, urgent and indeed very serious. The hope is that after the elections the country will see the leaders attending to the needs of Zimbabwe in a fresh and positive manner, aimed at finding lasting solutions".

HUMAN RESOURCES

In line with Group policy, the human resource departments of each chain were centralised, under the leadership of Dr Urin Ferndale. Not only have efficiencies improved, but consistency of policy and procedures has been achieved across the whole Edcon family. A competency based approach to human resource management has been communicated to, and accepted by all staff. Competency and delivery against pre-determined goals will drive promotions, pay increases, incentive payouts, share allocations, training, succession planning, and, in irretrievable cases, dismissal.

The importance to Edcon of our people is underscored by the decision to name 2000 as "the year of the employee" within the Group. Edcon is committed to the requirements of the Employment Equity Act and all other labour related legislation. To this end, a compliance audit completed this year, indicated that Edcon generally meets legislated requirements and that most of its policies and procedures are in line with best practice. Employment Equity initiatives are a business imperative and a comprehensive Employment Equity strategy and plan has been formulated by a committee with representatives from management, designated groups and the two unions.

This committee is confident that the plan called for in terms of the Employment Equity Act, including annual targets for staff numbers by race, will be submitted by June 2000 and communicated to the whole business shortly. As a point of reference against which to measure future progress, 25% of Edcon's Board and 29%, (last year 24%) of Edcon management are currently Black. These percentages are expected to continue to increase significantly over time as agreed targets are aggressively pursued. It is also meaningful to note that the percentage of Black staff in Edcon's South African operations has increased from 71% to 77% over the past year. The proportion of female staff has remained constant over the year with 53% of management and 72% of the

"CONSUMER DEBT LEVELS HAVE FALLEN SOMEWHAT OVER THE PAST YEAR"

total staff being female.

Mindful of the need to improve communication between labour and management and to re-build relationships following the devastating strike in 1998, a national management-labour forum was established. Meeting monthly under the chairmanship of the human resources director, this forum ensures that labour's opinions, aspirations, needs and grievances are heard by policy formulators and that communication between management and labour is effective and timely. This forum encourages empowerment through participation and opens vital communication channels. Communication is difficult when employees are dispersed in almost seven hundred stores. Consequently, Edcon has published a monthly in-house newsletter "Edcon Vibe". Furthermore, video recordings of company status briefings from the Chief Executive have been distributed to all stores. An in-store radio station, through which training and other communication materials can be disseminated, has also been introduced.

Products of this national forum include a two year wage settlement, with effective annual increases of 8,1% and several agreements which facilitate greater flexibility with regard to staff deployment and working hours. As a result, a comprehensive employee scheduling system, which will impact positively on productivity and improve service levels, has been commissioned in stores.

Edcon has embarked on a process to align its training courses with the competencies required for specific jobs. The focus for the coming year will be to ensure that internal courses are accredited and recognised by tertiary institutions. Edcon has played a significant role in the development of the Wholesale and Retail Sectoral Authority and the standard generating body for the retail sector. Edcon's commitment to the development of its staff is confirmed by the R9 million spent on training for employees.

Edcon's remuneration philosophy is designed to attract high calibre talent and to motivate staff for superior performance. To this end, all bargaining unit staff will join a new cash bonus incentive scheme, while over 3 000 staff will participate in the new extended share option scheme. Both are performance based. Bonus payments and share allocations will depend on individual outputs measured against pre-determined goals, assessed in terms of comprehensive appraisals. The extension of share options to many more staff became possible after shareholders, at a meeting on 3 June 1999, increased the pool of shares available for allocation to staff to 20% of the issued share capital. The number of options allocated, based on individuals salaries and their performance, will only be determined in the coming months when all appraisals are complete. This new scheme envisages an annual allocation, with candidates only being able to take delivery of the shares three to five years after allocation. On this "rolling" basis, respective staff should always have undelivered shares which should improve employee retention and enhance motivation.

The staff complement fell during the year under review with the total number of staff decreasing from 15 255 last year to 14 501 by March 2000. Labour turnover of only 21% and 5 869 staff with more than five years service, would indicate that employees are reasonably satisfied with Edcon as an employer. Staff numbers are expected to decline further with over 600 employees accepting a voluntary retrenchment package in April 2000 ahead of further reductions in excess trading space. With a view to formally measuring levels of enthusiasm and the perceived corporate culture, a comprehensive culture survey was conducted amongst the whole Edcon family in April this year. When the results become available, they will serve as a barometer against which to measure future human resource initiatives.

Employees continued to enjoy the benefits and savings opportunities provided by the various provident and pension funds administered by the Group. Full details of these funds are included in note 4 to the financial statements.

Following the promulgation of the new Medical Aid Act, it was necessary for the Group to amend the structures and benefits of the Edcon Medical Aid. With effect from 1 April 2000, staff have been asked to select, from an extensive menu of options, the level of medical cover they require. Clearly the cover provided and level of savings accounts will depend entirely on the monthly contributions made by individuals, as the company contribution will be a fixed percentage of the cost of core benefits selected. The final amount of any unfunded liability for pensioners medical aid costs depends on the number of pensioners and near pensioners who elect to remain on the medical aid and the financing of this liability is contingent upon the quantum of funds that can be made available from the closed Edcon Pension Fund. Based on estimates, the potential liability for pensioners which requires funding, as indicated in note 4 to the financial statements, is approximately R50 million. Legislation pertaining to the utilisation of pension fund surpluses is also currently unclear, however the fund's actuaries are engaged in formulating an equitable initiative to ease the burden of medical aid for pensioners.

CREDIT

Consumer debt levels have fallen somewhat over the past year. Coupled with this, the public has enjoyed a modicum of relief from the reduction in interest rates, with maximum rates on credit cards, as prescribed by government in terms of the Usury Act, declining from a peak in 1998 of 36% to the current rate of 25%. Payment of the full requested monthly instalment, however, remains a problem for many lower income customers and impossible for the ever increasing pool of unemployed. As a result, bad debt on the longer term, higher risk interest bearing accounts deteriorated and debt collection costs increased significantly. The shorter term accounts performed in line with expectations.

In terms of a long-standing agreement, Nedcor Bank Limited continued to finance, on a non-

"500 000 EDGARS PURPLE CASH CARDS HAVE BEEN ISSUED"

recourse basis, the long term (twelve months and over) interest bearing accounts for Edgars, Sales House and Shoecorp, while Edcon financed and carried the bad debt on the six month interest free accounts, together with the majority of customer balances in Jet. Late last year, the debtors financed by Nedbank reached a self-imposed ceiling limit and Edcon itself agreed to finance all new twelve month accounts opened subsequently. These have been established in terms of recently developed scorecards. It is Edcon's intention to build a credit history on this new twelve month book, to have it formally credit rated and, in time, securitised.

Bad debt, net of recoveries, carried by Edcon, remained at last year's level of 1,6% of total Group sales. Moving annual percentage of net bad debt to credit sales, on Edcon debtor accounts only, was 4,3%.

The previously announced consolidation of the Group's credit operations and the closure of thirteen collection and credit offices was completed during this year. The three major credit operations in Johannesburg, Durban and Cape Town are now equipped with state of the art predictive dialling and call centre facilities. These should improve collection performance and customer service. The introduction of Credit Vision debtors software in February last year, proved more complex and problematic than anticipated. However, having resolved initial teething difficulties, the credit division has plans to capitalise on this powerful and highly sophisticated software.

Three variables determine the success of the credit division. Namely, administration/debt collection costs, net bad debt, and the differential between credit card lending rates and the Group's cost of capital. Many of the now centralised costs were previously carried within the chains so direct comparisons with last year are not possible, but it is relevant to note that the R17 million increase in bad and doubtful debts this year was financed totally by a R58 million rise in late payment and other finance charges earned.

There is now little doubt that initial credit granting and subsequent collection policies are key determinants of future bad debt. Mindful of this, Edcon again tightened credit granting criteria and made extensive use of credit bureau behavioural scores. As a result, rejection rates on credit applications have increased to levels above 70%. TRIAD, a powerful debtors management tool, is being implemented currently to manage credit collection effort and this, coupled with the improvement in the quality of new accounts, should reduce bad debt over time.

Many customers, caught in the trap of recent high interest rates, are now averse to credit and have resorted to purchasing for cash or on bank credit cards only. This is evident in the net reduction in the number of active account holders from 3 725 000 last year to 3 446 000. To attract this cash paying clientele, the Edgars Purple Cash Card, with volume discount incentives, was introduced to the market in October 1999. To date over 500 000 have been issued and sales on these cards have risen to almost 6% of Edgars sales. The segmented marketing opportunities to these new customers is most exciting.

Financial services, offered to Edcon's extensive customer base, are undoubtedly a growth opportunity. Current products, including funeral policies and medical rescue plans, are an integral part of the chains' Club benefits. Cellular phone insurance and spectacle cover are gaining in popularity and the activities of the now centralised financial services function will increase substantially with the introduction of African Bank micro loan kiosks in selected stores. In addition, the planned launch of a credit life policy to all Edcon customers, insuring the full balance on their account in the event of death, disability and retrenchment, for a nominal percentage of the outstanding balance, will provide another meaningful service to customers and will boost Group profitability.

INFORMATION TECHNOLOGY AND STRATEGIC PLANNING

A great part of the past year has been spent on consolidating the Group's outsource arrangements with Andersen Consulting and PQ Outsource and establishing the basis for an effective working relationship. This has included the re-structuring of the Group's own IT management to improve focus on Group strategic initiatives, business priorities, service delivery and systems implementation. Key achievements during the year have included the stabilisation of the IT environment following the recent introduction of new packaged software solutions throughout the business. This ensured that full support was provided to the retail chains over the crucial Christmas trading period. Much work was done to ensure a smooth passage to the Year 2000, and although this was over-hyped in retrospect, a seamless transition was achieved. In addition to the capital costs of the enterprise – wide software developments, a total of R23 million was spent and expensed on the Year 2000 initiatives. R9 million was incurred in the year under review and the balance in previous periods.

At year end, the amount included under fixed assets in respect of unamortised commissioned software amounted to R117 million, while the capitalised costs in respect of systems still to be operationalised were R95 million. This represents an extremely valuable investment.

Looking forward, key imperatives include the implementation of the Retek merchandise management system, into ABC and Cuthberts during May 2000 and into Sales House and Jet before the end of the financial year. Edgars will follow later in 2001. Other major projects, including electronic commerce and upgrades to the human resources and store systems, are in their early stages of planning. Technical issues around data integrity, capacity planning and security, remain pivotal to the ongoing support of the business.

The strategic planning division provided support to the customer segmentation project as well as to improving store, customer and

"INTERNET OPPORTUNITIES WILL ENHANCE CUSTOMER SERVICE"

merchandise information, provided via the Group's extensive data warehouse facilities. Ongoing refinement and improvement in both these areas will continue in the year ahead.

In addition, strategic planning will assist in longer term strategic initiatives designed to create shareholder value. The first of these covers electronic commerce (business to business and business to consumer), with others to follow in due course. A specific structure is being established to support these projects, covering a series of particularly exciting internet opportunities which will enhance customer service substantially.

SUPPLY CHAIN

In terms of the Group's enterprise-wide systems strategy, the Retek distribution management systems have been implemented in the distribution centres in Johannesburg and Durban. Full supply chain benefits will, however, only be achieved once the Retek merchandise system as well as the Retek data warehouse are operative.

Nevertheless, over the past year, business processes across the supply chain have been critically reviewed and refined wherever appropriate. Accountabilities are now clearly defined and outputs are measured against pre-determined, well communicated targets. These initiatives have resulted in a meaningful reduction in the time from order placement to receipt of merchandise on the selling floor, and in a welcome reduction in supply chain costs. Ongoing process improvement initiatives, through optimising outputs from recent investments in systems and facilities, will underpin the next level of productivity and efficiency enhancements.

STORE DEVELOPMENT

As indicated in last year's annual report, the store capital expenditure plan for the year was R102 million. In fact only R48 million was spent as the Group concentrated on improving space utilisation, through the reduction of store sizes and sub-letting of inefficient square meterage, with consequent rental saving of R6 million per year. As a result, following 33 closures and 17 store reductions, net retail space fell from 820 000 m^2 to 788 000 m^2 and retail sales per square metre rose 12% to R8 002 per m^2. During the year, 12 new stores were opened with the only major new development in South Africa being Benoni Lakeside Mall.

The introduction of multibrand stores, where Jet and Sales House share an existing premise, proved highly successful and, by year end, seven of this concept had been established. Similarly, where segmentation analysis confirms that the Jet concept will serve the customer base better than Sales House, stores have been converted to the Jet brand.

The store development department was responsible for the modernisation of 33 948 m^2 of space during the year. The largest and most rewarding project was undoubtedly the completion of the revitalisation of the Sandton store. The world class store design, fixtures and fittings, appropriate merchandise department placement and extension of services offered, have impressed both local and international customers. From an architectural and store design perspective, it is in a class of its own and highly relevant and appropriate for the most affluent shopping centre in the country.

The budget for store capital expenditure for the year ahead is R84 million, with the most significant refurbishment programme being in Edgars Menlyn. New stores for Edgars, Jet, Cuthberts and Smiley's will open in Century City (Cape Town). With the continued deterioration in trading prospects in central business districts, the property development department will concentrate on the reduction and sub-letting of current excess space in these areas. Jet and Sales House will expand the concept of multibrand stores to more locations. Consequently total retail space is expected to remain unchanged in the year ahead.

PROSPECTS

The budget for the coming year is challenging but achievable. There is little doubt that the transformation is gaining momentum and customers are becoming increasingly aware of the changes at Edcon's stores, both in service levels offered and their everyday value propositions.

Given the lower interest environment, and with an improvement in disposable incomes following substantial personal tax reductions, we are confident that the sales growths reported in the current year can be repeated in the year ahead. Better space utilisation, enhanced staff productivity and more commercial merchandise assortments should ensure that earnings rise somewhat more rapidly than sales.

APPRECIATION

It is rewarding and exciting to see the changes the Edcon family has managed and embraced in the last year. Everyone likes to play on the winning team and, as we gain momentum and recover market share profitably, the team's sense of winning and the importance of individual contribution grows.
The collective efforts of the sales, distribution, back office and credit collection staff to improve customer perception has been the platform for positive change.
The entire Jet organisation deserves special commendation for reinventing themselves as a high powered, dynamic, profitable retailer. The urgent and comprehensive change that Dr Ferndale and the HR team has produced in the last year is remarkable and critical to our ongoing success.

Selwyn MacFarlane has provided sound guidance, clever insight and invaluable support as we make our way to recovery. We are delighted to have the counsel of Tina Mosery-Eboka and Zohra Ebrahim who joined our Board as non-executive directors this past year.

In a difficult retail environment it is our good fortune to have an executive committee of talented, earnest and passionate people as colleagues.

S M Ross
Chief Executive Officer

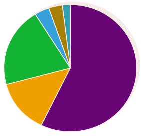
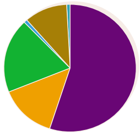
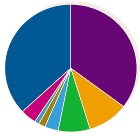
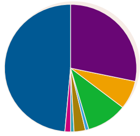
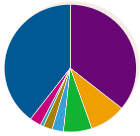
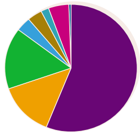
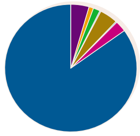
M R Bower
Chief Executive – Group Services

Edcon

Segmental Analysis

(audited)

(Note 1)

	Revenue – Retail sales (Rm)			Trading profit (Rm)			Depreciation (Rm)			Capital expenditure (Note 2) (Rm)			Non-current assets (Note 3) (Rm)		Inventories (Rm)		Other current assets (Rm)	
	2000	1999	%	**2000**	1999	%	**2000**	1999	%	**2000**	1999	%	**2000**	1999	**2000**	1999	**2000**	1999
Edgars	**3 676**	3 613	2	**244**	163	50	**77**	78	(1)	**40**	88	(55)	**316**	377	**678**	632	**90**	74
Sales House	**888**	851	4	**62**	59	5	**22**	21	5	**10**	17	(41)	**79**	97	**164**	126	**23**	45
Jet	**1 296**	868	49	**83**	22	277	**17**	18	(6)	**14**	5	180	**61**	66	**188**	142	**38**	29
SHOECORP abc shoes cuthberts	**241**	240	—	**4**	4		**7**	8	(13)	**1**	4	(75)	**24**	32	**42**	37	**5**	3
Edgars Zimbabwe	**213**	180	18	**47**	31	52	**4**	6	(33)	**4**	6	(33)	**19**	21	**45**	19	**91**	54
Smiley's Wearhouse	**110**	98	12	**3**	(5)	160	**2**	1	100	**1**	—		**8**	8	**24**	20	**1**	—
Manufacturing Division				**(12)**	(20)	40	**9**	7	29	**2**	8	(75)	**24**	31	**58**	80	**58**	69
GROUP SERVICES (Note 4)				**—**	(25)		**80**	58	38	**68**	90	(24)	**348**	268	**6**	27	**1 716**	1 522
GROUP Edcon	**6 424**	5 850	10	**431**	229	88	**218**	197	11	**140**	218	(36)	**879**	900	**1 205**	1 083	**2 022**	1 796
PER GEOGRAPHIC REGION																		
South Africa	**5 991**	5 478	9	**353**	173	104	**211**	187	13	**136**	212	(36)	**846**	863	**1 122**	1 035	**1 879**	1 717
Zimbabwe	**213**	180	18	**47**	31	52	**4**	6	(33)	**4**	6	(33)	**19**	21	**45**	19	**91**	54
Other (Note 6)	**220**	192	15	**31**	25	24	**3**	4	(25)	**—**	—		**14**	16	**38**	29	**52**	25

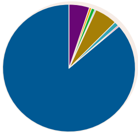
Notes

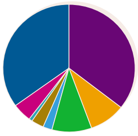
1. Prepared in accordance with accounting policy note 1.12

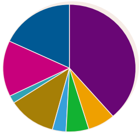
2. Excludes proceeds on disposal of properties, fixtures, equipment and vehicles and movements in loans (note 10.7 and 10.8)

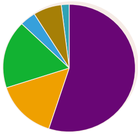
3. Assets transferred to Group Services from 1 April 1999 – comparatives not adjusted

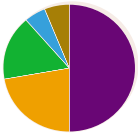
4. Incorporating credit division, other corporate divisions and consolidation adjustments

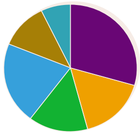












Interest free liabilities (Rm)		Net assets (Rm)			Number of employees			Retail sales/retail employee (R000)			Trading area (000 m²)			Retail sales/m² (moving average) (R)			Number of accounts (Note 5) (000)			Number of stores		
2000	1999	**2000**	1999	%	**2000**	1999	%	**2000**	1999	%	**2000**	1999	%	**2000**	1999	%	**2000**	1999	%	**2000**	1999	%
64	82	**1 020**	1 001	2	**5 603**	6 577	(15)	**656**	549	19	**435**	444	(2)	**8 430**	8 143	4	**1 730**	1 857	(7)	**199**	218	(9)
7	24	**260**	245	6	**994**	1 096	(9)	**893**	776	15	**117**	128	(9)	**7 268**	6 594	10	**765**	806	(5)	**109**	118	(8)
9	21	**277**	216	28	**783**	889	(12)	**1 655**	976	70	**137**	145	(6)	**9 178**	5 896	56	**564**	649	(13)	**98**	97	1
3	6	**68**	66	3	**496**	527	(6)	**486**	455	7	**29**	30	(3)	**8 076**	7 801	4	**179**	211	(15)	**140**	144	(3)
70	24	**85**	70	21	**1 693**	1 567	8	**214**	223	(4)	**55**	57	(4)	**3 975**	3 159	26	**208**	202	3	**77**	72	7
13	19	**20**	9	122	**274**	315	(13)	**403**	311	29	**15**	16	(6)	**7 313**	6 130	19				**48**	54	(11)
5	38	**136**	142	(4)	**2 077**	2 112	(2)															
1 067	875	**1 002**	941	6	**2 581**	2 172	19															
1 238	1 089	**2 868**	2 690	7	**14 501**	15 255	(5)	**548**	465	18	**788**	820	(4)	**8 002**	7 143	12	**3 446**	3 725	(7)	**671**	703	(5)
1 159	1 055	**2 688**	2 560	5	**12 509**	13 479	(7)	**574**	434	32	**712**	742	(4)				**3 139**	3 342	(6)	**573**	609	(6)
70	24	**85**	70	21	**1 693**	1 567	8	**214**	223	(4)	**55**	57	(4)				**208**	202	3	**77**	72	7
9	10	**95**	60	58	**299**	209	43	**769**	919	(16)	**21**	21					**99**	181	(45)	**21**	22	(5)

Notes

5. Includes bank financed accounts (000): Edgars – 512 (1999: 522) Sales House – 267 (1999: 240) Jet – 143 (1999: 235) Shoecorp – 53 (1999: 111)

6. Comprising Botswana, Lesotho, Swaziland and Namibia

Corporate Governance Report

Corporate governance incorporates the adoption and monitoring of sound effective systems of internal control, the assessment and management of business risks and the definition and implementation of appropriate business procedures. Responsibilities are fixed, directed and controlled for the purpose of administering and safeguarding shareholders' interests and Group assets. The Directors of Edcon deem corporate governance to be vitally important and are unreservedly committed to applying the principles necessary to ensure that good governance is practised. For this they accept full responsibility. These principles include integrity, transparency and accountability of the Directors to all stakeholders. In pursuit of these ideals, the intention is to exceed "minimum requirements" with due consideration to international trends and codes. Corporate governance within the Edcon Group is managed and monitored by a unitary Board of Directors and several sub-committees of the main Board. The Board is of the opinion that the Group currently complies with the principles incorporated in the Code of Corporate Practices and Conduct, as set out in the King Report.

Board of Directors

Its primary responsibilities include discussing and reviewing the strategic direction of Edcon and monitoring investment decisions, considering significant financial matters, and reviewing the performance of executive management against business plans, budgets and industry standards. In addition, specific attention is given to ensuring that a comprehensive system of policies and procedures is operative and compliance with corporate governance principles is reviewed regularly. The Board is chaired by non-executive Director, W S MacFarlane, and consists of six executive and six non-executive Directors. The names and credentials of the Directors in office on 31 March 2000 are detailed on page 7. The Board remains responsible to the shareholders in the exercise of its duties.

Non-executive Directors contribute an independent view to matters under consideration and add to the breadth and depth of experience of the Board. This group enjoys significant influence at meetings. The roles of Chairman and Chief Executive are separate, with responsibilities divided between them. The Chairman has no executive functions. All Directors have the appropriate knowledge and experience necessary to effect their duties with each actively involved in the Group's affairs. Generally, Directors have no fixed term of appointment but retire by rotation every three years, and, if available, are considered for re-appointment at the annual general meeting. Exceptions to this are the current Chief Executive, who has a five year employment contract, and the Chief Executive – Group Services, who has signed a three year contract with the company. In terms of the articles of association, Messrs. A J Aaron, W F de la H Beck and M I Wyman retire by rotation at the annual general meeting and, being eligible, offer themselves for re-election. Shareholders will also be asked to confirm the appointments, as non-executive Directors, of Mesdames T N Mosery-Eboka and Z B Ebrahim, together with the appointments, as executive Directors, of Messrs J A Day, G R Evans, Dr U Ferndale and R C Maydon, who were appointed by the Board during the year. Non-executive Directors receive no benefits from Edcon other than their directors' fees. All Board members are required to disclose their shareholdings in Edcon, other directorships and any potential conflict of interest. They are then required to excuse themselves from any discussions and decisions on matters in which they have a conflicting interest.

Board meetings are held at least quarterly, with additional meetings called where circumstances necessitate. Effective chairmanship and a formal agenda, raising issues that require attention, ensure that proceedings are conducted efficiently and all appropriate matters addressed. All relevant information is supplied to Directors timeously. Meetings are not dominated by one person or group of persons, rather the interests of all stakeholders remain at the core of all decisions. Members have unlimited access to the company secretary, who acts as an advisor to the Board and its sub-committees on issues including compliance with Group rules and procedures, statutory regulations and best corporate practices. Furthermore, the advice of independent professionals may be obtained by any Board member in appropriate circumstances, at the expense of the Company. The name and address of the secretary are on page 77.

Board sub-committees

Specific responsibilities have been delegated to Board committees with defined terms of reference from approved charters. The current Board committees are:

Audit committee

The audit committee identifies and continuously evaluates exposure to significant risks, reviews the appropriateness and adequacy of the systems of internal financial and operational control, reviews accounting policies and financial information issued to the public, provides effective communication between directors, management and internal and external auditors, and recommends the appointment of the external auditors. The committee has three non-executive members and their details are provided on page 7.

During the year the Board adopted an audit committee charter which provides clear terms of reference to the audit committee. In drafting this charter, full consideration was given to current international trends and developments pertaining to audit committees. Committee members have unlimited access to all information, documents and explanations required in the discharge of their duties. This authority has been extended to the internal and external auditors. The activities of the committee are reviewed by the members via an annual control self-assessment exercise. Furthermore the main Board is provided with regular reports on the committee's activities.

The committee, chaired by W S MacFarlane, meets at least three times per year. Meetings are attended by invitees, including the financial director, external auditor, internal auditor and company secretary. The charter also requires that sessions be held with no management present, to ensure that matters are considered without undue influence. The internal and external auditors have unlimited access to the Chairman.

Remuneration committee

The purpose of the remuneration committee is to approve a broad remuneration strategy for the Group and to ensure that Directors and senior executives reporting to the Chief Executive are adequately remunerated for their contribution to Edcon's operating and financial performance, in terms of base pay and short and long term incentives. In fulfilling its duties, consideration is given to industry and local benchmarks and international trends. At all times, due attention is paid to succession plans and the retention of key executives. In order to promote an identity of interests with shareholders, share incentives are considered to be an integral and vital element of middle and senior management's incentive pay. The committee members are detailed on page 37. The Directors' emoluments are fully disclosed in note 4 to the financial statements.

Customer service committee

The purpose for which this committee has just recently been established is to promote a customer service ethic throughout the Group and to provide an independent assessment of customer service against specified service objectives, by setting criteria and measuring delivery against these standards. The committee will meet for the first time in August 2000. It will be responsible for maintaining a comprehensive understanding of the levels of customer service expected in each chain, against which it will consider the results of various initiatives including "mystery shopper" reports. It will make recommendations for corrective action by evaluating the performance of each chain. Meetings will be held twice per annum under the chairmanship of the Chief Executive. Clear terms of reference have been documented in a charter approved by the main Board. The committee will consist of three members of which at least one will be non-executive.

Other group committees

Employment equity committee

The role of the employment equity committee is to formulate and implement the employment equity strategy and measure achievements. This involves developing an appropriate plan, communication of the strategy and plan and monitoring the implementation thereof. A constitution has been adopted which guides activities. The committee comprised of elected and appointed members, holds monthly meetings with representatives from management and labour and is chaired by the Chief Executive.

Accountability and audit

Internal control

The Board of Directors is responsible for the Group's systems of internal control. Responsibility for the adequacy, extent and operation of these systems is delegated to the executive Directors. To fulfil this responsibility management maintains accounting records and has developed and continues to maintain appropriate systems of internal control.

The Directors report that the Group's internal controls and systems are designed to provide reasonable, and not absolute, assurance as to the integrity and reliability of the financial statements, to safeguard, verify and maintain accountability of its assets and to detect and minimise fraud, potential liability, loss and material misstatement, while complying with applicable laws and regulations.

The systems of internal control are based on established organisational structures together with written policies and procedures, including budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts. The Directors have satisfied themselves that these systems and procedures are implemented, maintained and monitored by appropriately trained personnel with suitable segregation of authority, duties and reporting lines and by comprehensive use of advanced computer hardware and software technologies. Employees are required to maintain the highest ethical standards in ensuring that business practices are conducted in a manner, which in all reasonable circumstances, is above reproach. The effectiveness of the systems of internal control in operation is monitored continually through reviews and reports from:

- senior executives and divisional managers;
- the head of group internal audit;
- external auditors.

Furthermore management has a control self-assessment process to supplement the existing structures of evaluating the systems of internal control. The process which includes the signing of a representation letter by the Chief Executive of each chain, is designed to assess, maintain and improve controls on an ongoing basis.

None of the above reviews indicated that the systems of internal control were not appropriate or satisfactory. Furthermore, no material loss, exposure or misstatement arising from a material breakdown in the functioning of the systems have been reported to the Directors in respect of the year under review.

Internal audit

The internal audit function is an independent appraisal function which examines and evaluates the Group's activities and the appropriateness, adequacy and efficacy of the systems of internal control and resultant business risks. In terms of the audit committee charter, the head of internal audit has the responsibility of reporting to the audit committee and has unrestricted access to its chairperson. Its objective is to assist members of executive management in the effective discharge of their responsibilities. The scope of the internal audit function includes reviews of the reliability and integrity of financial and operating information, the systems of internal control, the means of safeguarding assets, the efficient management of the Group's resources, and the effective conduct of its operations. Audit plans are based on an assessment of risk areas and every assignment is followed by a detailed report to management including recommendations on aspects requiring improvement. Significant findings are reported to the audit committee. The internal audit work plan is presented in advance to the audit committee.

In addition, internal audit provides pivotal input to the semi-annual risk assessment monitor in terms of which key group risks are identified, assessed and management plans formulated to reduce exposure to these risks. This risk assessment monitor is tabled semi-annually at the audit committee and the main Board for consideration.

During the current financial year, a fraud hot line was established and Edcon staff are able, anonymously, to report suspected irregularities. The project is administered by both the external and internal auditors. Results confirm that this is an effective tool for the prevention and detection of fraud.

External audit

The external auditors provide an independent assessment of systems of internal financial control and express an independent opinion on the annual financial statements. The external auditors complement the work of the internal audit department and review all internal audit reports on a regular basis. The external audit function offers reasonable, but not absolute assurance on the accuracy of financial disclosures.

Risk management

The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed. Risk management is a Board responsibility. The most significant risks currently faced by the Group are the skills shortage, risks associated with buying fashion goods, Aids, information technology, credit granting risks, crime and the deteriorating economic and political situation in Zimbabwe. The management of each of the top ten risks is assigned to a senior executive.

Operational and financial risks are managed through detailed systems of operating and financial controls which are reviewed and monitored continuously.

Exposure to currency and interest rate risk is managed by a focused treasury department. Details of the process of management and the current levels of exposure are contained in note 28 to the financial statements.

Merchandise stock losses are managed and limited by adhering strictly to operating and financial controls, dedicated independent security associates and the use of sophisticated video and other technologies.

Losses from defaulting debtors are limited by stringent credit application criteria and clearly defined credit and collection policies. These are reviewed regularly in the light of prevailing economic conditions and bad debt statistics.

With assistance from expert insurance consultants, risks are assessed and insurance cover purchased for all risks above pre-determined self insured limits. Levels of cover are re-assessed annually in the light of claims experiences and changes within and outside the Group.

Disaster recovery plans for the provision of ongoing information technology services in the event of a disaster are documented and updated, and tested at reasonable intervals. Where necessary business resumption plans have and will be developed on an on-going basis.

Relationships and reporting

Employee participation

Our human resources are now full partners in the business with a common vision to “achieve business success through people”. This year has been declared the “year of the employee”. A concerted drive to encourage employee participation at all levels has permeated the business. Employee participation is effected through employee fora, the conclusion of mutually beneficial agreements between labour and the company, an increased focus on training, employee participation as trustees on the medical aid and retirement funds, regular communication with employees through newsletters, the internal radio station in stores, and videos. During the year under review, a compliance audit was conducted and the necessary action taken to ensure that the Group complies with all new labour legislation.

Employment equity

Edcon has a clearly defined employment equity strategy and the comprehensive employment equity plan agreed to with all relevant stakeholders at the equity committee, has been completed for submission in June 2000. This and other specific affirmative action programmes aim at liberating the full potential of previously disadvantaged personnel, while at the same time meeting all legislated requirements. The employment equity committee manages this process. Details of the Group’s progress in this and other employee related areas are included in the chief executives’ report on page 12.

Public and shareholders

Communication to the public and shareholders embodies the principles of balanced reporting, understandability, openness and substance over form. Positive and negative aspects of both financial and non-financial information are provided. It is the policy of the company to meet regularly with institutional shareholders and investment analysts and to provide presentations to both local and international investors and analysts bi-annually after the release of company results.

Going concern

The annual financial statements set out on pages 39 to 74 have been prepared on the going concern basis since the Directors have every reason to believe that the company and Group have adequate resources in place to continue in operation for the foreseeable future.

Code of conduct

Edcon has a formal code of conduct that has been explicitly adopted by the Board of Directors. A copy is presented to all staff on joining the Edcon family. The code is consistent with the principles of integrity, honesty, ethical behaviour and compliance with all laws and regulations. Employees are expected to act in terms of the code at all times and failure to do so results in disciplinary action. Employees of outsourced functions are also required to comply with the principles of the code.

Staff with access to confidential financial information are prohibited from disclosing this to outsiders and from trading in Edcon shares during the period after the year end and half year end, until the final or interim results are published.

All Edcon employees are required to adhere to a comprehensive internet and electronic mail policy. This disallows any activities that may bring the Group into disrepute. Firm action has been taken against employees who fail to honour this policy.

Environmental and occupational health and safety

The Directors acknowledge their responsibility to all Edcon employees and the public for compliance with occupational safety and environmental health standards. During the year under review, internal audit conducted an assessment of compliance with the Occupational Health and Safety Act, and where non-compliance was identified, corrective action has been taken. Such audits are conducted on a regular basis.

Corporate social activities

Edcon contributes to the social upliftment of the communities in which it operates. Edcon's programmes, predominantly through the Edgars and Sales House Clubs, focus on contributions towards education and training through payments to nominated schools, technikons and universities. In addition, bursaries are awarded to Club members and their children to attend training and educational institution courses. Deserving health and welfare requests are also included in the social investment programme.

Directors' responsibilities for financial reporting

The annual financial statements for the year ended 31 March 2000 incorporate the results for the fifty-two weeks ended 1 April 2000 (1999: fifty-two weeks ended 3 April 1999).

The directors are ultimately responsible for the preparation of the annual financial statements and related financial information that fairly present the state of affairs and the results of the company and of the Group. The external auditors are responsible for independently auditing and reporting on these annual financial statements in conformity with statements of South African Auditing Standards.

The annual financial statements set out in this report have been prepared by management in accordance with statements of generally accepted accounting practice, international accounting standards and in the manner required by the Companies Act. 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 judgements and estimates.

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 annual financial statements, the auditors have concurred with the disclosures of the Directors on going concern and corporate governance.

These annual financial statements have been approved by the Board of Directors and are signed on their behalf by

W S MacFarlane
Chairman

S M Ross
Chief Executive

Members of Board sub-committees as at 31 March 2000 were as follows:

Audit committee	W S MacFarlane (Chairperson)* S M Ross A J Aaron* W F de la H Beck*
Remuneration committee	W S MacFarlane (Chairperson)* S M Ross W F de la H Beck* Z B Ebrahim* Dr U Ferndale
Customer service committee	S M Ross (Chairperson) T N Mosery-Eboka* R C Maydon

Other committees:

Employment equity committee	S M Ross (Chairperson) G R Evans Dr U Ferndale R C Maydon Employee representatives SACCAWU representatives FEDCRAW representatives

* Non-executive director

Certificate by company secretary

In my capacity as Company Secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 31 March 2000, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

D J Viviers
Secretary and Legal Advisor

18 May 2000

INDEX

Currency of Financial Statements

The financial statements are expressed in South African rand (R).
The approximate rand cost of a unit of the following currencies at 31 March was

	2000	1999
US dollar	**6,56**	6,20
Sterling	**10,47**	9,98
Deutsche mark	**3,21**	3,42
Swiss franc	**3,95**	4,18
Italian lire (100)	**3,09**	2,90
French franc	**0,96**	0,98
Zimbabwe dollar	**0,15**	0,16
Botswana pula	**1,37**	1,35
Euro	**6,28**	6,68

Report of the Independent Auditors

**To the members of
EDGARS CONSOLIDATED STORES LIMITED**

We have audited the annual financial statements set out on pages 39 to 43 and 46 to 74 for the year ended 31 March 2000. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 31 March 2000, and the results of their operations and cash flows for the year then ended in accordance with South African statements of generally accepted accounting practice, international accounting standards and in the manner required by the Companies Act in South Africa.

We have also examined the inflation statements set out on pages 44 and 45.

In our opinion these statements have been properly prepared on the bases set out in the notes thereto.

Ernst + Young

Ernst & Young
Chartered Accountants (SA)

Johannesburg
18 May 2000

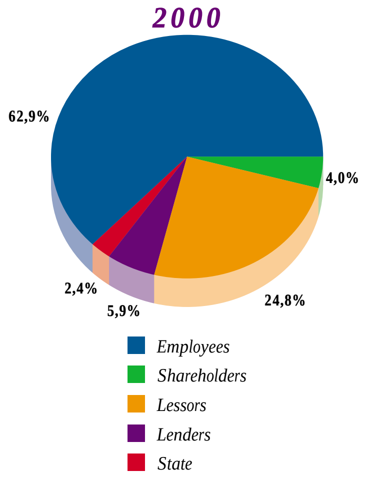
Income Statements

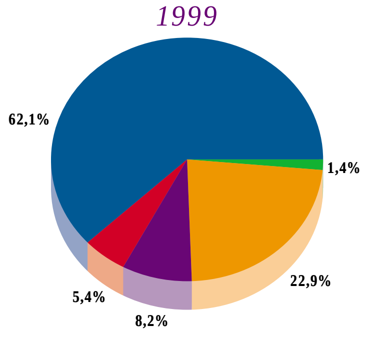
Company 1999 Rm	Company 2000 Rm		Note	Group 2000 Rm	Group 1999 Rm
5 145,5	**5 697,7**	**Revenue – retail sales**		**6 423,6**	5 849,8
3 431,9	**3 747,1**	Cost of sales		**4 100,7**	3 834,1
1 713,6	**1 950,6**	**Gross profit**		**2 322,9**	2 015,7
		Expenses			
444,5	**394,6**	general and administration		**585,4**	550,9
1 132,7	**1 207,9**	sales and distribution		**1 308,2**	1 236,3
136,4	**348,1**	**Trading profit**	3	**429,3**	228,5
18,8	**77,3**	Dividend income	5	**1,3**	—
15,9	**9,0**	Interest received	6	**11,2**	4,9
171,1	**434,4**			**441,8**	233,4
114,7	**90,7**	Financing costs	6	**88,6**	126,3
56,4	**343,7**	**Profit before taxation**		**353,2**	107,1
14,0	**74,8**	Taxation	7	**108,3**	38,9
42,4	**268,9**	**Profit after taxation**		**244,9**	68,2
		Attributable to outside shareholders			
		of indirect subsidiaries		**(3,2)**	6,1
		of direct subsidiaries		**(15,2)**	11,5
42,4	**268,9**	**Earnings attributable to ordinary shareholders**		**226,5**	85,8
		Earnings per ordinary share (cents)	9		
		attributable earnings basis		**394,8**	150,6
		headline earnings basis		**407,9**	147,6
		Dividends per ordinary share (cents)	8	**152,0**	58,0

Cash Flow Statements

Company 1999 Rm	Company 2000 Rm		Note	Group 2000 Rm	Group 1999 Rm
		Cash retained from operating activities			
136,4	**348,1**	Trading profit		**429,3**	228,5
207,9	**160,6**	Non-cash items	10.1	**225,3**	193,5
13,2	**71,7**	Dividends received	10.2	**1,3**	—
16,7	**(334,6)**	Working capital requirements	10.3	**(334,9)**	(22,6)
374,2	**245,8**	**Cash generated from operating activities**		**321,0**	399,4
15,9	**9,0**	Interest received		**11,2**	4,9
(114,7)	**(90,7)**	Financing costs paid	10.4	**(88,6)**	(126,3)
(51,7)	**(5,3)**	Taxation paid	10.5	**(36,2)**	(82,4)
223,7	**158,8**	**Cash inflow from operations**		**207,4**	195,6
(21,8)	**(56,3)**	Dividends paid	10.6	**(60,6)**	(21,8)
201,9	**102,5**	**Net cash retained**		**146,8**	173,8
		Cash utilised in investment activities			
(162,2)	**(83,8)**	Investment to maintain operations	10.7	**(90,2)**	(182,8)
(59,3)	**(37,3)**	Investment to expand operations	10.8	**(40,7)**	(40,4)
(50,0)	**(7,0)**	Net investment in subsidiaries	10.9	**(6,6)**	—
(271,5)	**(128,1)**	**Net cash invested**		**(137,5)**	(223,2)
		Cash effects of financing activities			
(0,2)	**—**	Increase/(decrease) in shareholder funding	10.10	**0,6**	13,0
80,1	**40,4**	Increase in interest bearing debt	10.11	**27,8**	52,3
79,9	**40,4**	Net cash inflow from financing activities		**28,4**	65,3
10,3	**14,8**	**Increase in cash and cash equivalents**	10.12	**37,7**	15,9
34,4	**44,7**	**Cash and cash equivalents at the beginning of the year**		**81,4**	61,5
		Currency adjustments		**(0,6)**	4,0
44,7	**59,5**	**Cash and cash equivalents at the end of the year**		**118,5**	81,4
		Attributable cash flow per ordinary share (cents)	9	**375,4**	349,7
		Attributable cash equivalent earnings per ordinary share (cents)	9	**779,7**	514,0
		Cash realisation rate (%)	2.5	**48**	68

	Group		
	2000 Rm	1999 Rm	Change %
Cash value added is the wealth, expressed in cash terms, that the group has created by purchasing, manufacturing, processing and marketing its products and services. The statement below shows how this cash wealth created has been disbursed among the group's stakeholders.			
Cash generated			
Cash derived from customers	**6 145,6**	5 748,4	
Cash payments outside the group to suppliers of materials, merchandise, facilities and services	**(4 497,6)**	(4 038,6)	
Cash value added	**1 648,0**	1 709,8	(4)
Cash utilised to			
Remunerate employees for their services	**943,3**	953,1	(1)
Pay direct taxes to the state			
South Africa	**11,8**	60,1	(80)
Elsewhere	**24,4**	22,3	9
Provide lenders with a return on monies borrowed	**88,6**	126,3	(30)
Provide lessors with a return for the use of their premises	**372,5**	352,4	6
Provide shareholders with cash dividends	**60,6**	21,8	178
Cash disbursed among stakeholders	**1 501,2**	1 536,0	(2)
Net cash retained	**146,8**	173,8	
Reconciliation with cash generation			
Cash value added (above)	**1 648,0**	1 709,8	
Less: Remunerate employees for their services	**(943,3)**	(953,1)	
Provide lessors with a return for the use of their premises	**(372,5)**	(352,4)	
Interest received	**(11,2)**	(4,9)	
Cash generated from operating activities (per cash flow statement)	**321,0**	399,4	
State taxes summary			
Direct taxes (as above)	**36,2**	82,4	
Net value added tax	**140,4**	195,5	
Employee tax	**128,7**	128,3	
Regional services council levies	**12,1**	10,8	
Municipal assessment rates and services	**83,8**	76,8	
Channelled through the group	**401,2**	493,8	
Paid in			
South Africa	**322,9**	453,3	
Elsewhere	**78,3**	40,5	
	401,2	493,8	





Balance Sheets

Company 1999 Rm	Company 2000 Rm		Note	Group 2000 Rm	Group 1999 Rm
		ASSETS			
		Non-current assets			
724,3	**752,1**	Properties, fixtures, equipment and vehicles	11	**851,5**	860,6
13,1	**9,0**	Trademarks	12	**8,2**	17,1
175,0	**256,4**	Investments	13	**0,8**	0,8
18,9	**15,9**	Loans	14	**18,4**	21,4
931,3	**1 033,4**	Total non-current assets		**878,9**	899,9
		Current assets			
895,6	**1 038,8**	Inventories	15	**1 204,7**	1 083,2
1 512,6	**1 728,6**	Accounts receivable and prepayments	16	**1 902,9**	1 681,6
32,9	**—**	Taxation receivable		**—**	33,5
44,7	**59,5**	Cash and cash equivalents	17	**118,5**	81,4
2 485, 8	**2 826,9**	Total current assets		**3 226,1**	2 879,7
3 417,1	**3 860,3**	**Total assets**		**4 105,0**	3 779,6
		EQUITY AND LIABILITIES			
		Capital and reserves			
591,2	**591,2**	Share capital and premium	18	**591,2**	591,2
9,3	**5,6**	Non-distributable reserves	19	**37,5**	43,2
1 189,6	**1 372,8**	Retained surplus	20	**1 568,6**	1 427,5
1 790,1	**1 969,6**	Ordinary shareholders' equity		**2 197,3**	2 061,9
0,3	**0,3**	Preference share capital	18	**0,3**	0,3
		Minority interest		**42,1**	31,3
1 790,4	**1 969,9**	**Total shareholders' equity**		**2 239,7**	2 093,5
		Interest bearing debt			
219,3	**198,4**	Long and medium term	21	**199,1**	221,0
365,9	**430,9**	Short term	22	**428,7**	375,9
585,2	**629,3**	Total interest bearing debt		**627,8**	596,9
2 375,6	**2 599,2**			**2 867,5**	2 690,4
		Interest free liabilities			
816,2	**922,5**	Accounts payable	23	**1 005,7**	917,9
—	**30,6**	Current taxation		**56,8**	16,5
112,2	**119,3**	Deferred taxation	24	**119,3**	130,1
24,7	**55,7**	Shareholders for dividends	8	**55,7**	24,7
88,4	**133,0**	Owing to subsidiaries	13		
1 041,5	**1 261,1**	Total interest free liabilities		**1 237,5**	1 089,2
3 417,1	**3 860,3**	**Total equity and liabilities**		**4 105,0**	3 779,6
		Net equity per ordinary share (cents)	2.16	**3 829,8**	3 593,6

Statements of changes in ordinary shareholders' equity

Company 1999 Rm	Company 2000 Rm		Note	Group 2000 Rm	Group 1999 Rm
1 772,8	**1 790,1**	**Ordinary shareholders' equity at the beginning of the year**		**2 061,9**	2 002,5
		Share capital issued			
86,9	**—**	Capitalisation share awards		**—**	86,9
86,9	**—**			**—**	86,9
		Movements in distributable reserves			
42,4	**268,9**	Earnings attributable to ordinary shareholders		**226,5**	85,8
—	**1,4**	Transfer from non-distributable reserves		**1,8**	0,2
(33,3)	**(87,2)**	Ordinary dividends		**(87,2)**	(33,3)
9,1	**183,1**			**141,1**	52,7
		Movements in non-distributable reserves			
		Foreign currency translation reserve		**(1,7)**	(10,2)
(80,3)	**—**	Share election reserve		**—**	(80,3)
2,1	**—**	Revaluation surplus		**—**	13,3
(0,5)	**0,5**	Deferred taxation on revaluation surplus		**0,5**	(3,2)
		Lifo inventory reserve		**—**	0,4
	(2,7)	Derivative valuation adjustment		**(2,7)**	
—	**(1,4)**	Transfer to income statement		**(1,8)**	(0,2)
(78,7)	**(3,6)**			**(5,7)**	(80,2)
1 790,1	**1 969,6**	**Ordinary shareholders' equity at the end of the year**		**2 197,3**	2 061,9

	Note	Group 2000 Rm	1999 Rm
Cash flow analysis			
Trading profit		**429,3**	228,5
Non-cash items		**225,3**	193,5
Dividends received		**1,3**	—
Net financing costs paid		**(77,4)**	(121,4)
Taxation paid		**(36,2)**	(82,4)
Cash generated for maintenance and expansion of operations and dividend payments		**542,3**	218,2
Cash required to maintain working capacity, in monetary terms, in an inflationary environment		**(120,6)**	(208,1)
Inventories	6	**(11,9)**	(10,7)
Accounts receivable	6	**(18,5)**	(14,6)
Fixed assets	7	**(90,2)**	(182,8)
(Decrease)/increase in liability capacity from maintenance activities	8	**(46,4)**	12,8
		(167,0)	(195,3)
Discretionary cash flow		**375,3**	22,9
Dividends paid		**(60,6)**	(21,8)
Cash available for expansion activities		**314,7**	1,1
Expansion activities		**(442,7)**	(9,5)
Inventories	6	**(111,9)**	100,7
Accounts receivable	6	**(283,5)**	(69,8)
Fixed assets	7	**(40,7)**	(40,4)
Net acquisition of subsidiaries		**(6,6)**	—
Increase/(decrease) in liability capacity from expansion activities (net)	8	**279,4**	(9,5)
		(163,3)	(19,0)
Discretionary cash available		**151,4**	(17,9)
Gearing capacity availability	9		
Unutilised capacity available at the beginning of the year		**801,0**	782,6
Discretionary cash available (as above)		**151,4**	(17,9)
Additional shareholder funding		**0,6**	(0,2)
Non-income statement move in outside shareholders		**(3,8)**	(4,1)
Discretionary cash flow increased/(decreased) by			
Non-cash shareholder adjustments		**(3,2)**	(4,5)
Decrease in deferred taxation		**10,8**	(15,2)
Increase in taxation liability		**(73,8)**	64,9
Increase in shareholders for dividends		**(31,0)**	(4,6)
Unutilised capacity available at the end of the year	28.5*	**852,0**	801,0

The inflation statements should be read in conjunction with the notes to the inflation statements

**Refers to notes to the financial statements*

Notes to the Inflation Statements

1. Management has concluded that, for working capital intensive operations, the calculation of current cost earnings incorporating a current cost depreciation adjustment, as envisaged in guideline AC 201 (Disclosure of effect of changing prices on financial results), is misleading as it reflects an increase in the cost of trading in refurbished or modern current generation stores, without measuring the enhanced turnovers and profits which are always generated from such units. Furthermore, management is of the opinion that trading (operating) capacity is maintained currently through regular maintenance and repair costs which are charged against current income.

2. To reflect the depreciated current replacement cost of retail fixed assets without a commensurate adjustment reflected in turnover is a distortion and is also misleading. Accordingly these values should not be disclosed as such in a current value balance sheet. As a result, a comprehensive current value balance sheet has not been prepared. However, replacement values of assets for insurance purposes have been disclosed in note 11 to the annual financial statements to highlight the significant increase in fixturing costs over time.

3. With a view to isolating the impact of inflation on trading activities, management measures performance in real terms at both the sales and trading levels. To index performance, the consumer price (CPI) and clothing, footwear and textile (CFT) inflation indices are extracted from information published by the Department of Central Statistical Services. The CPI reflects the change in general prices while the CFT index indicates price changes specifically in the clothing, footwear and household textiles market. The CPI increase was 3,8% (1999: 8,6%) while the CFT index increase was 1,1% (1999: 0,9%).

4. The CFT index is appropriate to deflate the results and monetary asset values in the group.

	2000	1999
Real growth in Edcon		
Revenue %	**8,7**	2,8
Trading profit %	**86,8**	(46,1)

5. Aspects of cash flow and the growth which can be sustained from this cash flow, are key determinants of future potential. To facilitate an appreciation of the group's cash generating capacity over time, cash flow statements for the past six years have been presented in the group review. In addition, cash generated from trading and the investment thereof, required to maintain operations and to expand activities, is analysed for the current and prior year in the cash flow analysis.

6. The cash required to maintain working capital, in real monetary terms, in an inflationary environment is calculated by applying the CFT index to the opening elements of working capital. Working capital expansion activity is that portion of the increase after excluding the maintenance portion calculated. Where the total working capital increase is less than the maintenance portion required in real monetary terms, then the difference is regarded as negative expansion activity.

7. Fixed asset additions have been analysed between expenditure required to maintain existing earning capacity and that incurred to create additional trading space and earning capacity.

8. New investments have the capacity to sustain liabilities (either interest bearing or interest free). Management with bankers critically reviewed the nature and security of each asset category and has concluded prudently that each asset investment can sustain liabilities in the proportions set out in note 28.5.
   On this basis, liabilities are available to finance a portion of the new investments and accordingly the demand against internally generated cash is reduced. The liabilities sustainable by investments required to maintain working capacity have been reduced by the decrease in liability capacity arising from depreciation, net of the profit on disposal of fixed assets. Where circumstances of negative expansion activity arise, a similar liability capacity adjustment is applied to the result.

9. The unutilised capacity available reflects the additional liabilities which the year end asset base could support on the prudently determined basis outlined in 8 above. The consistent unutilised capacity confirms that the group's cash flow from operations was adequate to fund the maintenance of working capacity, in real monetary terms, in a period of rising prices and to allow for expansion activities without incurring liabilities in excess of the carrying capacity of the individual asset investments. Furthermore, the increase in unutilised capacity confirms that dividend payments were comfortably within the liability capacity of the asset base.

1. ACCOUNTING POLICIES AND BASES OF PREPARATION

The financial statements are prepared in accordance with the historical cost convention, as modified by the revaluation of general purpose land and buildings, and incorporate the following principal accounting policies which conform with statements of generally accepted accounting practice in South Africa. They also comply with standards issued by the International Accounting Standards Committee. These policies are consistent in all material respects with those applied in the previous year.

1.1 Basis of consolidation

The group annual financial statements consolidate the financial statements of the company and all significant subsidiaries. Non-consolidated subsidiaries are dormant and are in the process of being de-registered.

The results of any subsidiaries acquired or disposed of during the year are included from the dates effective control was acquired and up to the dates effective control ceased.

The assets and liabilities of companies acquired are assessed and included in the balance sheet at their estimated fair values to the group as at the date of acquisition.

The carrying value of subsidiaries is compared with their attributable net asset value or, where listed, with their market value. Declines in value are not recognised if it is anticipated that these are temporary in nature.

All intragroup transactions and balances are eliminated on consolidation. Unearned profits that arise on an arm’s length basis between independent corporate entities in the normal course of their business are not eliminated.

1.2 Goodwill

Goodwill, being the excess of the purchase consideration of shares in subsidiary companies over the attributable fair value of their net identifiable assets at date of acquisition, is capitalised and amortised on a straight line basis over the lesser of its effective economic life and twenty years. Negative goodwill, being the excess of the attributable fair value of the identifiable assets over the purchase consideration is recognised in income on a systematic basis over the useful life of these assets.

1.3 Inventories

Retail trading inventories are valued using the retail method. Cost is reduced, in the case of marked down items, to values at which normal gross margins can be realised. This valuation approximates the lower of weighted average cost and net realisable value. 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 provision for slow moving items.

1.4 Long term liabilities

Where long term facilities have been arranged, borrowings in terms of such facilities, despite fluctuations in the short term, are regarded as long term liabilities.

1.5 Foreign currency translations

1.5.1 Foreign entities

All foreign subsidiaries are classified as foreign entities for the purposes of foreign currency translation.

The assets and liabilities of foreign subsidiaries are translated into South African rand at rates of exchange ruling at the date of consolidation. Income, expenditure and cash flow items are translated using weighted average rates of exchange during the relevant accounting period. Differences arising on translation are reflected in a foreign currency translation reserve.

1.5.2 Foreign currency transactions and balances

Transactions in foreign currencies are converted to South African rand at the rate of exchange ruling at the date of the transaction.

Assets and liabilities in foreign currencies are stated in South African rand using rates of exchange ruling at the financial year end. Resulting surpluses and deficits are included in financing costs and are separately identified.

1.6 Financial instruments

1.6.1 Derivative instruments

With effect from 1 January 2000, the company adopted IAS 39, *Financial Instruments: Recognition and Measurement* which resulted in a debit of R2,7million to non-distributable reserves.

The group uses derivative financial instruments including interest rate swaps, forward rate agreements, interest rate caps and forward exchange contracts to hedge its exposure to interest rate and foreign currency fluctuations. It is the policy of the company not to trade in derivative financial instruments for speculative purposes. Further details regarding financial risk management are set out in note 28.

In terms of hedge accounting, hedges are either (a) fair value hedges, which hedge the exposure to changes in the fair value of a recognised asset or liability or (b) cash flow hedges, which hedge exposure to variability in cash flows.

In the case of fair value hedges, any gains or losses on marking to market the hedging instrument, are recognised immediately in profit before taxation for the period.

1. ACCOUNTING POLICIES AND BASES OF PREPARATION *(continued)*

1.6 Financial instruments *(continued)*

1.6.1 Derivative instruments *(continued)*

Gains and losses on effective cash flow hedging instruments, are recognised directly in equity. Any ineffective portion of a cash flow hedge is recognised in profit before taxation for the period.

When the hedged firm commitment or forecast transaction is recognised as an asset or a liability, the cumulative associated gains or losses reflected in equity are included in the initial measurement of the asset or liability. For other cash flow hedges, the cumulative gains or losses reflected in equity are included in profit before taxation in the period in which the hedged firm commitment or forecast transaction affects income before taxation.

Gains and losses from forward exchange contracts, options and currency swaps used to hedge potential exchange rate exposures are offset against losses and gains on the specific transactions being hedged.

Interest differentials under swap arrangements, forward rate agreements and interest rate caps used to manage interest rate exposures are recognised by adjustments to financing costs.

1.6.2 Trade and other receivables

Trade and other receivables are stated at cost less a provision for doubtful debts.

1.6.3 Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

1.6.4 Financial liabilities

Financial liabilities are recognised at their original debt value less principal payments and amortisations except for derivatives which are measured at fair value.

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.

1.7 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.

Assets subject to finance leases are capitalised at their cash cost equivalent with the related lease obligation recognised at the same value. Capitalised leased assets are depreciated to their estimated residual values over their estimated useful lives. Residual values are determined from anticipated future cash flows. These are not discounted to their present value. 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 are charged against trading profit as they become due.

1.8 Properties, fixtures, equipment and vehicles

1.8.1 Properties

General purpose land and buildings are revalued every three years, by recognised professional valuers, to net realisable open market value using the alternative or existing use basis as appropriate. Depreciation is provided on manufacturing land and buildings over the remaining estimated useful life in those circumstances where the estimated residual value is less than the carrying value. All other land and buildings are classified as investment properties and are not depreciated.

Expenditure relating to leased premises is capitalised and depreciated to expected residual value over the remaining period of the lease.

1.8.2 Fixtures, equipment and vehicles

Fixtures, equipment and vehicles are recorded at historic cost and depreciated to their expected residual values over the following estimated useful lives

Fixtures and fittings	8 years
Computer equipment	5 years
Machinery	10 years
Vehicles	5 years

In determining the estimated residual value, expected future cash flows have not been discounted to their present value.

1.9 Taxation

Deferred taxation is provided at legislated future rates using the balance sheet liability method. Full provision is made for all temporary differences between the taxation base of an asset or liability and its balance sheet carrying amount.

No deferred tax liability is recognised in those circumstances where the initial recognition of an asset or liability has no impact on accounting profit or taxable income.

Assets are raised in respect of the deferred taxation on assessed losses where it is probable that future taxable profits will be available against which the deferred taxation asset can be realised in the foreseeable future.

Secondary Taxation on Companies is provided in respect of expected dividend payments net of dividends received or receivable and is recognised as a taxation charge for the year.

Where applicable, non-resident shareholders' taxation is provided in respect of foreign dividends receivable.

1. ACCOUNTING POLICIES AND BASES OF PREPARATION *(continued)*

1.10 Trademarks and brand names

Where payments are made for the acquisition of trademarks or brand names, the amounts are capitalised and amortised over their anticipated useful lives, currently estimated to be between seven and ten years. No valuation is made of internally developed and maintained trademarks or brand names. Expenditure incurred to maintain brand names is charged in full against trading profit.

1.11 Software costs

Packaged software and the direct costs associated with the development and installation thereof are capitalised. Software is depreciated in full on a systematic straight line basis over five years from the date of being commissioned in the business. All conversion and testing costs incurred before 2000 and relating to year 2000 compliance were written off as incurred.

1.12 Segmental information

The principal segments of the group have been identified on a primary basis by chain and manufacturing operation and on a secondary basis by significant geographical region. The basis is representative of the internal structure for management purposes. The source and nature of business risks and returns are segmented on the same basis.

Segment sales reflect sales to third parties including arm's length inter-segment sales recorded at fair value. The segment result is presented as segment trading profit without allocation of finance costs and taxation. Corporate expenses are allocated on an appropriate basis after giving due consideration to the nature of such expenses incurred. Segment gross assets include those assets that can be specifically identified with a particular segment. Neither trade accounts receivable, which are housed in the centralised credit division, nor corporate liabilities which are held at the centre, are allocated to segments.

1.13 Share capitalisation awards and cash dividends

The full cash equivalent of capitalisation share awards, and cash dividends paid by the company, are recorded and disclosed as dividends declared in the income statement. The dividend liability is that amount reasonably estimated to be paid in cash. The difference between total dividends declared and this estimate is transferred to a non-distributable share election reserve pending the outcome of the final share awards. Upon allotment of shares the election amounts are transferred to the share capital and share premium account and cash dividend election amounts are paid.

1.14 Income recognition

Income from all sales of merchandise through retail outlets is brought to account when the risk in the merchandise passes to the customer. Income from manufacturing and other operations is recognised when the sale transactions giving rise to such income are concluded. Interest earned on arrear account balances is 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.

1.15 Retirement benefits

Current contributions to the group's defined benefit and defined contribution funds are charged against income when incurred. 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. Favourable experience adjustments are retained within the funds.

The costs arising in respect of post-retirement medical aid benefits are charged against income as incurred. The present value of future medical aid subsidies for past service is actuarially determined annually on the basis of current practice. The amount so determined is disclosed in note 4.

2. DEFINITIONS

2.1 Capital employed

Shareholders' funds including outside shareholders' interests in subsidiaries and interest bearing debt.

2.2 Cash and cash equivalents

Comprise cash on hand and demand deposits together with any highly liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value.

2.3 Attributable cash flow per ordinary share

Attributable cash flow from operations after adjusting for minority interests and preference dividends paid divided by the weighted average number of ordinary shares in issue during the year.

2.4 Cash generated from trading

Trading profit adjusted for all non-cash items which have been charged or credited therein.

2.5 Cash realisation rate

Percentage of the potential cash earnings realised and is derived by dividing attributable cash flow per ordinary share by cash equivalent earnings per ordinary share.

2.6 Cost of sales

Includes the historical cost of inventory, distribution costs incurred in bringing the inventory to the retail locations, markdowns, stock losses and promotional costs.

2.7 Current ratio

Current assets divided by current liabilities. Current liabilities include short term borrowings and interest free liabilities other than deferred taxation.

2. DEFINITIONS *(continued)*

2.8 Dividend cover

Earnings per ordinary share divided by dividends per ordinary share.

2.9 Dividend yield

Dividends per ordinary share divided by the closing share price on the Johannesburg Stock Exchange.

2.10 Earnings per ordinary share

2.10.1 Attributable earnings basis

Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

2.10.2 Cash equivalent basis

Earnings attributable to ordinary shareholders adjusted for non-cash items in attributable earnings and equity accounted retained earnings, divided by the weighted average number of ordinary shares in issue during the year.

2.10.3 Diluted earnings basis

Earnings attributable to ordinary shareholders adjusted for the effects of any changes in income or expense that would result from the conversion of the dilutive potential ordinary shares, divided by the weighted average number of ordinary shares in issue during the year increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.10.4 Headline earnings basis

Earnings attributable to ordinary shareholders, adjusted for profits and losses on capital items recognising the taxation and minority impacts of these adjustments, divided by the weighted average number of ordinary shares in issue during the year. This calculation is in accordance with the South African accounting issues task force opinion AC 306 "Headline Earnings".

2.11 Earnings yield

Earnings per ordinary share divided by the closing share price on the Johannesburg Stock Exchange.

2.12 Financing cost cover

Trading profit divided by net financing costs.

2.13 Gearing ratio

Interest bearing debt, reduced by cash and cash equivalents, divided by shareholders' funds.

2.14 Net assets

The sum of fixed and current assets less all interest free liabilities.

2.15 Net asset turn

Revenue divided by closing net assets.

2.16 Net equity per ordinary share

Ordinary shareholders' equity divided by the number of ordinary shares in issue at the year end.

2.17 Price earnings ratio

The closing share price on the Johannesburg Stock Exchange divided by earnings per ordinary share.

2.18 Shareholders' compound annual rate of return

Calculated by recognising the market price of an Edcon share five years ago as a cash outflow, recognising the annual dividend per share streams since that date and closing share price at the end of five years as inflows, and determining the internal rate of return inherent in these cash flow streams.

2.19 Revenue – retail sales

Represent sales of merchandise through retail outlets and exclude value added and general sales tax, fees, rental income and intragroup transactions.

2.20 Return on capital employed

Profit after taxation, plus equity accounted retained earnings, plus interest paid taxed at the standard rate, as a percentage of average capital employed.

2.21 Return on ordinary shareholders' equity

Earnings attributable to ordinary shareholders as a percentage of average ordinary shareholders' equity.

2.22 Weighted average number of ordinary shares in issue

The number of ordinary shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group. In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

2.23 Weighted average price paid per share traded

The total value of shares traded each year divided by the total volume of shares traded for the year on the Johannesburg Stock Exchange.

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
3. TRADING PROFIT				
This is stated after taking account of the following items				
3.1 Amortisation of trademarks				
Normal operations	**5 601**	4 798	**4 018**	2 029
Re-assessment of carrying value	**3 293**	—		
	8 894	4 798	**4 018**	2 029
3.2 Auditors' remuneration				
Audit fees	**3 043**	2 613	**2 153**	1 744
Fees for consulting and other services	**384**	189	**300**	164
Expenses	**61**	54	**55**	54
Prior year under-provision	**136**	184	**46**	181
	3 624	3 040	**2 554**	2 143
3.3 Depreciation of properties, fixtures, equipment and vehicles				
Land and buildings	**7**	7		
Leasehold improvements	**10 434**	9 922	**9 525**	8 795
Fixtures and fittings	**91 600**	88 338	**83 183**	76 284
Computer equipment	**98 455**	81 162	**92 308**	74 397
Machinery and vehicles	**8 296**	11 852	**5 280**	8 740
Capitalised leased assets	**326**	335	**74**	38
	209 118	191 616	**190 370**	168 254
3.4 Fees payable				
Managerial, technical, administrative and secretarial fees paid outside the group	**122 715**	59 013	**121 796**	57 940
3.5 Operating lease expenses				
Properties				
Minimum lease payments	**360 359**	340 139	**316 223**	287 563
Turnover clause payments	**12 119**	12 217	**16 744**	18 475
Sublease rental income	**(12 084)**	(10 055)	**(11 623)**	(9 230)
Furniture, equipment and vehicles	**43 179**	44 514	**39 281**	40 052
	403 573	386 815	**360 625**	336 860
3.6 Net loss/(profit) on disposal of properties, fixtures, equipment and vehicles	**7 486**	(2 637)	**7 325**	(3 462)
3.7 (Decrease)/increase in provision for losses in subsidiaries			**(41 054)**	41 054

	Group		Company	
	2000	1999	**2000**	1999
	R000	R000	**R000**	R000

4. DIRECTORS AND EMPLOYEES

4.1 Employees

The group employed 14 501 (1999: 15 255) permanent employees of which 11 725 (1999: 12 570) were employed in retailing and 2 776 (1999: 2 685) in the manufacturing divisions.

The proportion of staff of colour increased from 71% last year to 77%. 72% of the complement is female.

Currently 40% (1999: 56%) of permanent employees have more than five years' service with the group.

The aggregate remuneration and associated cost of permanent and casual employees including directors was

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Salaries and wages	**829 202**	839 027	**687 335**	691 562
Profit sharing	**2 014**	1 275	**2 014**	1 275
Retirement benefit costs	**76 746**	79 619	**68 085**	70 510
Medical aid contributions	**35 303**	33 169	**32 382**	30 256
	943 265	953 090	**789 816**	793 603

Total costs of training 6 468 (1999: 10 094) staff members amounted to R9 million (1999: R9 million) which equates to 1% of employment costs.

Retirement funds

Separate funds, independent of the group, provide retirement and other benefits for all employees on the permanent staff and their dependants. For the full year 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. In addition two defined benefit funds exist namely Edcon Pension Fund and the much smaller Edgars Zimbabwe Pension Fund.

An interim valuation of the Edcon Pension Fund was carried out by an independent firm of consulting actuaries on 31 August 1998 using the attained age method of valuation. The actuarial value of liabilities for all pensioners and members, including a stabilisation reserve, was determined at R316 million. The market value of assets was R500 million. The fund was accordingly fully funded. The actuarial valuation was based on the principal assumptions that the fund will earn 15% per annum after taxation, that salary increases will be 12,5% per annum plus merit increases and using a post-retirement interest rate of 4,5% per annum. The surplus has not been brought to account as the legal entitlement of the company is dependent on a number of factors including pending legislation. Current pension benefits are in the process of being reviewed to ease the burden of medical costs for pensioners and reduce the potential unfunded future medical aid's subsidy noted under the medical aid funds note.

Contributions to the group's significant funds are at a rate of 16,18% of pensionable emoluments and where funds are contributory, members pay a maximum of 7,5%. The employer's portion is charged against profits.

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 valuation for the Edcon Pension Fund as at 31 December 1999 is currently being finalised. The next valuation for the Zimbabwe fund will be undertaken on 31 January 2001. The last valuation of the Zimbabwe fund confirmed that it was financially sound. If deficits are identified in any of the defined benefit funds, they will be funded by way of increased future contributions. The market value of investments of the various Edcon funds as at 31 March 2000 was R1 253,0 million (1999: R1 133,5 million).

4. DIRECTORS AND EMPLOYEES *(continued)*

4.1 Employees *(continued)*

Retirement funds *(continued)*

Membership of and employer contributions to each of the funds at 31 March were

	Pensioners	Members	Contributions R000
2000			
Edcon Pension Fund	**1 777**	**286**	**1 387**
Edgars Zimbabwe Pension Fund	**276**	**1 809**	**1 540**
Edcon Provident Fund	**—**	**7 601**	**60 249**
Edgars Namibia Retirement Fund	**14**	**223**	**635**
SACCAWU National Provident Fund	**—**	**1 774**	**5 201**
FEDCRAW Provident Fund	**—**	**599**	**3 145**
	2 067	**12 292**	**72 157**
1999			
Edcon Pension Fund	1 789	364	1 762
Edgars Zimbabwe Pension Fund	260	1 615	1 064
Edcon Provident Fund	—	7 108	60 836
Edgars Namibia Retirement Fund	8	206	724
SACCAWU National Provident Fund	—	1 910	5 196
FEDCRAW Provident Fund	—	642	3 357
	2 057	11 845	72 939

Medical aid funds

The company and its subsidiaries operate defined benefit medical aid schemes for the benefit of permanent employees. These costs are charged against income as incurred and amounted to R35 303 000 (1999: R33 169 000). Membership of the group's medical aid scheme is voluntary for lower income earners. Total membership currently stands at 5 293 principal members in South Africa.

In terms of employment contracts and the rules of the schemes certain post-retirement medical benefits are provided to past employees by subsidising a portion of the medical aid contributions of members, after retirement. On the basis of current practice, which is reviewed annually, the actuarially determined present value, at March 2000, in respect of such future subsidies for past service is R50 million (1999: R18 million). (See pension fund note for funding of this liability.)

4.2 Directors' emoluments

	Company 2000 R000	Company 1999 R000
Non-executive directors		
Fees	**195**	36
Executive directors		
Fees	**95**	21
Remuneration	**5 960**	5 027
Share option gains	**2 514**	—
Retirement, medical, accident and death benefits	**422**	503
Other benefits	**221**	215
Total emoluments for the year	**9 212**	5 766
Pensions for past managerial services	**965**	2 422
	10 372	8 224
Executive directors: number in office during year	**7**	6
: aggregate months paid	**49**	50

		Group		Company	
		2000	1999	**2000**	1999
		R000	R000	**R000**	R000
5. INCOME FROM SUBSIDIARIES					
Administration fees (included in trading profit)				**15 321**	15 127
Dividend income		**1 277**	—	**77 325**	18 779
Interest received				**5 215**	12 942
		1 277	—	**97 861**	46 848
6. FINANCING COSTS AND INTEREST RECEIVED					
6.1 Financing costs					
Interest paid to former holding company and fellow subsidiaries		**—**	38 126	**—**	38 126
Interest paid to independent third parties		**88 233**	85 761	**88 862**	76 565
Interest paid to subsidiaries				**188**	—
Interest paid on lease liabilities		**45**	56	**—**	—
Foreign currency losses		**338**	2 360	**1 702**	—
		88 616	126 303	**90 752**	114 691
6.2 Interest received					
Interest received from independent third parties		**11 243**	4 868	**3 752**	2 992
Interest received from subsidiaries				**5 215**	12 942
		11 243	4 868	**8 967**	15 934
7. TAXATION					
7.1 Taxation charge					
Current taxation	– this year	**102 375**	22 941	**62 667**	—
	– prior years	**(2 152)**	(4 122)	**—**	(3 930)
Secondary taxation on companies	– this year	**4 933**	3 064	**4 933**	3 064
	– prior years	**(3 064)**	(2 500)	**(3 064)**	(2 500)
Withholding taxes	– this year	**9 449**	2 342	**4 312**	—
Total current taxation		**111 541**	21 725	**68 848**	(3 366)
Deferred taxation	– this year	**(3 838)**	27 496	**6 368**	28 634
	– prior years	**1 020**	3 848	**(387)**	3 715
	– notional (note 24)	**8**	424		
	– rate adjustment	**(402)**	(14 581)	**—**	(14 942)
Total deferred taxation		**(3 212)**	17 187	**5 981**	17 407
		108 329	38 912	**74 829**	14 041
Comprising					
South African normal taxation		**66 090**	17 837	**68 648**	13 477
Secondary taxation on companies		**1 869**	564	**1 869**	564
Withholding taxes		**9 449**	2 342	**4 312**	—
Foreign taxes		**30 921**	18 169		
		108 329	38 912	**74 829**	14 041

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
7. TAXATION *(continued)*				
7.2 Reconciliation of rate of taxation	**%**	%	**%**	%
Standard rate – South Africa	**30,0**	35,0	**30,0**	35,0
Adjusted for				
Deferred tax rate change	**(0,1)**	(14,0)	**—**	(15,4)
Dividend income	**(0,1)**	—	**(7,7)**	(6,8)
Exempt income/disallowable expenditure	**0,4**	1,7	**0,7**	1,4
Foreign tax rate variations	**1,2**	1,7		
Prior years	**(1,2)**	(2,6)	**(1,2)**	(2,8)
Secondary taxation on companies	**1,3**	2,9	**1,6**	3,2
Tax losses created	**—**	15,2		
Tax losses utilised	**(3,6)**	(5,8)		
Withholding tax on dividends received	**2,7**	2,2	**1,5**	—
Effective tax rate	**30,6**	36,3	**24,9**	14,6
7.3 Tax losses				
Estimated tax losses available for set off against future taxable income	**90 643**	121 867	**—**	33 756
Less amount attributable to temporary differences	**74 276**	43 010	**—**	33 756
Estimated tax losses available to reduce future tax charge	**16 367**	78 857	**—**	—

8. DIVIDENDS	**2000 Cents**	1999 Cents	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Ordinary shares						
Interim paid						
20 December 1999	**55,0**	15,0	**31 557**	8 608	**31 557**	8 608
Final payable						
30 June 2000	**97,0**	43,0	**55 655**	24 672	**55 655**	24 672
Total ordinary dividends	**152,0**	58,0	**87 212**	33 280	**87 212**	33 280
6% preference shares						
For the year			**18**	18	**18**	18
Total dividends			**87 230**	33 298	**87 230**	33 298
Comprising						
Dividends paid			**31 570**	8 621	**31 570**	8 621
Dividends payable			**55 660**	24 677	**55 660**	24 677
			87 230	33 298	**87 230**	33 298

	Group 2000 R000	Group 1999 R000

9. EARNINGS AND CASH FLOW PER ORDINARY SHARE

The weighted average number of shares used in calculating the earnings per ordinary share statistics is 57 376 200 (1999: 56 965 223).

9.1 Attributable earnings basis

	2000 Cents	1999 Cents
Calculated on attributable earnings of R226 546 000 (1999: R85 796 000).	**394,8**	150,6

The potential dilution in earnings per ordinary share arising from the conversion of the compulsorily convertible debentures and the possible exercise of 1 639 200 share options issued in terms of the approved executive share incentive scheme is immaterial. This is based on the assumptions that conversion or exercise occurred at the commencement of the current year and that related interest savings were realised.

9.2 Headline earnings basis

	2000 Cents	1999 Cents
Calculated on headline earnings of R234 020 000 (1999: R84 117 000).	**407,9**	147,6

This basis is a measure of the trading performance and excludes profits and losses of a capital nature. It is derived as follows

	2000 R000	1999 R000
Earnings attributable to ordinary shareholders	**226 546**	85 796
Adjusted for		
Loss/(profit) on disposal of fixed assets	**7 486**	(2 637)
Trademark amortisation relating to re-assessment of carrying value	**3 293**	—
Taxation adjustment on above	**(3 305)**	958
Headline earnings	**234 020**	84 117

9.3 Attributable cash equivalent earnings basis

	2000 Cents	1999 Cents
Calculated on attributable cash equivalent earnings of R447 349 000 (1999: R292 819 000).	**779,7**	514,0

This basis recognises the potential of the earnings stream to generate cash and is consequently an indicator of the underlying quality of earnings. It is derived as follows

	2000 R000	1999 R000
Earnings attributable to ordinary shareholders	**226 546**	85 796
Adjusted for		
Non-cash items (note 10.1)	**225 372**	193 551
Deferred taxation (note 7.1)	**(3 212)**	17 187
Cash equivalent earnings	**448 706**	296 534
Adjusted for minority share of non-cash items		
Depreciation	**(1 114)**	(2 145)
Net loss on disposal of fixed assets	**(61)**	(775)
Deferred taxation	**—**	73
Amortisation of trademarks	**(182)**	(868)
Attributable cash equivalent earnings	**447 349**	292 819

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000

9. EARNINGS AND CASH FLOW PER ORDINARY SHARE (continued)

	2000 Cents	1999 Cents
9.4 Attributable cash flow basis		
Calculated on attributable cash inflow of R215 408 000 (1999: R199 199 000).	**375,4**	349,7

This basis focuses on the cash stream actually achieved in the year under review. It is derived as follows

	Group 2000 R000	Group 1999 R000
Cash flow from operations	**207 493**	195 524
Adjusted for		
Minority interests	**7 933**	3 693
Preference dividends paid	**(18)**	(18)
Attributable cash flow	**215 408**	199 199

10. CASH FLOW

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
10.1 Non-cash items				
Depreciation (note 3.3)	**209 118**	191 616	**190 370**	168 254
Amortisation of trademarks (note 3.1)	**8 894**	4 798	**4 018**	2 029
Net loss/(profit) on disposal of fixed assets (note 3.6)	**7 486**	(2 637)	**7 325**	(3 462)
(Decrease)/increase in provision for losses in subsidiaries (note 3.7)			**(41 054)**	41 054
Other	**(142)**	(226)		
	225 356	193 551	**160 659**	207 875
10.2 Dividends received				
Dividends receivable at the beginning of the year	**—**	—	**5 593**	—
Dividends received (note 5)	**1 277**	—	**77 325**	18 779
Dividends receivable at end of year	**—**	—	**(11 121)**	(5 593)
	1 277	—	**71 797**	13 186
10.3 Working capital requirements				
Increase in inventories	**(123 808)**	90 034	**(101 801)**	20 854
Increase in accounts receivable	**(302 022)**	(108 654)	**(290 218)**	(170 272)
Increase in accounts payable	**90 945**	(4 074)	**97 807**	64 764
Decrease in amount owing (by)/to subsidiaries			**(40 373)**	101 379
	(334 885)	(22 694)	**(334 585)**	16 725
10.4 Financing costs paid				
Interest paid	**(88 278)**	(124 321)	**(89 050)**	(112 709)
Foreign currency losses	**(338)**	(1 982)	**(1 702)**	(1 982)
	(88 616)	(126 303)	**(90 752)**	(114 691)
10.5 Taxation paid				
Taxation liability at the beginning of the year	**(16 572)**	(47 913)	**—**	(22 073)
Taxation receivable at the beginning of the year	**33 527**	285	**32 945**	—
Currency translation	**1 590**	3 949		
Current taxation provided (note 7)	**(111 541)**	(21 725)	**(68 848)**	3 366
Taxation liability at the end of the year	**56 776**	16 572	**30 630**	—
Taxation receivable at the end of the year	**—**	(33 527)	**—**	(32 945)
	(36 220)	(82 359)	**(5 273)**	(51 652)

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
10. CASH FLOW *(continued)*				
10.6 Dividends paid				
By the company				
Shareholders for dividends at the beginning of the year	**(24 677)**	(20 069)	**(24 677)**	(20 069)
Dividends declared (note 8)	**(87 230)**	(33 298)	**(87 230)**	(33 298)
Capitalisation share award acceptance ratio adjustment	**—**	6 889	**—**	6 889
Shareholders for dividends at the end of the year	**55 660**	24 677	**55 660**	24 677
	(56 247)	(21 801)	**(56 247)**	(21 801)
By subsidiaries				
Paid by subsidiaries	**(4 365)**	—		
	(60 612)	(21 801)	**(56 247)**	(21 801)
10.7 Investment to maintain operations				
Replacement of properties, fixtures, equipment and vehicles	**(96 429)**	(191 616)	**(89 088)**	(168 254)
Proceeds on disposal of properties, fixtures, equipment and vehicles	**6 232**	8 816	**5 336**	6 036
	(90 197)	(182 800)	**(83 752)**	(162 218)
10.8 Investment to expand operations				
Additions to owned and leased premises	**(13 935)**	(11 821)	**(11 572)**	(10 669)
Additions to properties, fixtures, equipment and vehicles	**(29 618)**	(14 147)	**(28 687)**	(32 802)
Decrease/(increase) in loans	**2 890**	(14 459)	**2 994**	(15 988)
	(40 663)	(40 427)	**(37 265)**	(59 459)
10.9 Net investment in subsidiaries				
Outside shareholders' interest	**(6 571)**	—	**(6 981)**	—
Preference shares acquired			**—**	(50 000)
	(6 571)	—	**(6 981)**	(50 000)
10.10 Increase in shareholder funding				
Ordinary share issues	**4**	(251)	**4**	(251)
Shares in subsidiaries purchased by outside shareholders	**688**	64		
Preference shares in subsidiaries purchased by outside shareholders	**—**	13 207		
	692	13 020	**4**	(251)
10.11 Increase in interest bearing debt				
Long and medium term				
Raised	**—**	199 839	**—**	198 520
Repaid	**(17 553)**	(562 794)	**(16 800)**	(509 337)
Net increase in short term	**42 398**	405 307	**53 670**	390 914
Derivative valuation adjustment	**3 590**	—	**3 590**	—
Currency adjustments	**(556)**	9 921		
	27 879	52 273	**40 460**	80 097

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
10. CASH FLOW *(continued)*				
10.12 Increase in cash and cash equivalents				
Cash on hand	**9 426**	14 933	**12 121**	10 317
Cash and cash equivalents transferred from subsidiary			**2 658**	—
Cash on deposit	**27 667**	5 005		
Currency adjustments	**625**	(4 067)		
	37 718	15 871	**14 779**	10 317
11. PROPERTIES, FIXTURES, EQUIPMENT AND VEHICLES				
Revalued historic cost				
Land and buildings				
Historic cost	**13 591**	14 698	**428**	1 391
Revaluation surplus	**27 828**	29 607	**3 282**	4 719
Leasehold improvements	**135 915**	127 200	**129 554**	115 226
Fixtures and fittings	**872 810**	836 098	**817 902**	734 129
Computer equipment and software	**752 189**	608 163	**725 129**	567 058
Machinery and vehicles	**94 487**	104 077	**66 939**	74 739
Capitalised leased assets	**9 752**	13 669	**16 089**	16 100
	1 906 572	1 733 512	**1 759 323**	1 513 362
Accumulated depreciation				
Buildings				
On historic cost	**87**	80		
Leasehold improvements	**54 920**	45 050	**52 415**	41 702
Fixtures and fittings	**485 745**	400 475	**458 487**	349 891
Computer equipment and software	**449 674**	356 786	**433 062**	331 819
Machinery and vehicles	**54 958**	57 499	**47 188**	49 662
Capitalised leased assets	**9 699**	13 063	**16 059**	16 025
	1 055 083	872 953	**1 007 211**	789 099
Net carrying value	**851 489**	860 559	**752 112**	724 263
Comprising				
Land and buildings	**41 332**	44 225	**3 710**	6 110
Leasehold improvements	**80 995**	82 150	**77 139**	73 524
Fixtures and fittings	**387 065**	435 623	**359 415**	384 238
Computer equipment and software	**302 515**	251 377	**292 067**	235 239
Machinery and vehicles	**39 529**	46 578	**19 751**	25 077
Capitalised leased assets	**53**	606	**30**	75
	851 489	860 559	**752 112**	724 263

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
11. PROPERTIES, FIXTURES, EQUIPMENT AND VEHICLES *(continued)*				
Movements for the year				
Capital expenditure				
Land and buildings	**6**	—		
Leasehold improvements	**13 935**	11 821	**11 572**	10 669
Fixtures and fittings	**44 611**	86 997	**41 454**	79 574
Computer equipment	**78 367**	111 316	**74 655**	104 025
Machinery and vehicles	**3 063**	8 003	**1 639**	2 336
Capitalised leased assets	**—**	114	**27**	—
	139 982	218 251	**129 347**	196 604
Other				
Currency adjustments	**(1 249)**	(11 402)		
Revaluation surplus	**—**	13 391	**—**	2 073
Software capitalised	**75 033**	24 192	**75 033**	24 192
Assets transferred on group rationalisation			**26 500**	—
	213 766	244 432	**230 880**	222 869
Disposals				
Land and buildings	**2 995**	688	**2 400**	—
Leasehold improvements	**4 555**	449	**4 477**	192
Fixtures and fittings	**664**	2 557	**395**	1 300
Computer equipment	**3 619**	596	**3 700**	335
Machinery and vehicles	**1 658**	1 526	**1 689**	743
Capitalised leased assets	**227**	364	**—**	3
	13 718	6 180	**12 661**	2 573
Depreciation (note 3.3)	**209 118**	191 616	**190 370**	168 254

Land and buildings were revalued at 1 April 1998 to open market value based on the open market net rentals for each property. If these assets had not been revalued the carrying amount of all assets at 31 March 2000 would have been R823,7 million. Deferred taxation has been raised out of the revaluation surplus. The independent valuation was carried out by David W Grey (Registered Valuer). It is the group's policy to carry out such valuations every three years. No other categories of assets are revalued.

A register of the group's land and buildings is available for inspection at the company's registered office. A copy will be posted, upon request, by the secretary to any member of the public.

At 31 March 2000 the properties, fixtures, equipment and vehicles have an estimated replacement cost and insured value of R2 818,0 million (1999: R2 381,4 million) which excludes input value added tax where appropriate.

At 31 March 2000 the group had no idle fixed assets.

The gross cost of fully depreciated fixtures, equipment and vehicles at 31 March 2000 amounted to R125,0 million (1999: R170,0 million).

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
12. TRADEMARKS				
Trademarks represent registered rights to the exclusive use of certain trademarks and brand names.				
Balance at the beginning of the year	**17 149**	23 507	**13 091**	—
Current year movements				
Expenditure	**—**	267	**—**	15 120
Disposals	**2**	893	**—**	—
Amortisation	**8 894**	4 798	**4 018**	2 029
Currency adjustment	**(14)**	(934)		
Balance at the end of the year	**8 239**	17 149	**9 073**	13 091
Comprising				
Cost	**24 017**	24 100	**15 120**	15 120
Accumulated amortisation	**15 778**	6 951	**6 047**	2 029
	8 239	17 149	**9 073**	13 091
13. INVESTMENTS				
(Annexure 1; page 74)				
13.1 Subsidiaries not consolidated				
Shares at cost	**834**	834	**518**	518
Long term loans			**316**	316
Carrying amount	**834**	834	**834**	834
Directors' valuation of shares	**834**	834		
13.2 Consolidated subsidiaries				
Shares at cost			**55 539**	53 810
Indebtedness			**200 043**	161 485
			255 582	215 295
Total interests in subsidiaries			**256 416**	216 129
Provision for losses in subsidiaries			**—**	41 054
Total interests in subsidiaries less provision for losses			**256 416**	175 075
No special resolutions, the nature of which would be of significance to members in their appreciation of the state of affairs of the group, were passed by any subsidiary during the period covered by this report.				
13.3 Owing to subsidiaries			**132 996**	88 391
13.4 Aggregate profits/losses of subsidiaries				
Profits	**109 325**	53 833		
Losses	**533**	52 310		
	108 792	1 523		

	Group		Company	
	2000	1999	**2000**	1999
	R000	R000	**R000**	R000

14. LOANS

Executive share trust	**13 948**	16 943	**13 948**	16 943
Secured staff loans	**301**	555	**301**	547
Unsecured staff loans	**4 116**	3 946	**1 688**	1 441
	18 365	21 444	**15 937**	18 931

The loan to the executive share trust is interest free, will be repaid when shares held by the trust are sold and is secured by shares in Edgars Consolidated Stores Limited. Other loans earn market related interest rates and have various repayment terms.

15. INVENTORIES

Merchandise	**1 116 818**	1 007 147	**1 032 921**	892 521
Raw materials	**36 496**	26 862	**—**	3 125
Work in progress	**44 614**	48 784		
Consumable stores	**6 771**	362	**5 947**	—
	1 204 699	1 083 155	**1 038 868**	895 646
Estimated replacement cost	**1 204 699**	1 083 155		

16. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Trade accounts receivable	**1 752 533**	1 474 582	**1 640 053**	1 348 062
Provision for doubtful debts	**(116 106)**	(105 464)	**(110 824)**	(98 039)
Software	**94 849**	142 748	**94 849**	142 748
Value added tax receivable	**—**	4 061	**—**	11 170
Other accounts receivable and debit balances, including payments in advance	**171 507**	165 569	**104 547**	108 620
	1 902 783	1 681 496	**1 728 625**	1 512 561

17. CASH AND CASH EQUIVALENTS

Cash on hand	**63 738**	54 312	**59 503**	44 724
Cash on deposit	**54 765**	27 098		
	118 503	81 410	**59 503**	44 724

	Group		Company	
	2000 R000	1999 R000	**2000 R000**	1999 R000
18. SHARE CAPITAL AND PREMIUM				
18.1 Authorised				
72 000 000 (1999: 61 500 000) ordinary shares of 10 cents	**7 200**	6 150	**7 200**	6 150
150 000 6% redeemable preference shares of R2	**300**	300	**300**	300
	7 500	6 450	**7 500**	6 450
18.2 Issued ordinary shares and premium				
Balance at the beginning of the year 57 376 125 (1999: 55 732 122) ordinary shares	**591 222**	504 330	**591 222**	504 330
Executive share incentive scheme issues 75 (1999: 1 195) ordinary shares	**4**	38	**4**	38
Arising in respect of capitalisation share awards (1999: 1 642 808) ordinary shares	**—**	87 143	**—**	87 143
Share issue expenses	**—**	(289)	**—**	(289)
Balance at the end of the year 57 376 200 (1999: 57 376 125) ordinary shares	**591 226**	591 222	**591 226**	591 222
Comprising				
Share capital	**5 738**	5 737	**5 738**	5 737
Share premium	**585 488**	585 485	**585 488**	585 485
	591 226	591 222	**591 226**	591 222

In terms of a shareholders' resolution on 14 July 1999 the directors have unconditional authority until the next annual general meeting to issue 279 800 ordinary shares and the remaining unissued shares to the staff share scheme.

18.3 Issued preference share capital				
150 000 6% redeemable preference shares of R2	**300**	300	**300**	300

18. SHARE CAPITAL AND PREMIUM *(continued)*

18.4 Executive share incentive scheme

In terms of a shareholders' resolution on 3 June 1999 the directors are authorised to issue shares not exceeding 20% of the total issued ordinary share capital of the company on a fully diluted basis for the purposes of the approved executive share incentive scheme. Movements in the number of share options held by eligible participants are as follows

	2000	1999
	Number of shares	Number of shares
At 31 March 1999	**4 221 011**	1 224 793
Options granted	**234 000**	4 699 011
Options exercised	**(172 800)**	(1 195)
Options forfeited	**(499 011)**	(1 701 598)
At 31 March 2000	**3 783 200**	4 221 011
Details of share options exercised during the period	**R**	R
Average subscription price per share	**30,48**	32,00
Average issue market price per share	**69,80**	88,00

The options outstanding at 31 March 2000 become unconditional during the following periods.	**Number of shares**	Subscription price R
22 July 2000 and 22 July 2009	**60 000**	46,70
4 August 1999 and 4 August 2008	**125 700**	29,50
4 August 2000 and 4 August 2008	**568 000**	29,50
4 August 2001 and 4 August 2008	**489 500**	29,50
1 September 1999 and 1 September 2008	**450 000**	20,61
4 February 2002 and 4 February 2004	**1 824 000**	20,47
8 March 2002 and 8 March 2009	**150 000**	27,30
10 March 2000 and 10 March 2009	**15 000**	26,00
11 March 2002 and 11 March 2009	**30 000**	29,00
5 May 2002 and 5 May 2009	**3 000**	30,20
5 November 2002 and 5 November 2009	**50 000**	63,00
2 December 2002 and 2 December 2009	**5 000**	71,00
19 January 2003 and 19 January 2010	**13 000**	69,00
	3 783 200	

Should the option holder resign from the group prior to the commencement dates as indicated above, the shares for options will not be issued, payment will therefore not be required, and the options will be forfeited.

18. SHARE CAPITAL AND PREMIUM *(continued)*

18.4 Executive share incentive scheme *(continued)*

Share options granted to executive directors are as follows	**2000**	1999
	Number of shares	Number of shares
At 31 March 1999	**1 045 011**	275 077
Directors appointed during the year	**462 000**	—
Options granted	**80 000**	920 000
Options exercised	**(50 000)**	—
Options forfeited	**(132 011)**	(150 066)
At 31 March 2000	**1 405 000**	1 045 011
Details of share options exercised during the period	**R**	R
Average subscription price per share	**20,61**	—
Average issue market price per share	**70,88**	—

The options outstanding at 31 March 2000 become unconditional during the following periods.	**Number of shares**	Subscription price R
4 August 2000 and 4 August 2008	**30 000**	29,50
1 September 1999 and 1 September 2008	**450 000**	20,61
4 August 2001 and 4 August 2008	**56 000**	29,50
4 August 2000 and 4 August 2008	**185 000**	29,50
11 February 2002 and 11 February 2004	**424 000**	20,47
10 March 2000 and 10 March 2009	**150 000**	27,30
11 March 2002 and 11 March 2009	**30 000**	29,00
22 July 2000 and 22 July 2009	**60 000**	46,70
5 November 2002 and 5 November 2009	**20 000**	63,00
	1 405 000	

It is company policy that employees who have access to price sensitive information should not deal in shares or exercise share options of the company for the periods from half year end and year end to twenty-four hours after publication of the half year and year end results.

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000

19. NON-DISTRIBUTABLE RESERVES

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Comprising				
Equity accounted reserves of Edgars Stores Limited (Zimbabwe) prior to consolidation	**37 484**	37 484		
Derivative valuation adjustment	**(2 672)**	—	**(2 672)**	—
Fixed asset revaluation reserve	**19 489**	20 735	**2 298**	3 303
Foreign currency translation reserve	**(27 185)**	(25 490)		
Post-acquisition profits of subsidiaries set off against pre-acquisition losses	**1 045**	1 045		
Share premium	**6 041**	6 041	**6 041**	6 041
Tax reserve relating to lifo adjustment in foreign subsidiaries	**3 347**	3 339		
	37 549	43 154	**5 667**	9 344

20. RETAINED SURPLUS

	Group 2000 R000	Group 1999 R000
Comprising		
Company	**1 372 763**	1 189 620
Consolidated subsidiaries	**195 853**	237 880
	1 568 616	1 427 500

Distributions by certain foreign subsidiaries will give rise to withholding taxes. No provision is raised until dividends are declared as these reserves are considered to be permanent capital.

21. LONG AND MEDIUM TERM INTEREST BEARING DEBT

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Secured loan in respect of assets with a net book value of R128 432 753 (1999: R151 356 894) held under a suspensive sale agreement bearing interest payable six monthly in arrears at a linked variable rate presently of 7,22% (1999: 12,95%), redeemable in bi-annual instalments to 30 June 2003	**147 450**	160 358	**147 450**	160 358
2 144 000 unsecured compulsorily convertible debentures of 10 cents each issued at a premium of R17,70. Interest is payable six monthly in arrears on 3l March and 30 September of each year at a rate of 12,34%. These debentures will automatically convert into Edgars Consolidated Stores Limited ordinary shares of 10 cents each on 3l March 2004. The company at its discretion may at the request of the holder convert at an earlier date, but not before 31 March 2002	**38 163**	38 163	**38 163**	38 163
Unsecured loan bearing interest payable six monthly in arrears at a linked variable rate presently of 9,4% (1999: 12,2%) redeemable in bi-annual instalments to 30 June 2005	**34 065**	37 957	**34 065**	37 957
Unsecured loan bearing interest payable monthly in arrears at a linked variable rate presently of 12,5% (1999: 20%) repayable in monthly instalments to May 2002	**1 423**	2 176		
	221 101	238 654	**219 678**	236 478
Current portion repayable within one year transferred to short term interest bearing debt	**21 962**	17 715	**21 326**	17 163
	199 139	220 939	**198 352**	219 315

		Group		Company	
		2000	1999	**2000**	1999
		R000	R000	**R000**	R000
21. LONG AND MEDIUM TERM INTEREST BEARING DEBT *(continued)*					
Summary of interest bearing debt redemption by financial year					
Repayable in	2000		17 715		17 163
	2001	**21 962**	20 063	**21 326**	19 763
	2002	**23 901**	22 893	**23 199**	22 293
	2003	**25 027**	26 165	**24 942**	25 441
	2004	**139 270**	102 018	**139 270**	102 018
	Thereafter	**10 941**	49 800	**10 941**	49 800
		221 101	238 654	**219 678**	236 478
Current portion redeemable within one year transferred to short term interest bearing debt		**21 962**	17 715	**21 326**	17 163
		199 139	220 939	**198 352**	219 315
22. SHORT TERM INTEREST BEARING DEBT					
Current portion of long and medium term interest bearing debt		**21 962**	17 715	**21 326**	17 163
Unsecured bank overdrafts/balances, acceptances and call funds		**406 694**	358 228	**409 554**	348 704
		428 656	375 943	**430 880**	365 867
23. ACCOUNTS PAYABLE					
Trade accounts payable		**907 696**	884 302	**828 247**	786 487
Value added taxation payable		**8 374**	—	**4 965**	—
Sundry accounts payable and accrued expenses		**89 644**	33 606	**89 323**	29 732
		1 005 714	917 908	**922 535**	816 219
24. DEFERRED TAXATION					
Balance at the beginning of the year		**130 068**	114 963	**112 155**	94 258
Income statement (note 7.1)		**(3 212)**	17 187	**5 981**	17 407
Movement related to acquisition of outside shareholders' interests in subsidiaries		**(6 364)**	—		
Movement related to assets transferred from subsidiary				**1 641**	—
Foreign currency translation		**(566)**	(4 906)		
Revaluation reserve		**(534)**	3 248	**(431)**	490
Tax reserve relating to lifo adjustment in foreign subsidiaries (note 19)		**(8)**	(424)		
Balance at the end of the year		**119 384**	130 068	**119 346**	112 155
Comprising					
Fixed asset and other net temporary differences		**91 974**	82 765	**76 116**	61 601
Lifo inventory reserve		**—**	2 421	**—**	2 304
Net temporary differences on accounts receivable		**48 196**	44 882	**43 230**	48 250
		140 170	130 068	**119 346**	112 155
Assessed losses		**(20 786)**	—		
		119 384	130 068	**119 346**	112 155

	Group		Company	
	2000	1999	**2000**	1999
	R000	R000	**R000**	R000

25. FUTURE CAPITAL EXPENDITURE

Contracted				
Properties, fixtures, equipment and vehicles	**38 068**	9 758	**37 463**	8 674
Authorised by the directors but not yet contracted				
Properties, fixtures, equipment and vehicles	**219 120**	164 379	**210 908**	149 861
	257 188	174 137	**248 371**	158 535

All the expenditure will be incurred during the next financial year and is to be financed from net cash retained from operations and existing banking facilities.

26. LEASES

The group leases the majority of its land, buildings and vehicles 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.

At 31 March 2000 the future minimum property operating lease commitments are

Expiry as follows		
Within one year	**302 803**	335 083
Between two and five years	**1 140 924**	1 280 827
In more than five years	**803 607**	1 118 419

27. CONTINGENT LIABILITIES

Guarantees on behalf of subsidiaries for facilities to the extent that they were used and in respect of staff loans and certain pensions	**475**	911	**4 916**	11 842

Litigation, current or pending, is not considered likely to have a material adverse effect on the group.

28. FINANCIAL RISK MANAGEMENT

28.1 Treasury risk management

Senior executives meet on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts. Compliance with group policies and exposure limits is reviewed at quarterly meetings of the board.

28. FINANCIAL RISK MANAGEMENT *(continued)*

28.2 Foreign currency management

Material forward exchange and currency option contracts at 31 March are summarised below. The writing of option contracts is prohibited, thus currency options are only purchased as a cost effective alternative to forward exchange contracts. The amounts represent the net rand equivalents of commitments, to purchase and sell foreign currencies and all of these commitments mature within one year. Accordingly, the average rates shown include the cost of forward cover for periods of up to twelve months. All contracts are regarded as cash flow hedges and any valuation adjustment at year end is taken to a non-distributable reserve.

	2000		1999	
	Rand equivalent R000	**Average rate**	Rand equivalent R000	Average rate
Foreign currency against rand hedged forward orders				
US dollar	**38 980**	**6,55**	20 651	6,46
Deutsche mark	**—**	**—**	917	3,67
Italian lire	**2 574**	**299,17**	1 436	278,57

The company, and certain of its subsidiaries, in terms of approved policy limits, manage short term foreign currency exposures relating to trade imports, exports and interest flows on foreign borrowings. Net uncovered rand transaction exposures at 31 March 2000 amounted to R0,4 million (1999: R2,2 million). The group policy is to limit this aggregate exposure to R10 million. All other significant foreign trade positions in the group were fully covered at 31 March 2000.

28.3 Interest rate management

As part of the process of managing the group's fixed and floating rate borrowings mix, the interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. The interest rate repricing profile at 31 March is summarised as follows

2000	Floating rate	1 – 6 months	7 – 12 months	Beyond 12 months	Total borrowings
Borrowings (R000)	**208 118**	**234 065**	**—**	**185 612**	**627 795**
% of total borrowings	**33,2%**	**37,3%**	**—**	**29,5%**	**100,0%**
1999					
Borrowings (R000)	160 358	398 361	—	38 163	596 882
% of total borrowings	26,9%	66,7%	—	6,4%	100,0%

In order to hedge specific exposures in the interest rate repricing profile of existing borrowings and anticipated peak additional borrowings, the company and certain of its subsidiaries make use of interest rate derivatives, only as approved in terms of group policy limits. These derivatives are regarded as cash flow hedges and the valuation adjustment at year end is taken to a non-distributable reserve.

28. FINANCIAL RISK MANAGEMENT *(continued)*

28.4 Credit risk management

Potential concentrations of credit risk consist principally of trade accounts receivable and short term cash investments. The group only deposits short term cash surpluses with major banks of high quality credit standing. Trade accounts receivable comprise a large, widespread customer base and group companies perform ongoing credit evaluations of the financial condition of their customers and, where appropriate, credit guarantee insurance cover is purchased. 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 2000, the group did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

28.5 Liquidity risk

		Group	
The group has minimised risk of illiquidity as shown by its substantial banking facilities and reserve borrowing capacity.		**2000** **R000**	1999 R000
Unutilised banking facilities			
Total banking and loan facilities		**1 452 901**	1 238 359
Actual interest bearing debt (notes 21 and 22)		**627 795**	596 882
Unutilised banking facilities		**825 106**	641 477
Reserve capacity			
The aggregate amount of the group's year end interest bearing debt is limited to an amount determined in terms of the company's articles of association. This amount is calculated as 75% of shareholders' funds.			
Maximum permissible year end interest bearing debt		**1 648 043**	1 546 407
Actual interest bearing debt (notes 21 and 22)		**627 795**	596 882
		1 020 248	949 525
Cash and cash equivalents (note 17)		**118 503**	81 410
Unutilised borrowing capacity		**1 138 751**	1 030 935
Sustainable liabilities			
The unutilised liability capacity is based on the estimated capacity of each asset investment to sustain liabilities. Refer notes 8 and 9 of the inflation statement.			
	Liability capacity		
Loans and investments	50%	**9 600**	11 139
Fixed assets	50%	**429 864**	438 854
Inventories	75%	**903 524**	812 366
Accounts receivable	66%	**1 255 837**	1 109 787
Cash, cash equivalents and taxation receivable	100%	**118 503**	114 937
		2 717 328	2 487 083
Liabilities		**(1 237 534)**	(1 089 153)
Permissible year end interest bearing debt		**1 479 794**	1 397 930
Actual interest bearing debt (notes 21 and 22)		**(627 795)**	(596 882)
Unutilised liability capacity		**851 999**	801 048

28. FINANCIAL RISK MANAGEMENT *(continued)*

28.6 Fair value of financial instruments

The estimated net fair values have been determined as at 31 March 2000, using available market information and appropriate valuation methodologies, and are not necessarily indicative of the amounts that the group could realise in the normal course of business.

	2000 Carrying amounts R000	2000 Fair values R000	1999 Carrying amounts R000	1999 Fair values R000
Assets				
Liquid resources	**118 503**	**118 503**	81 410	81 410
Accounts receivable	**1 807 934**	**1 807 934**	1 681 496	1 681 496
Investments and loans	**19 199**	**19 199**	22 278	22 278
Liabilities				
Interest bearing debt	**627 795**	**627 795**	596 882	591 157

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 balance sheet approximate fair values.

Borrowings: 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.

Forward instruments: forward exchange contracts are entered into mainly to cover import orders, and fair values are determined using foreign exchange market rates at 31 March 2000. Forward rate agreements are entered into mainly to hedge interest rate exposure and fair values are determined using money market derivative rates at 31 March 2000.

29. INTERESTS OF DIRECTORS AND MANAGERS IN SHARE CAPITAL AND CONTRACTS

The interests, direct and indirect, of the directors and managers in office at the date of this report, and their families, aggregated as to beneficial interest and non-beneficial interest, are as follows

	Ordinary shares	
	Beneficial	Non-beneficial
At 31 March 1999	21 887	11 003
At 31 March 2000 and 18 May 2000	14 557	11 003
Comprising		
Non-executive directors	9 260	11 003
Executive directors	2 000	
Executives	3 297	
	14 557	11 003

Disclosures by the directors indicate that at 31 March 2000 and at the date of this report, their interests and those of their families did not, in aggregate, exceed 5% in respect of either the share capital or voting control of the company.

Each director of the company has certified that he was not interested in any contract of significance to the company or any of its subsidiaries which could have given rise to a related conflict of interest during the year.

A register detailing directors' and managers' interests in the company is available for inspection at the company's registered office. A copy will be posted, upon request, by the secretary to any member of the public.

30. RELATED PARTY TRANSACTIONS

Related party relationships exist between the group. All purchasing and selling transactions are concluded at arm's length.

31. SOCIAL INVESTMENT AND ENVIRONMENTAL PROTECTION

Social investment has become an established part of operational life throughout southern Africa. Edcon's programmes continue to focus predominantly on education and training, but also included health and welfare. The Edgars and Sales House Clubs again impacted positively on national education. Edgars Club paid R0,4 million in skills development grants and Sales House awarded bursaries amounting to R5 million. The Sales House Club also paid R0,5 million in education grants to primary schools. In addition the Edgars Foundation donated R0,2 million to various charitable institutions.

The group risk management committee continued to monitor Edcon's possible impact on the environment, particularly in its manufacturing factories. No reports of pollution from these or our retail operations were received during the year.

32. KEY INDICATORS IN US DOLLAR TERMS

	2000	1999
	US$m	US$m
Revenue – retail sales*	**1 007**	1 041
Earnings attributable to ordinary shareholders*	**36**	15
Total assets	**626**	610
Market capitalisation	**618**	295

*Converted at average rate of R6,38 (1999: R5,62)

33. REPORT OF THE DIRECTORS

A separate report is not considered appropriate as details of the performance of the various operations of the group are contained in the Chief Executive Officers' report and the group financial review. Other required disclosures are contained in either these reviews or the annual financial statements, together with the notes thereto.

At the General Meeting of members held on 3 June 1999 the following special resolutions were passed with effect from 11 June 1999:

- to change the name of the company from Edgars Stores Limited to Edgars Consolidated Stores Limited to reflect the nature of the Edgars group which incorporates a number of different retail chains;

- to consolidate and subdivide the authorised and issued share capital of the company to provide a mechanism to facilitate, in an equitable manner, the reduction in the number of shareholders holding less than 100 shares in the company;

- to increase the authorised ordinary share capital of the company from 61 500 000 ordinary shares of 10 cents each to 72 000 000 ordinary shares of 10 cents each, by the creation of 10 500 000 new ordinary shares of 10 cents each, which new ordinary shares shall rank pari passu in all respects with the existing ordinary shares in the authorised share capital of the company, to create the shares necessary to implement the increase in the number of shares to be made available to the Edgars Share Incentive Scheme.

Annexure 1

	Nature of business	Issued ordinary capital		% interest in capital		Book value of shares		Amounts owing by subsidiaries (note 13.2)	
		2000	1999	**2000**	1999	**2000**	1999	**2000**	1999
Incorporated in South Africa		**R**	R	**%**	%	**R**	R	**R**	R
African Accent (Pty) Ltd	R	**100**	100	**100**	100	**100**	100		
Cannon Clothing (Pty) Ltd	D	**100**	100	**100**	100				
Celrose Clothing (Pty) Ltd	D	**100 000**	100 000	**100**	100				
Cuthberts (Bophuthatswana) (1990) (Pty) Ltd	R	**100 000**	100 000	**100**	100				
Dale Retail Service (Pty) Ltd	G	**36 000**	36 000	**100**	100			**293 843**	—
Decisions Home Shopping Ltd	D	**200 000**	200 000	**100**	100	**200 000**	200 000		
E-Corporate Travel Solution (Pty) Ltd	T	**100**	—	**50**	—				
Edgars Investment Holding Company Ltd	G	**141 076**	141 076	**100**	100	**141 076**	141 076		
Edgars Retail Trading (Pty) Ltd	R	**600**	600	**100**	100	**600**	600		
Edgars Stores (Management) Ltd***	G	**—**	4 000	**—**	100	**—**	4 000		
Ellesse SA (Pty) Ltd	D	**100**	100	**100**	100				
Goose Bay Trading (Pty) Ltd	D	**1**	1	**100**	100	**1**	1		
H.D. Lee Company (Pty) Ltd	M	**50 000**	50 000	**100**	100				
Jet Stores (Pty) Ltd	R	**4 504**	4 504	**100**	100	**4 504**	4 504		
Lauré Fashions (Pty) Ltd	M	**1 000**	1 000	**100**	100			**7 880 708**	4 237 816
Meltz Success (Pty) Ltd	M	**1 000**	1 000	****100**	51	**256 369**	—	**43 226 540**	36 696 286
Meltz Success (Pty) Ltd – preference shares	M					**50 000 000**	8 947 000		
M S Litho (Pty) Ltd	D	**100**	100	**100**	100				
National Security Company Ltd	G	**2 000**	2 000	**100**	100	**1 800**	1 800		
Peoples Stores (Bophuthatswana) (Pty) Ltd	R	**250 000**	250 000	**100**	100	**250 000**	250 000		
Peoples Stores (Ciskei) (Pty) Ltd***	D	**—**	100	**—**	100	**—**	100		
Peoples Stores (Management) (Transkei) (Pty) Ltd***	G	**—**	100	**—**	100	**—**	100		
Peoples Stores (Transkei) (Pty) Ltd	D	**290 000**	290 000	**100**	100	**290 000**	290 000		
Peoples Stores (Venda) (Pty) Ltd***	D	**—**	1	**—**	100	**—**	1		
Peoples Stores (Walvis Bay) (Pty) Ltd***	D	**—**	250 000	**—**	100	**—**	250 000		
R22 Properties (Pty) Ltd	P	**1**	1	**100**	100	**1**	1		
Reactor Clothing (Pty) Ltd	M	**100**	100	**85**	70				381 972
Sales House (Pty) Ltd	R	**100**	100	**100**	100	**100**	100		
Shoecorp Shoe Stores (Pty) Ltd	R	**33 752**	33 752	**100**	100	**—**	—	**—**	85 144 044
Smiley's Wearhouse (Pty) Ltd	R	**120**	120	**100**	#34	**1 726 762**	—	**23 415 825**	—
Studio Clothing (Pty) Ltd	D	**100**	100	**100**	100				
United Purchasing Company Ltd	D	**6 000**	6 000	**100**	100	**6 000**	6 000		
UPC Retail Services (Pty) Ltd	G	**6 000**	6 000	**100**	100	**6 000**	6 000		
V.O.C. Investment Ltd	M	**950 000**	950 000	**100**	100	**950 000**	950 000	**31 843 334**	25 522 062
W.M. Cuthbert & Company Ltd	P	**12 200**	12 200	**100**	100				
Incorporated in Botswana		**P**	P						
Jet Supermarkets Botswana (Pty) Ltd	R	**300 000**	300 000	**100**	100				2 549 979
Incorporated in Lesotho		**M**	M						
Easy Rider Clothing (Pty) Ltd	M	**1 000**	1 000	**85**	85				
Edgars Stores (Lesotho) (Pty) Ltd	R	**200 000**	200 000	**100**	100	**200 000**	200 000	**995 021**	2 806 091
Jet Supermarkets (Lesotho) (Pty) Ltd	D	**100**	100	**100**	100	**100**	100		
Lee Manufacturing (Lesotho) (Pty) Ltd	M	**4 000**	4 000	**100**	100			**3 436 909**	1 865 404
Sales House (Lesotho) (Pty) Ltd	D	**1 000**	1 000	**100**	100	**1 000**	1 000		
Incorporated in Namibia		**N$**	N$						
Edgars Stores (Namibia) Ltd	R	**1 050 000**	1 050 000	**100**	100			**53 304 340**	1 349 579
Incorporated in Swaziland		**E**	E						
Edgars Stores (Swaziland) Ltd	R	**1 500 000**	1 500 000	**100**	100	**1 500 000**	1 500 000	**35 258 312**	—
Jet Supermarkets (Swaziland) (Pty) Ltd	D	**100**	100	**100**	100	**100**	100		
Incorporated in Zimbabwe		**Z$**	Z$						
Edgars Stores Limited†	R	**46 146 000**	46 146 000	**56**	57				
Incorporated in Guernsey		**£**	£						
Bellfield Limited	G	**41**	41	**100**	100	**75**	75	**211 253**	211 253
Berwick Holdings Limited	G	**2**	2	**100**	100	**3 692**	3 692	**176 842**	720 842
Interest in subsidiaries						**55 538 280**	12 756 350	**200 042 927**	161 485 328

* *Nature of business R: Retailing M: Manufacturing G: Group Services D: Dormant P: Property Holding T: Travel*
 # 1999 Effective interest. 100% interest with effect from 31 March 2000
† December financial year end. Details as at 31 December 1999
*** With effect from 18 January 2000*
**** Deregistered during the year*

Financial calendar

Financial year end	31 March
Annual general meeting	July
Reports	
Interim report	November
Preliminary announcement of annual results	May
Annual report	June
Dividends payable	
Ordinary shares – interim and final	December and June
6% preference shares	December and June

Analysis of holdings of ordinary shares at 31 March 2000

	Number of members			Number of shares		
Size of holding	Individuals	Other	% of total	Individuals	Other	% of total
1 – 500	1 932	197	84,75	274 517	37 347	0,54
501 – 2 500	188	66	10,11	189 988	72 333	0,46
2 501 – 5 000	22	22	1,75	76 867	77 546	0,27
5 001 – 50 000	18	38	2,25	170 133	598 714	1,34
50 001 – 100 000	2	8	0,39	138 544	571 911	1,24
Over 100 000	—	19	0,75	—	55 168 300	96,15
Total	2 162	350	100,00	850 049	56 526 151	100,00

	Number of members	Shares held	% of total
Directors	3	11 260	0,02
Pension funds	15	601 247	1,05
Nominee companies	150	42 508 024	74,08
Insurance companies and other corporate bodies	149	13 383 320	23,33
Investment and trust companies	33	22 300	0,04
Individuals	2 162	850 049	1,48
Total	2 512	57 376 200	100,00

Shareholders with a holding of greater than 5% of issued ordinary shares

SABSA Holdings (Pty) Limited	11 199 413	19,52
Liberty Life Association of Africa Limited	7 834 782	13,66
Gensec Limited	6 877 680	11,99
Old Mutual (SA) Limited	6 713 416	11,70
Rand Merchant Bank Limited	5 307 054	9,25
Coronation (SA) Limited	4 780 690	8,33

Notice to members

Notice is hereby given that the fifty-fourth annual general meeting of the members of Edgars Consolidated Stores Limited will be held at the registered office of the company, Edgardale, Press Avenue, Crown Mines, Johannesburg, on Wednesday, 19 July 2000 at 09h00 for the following purposes:

1. to receive and adopt the financial statements for the year ended 31 March 2000.
2. to elect directors in place of those retiring in accordance with the provisions of the company's articles of association.
3. to consider, and if deemed fit, to pass with or without modification the following ordinary resolution:

3.1 "that 279 800 unissued ordinary shares in the capital of the company be and they are hereby placed at the disposal and under the control of the directors who may, subject to the provisions of the Companies Act, 1973, issue such shares to such persons on such terms and conditions and with such rights attached thereto as the directors may determine." This resolution renews the general authority to issue shares given by members to the directors on 14 July 1999.

A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and speak and on a poll to vote in his stead. Such proxy need not be a member of the company. Proxy forms, available from the transfer secretaries, should reach the registered office of the company at least 48 hours before the meeting.

By order of the board

D J Viviers

Group Secretary

PO Box 100

Crown Mines

2025

18 May 2000

Offices

EDGARS CONSOLIDATED STORES LIMITED

(formerly Edgars Stores Limited)

Incorporated in the Republic of South Africa

Registration number 05/22751/06

GROUP SECRETARY

D J Viviers

REGISTERED OFFICE

Edgardale, Press Avenue

Crown Mines, Johannesburg 2092

Telephone (011) 495-6000

Fax (011) 837-5019

POSTAL ADDRESS

PO Box 100, Crown Mines 2025

TRANSFER SECRETARIES

Mercantile Registrars Limited

11 Diagonal Street, Johannesburg 2001

PO Box 1053, Johannesburg 2000

Telephone (011) 370-5000

Fax (011) 370-5271

AUDITORS

Ernst & Young

Ernst & Young House

4 Pritchard Street, Johannesburg 2001

PO Box 2322, Johannesburg 2000

Telephone (011) 498-1000

Co-ordination: **Group Finance and Group Public Affairs**
Reproduction: **Typesetting and Repro Services**
Design and Production: **Bastion Graphics**
Printing: **Ultra Litho**