Edcon

Annual Report 2005

Edgars Consolidated Stores Limited originated from one small clothing store opened in Johannesburg in 1929. It was listed on the JSE Securities Exchange South Africa in 1946. It operates through 734 stores in southern Africa.

This report can aslo be viewed on the internet at: http://www.edcon.co.za

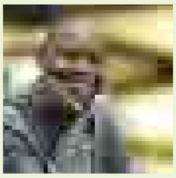
Edcon Bring out your best

This year, we introduced the Golden Heart Awards, which honour Edcon employees who excelled in the eyes of their colleagues. Award winners are recognised for proving to all around them that values such as professionalism, integrity, concern for fellow employees and outstanding performance are not just words – these qualities are what make Edcon thrive.

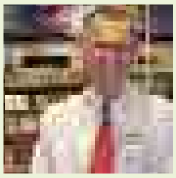
Edcon

Leadership at all levels

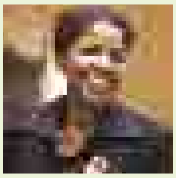
Golden Heart Award: *Winners in 2004*



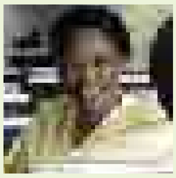
Sponky Lentsoe
Divisional Buyer: Edgars
Pages 9/10



Robert Hutchins
Store Assistant Manager: CNA/Pavilion
Pages 31/32



Rita Luhning
HR Manager: Edgars/JHB
Pages 21/22



Ntombintombi Johanna Moshoeshoe
Call Centre Agent: Customer Service/JHB
Pages 71/72

Contents

Edgars Consolidated Stores Limited originated from one small clothing store opened in Johannesburg in 1929. It was listed on the JSE Securities Exchange South Africa in 1946. It operates through 734 stores in southern Africa.

	2005 53 weeks	2004 52 weeks (Restated)	Change
Group summary	**Rm**	Rm	%
Revenue – retail sales	**13 590**	10 530	29
Earnings attributable to ordinary shareowners	**1 233**	672	83
Headline earnings	**1 229**	699	76
Attributable cash equivalent earnings	**1 446**	989	46
Wealth created through cash value-added	**4 128**	2 514	64
Total assets	**6 649**	5 096	30
Market capitalisation	**15 004**	7 341	104
Ordinary share performance (cents per share)			
Attributable earnings basis	**2 670**	1 527	75
Headline earnings basis	**2 661**	1 588	68
Cash equivalent earnings basis	**3 131**	2 246	39
Attributable cash inflow from operations	**3 029**	457	563
Dividends declared for the financial year	**1 345**	768	75
Net equity	**7 387**	5 897	25
Market price	**27 525**	14 200	94
Financial statistics and targets			**2005 Targets**
Operating profit as % of retail sales	**13,6**	10,2	12,0
Return on ordinary shareowners' equity (%)	**40,3**	28,1	25,0
Stockturn (times)	**5,8**	5,2	6,0
Gearing ratio	**(0,08)**	0,06	Max. 0,25

Restatements: Restated on adoption of IFRS 2 (AC 139), 'Share-based Payment'. Refer to note 1.1.1 on page 140.

Prospects

Profound structural changes have occurred in the South African economy. The benefits of rising GDP, stable and relatively low interest and inflation rates and improved disposable incomes, should fuel the country's economic development on a more sustainable basis. These benefits will continue to support retail sales and moderate their cyclical volatility in the years ahead.

The Edcon Board remains confident, based on the current momentum in the industry, that CFT sales will continue to grow in real terms in the forthcoming year, albeit at a slower pace than in the past year. Edcon sales will also be boosted by the opening of an estimated additional 10% average retail space. It should, however, be noted that the new financial year contains one less trading week, which contributed 2% of sales and 4% of earnings last year.

Productivity will be enhanced further through economies of scale from the inclusion of new stores and a continued focus on operational efficiencies. Consequently, shareowners should expect another meaningful rise in earnings, above that of the sales growth.

Retail sales growth of

29%

Headline earnings per share up

68%

Attributable earnings up 83% to over

R1 billion

Total dividends of 1 345 cents

75% increase

Cash "EBITDA" growth of

57%

Cash wealth created up 64% to over

R4 billion

Year Number of weeks	Six year compound growth % p.a.	2005 53	2004 52 (Restated)	2003 52 (Restated)	2002 52 (Restated)	2001 52 (Restated)	2000 52 (Restated)	1999 52 (Restated)
Group income statements (Rm)								
Revenue – retail sales	15	**13 590**	10 530	8 314	6 710	6 557	6 424	5 850
Cost of sales		**8 180**	6 423	5 107	4 264	4 228	4 101	3 834
Gross profit		**5 410**	4 107	3 207	2 446	2 329	2 323	2 016
Expenses		**3 768**	3 215	2 689	2 098	2 015	1 902	1 788
Trading profit	39	**1 642**	892	518	348	314	421	228
Credit and financial services profits[1]		**213**	186	91	(22)	(57)	9	—
Operating profit before financing costs		**1 855**	1 078	609	326	257	430	228
Net financing costs		**4**	51	44	63	86	78	121
Profit before taxation		**1 851**	1 027	565	263	171	352	107
Taxation		**618**	355	223	94	51	108	39
Attributable to outside shareowners		**—**	—	—	—	—	18	(18)
Earnings attributable to ordinary shareowners	56	**1 233**	672	342	169	120	226	86
Group cash flow (Rm)								
Cash generated from trading (cash "EBITDA")	31	**2 117**	1 351	901	528	464	655	422
Working capital requirements		**(201)**	(677)	(38)	184	(234)	(334)	(24)
Cash generated from operating activities	30	**1 916**	674	863	712	230	321	398
Net financing costs paid		**(4)**	(51)	(44)	(63)	(86)	(78)	(121)
Taxation paid		**(513)**	(422)	(104)	(40)	(95)	(36)	(82)
Cash inflow from operations		**1 399**	201	715	609	49	207	195
Dividends paid		**(470)**	(191)	(98)	(55)	(76)	(60)	(22)
Net cash retained		**929**	10	617	554	(27)	147	173
Net cash invested		**(459)**	(337)	181	(129)	(79)	(140)	(207)
Net financing repaid		**470**	(327)	798	425	(106)	7	(34)
Decrease in shareowner funding		**(7)**	44	(313)	(171)	(23)	3	(2)
Decrease in interest bearing debt		**(247)**	183	(393)	(239)	208	28	52
Net cash outflow from financing activities		**(254)**	227	(706)	(410)	185	31	50
Increase in cash and cash equivalents		**216**	(100)	92	15	79	38	16
Group balance sheets (Rm)								
Assets								
Non-current assets		**1 569**	1 192	1 193	841	746	865	883
Current assets		**5 080**	3 904	3 024	3 242	3 429	3 227	2 880
Total assets	10	**6 649**	5 096	4 217	4 083	4 175	4 092	3 763
Equity and liabilities								
Shareowners' funds	9	**3 466**	2 650	2 132	2 229	2 268	2 283	2 101
Interest bearing debt	(23)	**120**	367	183	575	819	628	597
		3 586	3 017	2 315	2 804	3 087	2 911	2 698
Interest free liabilities	19	**3 063**	2 079	1 902	1 279	1 088	1 181	1 065
Total equity and liabilities	10	**6 649**	5 096	4 217	4 083	4 175	4 092	3 763

(Definitions are given in note 2 to the Annual Financial Statements)

Restatements: Throughout this Group review, comparatives were restated to include the consolidation of the Edgars Stores Limited Staff Share Trust effective in 2004. The 2004 results have additionally been restated on adoption of IFRS 2 (AC 139), 'Share-based Payment'. Refer to note 1.1.1 on page 140.
2001 is restated excluding Zimbabwe. 1999 to 2000 includes Zimbabwe.

[1]*Comparatives have been restated to include cellphone insurance revenue previously allocated to retail Divisions.*

Year Number of weeks	Six year compound growth % p.a.	2005 53	2004 52 (Restated)	2003 52 (Restated)	2002 52 (Restated)	2001 52 (Restated)	2000 52 (Restated)	1999 52 (Restated)
Ordinary share performance (cents per share)								
Attributable earnings basis	61	**2 670**	1 527	720	309	211	398	151
Headline earnings basis	62	**2 661**	1 588	786	310	215	412	148
Cash equivalent basis	35	**3 131**	2 246	1 061	748	655	788	517
Attributable cash inflow from operations	43	**3 029**	457	1 506	1 112	84	380	348
Dividends declared for the financial year	69	**1 345**	768	308	117	100	152	58
Net equity	12	**7 387**	5 897	4 917	4 465	4 540	3 945	3 659
Returns								
Return on ordinary shareowners' equity (%)	Av 16,0	**40,3**	28,1	15,7	7,5	5,4	10,7	4,2
Productivity								
Cash value added (Rm)	16	**4 128**	2 514	2 390	2 019	1 538	1 647	1 710
Cash disbursed among stakeholders (Rm)	13	**3 199**	2 504	1 773	1 464	1 485	1 440	1 514
Net asset turn (times)	Av 2,8	**3,8**	3,5	3,6	2,4	2,1	2,2	2,2
Gross profit to retail sales (%)	Av 37,1	**39,8**	39,0	38,6	36,4	35,5	36,2	34,4
Cost of selling to retail sales (%)	Av 20,0	**17,1**	18,2	19,2	20,6	20,9	21,8	22,5
Retail trading profit to retail sales (%)	Av 7,0	**12,1**	8,5	6,2	5,2	4,8	6,6	3,9
Operating profit to retail sales (%)	Av 7,2	**13,6**	10,2	7,3	4,9	3,9	6,7	3,9
Revenue – retail sales per square metre (Rand) (moving average)	14	**15 443**	13 262	10 657	9 572	9 042	8 002	7 143
Revenue – retail sales per retail employee (R000)[2]	9	**772**	708	604[3]	665	634	548	465
Revenue – retail sales growth (%)	Av 13,9	**29,1**	26,7	23,9	2,3	2,1	9,8	3,7
Stockturn (times) (moving annual)	Av 4,3	**5,8**	5,2	4,7	3,8	3,4	3,7	3,7
Effective tax rate (%)	Av 34	**33**	34	40	36	30	31	36
Solvency and liquidity								
Financing cost cover (times)	Av 73,5	**463,8**	21,3	13,8	5,1	3,0	5,6	1,9
Dividend cover (times)	Av 2,3	**2,0**	2,0	2,3	2,6	2,1	2,6	2,6
Cash realisation rate (%)	Av 77	**97**	20	142	149	13	48	67
Gearing ratio	Av 0,12	**(0,08)**	0,06	(0,05)	0,16	0,28	0,22	0,24
Total liabilities/shareowners' funds	Av 0,87	**0,92**	0,92	0,98	0,83	0,84	0,79	0,79
Interest free liabilities/total assets	Av 0,35	**0,46**	0,41	0,45	0,31	0,26	0,29	0,28
Current ratio	Av 1,9	**1,6**	1,7	1,5	2,2	2,2	2,2	2,2
JSE Securities Exchange South Africa performance								
Traded prices (cents per share)								
closing price		**27 525**	14 200	5 000	2 410	2 105	7 070	3 180
high		**30 575**	14 500	6 100	3 360	7 200	8 400	8 900
low		**13 000**	4 800	2 410	1 900	1 970	3 000	1 600
Weighted average price per share traded		**19 691**	9 672	4 158	2 674	3 539	5 636	3 065
Price earnings ratio		**10,3**	9,3	6,9	7,8	10,0	17,7	21,0
Edcon share price index (1999: 100)		**866**	446	157	76	66	222	100
JSE Securities Exchange South Africa actuaries' retail index (1999: 100)		**224**	146	90	63	64	103	100
Year-end market price/net equity per share		**3,7**	2,4	1,0	0,5	0,5	1,8	0,9
Number of shares in issue (000)		**54 512**	51 700	51 700	57 445	57 445	57 376	57 376
Volume of shares traded (000)		**87 293**	36 367	24 620	33 890	39 355	34 750	27 281
Number of transactions		**63 567**	11 061	3 697	5 291	13 275	18 129	9 955
Volume traded as % of number in issue		**160**	70	48	59	69	61	48
Value of shares traded (Rm)		**17 189**	3 517	1 024	906	1 393	1 959	836
Market capitalisation (Rm)		**15 004**	7 341	2 585	1 384	1 209	4 056	1 824
Number of shareowners		**6 465**	3 982	2 884	3 160	1 932	2 512	12 649
Earnings yield (%)		**9,7**	10,8	14,4	12,8	10,0	5,6	4,7
Dividend yield (%)		**4,9**	5,4	6,2	4,9	4,8	2,1	1,8

(Definitions are given in note 2 to the Annual Financial Statements)

[2]*Includes permanent part timers previously excluded from the ratio and flexible full timers. Comparatives have been restated.*

[3]*CNA and Jet Mart retail sales have been annualised for the purpose of this calculation.*

[4]*Averages are calculated over 7 years.*

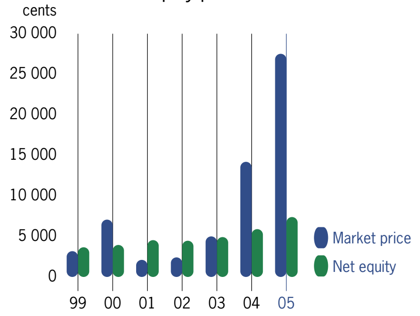
Year Number of weeks	Six year compound growth % p.a.	**2005** **53**	2004 52 (Restated)	2003 52 (Restated)	2002 52 (Restated)	2001 52 (Restated)	2000 52 (Restated)	1999 52 (Restated)
Chain/Divisional analysis (Rm)								
Revenue – Retail sales								
Edgars	12	**7 055**	5 596	4 818	4 125	3 952	3 676	3 613
CNA		**1 012**	874	390	—	—	—	—
Boardmans		**241**	—	—	—	—	—	—
Department Stores Division	15	**8 308**	6 470	5 208	4 125	3 952	3 676	3 613
Jet	15	**4 825**	3 600	2 924	2 585	2 605	2 535	2 057
Jet Mart		**457**	460	182	—	—	—	—
Discount Division	17	**5 282**	4 060	3 106	2 585	2 605	2 535	2 057
Zimbabwe		**—**	—	—	—	—	213	180
Group	15	**13 590**	10 530	8 314	6 710	6 557	6 424	5 850
Gross profit								
Edgars	16	**2 982**	2 299	1 961	1 576	1 448	1 377	1 236
CNA		**329**	328	145	—	—	—	—
Boardmans		**93**	—	—	—	—	—	—
Department Stores Division	18	**3 404**	2 627	2 106	1 576	1 448	1 377	1 236
Jet	18	**1 896**	1 369	1 049	870	881	863	692
Jet Mart		**110**	111	52	—	—	—	—
Discount Division	19	**2 006**	1 480	1 101	870	881	863	692
Zimbabwe		**—**	—	—	—	—	83	88
Group	18	**5 410**	4 107	3 207	2 446	2 329	2 323	2 016
Trading profits								
Department Stores Division	35	**994**	590	394	276	205	210	163
Discount Division	43	**653**	366	170	101	96	165	78
Zimbabwe		**—**	—	—	—	—	47	31
Manufacturing		**(4)**	(17)	(8)	(37)	4	(11)	(19)
Group Services		**(1)**	(47)	(38)	8	9	10	(25)
Group	39	**1 642**	892	518	348	314	421	228
Shareowners' funds								
Department Stores Division		**1 463**	1 129	1 015	909	981	1 020	1 001
Discount Division		**791**	534	490	519	624	625	532
Zimbabwe		**—**	—	—	—	—	85	71
Manufacturing		**46**	91	82	95	106	136	142
Credit and Financial Services		**3 150**	2 508	1 694	1 752	1 681	1 582	—
Group Services		**(1 984)**	(1 612)	(1 149)	(1 046)	(1 124)	(1 165)	355
Group		**3 466**	2 650	2 132	2 229	2 268	2 283	2 101
Other statistical data (year-end)								
Number of employees[5]								
retailing		**17 605**	14 867	14 712	10 090	10 338	11 725	12 570
manufacturing		**1 000**	1 087	1 272	1 050	1 463	2 776	2 685
Total		**18 605**	15 954	15 984	11 140	11 801	14 501	15 255
Number of stores		**734**	641	593	449	544	671	703
Gross closing trading area (000 m^2)		**921**	818	775	681	718	788	820
Number of active customer accounts (000)		**3 487**	2 933	2 850	2 860	2 944	3 446	3 725

(Definitions are given in note 2 to the Annual Financial Statements)

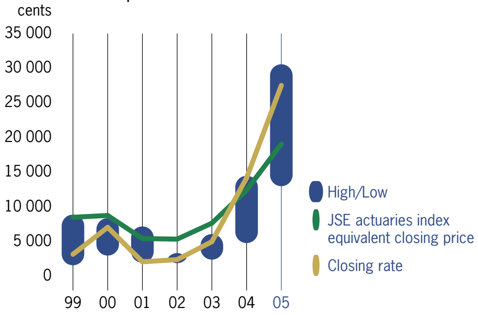
[5]*Includes permanent part timers and flexible full timers. Excludes flexible part timers, learners and casuals. Comparatives have been restated as previously permanent part timers were excluded.*

Retail sales revenue
per retail employee

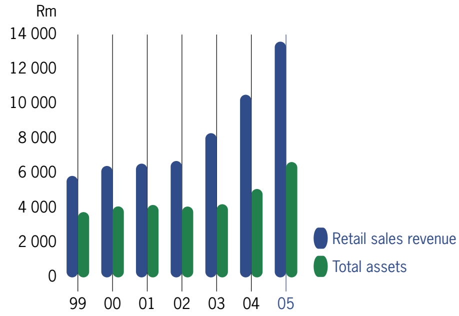
Market price
and net equity per share



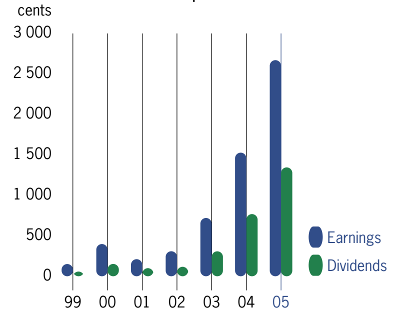
Share performance



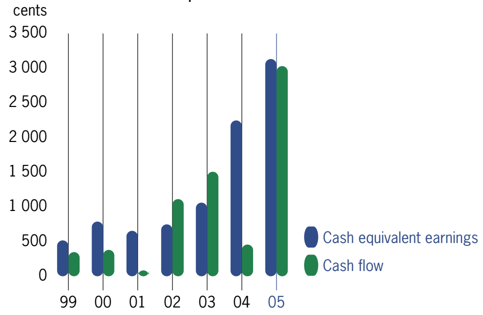
Retail sales revenue
and total assets



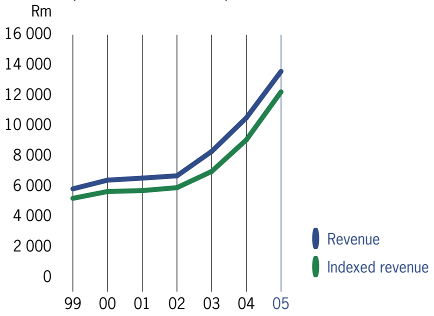
Earnings
and dividends per share



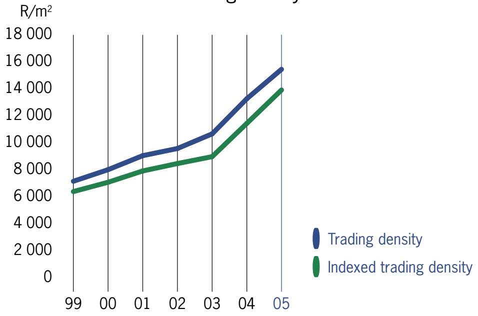
Cash equivalent earnings
and cash flow per share



Revenue and indexed revenue
(indexed on CFT inflation)



Trading density
and indexed trading density



Vision

- To be the consumers' store of choice for the products we sell, in the markets we trade.
- To create wealth for the benefit of all stakeholders.

Mission

The Group's business mission is to create value by providing our customers with:

- the right products and outstanding personal service; and
- payment options and financial services to meet their individual lifestyles and financial needs.

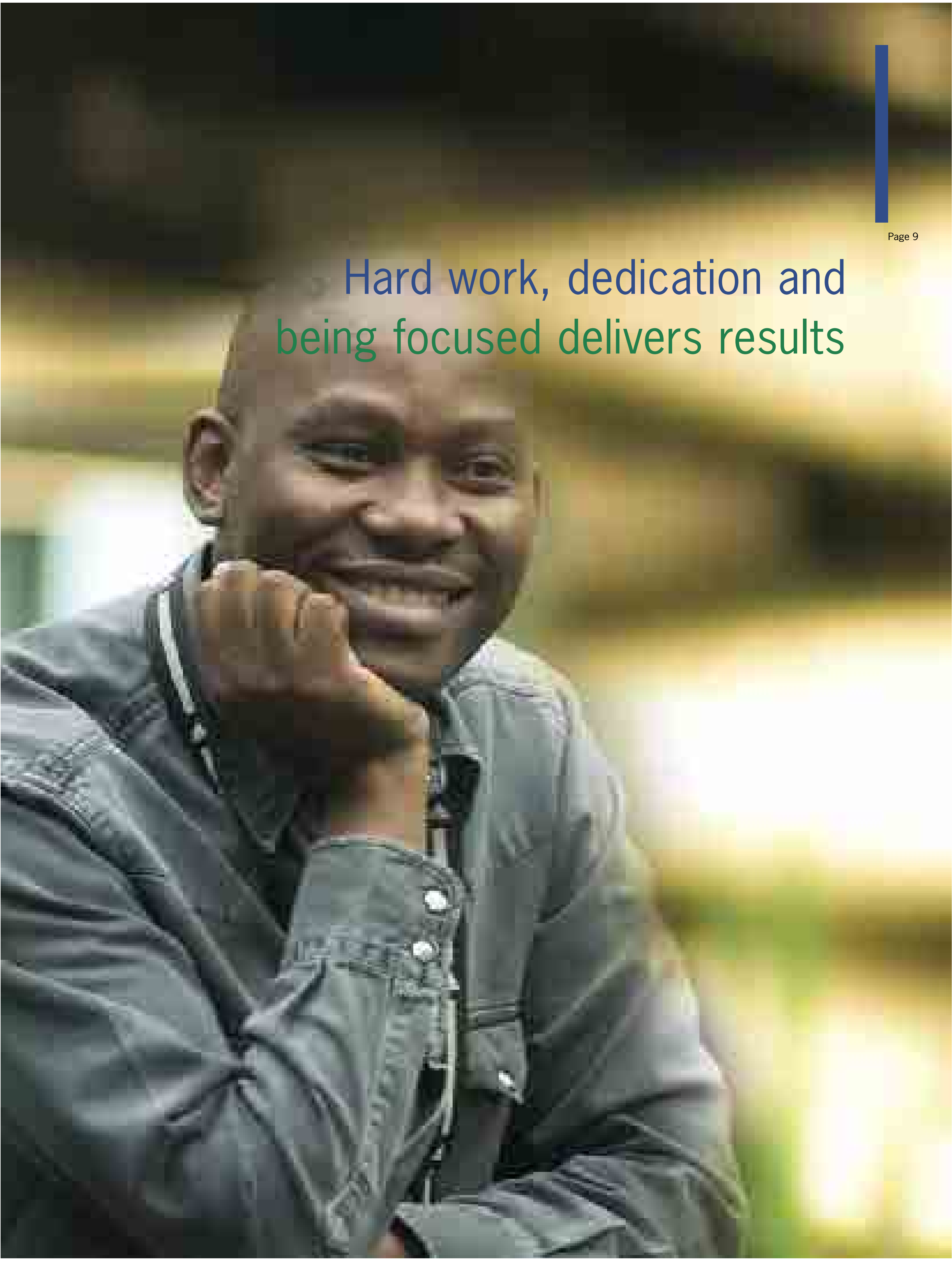
The Group's mission as an employer is to be regarded as a preferred employer in southern Africa by:

- consistently creating wealth for employees;
- living our corporate values as if our livelihood depended on them;
- developing and training people for lifetime employability; and
- making work challenging, exciting and rewarding.

The Group's community mission is to:

- share wealth for positive change in the quality of life of people in the areas in which we trade, primarily through support for education; and
- be perceived both internally and externally, as a caring organisation.

Hard work, dedication and being focused delivers results



I believe that if you're passionate about
something, you're already halfway there . . .

Leadership within our organisation

Sponky Lentsoe

Divisional Buyer: Edgars

Leadership within our communities:

I am a proud black South African. I share responsibility for a very large family. In my culture, my cousins are as close to me as my brothers and sisters, and I care for them just as much.

Leadership with colleagues:

I try to set an example by sharing the passion I have for my work with my colleagues so that they can be inspired to feel the same. Even so, I listen to their views with an open mind, and try not to jump to conclusions.

Leadership with our customers:

My current responsibility is footwear and my duty is to stay on top of footwear trends and prices. In this way I provide Edcon's customers with what they would like to wear and ensure that they can buy good quality footwear products from us at reasonable prices.

Leadership in people, product and service

We value

People	We treat the individual, our customers, employees, shareowners and the community with care and respect.
Integrity	We are open, honest, fair and inclusive in all our relationships. We accept and learn from constructive criticism. We make and keep commitments.
Performance	To improve we must measure our performance. Goals must be clearly set and measured. Excellence is recognised, rewarded and results in career growth.
Professionalism	We try to achieve our full potential as leaders and Edcon employees. We commit to winning by; learning as much as we can, continuously improving what we do, and working as a disciplined team every day.

Achievements

	2005	2004	2003	*Target*
Return on ordinary shareowners' equity	40,3%	28,1%	15,7%	*25,0%*
Operating profit to retail sales	13,6%	10,2%	7,3%	*12,0%*
Gearing ratio	(0,08)	0,06	(0,05)	*Max. 0,25*
Stockturn (times)	5,8	5,2	4,7	*6,0*

Board of Directors

Corporate Board

Independent Non-Executive Directors

W Selwyn MacFarlane **(69) (CA(SA), FCA, BTh) – *Chairman***

As a past President of SAICA and past Deputy Chairman of South African Breweries Miller plc, Mr MacFarlane is a valuable asset to Edcon, having provided strategic and corporate governance guidance as a Board member from 1982 – 1998. He has continued to contribute strong leadership in his current role as Chairman of the Board since 1999. As a past Director of a number of listed companies Mr MacFarlane has extensive corporate experience. Mr MacFarlane serves on Edcon's Audit and Risk and Remuneration and Nominations Committees.

Zohra B Ebrahim **(45) (BA, HDE (UCT))**

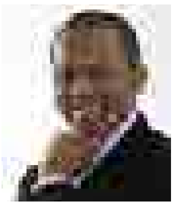
Of strategic importance to Edcon is our 'employer of choice' campaign. Ms Ebrahim has assisted us greatly, bringing extensive experience in Human Resources to Edcon as a member of the Board from 1999. She is past President of the Institute of People Management and is Chairman of Organisation Development Africa. Ms Ebrahim is a member of our Remuneration and Nominations, and Transformation Committees and is also a non-executive director of Fifth Quadrant Actuaries and Consultants.

Kgomotso D Moroka **(50) (B.Proc, LL.B)**

Appointed to the Board on 1 April 2005. Ms Moroka is a practising advocate and a member of the Johannesburg Bar Council. Ms Moroka serves on the board of several companies, including Standard Bank, South African Breweries, Landbank and Electronic Media Network. She is a trustee of the Nelson Mandela Children's Fund and holds the degrees of B.Proc and LLB.

Peter L Wilmot **(65) (CA(SA))**

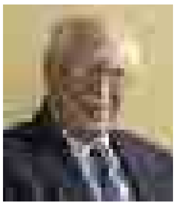
Appointed to the Board in 2001. As Chairman of the Audit and Risk Committee, Mr Wilmot brings extensive knowledge and understanding of accounting matters. Recognised internationally by his peers, Mr Wilmot is Deputy Chairman of The Standards Advisory Council of the International Accounting Standards Board, past Chairman of the SA Accounting Practices Board and past Chairman of Deloitte and the South African Institute of Chartered Accountants.
He is a Director of Brait, Allied Electronics Corporation Limited, Allied Technologies Limited and Bytes Technology Group Limited.



Sandile DM Zungu **(38) (BSc (Engineering), MBA, PGL (Harvard))**

Mr Zungu was appointed to the Edcon Board in 2004. He holds a degree in Mechanical Engineering and an MBA. Active in the strategy and transformation of several listed companies at management and at board level (Metropolitan Holdings Limited, Denel and Ellerine Holdings), Mr Zungu also heads Africa Vanguard Resources Investment Company, which has a 26% stake in a joint venture with Harmony Gold and Mining Company Limited. Mr Zungu serves on the Transformation Committee.

Non-Executive Directors



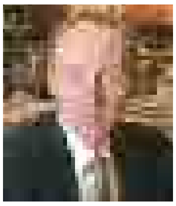
Arthur (Archie) J Aaron **(73) (BCom, LL.B)**

As Chairman of Edcon's Remuneration and Nominations Committee and a member of our Audit and Risk Committee, Mr Aaron is our longest serving Board member, appointed in 1978.
The advice and experience Mr Aaron brings to Edcon has immeasurable value – he has been in legal practice for more than 50 years and is one of the country's leading senior commercial lawyers. He is a senior director of Werkmans Inc, a Johannesburg firm of attorneys and holds a number of listed company directorships including the Chairmanship of Aspen Pharmacare Holdings Limited.

Jacobus (Jack) D M G Koolen **(44) (BCom, MBA)**

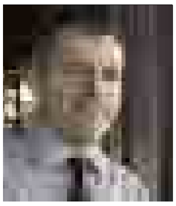
Appointed to the Board in 2001, Mr Koolen is Managing Director of the Monitor Group South Africa (Pty) Ltd. Born in the Netherlands, he holds BCom and MBA degrees and has given Edcon invaluable strategic leadership as we develop and exploit opportunities through careful market segmentation. Mr Koolen has helped refine Edcon's aspiration to be the consumers' store of choice for the products we sell in the markets we trade. Mr Koolen is a member of the Transformation Committee.

Executive Directors



Stephen M Ross (53) (BA) – *Group Chief Executive Officer*

Steve was appointed Group Chief Executive Officer and a member of the Board in 1998. A native of New York, he brings more than 25 years' experience in both wholesale manufacturing and apparel retailing to Edcon, having worked for companies as varied as Macy's, Lord & Taylor, Sears and Philips-van-Heusen. Steve chairs the Customer Service Committee of the Board and has instrumental in transforming the spirit of our company for the benefit of our employees, our customers and our shareowners. He serves on the Transformation Committee.

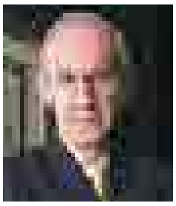


Stephen R Binnie (37) (BCom, BAcc, CA(SA), MBA)

As Group Financial Director, Steve was appointed to the Board in 2003. Born in Scotland, Steve holds the following degrees: BCom, BAcc, CA(SA) and an MBA. He has been a senior financial manager for over 14 years, including Financial Director of the credit bureau, Information Trust Corporation, and an executive at an international banking group.

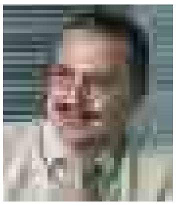
Adriaan van Aswegen Boshoff (53) (BA Honours)

Assie is Chief Executive of our Discount Division, encompassing Jet, Jet Shoes, Jet Mart and Legit, bringing more than 18 years' experience in all aspects of the Divisions' management to bear on his role – from HR to Industrial Relations to Marketing to Operations. He has been a member of the Board since 2002.



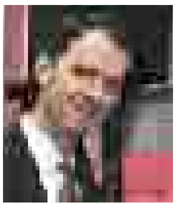
Mark R Bower (50) (BCom, BCompt, BCompt Honours, CA(SA))

As Chief Executive of Group Services, Mark is responsible for the Group's finance, company secretarial, credit, HR, IT, property development, investor relations and operations in Zimbabwe. He has been a Board member since 1990, when he joined Edcon. With BCom, BCompt and BCompt Honours degrees, and a CA(SA), Mark was an audit partner and a Director of a number of listed companies for 21 years. Mark has been a Trustee of the Eden Trust/Thuthuka Bursary Fund for the advancement of Black Chartered Accountants since 1989.



Dr Urin Ferndale (40) (BA Honours, MA DLitt et Phil)

Urin has been Group Human Resources Director and a member of the Board since 1999. With a PhD in industrial psychology, Urin has developed unparalleled skills in the strategic aspects of human resources, industrial relations and employment equity. He worked for several parastatals and listed companies before joining Edcon. He continues to be instrumental in Edcon's 'employee of choice' campaign, fostering entrepreneurial innovations and performance leadership initiatives in all of our colleagues. Dr Ferndale chairs the Transformation Committee.



Jon L Spotts (42) (BS, CPA)

Trained as a Certified Public Accountant in the United States, Jon is the Chief Executive of the Department Stores Division, encompassing Edgars, CNA, Boardmans, Prato and Temptations. Jon has more than 19 years' experience in retail, much of it with Sears Roebuck, where he was a buyer, financial manager, merchandise planning manager and National Marketing Manager for the US$3,6 billion business. Jon has been a member of the Board since 2002.

This has been another sensational year for Edcon. The Group has produced substantial improvements in its key measurement criteria and has exceeded all internal targets for the year in delivering over R4 billion of new wealth into the South African economy. This compares with R2,5 billion generated in the previous year and represents a truly remarkable performance.

Without any doubt, the significant structural changes in the South African economy over the past few years have played a major part in these achievements.

It is appropriate to recognise that, while 22% or R0,9 billion of this cash value added has been retained in the business, in order to underpin future growth and expansion, the balance of R3,2 billion has been disbursed in cash to the Group's stakeholders. The prime beneficiaries have been our employees, who took home nearly 50% or R1,5 billion of this, with the capital providers receiving just on R0,5 billion – a sum equivalent to that paid over to the State.

The different roles played by the various stakeholder groupings in combining to create this new wealth are well balanced, and this has made it possible for the Group to deliver on its commitment to provide profitable and sustainable growth for the benefit of all.

Highlights

The success Edcon has achieved this past year is evident across all divisions within the organisation, with some of the notable achievements including:

- Increasing total sales by 29%, demonstrating that Edcon continues to gain market share from its competitors. According to statistics provided by the Retailers' Liaison Committee, in the year to March 2005, Edcon's share of the clothing, footwear and textile market reached 30,7%, up from 29,1% in the previous year.
- Raising total dividends per share by 75% to 1 345 cents, following increases of 149% and 163% in 2004 and 2003 respectively.
- Boosting the return on shareowner's equity to 40,3% – well ahead of the overtime target level of 25%.
- Improving the Group's return from its investment in inventory. Stockturn has been increased from 5,2 to 5,8 times.


W S MacFarlane: *Chairman*

The South African economy has matured appreciably

- Producing 55% more profit from financing in the Group's Credit and Financial Services Division, in spite of the significantly lower interest rates chargeable throughout the year.
- Integrating 13% of additional retail space into the operations, enabling the Group to generate yet further economies of scale.
- Achieving recognition as the best employer to work for in the retail sector, and 12th position overall in the Deloitte "Best Company to Work for in South Africa" survey 2004 – up from 19th last year.
- Continuing to improve the quality of financial reporting by attaining 8th position in the Ernst & Young "Excellence in Corporate Reporting" survey. Since the inception of this prestigious award, Edcon has finished in the top ten each year in which it has qualified for entry.

Economy

Without any doubt, the significant structural changes in the South African economy over the past few years have played a major part in these achievements. Interest and inflation rates are at their lowest level in decades. Wage settlements have exceeded CPI growth and cumulative cuts in personal taxation have enhanced the financial position of consumers.

An increasingly affluent black consumer has emerged through the normalisation of society in the democratic South Africa as a result of Employment Equity and Black Economic Empowerment initiatives. As a consequence, retailers have benefited from the upward mobility and aspirational spending of the previously disadvantaged.

In addition, sharp increases in property and share prices have boosted consumers' confidence levels. However, these positive factors have been negated somewhat by spiralling fuel prices and the persistently slow pace of job creation, as the effects of the stronger Rand permeate the export and manufacturing sectors of the economy.

All things considered, it is becoming clear that the unprecedented boom in consumer spending in the country over the past year is not of a typically cyclical nature. The South African economy has matured appreciably, is changing structurally and a solid platform has been laid to generate growth into the medium term.

The Chief Executive Officer's Report examines in important detail how Edcon has reacted in the market place to these changes.

Results

The Group has easily surpassed R1 billion in attributable earnings for the first time in its history, and this has brought headline earnings per share up to 2 661 cents, which represents a tenfold increase in the past four years. In acknowledgement of this, Edcon's share price, which reached a low of R21 per share at the end of March 2001, closed this last financial year at R275 per share, representing a compound growth rate over the four-year period of 90% p.a., deservedly restoring its blue-chip status.

Transformation at Edcon has been an important and evolving process with, most recently, the exciting proposal for the formation of a Staff Empowerment Trust.

Edcon's financial position remains exceptionally strong. Despite funding new customer account growth and store expansion, the Group ended the year with virtually no interest bearing debt, thanks to especially strong cash inflows from operations and to the success of the Group's ongoing securitisation programme. Introduced in 2002, the programme has certainly met its objectives of lowering funding costs and limiting credit and interest rate risks. Thanks to the significant growth of the business over the past few years, regular sales of accounts' receivables have been made into the structure, and the Board has just approved a further securitisation transaction, which will see Edcon selling another R800 million of debtors during August 2005. In addition, OntheCards Investments Limited will refinance notes for R1,9 billion, arising from the first tranche, on their maturity in June 2005. All this serves to confirm that considerable capacity exists to finance further growth in the asset base.

Sustainable Development

Increasingly, the principles and operating practices of sustainability are guiding businesses around the world and Edcon is no exception. Having adopted a triple bottomline approach to managing the operations, Edcon is aware of the needs and requirements of all stakeholders and takes responsibility for how its businesses affect the environment and the communities in which it operates.

The Group is delighted to report that it has been included as part of the JSE Securities Exchange South Africa, Socially Responsible Investment (SRI) Index. This important initiative is commendable and in the years ahead will play an ever-increasing role in sustainability reporting in South Africa.

The directors acknowledge their responsibility to all Edcon employees and the general public for compliance with occupational safety and environmental health standards. During the year, a senior specialist was appointed to co-ordinate health, safety and security standards across the Group. A comprehensive HIV/Aids programme was launched in the past financial year. This makes provision for voluntary counselling and testing and the provision of anti-retroviral medication at no cost to the employee.

Transformation at Edcon has been an important and evolving process with, most recently, the exciting proposal for the formation of a Staff Empowerment Trust. Social investment initiatives have focused on the positive transformation and upliftment of communities, with a strong emphasis on education, health and social development. At the same time, our employment equity programmes have been extremely successful – at March 2005, 87% of staff and 57% of management were black. The statistics across all levels indicate that Edcon is at the forefront of transformation in the retail sector. We are also in the process of finalising revised procurement practices, with the aim of supporting suppliers to achieve transformation in their businesses.

Human resource development is a critical success factor for ensuring that the Group meets its strategic objectives. During the past year, the Edcon Academy of Learning was launched with the aim of providing the Group with a pipeline for identifying and training emerging retail talent. It is pleasing to note that 200 black graduates were amongst the intake at the academy this year.

Further information on sustainable development policies is included in the Transformation and Corporate Governance sections of this annual report.

Staff Empowerment

The Board has proposed the formation of a Staff Empowerment Trust, as part of its overall transformation plan. The transaction differentiates itself from other empowerment structures in that it is simple, does not require third party funding and, by focusing on employees, is certainly broad-based, benefiting nearly 18 000 people. Another feature is that the transaction delivers economic benefits to employees from year one.

In essence, the Trust will be issued with Class A shares, representing approximately 10% of the enlarged issued share capital of Edcon. Participants in the scheme will receive bi-annual empowerment payments, directly linked to Edcon's profitability and dividend declarations, while share appreciation rights, equal to the value of the increase in the Edcon share price, will accrue above R500. The Class A shares have the same voting rights as existing ordinary shares. More detailed information on the scheme is provided in the Chief Executive – Group Services' report on page 41. In addition, a circular will be mailed to shareowners on or about 17 June 2005 detailing the resolutions that will require the approval of shareowners at a special meeting, which will follow the annual general meeting on 13 July 2005.

Share Split

The Board has resolved that Edcon's ordinary shares should be split on a ten-for-one basis, so as to align the market price of Edcon's shares with those of its listed peer group. Splitting the shares will make them more accessible to small investors and further improve the liquidity of the instruments on the stock exchange. The share split does not alter the total value held by shareowners and the proportionate ownership of the company remains unchanged for each investor. The sub-division will be tabled for approval by shareowners at the same special meeting on 13 July 2005.

Corporate Governance and Risk Management

The Group, at all levels, subscribes to the values of good corporate governance and is committed to applying the principles of the second King Report and to complying with the listings requirements of the JSE Securities Exchange South Africa. It also continues to ensure that business is conducted with discipline, integrity, transparency and in a socially responsible manner. A comprehensive Board Charter, which commits the directors to uphold these principles, is in place together with a formal Code of Ethics. These guide the manner in which business is conducted and complement Edcon's mission and values.



Various committees assist the Board in fulfilling its responsibilities, and include an Audit and Risk Committee, a Remuneration and Nominations Committee, a Customer Service Committee, an Employment Equity Committee and a Transformation Committee. This latter Committee monitors and reviews the Group's progress on the four pillars of transformation – namely employment equity, community involvement, BEE procurement and black share ownership – through the Executive of Transformation, who functions to accelerate the transformation process at Edcon and to drive change within the Group.

The Board recognises very clearly that it carries the ultimate responsibility for risk management in Edcon. In order to ensure that a risk management culture pervades all levels of the organisation, divisional risk management forums have also been established within all operating units, which report to the Risk Management Workgroup, a sub-committee of the Audit and Risk Committee. This whole structure allows the Board on a regular basis to monitor the risks facing the Group, and ensure action plans are implemented to mitigate these risks. An analysis of the major risk factors is included in the Corporate Governance section of this report on page 113.

Prospects

Profound structural changes have occurred in the South African economy. The benefits of rising GDP, stable and relatively low interest and inflation rates and improved disposable incomes, should fuel the country's economic development on a more sustainable basis. These benefits will continue to support retail sales and moderate their cyclical volatility in the years ahead.

The Edcon Board remains confident, based on the current momentum in the industry, that CFT sales will continue to grow in real terms in the forthcoming year, albeit at a slower pace than in the past year. Edcon sales will also be boosted by the opening of an estimated additional 10% average retail space. It should, however, be noted that the new financial year contains one less trading week, which contributed 2% of sales and 4% of earnings last year.

Productivity will be enhanced further through economies of scale from the inclusion of new stores and a continued focus on operational efficiencies. Consequently, shareowners should expect another meaningful rise in earnings, above that of the sales growth.

Appreciation

The success that Edcon has achieved over the past few years and particularly over the last financial year, has only been made possible by the outstanding commitment and dedication of all management and staff.

Productivity will be enhanced further through economies of scale from the inclusion of new stores and a continued focus on operational efficiencies.

I extend my deepest appreciation to all members of the Edcon family for their concerted and enthusiastic efforts, and for their demonstrated ability to ensure that superior service is provided to our customers at all times.

On behalf of the non-executive directors, I want to pay special tribute to Steve Ross and his team for a tremendous performance in the past year. We are indeed fortunate to have such an experienced, inspirational and proactive Chief Executive Officer at the helm, supported by a quite exceptional executive team.

It is my particular pleasure to welcome Ms Kgomotso Moroka to the Edcon Board as a non-executive director, with effect from 1 April 2005. She is a practising advocate and past deputy president of the Black Lawyers' Association and we look forward to the new insight and further independence that she will bring to Board deliberations.

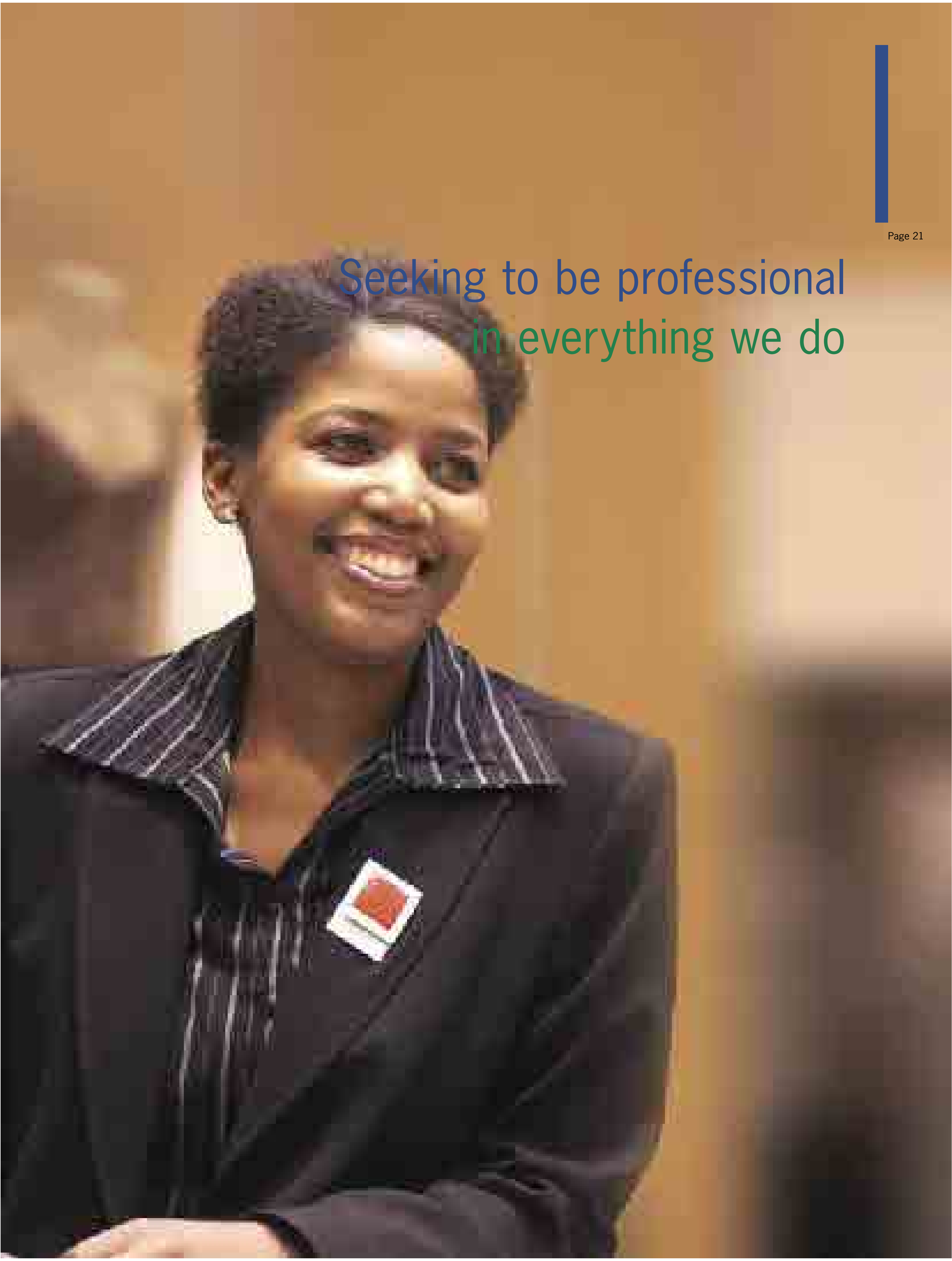
Earlier in the year we bade farewell to Tina Eboka as a non-executive director, who, with her new responsibilities at Standard Bank, was unable to continue her Board membership. She leaves with our gratitude and best wishes for the future.

It is my personal pleasure to express my deep appreciation to all the directors for their contributions, guidance and encouragement over the past year. I would also like to thank our customers, suppliers and shareowners for their ongoing support of the Group.

The groundwork has been well laid for the future and we are confident that the year ahead will be another successful one for Edcon.

W S MacFarlane *Chairman*

Seeking to be professional in everything we do



I was surprised to be nominated. I take helping people as part of my job, not anything extra . . .

Leadership within our organisation

Rita Luhning

HR Manager: Edgars – JHB

Leadership within our communities:

My community is the Edcon people that I am responsible for every day. HIV/Aids among our staff is a sad reality that I manage as sympathetically and effectively as I am able. On the brighter side, I really enjoy training people and pride myself in ensuring that they completely understand the subject.

Leadership with colleagues:

To my mind Edcon's values are similar in principle to the African philosophy of "Ubuntu", which means "you are who you are through other people." I respect everyone with whom I work. Winning this award means that my colleagues have recognised that, and hopefully will follow my example.

Leadership with our customers:

If we are not professional then customer service goes out of the window. All we would then be focused on is fixing problems that should not have arisen in the first place.

Our financial performance in this past year is unprecedented

The theme of our annual report this year is "leadership at every level". In outlining previous plans for profitable growth, we have consistently stressed the need for leadership to be manifest in every corner of the organisation. Much has been written on the subject of leadership and regardless of continent, century or gender, the same words appear; vision, bravery, tenacity, perseverance, endurance and empowerment. In searching for a quintessential quote to underpin the relevance of leadership to the fortunes of Edcon, I came across a description penned by Ralph Waldo Emerson (American poet and essayist, 1803 – 1882) that suits us as leading merchants.

"The right merchant is one who has the just average of faculties we call common sense; a man of a strong affinity for facts, who makes up his decision on what he has seen. He is thoroughly persuaded of the truths of arithmetic. There is always a reason, in the man, for his good or bad fortune in making money. Men talk as if there were some magic about this. He knows that all goes on the old road, pound for pound, cent for cent/for every effect a perfect cause/and that good luck is another name for **tenacity** of purpose."

The financial performance this past year is unprecedented in the Group's history and yet it is where we managed it to be. It is a testament to our "tenacity of purpose" at all levels of the Group. Our budget was more modest than this performance but we have developed with methodology and flexibility to react effectively to the dynamic strength of an emerging middle-income customer without carrying unnecessary capacity.

The key financial comparisons to last year (the previous record high) are as follows:

	2005	2004
Sales per sq metre (Rand)	**15 443**	13 262
Sales per employee (R000)	**772**	708
Stock cost as % of sales	**17,1**	18,2
Credit customers able to purchase (%)	**88,3**	88,1
Stockturn (times)	**5,8**	5,2
Operating profit as % of sales	**13,6**	10,2

Ten thousand Rands of Edcon stock purchased at the end of March 2004 was worth R19 384 on that same day in 2005.

Critical to our strategy is profitable market share growth. From an average of 5% more apparel space than the prior year, we achieved market share gains of 160 basis points.

All these numbers indicate that we are delivering a sustainable growth performance. We have built a solid foundation for our business, planned it well, and executed with precision. It is not enough. Madame Curie said, "One never notices what has been done; one can only see what remains to be done". Shareowners want the comfort that our business will deliver reliable ongoing performance. Recognising that we have more to do and doing it is what ensures that performance.

There are dynamic shifts occurring in our market that will continue as the emerging middle-income consumer segments grow.

Each of the contributors to our annual report have specific accounts to present of their past year performance and plans for the future. I will focus in my report on the broader issues of the market, some important lessons from the past year, and choices for the year to come.

The Market

Our market place is changing. Some of that change is a function of the broader range of products we sell. Edcon is now a general merchandise retailer so we are extending beyond our original core businesses of apparel and footwear to compete in books, stationery, music, homewares, furniture, garden equipment, paint, hair care and others.

Another change has to do with market efficiency. As retail has developed in South Africa in the past ten years, the demands of retailers on suppliers have narrowed to those capable of making and delivering the growing purchase orders of the top players. This has forced efficiency into the supply side and strengthened their buying power for raw materials. The net benefit for consumers is that the price of goods has remained static for seven years. What we sell has become relatively cheaper over time so consumers can afford more of it, and consumers previously unable to purchase are now able to buy. Wedding these two realities with the successful management by the South African government and Reserve Bank of the overall economy, and their social agenda, has allowed the creation of new consumers with money and the confidence to spend it.

More disposable income has stimulated demand

The formal market place as we defined it through research five years ago has undergone enough changes to now require 19 segments where previously there were 10. There has been movement in earnings, location and awareness. There are dynamic shifts occurring in our market that will continue as the emerging middle-income consumer segments grow. These segments will continue to grow in an environment where inflation is controlled, interest rates remain low and stable, and employment equity brings new wealth.

The conventional notion of "emerging middle class" is incomplete. As can be seen from our segmental analysis, sales at those businesses serving consumers still defined as lower income have outperformed those brands serving the middle-income consumers. Our market gains account for some of this as does new space but on a comparable basis the growth is robust.

More disposable income, coupled with service delivery from government in terms of housing, water and electricity, have stimulated demand for products that were not applicable to the reality of previous consumer living conditions. Small electrical appliances, paint, 'do-it-yourself', hi-fi, music are some examples of outperforming categories.

The price deflation of apparel and footwear, reflected and discussed in the Discount Division's accounts and narrative has made those products better value than ever before and for many, affordable for the first time. The caveat for this group of consumers remains the threat of unemployment, and the disproportionate strain of HIV/Aids impact on families. The attraction of this group for Edcon is that they represent the most populous consumers, show positive income mobility and love our brands.

Pressure from the Rand is acute for textile and garment exporters. Many of them have lost key export contracts in the last year. The AGOA bill with the U.S. has failed to prove the panacea it was touted to be. Job attrition in this sector has mobilised labour to look for solutions that they contend will stem the loss of jobs. Labour demands that retailers agree to a unilateral policy (that they would oversee) restricting imports to 25% of purchases in clothing and footwear. We categorically reject this approach. It is not a realistic solution to save jobs. It is also inconsistent with government's stated position on free trade, and it will be a catalyst for inflation. Edcon's South African wholesale purchases have grown with our turnover. We buy more goods locally now than we did five years ago. We support the local industry and we agree that a manufacturing base is vital to our long-term health. As an issue, it requires that all stakeholders share in a commercial solution. While this remains unresolved, a threat of store boycotts by

SACTWU and COSATU exists. Until such time as government legislates a change in direction in free trade, or that labour moves to engage from a more realistic platform, we will remain at a standoff.

The Lessons

In this space last year I boldly predicted that Super Mart (now Jet Mart) would have achieved for the year 2005 sales growth of 30% and trading profit even greater. My vision was clear but my timing was premature by about nine months. We have done three very consequential things simultaneously, first a completely new (to Jet Mart) merchandise and planning team was installed, second a new system of tracking (Retek) and distributing merchandise was implemented and lastly a revision of the supply base was effected, changing more than 50% of existing suppliers. We needed to do all these things urgently and I would not change our approach with hindsight, I would however have tempered my optimism about how quickly we would see the benefits accrue. The performance for the last several months gives me courage to see my commitment realised albeit one year later.

CNA is by virtue of its greater size and number of doors a bigger ship to turn than Jet Mart. Steadily, the sales of full price product are greater than last year's massive clearances (of pre-acquisition inventory) and assortments are much more current and focused. Real gross profit will continue to rise with stockturns. The most contentious issue faced by CNA this past year was their stock loss. It is axiomatic that acquisitions and system integrations are bound to distort the reconciliation of the book and physical inventories. Beyond the distortion were other elements of shrinkage in specific stores and businesses that we didn't see quickly enough. Analytical tools were crafted (which can be used in other applications) that helped us concentrate our efforts and the most current stocktake results indicate that the problem is now under control.

Sales, stockturn and unit sales have grown at Edgars and Jet. Stockturn growth relieves the pressure that would occur on space, if sales were to grow and stockturn remained static. As stockturn performance comes closer to its potential, that relief will start to fade. Stock density will increase and consequently free space in stores will reduce. Each store and business has an optimum trading density/stockturn ratio. When it is exceeded, the shopping experience suffers as customer mobility, transaction time, replenishment time and housekeeping deteriorate in a more congested environment. The 11% additional

Developing our people to be the best motivated and trained

space we have added this past year has relieved some of this pressure in some locales, most notably in Gauteng.

The 590 extra till points deployed at Jet have helped offset the impact of a 63% unit increase in sales to contain transaction time. At our current rate of growth we will easily digest the additional space to be opened in this new financial year and require more thereafter. Faster "just in time" product flow, better management of import staging and the addition of select pick from stock capacity will be needed to keep below the threshold of a diminished shopping experience. Edcon has outperformed its peers now for the past three years, our space requirements consequently will be more demanding than the sector.

Since 2002, Edcon has been officially and strategically committed to developing our people to be the best trained, best motivated retail group in South Africa. The Human Resource report on page 59 will chronicle all our specific programmes to this end. Our regular internal measurement, an annual perception survey, shows our fourth year of consecutive improvement since we started measuring. This correlates with our improvement in the overall ranking in the Deloitte/Financial Mail annual survey of "Best Company to Work for" where we were placed 12th overall and first in the retail sector. To quote Ovid, "The spirited horse, which will try to win the race of its own accord, will run even faster if encouraged". Our management lesson can be best understood when we look at the underlying statistics. The training budget has grown from 0,9% in 1999 to 3,3% in 2005 which correlates with our rate of turnover growth. This is a clear indicator that we are encouraging our horse. The management headcount from 1999 to 2005 has been static and lags our sales performance. Each year the average portfolios have risen in turnover, gross profits and stockturns. Some people are managing twice what they were five years ago without changing assignments. Even the spirited encouraged horse can only run one real race per afternoon. Eventually we will reach a point of diminishing returns. To avoid that, we are currently reviewing our structure and judiciously adding positions to relieve the strain but not compromise a clear line of sight to the customer.

The Future

Students of the retail business must all agree that at no time in history has the retail environment changed so rapidly, or stakes been so high. The creation of new wealth in the world has been colossal in the last 15 years. The concentration of that wealth has been uneven with positive and negative consequences for retailers. Undoubtedly the biggest international beneficiaries have been the discounters, as the low and lower middle-income customers are still the fastest growing population of consumers.

The value of technology, as it compresses the time and expands the amount of information that we can access to compete, is enormous. The globalisation of culture through satellite, cellular and the web has vaporised traditional physical boundaries that insulate cultural identity. What's hot in Los Angeles, Buenos Aires and Shanghai today will be hot in Johannesburg, Jakarta and Istanbul tomorrow, especially if it is seen on the body of a sports, music or film celebrity. Demand is increasingly changing.

Part of our success is attributable to finding and delivering to our consumers more of what they want at prices they consider to be good value.

Large retailers around the world procure their products globally. Wholesale purchases are of such a scale that suppliers are emulating retail merger activity, and consolidating to manage the production and defend themselves against increasingly powerful and demanding customers. The top ten international retailers have developed globalisation plans with considerable revenue and profit derived from countries "overseas".

Internet for sales of all products continues to grow. A generation of children will shortly reach their majority being as accustomed to shopping online as in the mall. It is a greener, quicker, cooler way to shop as long as you prefer to stay at home as opposed to socialising at the mall. In the US, gift certificate sales are sky-rocketing, as consumers unlock the code of seasonal clearance. A US$100 gift voucher given on Christmas Day will buy twice as much on the 26th as the hundred dollars would have purchased on the 24th, and it is easier to purchase.

The implications for Edcon's future are many. Our vision "to be the consumer's store of choice for the products we sell, in the markets in which we trade" endures. In any scenario it is important to remain the first stop on a consumer's shopping trip. The bulk of our short-term growth will be from Edgars and Jet which still contribute 88% of turnover. They will add appropriate space, and continue to refine and enhance their offer. The Discount and Department Store divisions will incubate new offerings like Legit and Temptations, that leverage off existing infrastructure but allow us to extend our reach by targeting specific niche consumers. These businesses in turn inform the bigger businesses about new direction in the market.

Finding more of what consumers want at prices they consider good value

Appetite for technology to improve data mining, speed of transactions, allocations of merchandise and simplify payroll management will create new product offerings that we may need to acquire to stay competitive. The margin of victory in retail is increasingly being defined by the effective application of new technology. The ability to leap-frog a competitor with a technology that enables increased cash generation, more reliable selling information or more penetrating insight to databases, is a legitimate threat that requires a strategic response. Making the acquisition is the first part, the real benefit is only delivered if it is properly deployed.

Part of our success is attributable to finding and delivering to our consumers more of what they want at prices they consider to be good value. In an increasingly competitive world, we will have to continue to improve our worldwide sourcing and trends network, and where practical assume that responsibility directly. Our Manufacturing Division is in the early stages of taking a greater role to ensure that we can do so at the very best prices.

Transformation at Edcon, under our Group Transformation Executive Nelly Mosiane's guidance, is well in hand. You will read on page 41 in this report of our proposed Staff Empowerment Trust which we look to shareowners to approve at the time of the annual general meeting. Employment equity statistics show that our remaining work must be done at the management and senior management levels which is in motion and we are proud that we lead our sector. Corporate Social Investment initiatives continue to focus on education and welfare and as our profits grow so too does the scale of contribution. Solid progress on enterprise development, reported under the heading Transformation on page 73 will lead to at least one specific initiative in this year that will have scale. With regard to procurement, base lines are in, the systems have been modified to code for credentials, the vendor community has been alerted and procurement staff have been trained.

The more predictable and reliable the South African economy becomes, the more attractive our retail (and other) markets may be to international store groups looking for a beachhead in our country and/or on our continent. As a retailer with first rate infrastructure, extensive store sites, an attractive account base and the ability to generate significant cash, we might be considered appealing. Our scenario planning considers this reality and the worldwide realities of consolidation, to ensure that we anticipate the best long-term solution for shareowners.

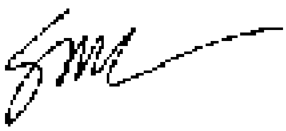
Appreciation

The real pleasure of my job is seeing the growth and potential of our key executive team continue to scale new heights. Every one of them has confronted something in the past year which was a serious obstacle to their business and every one of them has shown the "tenacity of purpose" to manage the problem, find the solution and inspire the team in the process. Mark Bower continually proves himself the most capable partner we could wish for in all aspects of our business. Assie Boshoff and Jon Spotts have both mastered the extension of their portfolios in sound and constructive ways. Dr Urin Ferndale has relentlessly pursued the delivery of a continuously improving Human Resource service to the Group. Ian Wood has flawlessly managed the enlargement of our active credit base with successful pre-approved mailings. Steve Binnie's experience in financial management has guided our second securitisation at more advantageous rates than the first, as well as managing some very time-consuming extra-curricular projects for me. Henri Slabbert has managed the perfect balance of investment and control in IT. Jay Moonsamy and his team have done a masterful job of bringing our Manufacturing Division back from the abyss. They are a first rate team on any stage.

Tina Eboka resigned from our Board in December. She served on the Customer Service Committee. Tina, along with Zohra Ebrahim, were the first women to join the Edcon Board. She brought a fresh constructive perspective to our meetings that will be missed. I would like to welcome to our Board Kgomotso D. Moroka. Kgomotso is an advocate and a member of the Johannesburg Bar Council. We look forward to her contribution.

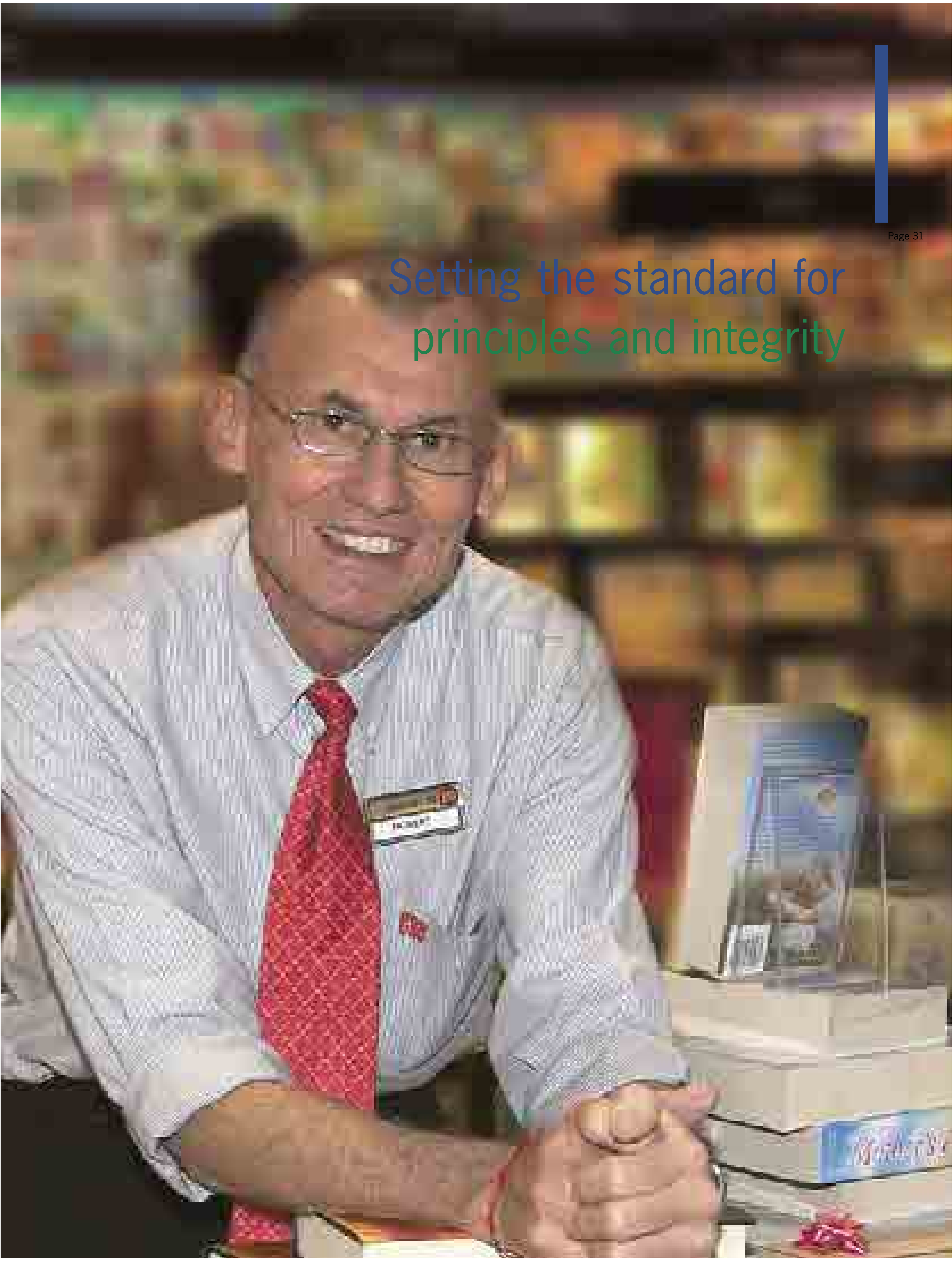
Leadership at every level starts with our Board of Directors. The role and responsibility of our Board has grown considerably over the past several years both with the introduction of new standards of governance and the evolving complexity of Edcon. The volume of Board reading material has grown tenfold in the past five years. I have a deep appreciation for each director's interest on behalf of shareowners and the level of passion and commitment they bring to the Board. The non-executive committee Chairs, Archie Aaron and Peter Wilmot, deserve special recognition for their mastery of an even greater load of work. As a Group we value People, Integrity, Performance and Professionalism and it is fitting that our non-executive Chairman is the embodiment of the highest standard of every one of these values. We have all been improved by our association with Selwyn MacFarlane, as people, and as leaders. Increasingly, as our leadership development programmes are implemented, leaders are emerging at all corners of our Group. They demonstrate within their domain new mastery of their task and new levels of constructive engagement with their peers. It is this collective competence that will enable Edcon to succeed in the years ahead.

At Edcon we can see what remains to be done and we are doing it.



S M Ross *Group Chief Executive Officer*

Setting the standard for principles and integrity



Remain true to your principles and values. Never compromise on your integrity in the workplace . . .

Leadership within our organisation

Robert Hutchins

Store Assistant Manager
CNA: Pavilion (Durban)

Leadership within our communities:

It is essential to teach the younger generation and, when it is time, make room for them. We have learnt so many valuable lessons in our years at work and in our communities. It is our duty to pass on our knowledge and, in particular, our values and principles.

Leadership with our colleagues:

By maintaining one's integrity through thick and thin and setting examples they will respect, one gains the trust of their staff. Management must have good people skills. Just look at our CEO, Steve Ross. He is a wonderful example of a person who is able to get the best out of everyone around him.

Leadership with our customers:

When dealing with customers I apply the same principles that guide every other aspect of my life – integrity, honesty and a genuine desire to listen. If asked, I will help customers make the buying decisions that will give them best value, although it may not necessarily be the most profitable for Edcon. Most importantly though, we will have established a relationship with the customer and they will return.

M R Bower: *Chief Executive*
Group Services

Rated as the best retail company in South Africa to work for

There can be little doubt that much has been achieved in the service divisions in the past year and it was arguably our best year ever.

The record return on shareholders' funds of 40,3% and the impressive increase in profit before taxation of R824 million (last year's increase was R462 million) would simply not have been possible without the dedicated support and proactive initiatives of the service divisions.

A few examples of noteworthy achievements include:

- State-of-the-art information systems contributed towards the improvement in stockturn from 5,2 to 5,8 times.
- Enhanced distribution facilities, coupled with upgraded system support, facilitated the distribution of 225 million units compared with 128 million units last year.
- System enhancements and capacity upgrades facilitated 645 985 transactions in a single day in December resulting in best ever sales for a day of R147 million.
- Improved technologies and world class credit management ensured that there was no deterioration in the quality of the debtors book (88% able to buy) in spite of adding 553 763 new customers to the account base.
- Forward rentals were reduced by a further R104 million on the re-negotiation of lease contracts at option breaks.

The catalyst for these achievements is undoubtedly a well trained, highly motivated workforce and our Human Resources Division should be congratulated on creating the environment for Edcon to be recognised as "the" retailer to work for.

The efforts of the Division have been recognised externally by many high profile organisations and the following awards were received during the year under review:

- The Edcon group was rated by Deloitte in their "Best Company to Work For" survey as the best company in retail and 12th overall best company to work for.
- The Annual Financial Statements were again listed in the top 10 "excellent" category in the Ernst & Young "Excellence in Financial Reporting" awards and were awarded top position for the best annual report in its category by the Institute of Chartered Secretaries and Administrators and the JSE.
- First in Investor Relations for Industrial Companies in the Financial Mail awards.

But perhaps the greatest recognition is from shareholders and investors who have marked the Edcon share price up by 94% from R142 last March to R275 this year, resulting in a market capitalisation of over R15 billion and our entry into the JSE Securities Exchange ALSI 40 Index.

Finance

Last year, Edcon's management revised the key financial objectives to be used in measuring the operating performance and financial activities of the Group. We are pleased to report meaningful improvements in each of these measures during the year under review.

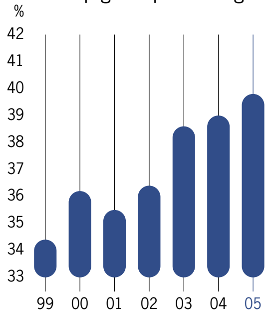
		Achievements	
	Target	**2005**	2004
Return on shareowners' equity	25%	**40,3%**	28,1%
Operating profit to retail sales	12%	**13,6%**	10,2%
Gearing ratio	Max. 0,25	**(0,08)**	0,06
Stockturn (times)	6	**5,8**	5,2

Earnings

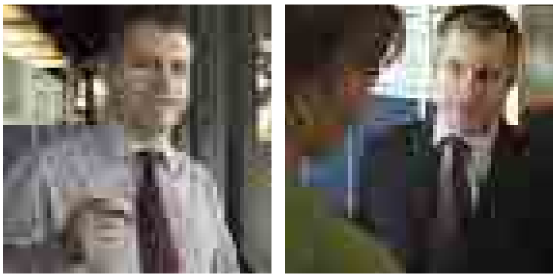
The Group produced substantial improvements in all key performance measurement criteria and also exceeded all internal targets. Most importantly, the headline earnings per share rose by 68% to 2 661 cents. This follows the exceptional growth of 102% achieved last financial year.

Sales climbed by an outstanding 29%, three percentage points of which relate to the extra trading week and two percentage points to Boardmans, the acquisition of which became effective in April 2004. It is pleasing to note that the remaining 24% increase was realised with only 7% additional average retail space. Cash sales account for 37% of total sales, similar to last year's 38%, demonstrating that the Group's success has not been driven by a disproportionate increase in credit activity. Important too was the improvement in productivity of the organisation with the key measures – sales per square metre and sales per employee – rising by 16% and 9% respectively.

Group gross profit margin



Efficient supply chain management and focused merchandise procurement, with the Group taking advantage of its bulk purchasing power, triggered an 80 basis point rise in the gross profit margin to 39,8% – close to the Group's long-term objective of 40%.



S R Binnie: *Group Financial Director*

Group gross profit analysis	% of sales
GP Margin 2005	39,8
GP Margin 2004	39,0
Change	0,8
Due to changes in:	
Input margin	0,8
Markdowns	(0,3)
Price breaks	0,3

Store costs, as a percentage of sales, reduced from 18,2% to 17,1% and highlight the Group's ongoing focus on expense management. All chains recorded an improvement in their cost of selling percentage and only CNA remained above the Group's long-term target of 20%.

Analysis of other operating costs	2005 Rm	2004 Rm	Change %
Chain management expenses	**338**	321	5
Club income	**(122)**	(87)	40
Systems costs	**571**	500	14
Human resource costs	**169**	138	22
Corporate	**483**	429	13
	1 439	1 301	11

Edcon's commitment to sustainable growth is reflected in another disproportionate spend on systems infrastructure and human resource initiatives. Also contained in the other operating costs is an amount of R68 million relating to the balance of the charge for the Edgardale Head Office revamp and R15 million for the HIV/Aids programme initiated during the year.

The strength of the Group's Credit and Financial Services Division is evidenced by the excellent 55% advance in net profit from financing to R209 million. This performance was driven by the continued focus on the quality of the debtors' book and strong collections activity. In addition, the financial services business, with its innovative customer insurance offerings, continued to produce substantial growth. A more detailed analysis of the Division's performance is included later in this report on page 47.

Operating profit before financing costs as a percentage of sales jumped to 13,6% from 10,2%, in excess of the Group's internal objective of 12%. During June 2004, Edcon sold a further tranche of debtors to OntheCards Investments Limited (OtC). The net proceeds of R939 million were utilised to repay debt and fund new operational opportunities. As a consequence, Edcon reduced the cost of funding its debtors, as reflected in the lowering of net financing cost to R4 million from R51 million last year. The low levels of borrowings have diminished the importance of financing cost cover as a key performance measurement, however the treasury function will continue to ensure that competitive funding rates are obtained for short-term working capital requirements.

In the Department Stores Division – incorporating Edgars, CNA and Boardmans – productivity enhancements in merchandise, space and staff management, facilitated an impressive 68% increase in trading profit.

The effective taxation rate decreased to 33% from 35%, mainly as a result of higher STC credits from investment income and the lower corporate tax rate of 29% being applied to the deferred taxation balance. Another financial milestone was reached when the Group surpassed R1 billion in attributable earnings for the first time, thereby achieving 83% growth over last year.

It is pleasing to note that diluted headline earnings per share, which increased by 77%, grew at a faster pace than the traditional headline earnings per share. The incremental benefit is attributable to staff exercising their options and the forfeiture of options by employees who resigned. As a result, the dilutory impact for options has reduced to 10% from 14% last year.

In terms of the Group's policy of covering dividends twice by attributable earnings, the Board has declared a final dividend of 851 cents per share, reflecting a 63% growth on last year's final dividend. Total dividends of 1 345 cents per share are therefore 75% higher than the previous year.

Divisional analysis of sales and trading profit	March 2005 Rm	March 2004 Rm	Change %
Retail sales			
Department Stores Division	**8 308**	6 470	28
Discount Division	**5 282**	4 060	30
Group sales	**13 590**	10 530	29
Trading profit			
Department Stores Division	**994**	590	68
Discount Division	**653**	366	78
Manufacturing	**(4)**	(17)	76
Amortisation of intangibles	**(1)**	(47)	
Group trading profit	**1 642**	892	84

Chain statistics	Retail sales % change	Average space % increase	Chain inflation % increase
Edgars	26	6	0
CNA	16	10	(3)
Jet	34	5	(18)
Jet Mart	0	26	(3)
Total	29	11	(3)

In the Department Stores Division – incorporating Edgars, CNA and Boardmans – productivity enhancements in merchandise, space and staff management, facilitated an impressive 68% increase in trading profit. This enabled the Division to produce a trading profit to sales ratio of 12%, in line with its long-term objective. At the individual chain level, Edgars grew its turnover by an exceptional 26%. This was accomplished with no price inflation and a rise of only 6% in average retail space.

CNA increased its sales by 16%, with price deflation of 3%. The chain added 10% to the average trading space, eight percentage points of which relate to the full year inclusion of ThisDay stores which occurred during November 2003. It is encouraging to note that comparable sales growths accelerated in the last quarter of the financial year.

Boardmans has concentrated on rebalancing and improving product assortments. Their integration onto Edcon's systems, distribution and support infrastructures was completed successfully in June 2004.
The chain performed in line with Edcon's targets and achieved sales of R241 million and a gross profit margin of 38,6% in its first year as part of the Edcon Group.

Once again, the Discount Division – incorporating Jet and Jet Mart (previously Super Mart) – reported outstanding results with a 78% increase in trading profit and a trading profit to a sales ratio of 12,4%, surpassing its goal of 11%. The Jet chain continued to grow aggressively and sales rose by an impressive 34%. This is all the more remarkable considering that the chain's deflation in selling prices was 18% and only 5% additional average retail space was commissioned.

Sales in Jet Mart were flat on last year with deflation in their prices running at 3%. However, it is worth noting that the chain is starting to realise the benefits of the strategy implemented by management and turnover growth for the second half of the financial year reached 7%.

Following the turnaround in the second half of last year, Edcon's Manufacturing Division continued to produce satisfactory results in a difficult operating climate. This is reflected in the marginal loss of R4 million compared with the R17 million loss incurred last year. The reliance on export business has diminished and costs have been streamlined.

Cash Flows

The quality of Edcon's earnings is demonstrated by the significant increase in cash "EBITDA" to R2 117 million, a rise of 57%. Efficient working capital management remains a priority for Edcon and is emphasised by the relatively low net increase in working capital of R201 million.

The strong growth of the Group's business has necessitated large investments in inventories and accounts receivable. Stock was further impacted by the addition of Boardmans and new store openings during the year. In terms of the securitisation agreement with OtC, only customers on our books prior to October 2002 were sold, and the rise in accounts receivable is a result of the growth in new accounts – approximately 550 000 over the past year – and sales to accounts opened after this date, all of which are currently funded by Edcon.

After paying financing costs, taxation and dividends, net cash retained and available for investing and financing activities was R929 million. Attributable cash flow per share rose to an outstanding 3 029 cents per share, from 457 cents last year.

Our total number of stores increased by 93 to 734 stores

As announced in last year's annual report, the Group has undertaken an extensive store expansion plan. The total number of stores in the portfolio has reached 734, an increase of 93 during the year (including 28 for Boardmans). This, combined with store refurbishments, resulted in investments in store fixtures of R108 million and R80 million in Edgars and Jet respectively.

The Group's distribution infrastructure was enhanced significantly through a spend of R52 million to cope with the unit volume growth. This included the opening of a new distribution centre in Johannesburg and the expansion of the Cape Town and Durban facilities. New state-of-the-art carton sortation equipment was also installed in the Johannesburg and Durban distribution centres. The balance of capital expenditure relates predominantly to the purchase of additional computer and sundry equipment.

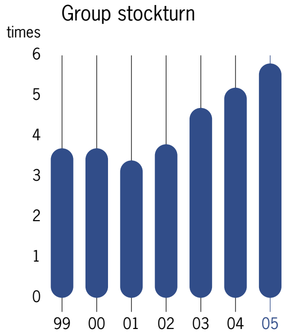
The Group acquired Boardmans for R79 million with effect from 1 April 2004 and this purchase is included in investment activities. Net cash generated allowed Edcon to reduce its interest bearing debt by R247 million.

The wealth created for Edcon's stakeholders through cash value added increased from R2,5 billion to R4,1 billion. The benefit is shared amongst all stakeholders. A significant portion (37%) was received by employees and externally landlords and the state were allocated 16% and 12%, respectively. A further 11% was distributed to shareowners by way of dividend and 1% was paid to lenders. The cash retained in the business to fund future growth amounted to R929 million.

Balance Sheet

Analysis of the balance sheet confirms that the Group's objective to maximise the return on its assets has been successful. Total assets rose by 30%, significantly below the 83% rise in attributable earnings.

Group stockturn



Edcon has increased its preference share investment by R170 million. These shares secure the subordinated loan provided by Rand Merchant Bank to OtC and represent the maximum credit risk assumed by Edcon for the securitised book.

Stockturn for the Group jumped once again from 5,2 times to 5,8 as the benefits of disciplined inventory management continue to be realised. Adequate provision has been made for any possible obsolete or slow moving stockholdings.

Total debtors managed by the Credit Division rose to R6,2 billion, an increase of 33% over the prior year but in line with internal expectations. The rise can be attributed to a 33% increase in credit sales and the shift to longer term 12-month interest bearing accounts. Currently, 86% of Edcon-owned debtors are interest bearing, significantly higher than those in OtC at 62%. The Group's conservative policy relating to providing for doubtful debts has been consistently applied.

A staff empowerment transaction has been proposed by the directors for approval by shareholders at a general meeting on 13 July 2005.

The Group's operations are principally financed by its own cash flow, the securitisation of debtors and short-term unsecured banking facilities. All long-term debt has been repaid. Activities and processes within the Group's treasury function are managed according to clearly defined policies and procedures. Responsibilities of the treasury department include the management of interest rate, foreign exchange and liquidity risks for the Group. Exposures are managed within well-defined limits of authority and all financial instruments are measured in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement'. An independent Treasury Risk Workgroup monitors and evaluates the Group's exposure to the aforementioned risks and ultimately reports into the Audit and Risk Committee through the Risk Management Workgroup. An overriding philosophy of Edcon's treasury operation is that derivative transactions will only be concluded for hedging purposes and no speculative trading is permitted. At year-end there were no uncovered foreign exchange liabilities net of export proceeds.

Edcon's financial position remains exceptionally strong with a positive cash and cash equivalent balance, net of interest bearing debt of R291 million at year-end. Further flexibility is provided by the total absence of gearing at year-end, the existence of R1 335 million in unutilised borrowing facilities and the proceeds from the anticipated next tranche of securitisation discussed below. Adequate facilities are in place to meet the peak borrowing requirements which normally occur during August each year.

The Board remains satisfied that the going concern concept is still applicable and is satisfied that the Group has adequate resources in place to continue in operation for the foreseeable future.

Post Balance Sheet Events

In terms of the Group's ongoing securitisation programme introduced in 2002, OtC will refinance notes for R1,9 billion which mature in June 2005. Furthermore, the Board has also resolved to securitise a further approximately R800 million of new receivables during August 2005. These debtors will be sold on a non-recourse basis and will result in the unequivocal transfer of ownership to OtC. The purchase will be financed predominantly by triple-A rated notes. Edcon is confident that the rates for the refinanced first tranche and the new tranche will be substantially lower than those obtained during 2002 and less than the rates received last year. This programme lowers the Group's funding costs and provides liquidity to fund future internal and external expansion opportunities.

Staff Empowerment Trust

A staff empowerment transaction has been proposed by the directors for approval by shareholders at a general meeting on 13 July 2005. A separate circular outlining the details of the transaction will be posted to shareholders during June. The scheme will result in a meaningful percentage of Edcon's equity being placed under the control of black employees.

The Trust will be issued with Class A shares representing approximately 10% of the enlarged issued share capital of Edcon. Participation will entitle the Trust as Class A shareholder to receive, in three and six years' time, at no cost, ordinary shares in Edcon equal to the value of the increase in the Edcon share price above R500. The Class A shares receive no dividends, however bi-annual payments directly linked to the earnings performance of Edcon and to its dividend declarations, will be distributed to the beneficiaries of the Trust from inception. The cost to Edcon will be approximately 2,9% of its market capitalisation at year-end and includes both the cost of the semi-annual empowerment payments and the conversion rights of the Class A shares (determined in accordance with IFRS 2, 'Share-based Payment'). The impact on earnings per share is expected to be approximately 5%, or R70 million which primarily relates to the empowerment payments. The conversion rights only impact diluted earnings per share when the hurdle rate is exceeded.

Capital Expenditure

Chains	Store fixturing	Computer equipment and software	Other	Actual 2005	Estimate 2006
	R million				
Edgars	108	—	—	108	205
CNA	12	—	—	12	19
Boardmans	2	—	—	2	20
Jet	80	—	—	80	166
Jet Mart	6	—	—	6	—
Manufacturing Division	—	—	1	1	3
Credit and Financial Services	—	—	7	7	3
Group Services	—	112	55	167	215
Group	**208**	**112**	**63**	**383**	**631**

The above table shows a comparison of estimated capital expenditure for the forthcoming year and the actual expenditure for the current year. Capital expenditure for 2005 was significantly lower than the R611 million estimated last year mainly as a result of new store openings occurring later than anticipated. The Group estimates it will spend approximately R125 million on capital expenditure in the first two months of the new financial year.

New stores	Net number of new stores 2005	Number of stores 2005	New store estimate 2006	Number of stores 2006
Edgars	16	171	34	205
CNA	5	191	7	198
Boardmans	28	28	7	35
Jet	37	320	75	395
Jet Mart	7	24	2	26
Group	**93**	**734**	**125**	**859**

It is anticipated that the Group will add a further 125 stores during the next financial year, including 75 and 34 stores for Jet and Edgars respectively.

Our markets are growing faster than national GDP

Given that the markets served by the Group are growing at a faster rate than GDP and that our market share in most cases could still be increased, the potential to expand the store base and revamp stores to grow sales and enhance profitability is continually being explored. Within each Division a department has been established with responsibility for researching the opening, closing and revamping of stores. As part of this process extensive market research is conducted by reviewing market activity, population demographics and competitor activity. The research encompasses every province, city and town therein and distinguishes between metropolitan and non-metropolitan areas with each city and town being ranked based on its market potential. This methodology enables us to target those areas where we can grow quickly. As a final step we perform a five-year projection for a proposed store and estimate discounted cash flows. A store is revamped or opened only if it generates a return in excess of our 25% target for return on shareowner's equity and a positive payback within three years.

A large proportion of the Group Services' capital expenditure relates to system infrastructure. All IT hardware is managed centrally and is now included as part of Group Services. The Group is planning an extensive upgrade of its point-of-sale technology and improvement of the systems in the human resource administration area. The new stores and related network requirements have also necessitated further significant investment in IT hardware.

Changes in Accounting Presentation

Changes to International Financial Reporting Standards have necessitated revisions to our accounting policies and disclosure. The International Accounting Standards Board (IASB) has issued revisions to 17 of its 32 International Accounting Standards (IAS) in an effort to clarify, simplify and ensure compatibility with other accounting standards. In addition, four new standards were published by the IASB, under the description International Financial Reporting Standards (IFRS).

We have early adopted all the standards, except IAS 16 'Property, Plant and Equipment' and IFRS 4, 'Insurance Contracts'. All revised and new standards are effective for financial years commencing 1 January 2005, except for IFRS 3, 'Business Combinations', IAS 36, 'Impairment of Assets', and IAS 38, 'Intangible Assets' which were applicable after 31 March 2004.

IFRS 2, 'Share-based Payment'

This standard requires us to recognise the fair value of share-based payments to employees as an expense, recognised over the service period which is generally equal to the vesting period. This differs from our past treatment where no expense was recognised. The Group has adopted the transitional provisions of IFRS 2 in respect of equity settled awards and has applied IFRS 2 only to equity settled awards granted after 7 November 2002. The effect of the revised policy was to decrease the Group's current and prior year profits by R11 million and R4 million respectively. There has been a corresponding increase in equity which has been transferred to retained earnings.

As a consequence the headline earnings per share and the diluted headline earnings per share for last year have been reduced from 1 597 to 1 588 cents per share and from 1 367 to 1 359 cents per share respectively.

IFRS 3, 'Business Combinations', IAS 36, 'Impairment of Assets' and IAS 38, 'Intangible Assets'

With the adoption of IFRS 3 we have ceased to amortise existing goodwill and the carrying amount of accumulated amortisation of R38 million was eliminated with a corresponding decrease in goodwill. In accordance with the standard, no retrospective adjustments need to be made. At the year-end, in line with IAS 16, 'Impairment of Assets', an impairment test was conducted for all goodwill on the balance sheet. No impairment was necessary in the current year.

IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'

This standard requires disclosure of accounting standards applied before their effective date as well as the effect of those which have not yet been adopted. In addition, it requires details of significant assumptions made by management and the basis of estimates used in preparing the Financial Statements. The adoption of this standard has enhanced the level of disclosure in the Financial Statements.

IAS 27, 'Consolidated and Separate Financial Statements', IAS 28, 'Investments in Associates' and IAS 39, 'Financial Instruments: Recognition and Measurement'

In the past Edgars Zimbabwe was not consolidated as the previous IAS 27 permitted an exception where the subsidiary operated under severe long-term restrictions which significantly impaired its ability to transfer funds to the parent company. During the year a total of 35,6 million Edgars Zimbabwe shares were transferred to the Zimedgroup Employee Trust Company (Private) Limited which resulted in the Group's holding in Edgars Zimbabwe falling to 42%. The Group does not exercise control or significant influence over Edgars Zimbabwe, and as a result the investment in Zimbabwe is treated as an available-for-sale investment in terms of IAS 39. An impairment in the investment of R14 million has previously been recognised in equity and accordingly, it remains reflected at R1 on the balance sheet.

Other International Financial Reporting Standards

In addition to the standards referred to above, the following statements were early adopted:

- IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations;
- IAS 1 – Presentation of Financial Statements;
- IAS 2 – Inventories;
- IAS 10 – Events after the Balance Sheet Date;
- IAS 17 – Leases;
- IAS 21 – The Effects of Changes in Foreign Exchange Rates;
- IAS 24 – Related Party Disclosures;
- IAS 31 – Interests in Joint Ventures;
- IAS 32 – Financial Instruments: Disclosure and Presentation; and
- IAS 33 – Earnings per Share.

None of the changes to the above standards have had a material impact on the Group's recognition and measurement of assets and liabilities in the current or prior year. As a result, comparatives have not been restated. Additional disclosure has, however, been provided in the Financial Statements where required.

The IASB also amended IAS 40, 'Investment Property' in 2004 but this standard has had no impact as the Group does not currently hold any property for rental or for capital appreciation purposes.

International Financial Reporting Standards not yet adopted

IFRS 4, 'Insurance Contracts' is not directly applicable to Edcon, however, it may impact the accounting within the Hollard joint venture. The joint venture is currently evaluating the standard and will adopt the necessary changes in the new financial year. It is anticipated that the new standard will not have a material impact on Edcon's Financial Statements.

IAS 16, 'Property, Plant and Equipment' provides more detailed guidance on the component approach for recognising fixed assets and requires that each component be depreciated separately. In addition, the standard requires that residual values, useful lives and the depreciation methods must be reviewed at each financial year-end. A task team has been formed to evaluate the impact of the proposed changes. Our preliminary assessments indicate that the adoption of the standard in 2006 will not have a material effect on the Financial Statements.

Investor Relations

Edcon is committed to communicating its latest financial information to its shareholders, the local and international investment communities and the public in general on a regular basis. We also maintain ongoing dialogue with the investment community and media to explain the Group's operations and strategy, bolstering transparency and disclosure.

To this end, Edcon has a dedicated investor relations function. In addition, despite their other operational responsibilities, senior management regularly communicate with members of both the investment community and the press. We do this by organising group meetings, results presentations and site visits, issuing regular communiqués, and participating in one-on-one meetings initiated by analysts and institutional investors. Furthermore, management participates in institutional investor conferences in South Africa, the US and UK and travels to the US and UK to meet institutional investors.

We acknowledge the importance of the media in building the Edcon brand and a large part of our investor relations effort is focused on the press. We strive to generate a better understanding of all aspects of Edcon's business. Press conferences are held for financial journalists upon the announcement of our interim and final results. Management is constantly available to speak to journalists to provide them with answers and commentary as required.

Edcon issues detailed interim and final results publications, as well as quarterly trading updates, despite the latter not being a statutory requirement in South Africa. We also distribute a number of other announcements and press releases during the year to keep the financial community and the media informed of developments within the Group.

The Edcon website has been completely remodelled over the past year in a bid to provide ease of access to real-time, comprehensive information about the Group. The website is continually updated with the latest financial results, analyst presentations and press releases. It also contains share price information, press articles about Edcon, an investor calendar and details of our directors and corporate governance policies.

Edcon aims to be at the forefront of communication with the investment community. To this end, in 2004 Edcon was ranked first in Investor Relations in the Industrial Companies category in the Financial Mail ratings and won an award for the "Best Investor Relations Officer" in the non-FTSE/JSE top 40 category in the IR Magazine awards.

Credit and financial services profit rose sharply

During the year ended March 2004 the high concentration of Edcon shares among relatively few investors was identified as a potential risk to the share price. The concentration was reduced during that year with Edcon's top ten shareholders owning 65% of the company, versus 81% in the prior year. The unbundling of SAB Miller's stake in Edcon has seen this percentage decline even further, to 49% as at the end of March 2005. The broadening of our shareholder base has been accompanied by a sharp increase in the proportion of Edcon shares held by international investors. This has increased to 31% as at the end of March 2005 from 18% at the end of March 2004.

Credit and Financial Services

The Division continued to build on the success of recent years and although the Usury rate has declined, the strategic move towards more interest bearing accounts and pleasing growth in financial service products have paid off handsomely with credit and financial services profit rising from R186 million to R213 million. Furthermore, the Division generated a total profit from financing of R209 million, up 55%. The strategy for the year saw strong growth in active accounts with a debit balance which generated additional income but clearly came with increased running costs of credit, but these were in line with expectations. The higher number of customer relationships was converted into more financial services products that resulted in 37% growth in profit from this business.

Total cost of financing	**March 2005 Rm**	March 2004 Rm	Change %
Cost of credit	**(50)**	(6)	
Financial services product[1]	**263**	192	37
Credit and financial services profit	**213**	186	15
Notional financing costs allocated to own debtors[2]	**(238)**	(239)	
Total cost of credit	**(25)**	(53)	
Net financing costs	**(4)**	(51)	
Notional financing receipts allocated[2]	**238**	239	
Group net financing receipts	**234**	188	
Net profit from financing	**209**	135	55

1. *Comparatives have been restated to include cellphone insurance revenue previously allocated to retail Divisions.*
2. *Being a market related charge on the balance sheet assets within the credit area.*

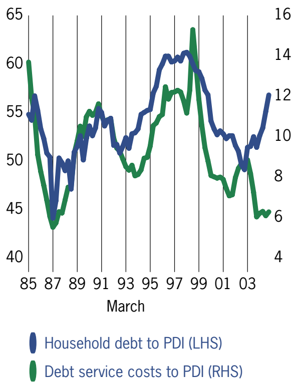
Credit and financial services	March 2005 Rm	March 2004 Rm
OntheCards		
Discount	**(16)**	(68)
Other income	**82**	100
Net profit	**66**	32
Edcon		
Interest from customers	**392**	355
Net bad debt	**(184)**	(92)
Doubtful debt provision	**(101)**	(38)
Release of provision OntheCards debtors	**63**	–
Other	**38**	11
Net profit	**208**	236
Collection costs	**(328)**	(296)
Profit from financial services	**263**	192
Profit on collection of RAG book	**4**	22
Net profit	**213**	186
Statistics		
Weighted average Usury rate (%)	**20,5**	25,3
Growth in credit sales (%)	**32,9**	22,9
Growth in collections – total book (%)	**26,7**	16,0
Debtors book – (R millions)		
Own book	**2 757**	2 243
Less provision	**(181)**	(143)
OntheCards	**3 494**	2 471
Total	**6 070**	4 571
Credit sales as a % of total sales	**63**	62
Number of active accounts with debit balances (000)	**3 487**	2 933
Net write off to debtors balance % (incl. VAT) – own book	**9,2**	5,2
Net write off to debtors balance % (incl. VAT) – total book	**7,0**	5,7
Net bad debt write off to credit transactions % (incl. VAT) – own book	**3,9**	2,4
Net bad debt write off to credit transactions % (incl. VAT) – total book	**3,4**	2,7
Doubtful debt provision as % of debtors book	**6,6**	6,4
In addition the Group also has a R30 million doubtful debt provision (2004: R20 million)		
% Able to purchase (combined book)	**88,3**	88,1

Credit Management

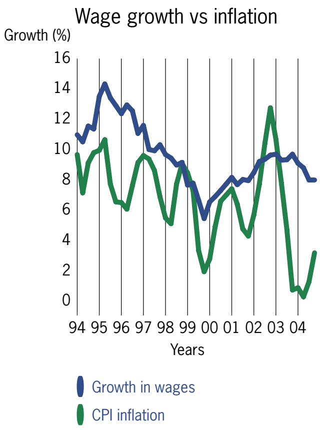
The leadership and strong management in this team ensured that the debtors able to purchase percentage remained above 88,3% while growing the active account base by 19%. This translated into 553 763 more accounts with an active debit balance at the end of March this year. The balances under management increased by 33% to R6,3 billion while the growth in collection costs were contained to 11%. The move to more interest bearing accounts has again borne fruit with 81% of accounts opened during the period being interest bearing. This has assisted in lowering of the attrition rate while increasing personal financial services income that is account balance dependent. Net bad debt rose in line with expectations, particularly in the Edcon-owned book which is newer and therefore has higher inherent risk. The drive to acquire new customers has laid a strong foundation for sustained future profit growth both from a trading and financial services perspective. The quality of the credit book still compares favourably with our competitors when reviewing the Transunion ITC and PIC Solutions benchmarking reports.

New account acquisitions exceeded all expectations with the number of opened and activated accounts for the year increasing by 55% in Jet and by an outstanding 58% in Edgars. This comes on top of the already high growth in the previous year and was achieved while maintaining conservative credit granting criteria. In total only 45% of Edgars account applications, and 32% of Jet applications were accepted, which is a higher rejection rate than in the previous financial year. The merchandise assortment and competitive pricing in both chains sparked increased demand for credit facilities, while the strong local economy, real wage increases and the low interest rate environment ensured customers continued to service their debt ahead of the Group's expectations.

Households financial position



At the operational level, collections remained a high priority culminating in growth of 27% in payments received from customers with the Group collecting 122% of the total monthly amounts due. The buoyant economy assisted low risk customers in paying their monthly instalment in advance, while arrear account customers have shown improved payment habits despite these amounts not being sufficient to cure the accounts. Furthermore as a result of the low interest rate environment, debt servicing costs are at an all-time low and this has contributed to less defaulters. With debt as a percentage of consumers disposable income having risen to 56,8%, a more conservative approach will be adopted for the year ahead and the customer base growth is expected to slow to a level of 5 to 8% net growth. Debt servicing costs at current interest rates, remain at an all-time low of only 6% of disposable income.



National Credit Bill

Edcon engaged government and labour at Nedlac and progress was made to ensure that a workable framework and policy were adopted. The team then engaged with government in bilateral consultation via Business Unity South Africa on the actual bill and although some good progress was made, there continue to be numerous concerns around the practicality of various aspects as well as the high regulatory costs of compliance. The team will make submissions to the DTI Portfolio Committee via the Consumer Credit Association. Currently the Edcon private label cards and personal loans are governed by the Usury rate and it is not anticipated that the new interest rate caps will be lower than these current caps. In fact, we anticipate that these caps may in many cases be set at higher levels to encourage credit extension to consumers who previously could not be offered loans based on their risk profiles. With the anticipated increasing of the capped rates, the Group will be better able to compete with the microloan organisations.

It is anticipated that credit limit increases will be restricted to one automatic yearly increase, with any further increases at the consumer's request. This approach may have the effect of inconveniencing customers at the point of sale when a transaction exceeds a customer's credit availability. As a consequence individual credit vetting will be more costly than the current batch vetting process.

Securitisation

A further R1,1 billion of accounts receivable was sold to OtC during the year, bringing the total securitised portfolio up to R3,5 billion. This book is managed by the Credit Division under a service provider agreement. Performance continues to be ahead of expectations with bad debt handover at all-time lows and the "able to purchase" at record highs as a direct consequence of the maturity levels of these accounts. The year ahead will see a roll over of the funding of the first tranche of the securitisation, while an additional R800 million will also be securitised.

Risk Management

Global best practice is applied within this area and fifth generation Triad strategies are being rolled out on credit line, authorisation and collection strategy management. Performance re-pricing test strategies have been implemented on a sample of accounts and will be applied to rewarding profitable customers, while attempting to change the behaviour of non-profitable customers. The attrition and propensity to spend scorecards implemented during the previous financial year have provided the Group with the required rate of return on the investment made. It is anticipated that they will add value to the Group in the year ahead, by increasing the profit per account, while reducing the loss of accounts.

Third party credit management was successfully rolled out to Tiger Wheel and Tyre during October 2004. Group credit was extended further to third party optometrists, thus improving the Division's profitability due to better utilisation of existing resources. We expect further similar initiatives to be concluded over the coming months.

New Products

Personal loans were tested during the period and rolled out in January 2005 with R99 million of loans being granted and the performance of the book exceeding expectations. Jet and Edgars legal insurance was marketed during March 2005 with the initial response rates showing some very encouraging signs. This product once again enhances the lifestyles of our diverse customer base. Discussions on a co-branded credit card initiative are at an advanced stage and agreements should be in place during the next few months with an estimated launch date being July 2005.

Insurance Products

Various distribution channels were used during the year with outstanding response rates that dramatically increased billable premiums, again highlighting the strong demand for products that are competitively priced. This has resulted in 23,4% more active policies in force, which has lifted the profit from insurance related products from R192 million to R263 million. Edcon customers now have on average 1,1 financial service products with the Group, with this ratio set to accelerate over the year ahead as the team markets to the enlarged customer base. Superior customer segmentation techniques and proactive targeting of leads have increased conversion rates thus minimising acquisition costs.

Profitability from the Credit and Financial Services Division is expected to improve further in the year ahead, in spite of higher charges for bad and doubtful debts. Consequently the net profit from financing should rise to approximately R250 million, up from R209 million this year.

Supply Chain

Capacity building for this vital support service was a key theme for the past year with total units handled through the Group distribution centres growing by 76% to 225 million units from 128 million units during the previous year.

Jet Mart was integrated into Edcon supply chain systems and processes at the end of the previous financial year and, as planned, the inadequate and dispersed distribution operations of Jet Mart were closed. Their product is now handled through a new 24 000 square metre distribution centre located in Aeroport, Johannesburg. It was fully operational by October 2004. This facility was custom designed and built to handle more difficult product of varying shape, size and weight and to accommodate growing volumes of merchandise transhipped from other Group distribution facilities in the country. State-of-the-art carton sorter equipment, capable of sorting 8 000 cartons per hour, has been implemented in this centre and is greatly assisting with transhipment and transport productivity.

By June 2004, Boardmans had been fully integrated into the Group and in September the Boardmans distribution centre in Diep River, Cape Town, had been expanded by 5 000 square metres. This enabled consolidation of Edcon's separate distribution and transport operations in Cape Town into a single centre and all Edcon product sourced in, and destined for, this region is now handled through this facility.

The Durban distribution centre was extended by 8 200 square metres and the remote transport depot in Durban was closed. The same carton sortation solution implemented in the Gauteng facility has been installed in Durban and was operational by March 2005.

Edcon supply chain efficiencies	**2005**	2004	Change %
Total logistics cost per unit handled (cents)	**127**	130	(2)
Total units through distribution centres (millions)	**225**	128	76
Distribution centres – units per person per annum	**450 403**	319 320	41

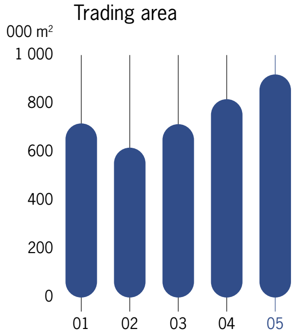
During the year Edcon implemented a sophisticated import management solution, including integrated EDI tracking links with logistics service providers, that provides complete daily visibility to every event in the extended import supply chain. Import information, delivered through the Edcon data warehouse is enabling merchants and logistics teams to improve their management of this complex part of the supply chain.

The wider variety of product type now handled by Edcon, particularly in hardlines, has required extended development of quality standards, testing capabilities and techniques. This has demanded new physical handling solutions and has increased the complexity of transporting units. The supply chain team continues to learn and improve, and despite the more difficult product mix and the extensive capacity building exercise over the past year, the Group has managed to reduce the cost per unit handled to 127 cents, down 2% from last year and has budgeted for further reductions during the coming year.

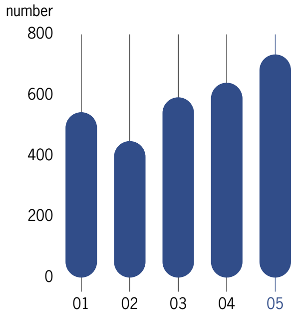
Property

It was another challenging year for the Property department, as it sourced, designed and fixtured an additional 13% of closing retail space, refurbished existing stores, incorporated the newly acquired Boardmans chain, converted stores to other Edcon brands, closed ABC stores, opened the new Edcon brands of Prato, Temptations and Jet Shoes and re-negotiated lease rentals.

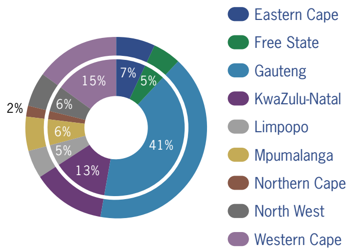
Trading area



Number of stores



Provincial distribution of Group size



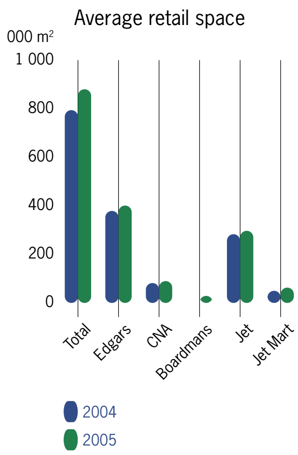
Following a period of space reduction the Group's retail space has increased over the past three years through acquisitions and the expansion strategy announced last year.

Although our trading stores are located predominantly in South Africa, the Group has stores in Botswana, Lesotho, Swaziland and Namibia. South Africa accounts for approximately 95% of the retail space, with the balance being located in the neighbouring countries. In South Africa, 41% of the retail space is situated in Gauteng with Kwazulu-Natal and Western Cape also well represented with 13% and 15% respectively. The balance of stores are spread across the country. The full split is detailed in the table on the left.

In the Edgars chain, 21 new stores were opened and 5 ABC stores closed. Edgars stores were opened in Ladysmith, Francistown Botswana, Clearwater, Festival Walk, Gateway, Woodhill, Key West and Cape Gate. Red Square stores opened in Randpark Ridge, Mimosa, Tygervalley and Epson Downs. The new Prato concept was introduced into the space vacated by ABC stores, being Cresta, Sandton, Eastgate, Menlyn and Musgrave. Temptations stores were opened in Eastgate, Sandton, Cape Gate and Westgate and 6 Temptations departments were incorporated into existing Edgars stores. As a result of the acquisition from Pick n Pay, 25 Boardmans stores were integrated and 3 new stores opened, namely Woodhill, Clearwater and Cape Gate.

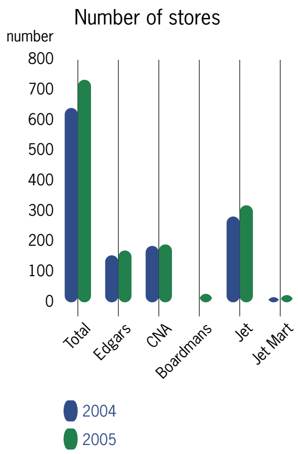
A total of 54 Discount Division stores opened comprising 31 Jet, 14 Legit, 7 Jet Mart and 2 Jet Shoe Stores. 10 Discount Division stores closed, comprising 4 Jet stores, 3 Legit, 1 Jet Shoes and 2 Cuthberts stores.

The new Jet stores opened in South Africa were Bizana, Eastrand Value Mall, Gateway, George, Howick, Phoenix, Randpark Ridge, Mall @ Reds, The Wheel, Clearwater, Idutywa, Umzinto, Campus Square, Festival Walk, Lenasia, Tembisa, Mdantsane, Esikhaweni, Woodhill, Manguzi, Josini, White River, Botshabelo, Thulamahashe and Cape Gate. New stores were also opened in Namibia at Ondangwa, Rundu, Katima Mulilo and Katutura. There were also openings in Mafiteng and Francistown, located in Lesotho and Botswana respectively.



Legit stores were opened in Ladysmith, Port Elizabeth Pier 14, Vanderbijlpark, Campus Square, Malelane, The Wheel, Witbank, Secunda, Nelspruit Plaza, Port Elizabeth CBD, Mafikeng, Springs, Mitchells Plein and Mokopane. Jet Mart stores opened in Thoyandou, Mitchells Plein, Mamelodi, Dobsonville, Mafikeng, Port Elizabeth and The Bridge. Jet Shoes stores were introduced in Louis Trichardt and Stanger.

Within the CNA chain 12 stores were opened and 7 closed. The new stores opened in South Africa were Cape Town Station, Pretoria Station, Dundee, Edgardale, Knysna, Lynnwood, Malelane, Festival Walk, Woodhill, Cape Gate and Clearwater. One new store opened in Francistown, Botswana.



Following the above changes, the Group ended the year with 734 stores (920 488 m²), compared with 641 (818 020 m²) outlets last year. The split of the stores is reflected in the graph on the left.

Shifts in shopping patterns over time have meant that retail premises are, in some instances, over-priced. This has enabled retailers to re-negotiate rental rates at lease breaks. Through this process, we achieved rental reductions of R104 million over the next three to five years when compared with existing lease terms. Similar negotiations in prior years resulted in savings last year of R52 million and R59 million the previous year on the same basis. However, as a result of the Group's rationalisation of space, consequent right-sizing, and the vastly improved trading conditions in South Africa, fewer rental reductions are anticipated going forward.

Enlargements costing more than R1 million each were carried out in Edgars Canal Walk, Edgars Kolonade, Edgars V & A and Edgars Waterfall Mall.

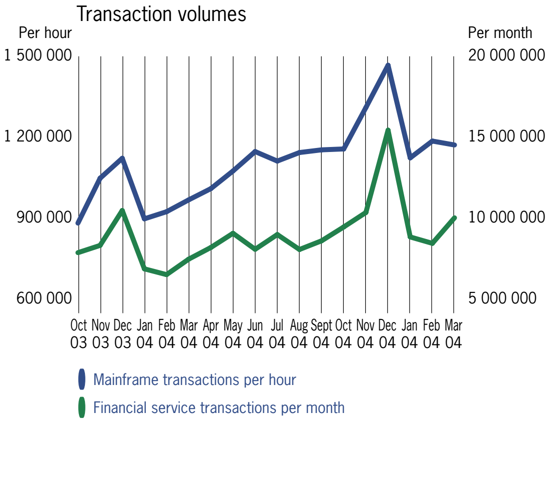
Capital expenditure for the forthcoming financial year is expected to be approximately R343 million following a R208 million outlay in the past year. A continuation of the store rollout strategy will see entry into several shopping centres, including Nelspruit Riverside, Lenasia Trade Route, Paarl Mall, Maerua Mall, Alexandra, Bloemfontein Loch Logan, Brakpan Mall @ Carnival, Vangate Mall, Garden Route Mall, Kimberley Diamond Mall, Vaal Mall, Worcester Soshanguve, Shelly Beach, and Daveyton. Excellent first year trading results in small rural Jet stores opened over the past year have proved that Jet can expand rapidly into these towns.

Information Technology

The past financial year has been very exciting for Group IT. The Department contributed to Edcon's success by implementing a number of key initiatives made possible by advances in technology and the deregulation of communications. The new solutions resulted in an enhanced customer shopping experience, superior computing efficiencies and significant cost reductions. Most importantly, the systems were upgraded to support improved retail practices and processes that have differentiated Edcon from its competitors. The significant progress that the Group has made in its IT infrastructure provides Edcon with a sustainable competitive advantage.

The large investment in, and increasing dependence on, IT necessitates excellent IT governance and as a result Edcon has implemented Cobit as a framework for IT governance.

Disciplined cost management remains a priority for the Department. Economies of scale allowed Edcon to reduce its IT cost as a percentage of sales to 4,2% from 4,7% last year. The anticipated growth in IT costs for next year is 11%, below that of the budgeted sales growth.



Sales Support

Edcon's strong sales growth was underpinned by efficient systems with minimal levels of downtime. The diagram on the left illustrates the exponential growth in transaction volumes, which Group IT has supported over the past year. IT's ability to facilitate this growth in transaction volumes, with a limited increase in IT operational expenditure for 2005, demonstrates cost control, enhanced system design and our outsource partners' commitment to delivering business value every year.

Stores

Customers' experience in stores has been improved at the point-of-sale ("POS"). Transaction times are at least 6% faster than last year and reliability has been enhanced. These results have been achieved through:

Edcon was the first South African retailer to be certified for EMV (Europay, MasterCard, Visa) by both VISA and MasterCard.

- Initiation of a project to replace all ageing store equipment, including printers. To date a total of 1 500 terminals have been replaced in 72 stores;
- Upgrading the network capacity of the most important stores;
- The installation of a satellite network as back up infrastructure to the most important malls, distribution centres and regional centres; and
- The creation of a shared infrastructure within each of the major malls to support all Edcon stores operating in these malls. This initiative allowed for the centralisation of switchboards, provided for better technical support during the festive season trading, and enabled Group IT to relieve store staff of a number of key systems-related responsibilities. Group IT is also currently running a pilot in Cresta to centralise surveillance and other security infrastructures.

Edcon was the first South African retailer to be certified for EMV (Europay, MasterCard, Visa) by both VISA and MasterCard. EMV on chip-card technology and electronic journals will reduce risk and fraud.

Enhancements to store systems also delivered a number of new capabilities:

- The ability to sell additional insurance products;
- A new gift voucher system;
- Multiple consignment receipting in stores to speed up the time to transfer merchandise onto the floor;
- An online Capex approval system for stores;
- Improved communication between head office and stores; and
- Stand-alone terminals to sell Edcon credit in non-Edcon stores, e.g. Tiger Wheel and Tyre.

After 17 years, it has become necessary for the current DOS-based store system to be replaced with one that is richer in functionality, more flexible and more secure. After a rigorous selection process, Edcon has decided to base the new store system on the El Corte Ingles (a €13 billion department store group in Spain) system and has chosen Accenture and Microsoft as partners for the development. The new POS system will be ready for deployment in 2007.

Logistics

Group IT implemented Nautilus (the distribution system) in three new outsourced import depots and created the ability to do ticketing, quality assurance and carton marking so that cartons can be received and scanned. Cross belt sorter technology was implemented in the Gauteng DC, Johannesburg and Durban dispatch depots.

The importance of imports and the associated volume growth made it necessary to automate and streamline the import process and provide merchandise flow visibility to buyers and staff in the supply chain. A new solution will be integrated into merchandise, logistics, quality assurance, finance and treasury systems. Administration will also be enhanced with the seamless links into treasury and accounting.

Merchandising

Edcon is improving its merchandising systems further through:

- Contract allocations: to allow for more detailed planning;
- Assortment planning: to plan store assortments on a more scientific and automated basis;
- Replenishment forecasting: to automate and improve the accuracy of Stock Keeping Unit level forecasts; and
- Advanced and standardised merchandise management processes.

Business Intelligence

Buyers and Planners have access to two terabytes of merchandise information encompassing stock, sales, promotions, budgets and projections. This data is available on a daily basis and facilitates decisions regarding assortments, stock levels and other merchandise dimensions.

In addition, six terabytes of customer information are used on an ongoing basis to improve the quality of the debtors book and enhance credit management processes.

Financial System

In April 2004, Oracle Financials 11i was implemented to replace the old financial system. This ensured that Edcon remained supported on vendor software, and that it benefited from the improved functionality and implemented streamlined business processes.

Intellimatch was implemented as part of the financial project. This product allows for the reconciliation of supplier invoices and statements to Edcon's creditors' ledger. It also provides suppliers with a single view of the reconciled data. Over R1,4 billion worth of invoices were reconciled in the past year and the reconciliation time has been reduced by approximately seven days.

Other

Group IT implemented a number of other significant projects during the year, including:

- The securitisation of a second tranche of accounts receivable;
- The acquisition of Boardmans;
- Improved scoring parameters for collections and new account openings;
- Initiation of the project to improve Human Resource systems; and
- Enhancements to the Group's internet and intranet websites.

Partnerships

The success that has been achieved by the IT department has only been made possible by a committed, competent and innovative team. The management team are leaders in their field and are ably supported by capable business partners, including Accenture, Business Connexion, 3 Fifteen, Telkom, Microsoft, Dimension Data and Deloitte. We thank them for the value they have added to Edcon's business.


Dr U Ferndale: *Director*
Group Human Resources

Human Resources

The spectacular results of the past financial year reinforce our belief that the backbone of our sustainability is people. Our efforts to provide employees with an environment in which they can flourish, by embracing professional and equitable policies, were rewarded when Edcon was named the best company to work for in the Retail sector in South Africa.

Various initiatives took place in this past year to reinforce the position of Human Resource (HR) as a strategic business partner. A large number of human resource practitioners were trained on accredited programmes to understand better how they can further enhance the business strategies from an HR perspective.

The entire human resource strategy is based on well-defined competency profiles for all jobs within Edcon. Most of these profiles have been completed and we are in the process of integrating them into all our people management practices.

e-HR

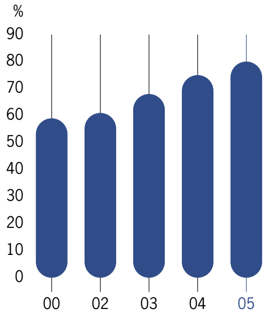
A strategic decision was made to purchase an electronic e-HR solution to enhance the service delivery within Edcon. The e-HR solution will be fully implemented during the 2006 financial year.

Perception Surveys

The results of our annual organisational perception survey of all Edcon staff clearly indicate that job satisfaction is strong across the Group. The survey provides valuable feedback to the company about Edcon's employee value proposition and provides guidance on areas where improvements or changes are needed.

It is pleasing to note that the overall perception of staff regarding the company, has improved consistently as can be seen from the graph on the left.

Overall positive perception of employees regarding Edcon



No survey was conducted in 2001

Employment Equity

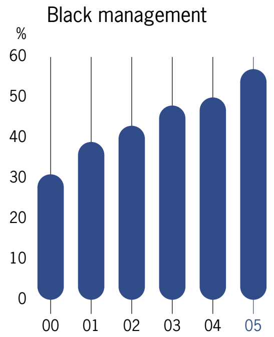
Our Employment Equity strategy aims to have our employment base reflect the society in which we conduct business and is designed to unleash the potential of our diverse staff complement.

As reported last year, our Employment Equity strategy is based on the following principles:

- **Structures and resources exist to co-ordinate and monitor the implementation of Employment Equity**
    - The Employment Equity forum chaired by the CEO, and with representation from designated groups, labour and management, continues to meet quarterly to review progress and the effectiveness of our Employment Equity strategies.
    - Line managers play an important role in the execution of the various Employment Equity strategies and their responsibilities are outlined in their performance contracts.

- **The profile of employees at all levels must reflect the demographics of the country**
    - We continue to be successful in our efforts to change the demographics of our staff profile. Currently 87% of our staff are black compared with 83% last year.
    - The percentage of black managers increased from 50% to 57% and senior management from 21% to 25%. Sixty-nine percent of our staff complement are female, and 55% of managers are female. At senior management level we increased female representation to 40% from 24% last year.

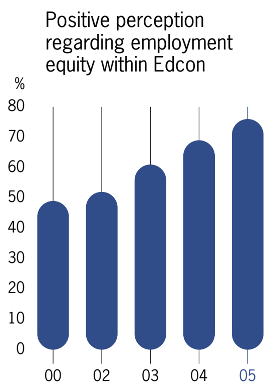
Employment Equity Statistics: Black Staff Category	Actual 2004	**Actual 2005**	**Target 2005**
Senior management	20%	**25%**	**25%**
Management	50%	**57%**	**54%**
Skilled	80%	**86%**	**80%**
Semi-skilled	91%	**93%**	**90%**
Unskilled	94%	**97%**	**94%**



This progress has been achieved through the appointment of black executive trainees, increased emphasis on the training and development of black staff and the successful execution of our talent management programme.

- **All policies, procedures and practices are equitable**
  - Our psychometric assessment tests have been refined in the past year and continue to provide the Group with valuable information regarding the potential of prospective candidates in addition to analysis of their qualifications and experience.
  - Our policies and procedures are continuously scrutinised by the Employment Equity Committee to ensure fairness.

- **The culture of the company should be conducive to Employment Equity and sustainable growth**
  - We believe that the strength of our people lies in their diversity. Edcon hosts diversity workshops for staff and has also introduced courses to enhance the diversity skills of managers and supervisors.
  - The perception survey results relating specifically to Employment Equity show a consistent improvement since 2000.



No survey was conducted in 2001

- **Equal opportunities must exist for all women**
  - The gender sub-committee continues to review obstacles preventing women from fulfilling their potential within the Group.

- **Discrimination against disabled people must be eradicated**
  - A number of initiatives were launched in the past year to address the challenges facing disabled employees and prospective employees to fully participate in the working environment at Edcon.

- **All legislative requirements regarding Employment Equity must be met**
  - We have again achieved full consensus with all stakeholders regarding our latest Employment Equity progress report and it was submitted timeously to the Department of Labour.

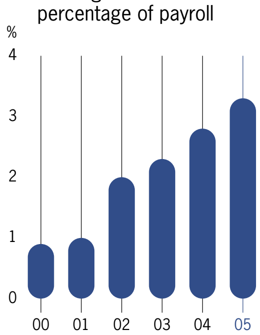
People Development

People development remains a focus of the Group as we endeavour to provide training opportunities that will enable staff to develop to their full potential.

Our vision is to provide an integrated learning experience to our employees that will strengthen their commitment to Edcon's values, leadership capability and their capacity to meet current and future business requirements.

Staff participation in education courses over the past year averaged 3,1 interventions per employee, up from 2,4 interventions the previous year. Most of the training (87%) was allocated to black employees as part of our strategy to accelerate the development of previously disadvantaged individuals. Training costs as a percentage of total payroll increased from 2,8% in 2004 to 3,3% in 2005 and have increased consistently since 2000.

Training costs as a percentage of payroll



Edcon provides bursaries to staff for studies at tertiary institutions and the majority (56%) of these bursaries were also awarded to black employees. We also continue to offer internship programmes for psychologists and the TOPP (Training Outside Public Practice) programme for Chartered Accountants, in which we currently have five trainees.

At middle management level, we provided management courses accredited by Unisa and at executive and senior management levels provided leadership training conducted by the Hill School of Business.

We are very proud that the foundation of the Edcon Academy of Learning was laid in the past year with the Merchandise and Operations Faculty now fully operational. The Academy provides competency based programmes and supports our objective of providing continuous, life-long learning to current and new employees. A large number of black graduates (approximately 200) has already been recruited to complete their training at the Academy. The graduates were selected from leading tertiary institutions and will be placed in junior positions with clearly defined learning career paths, whilst being mentored by senior managers within the organisation.

More than 10 000 casuals were trained for the Christmas trading period and in the past financial year Edcon supported 250 people who participated in Learnerships.

We launched a leadership culture at all levels

Edcon obtained full accreditation as a learning provider from the Wholesale and Retail SETA (W&R SETA) and having fulfilled all the requirements of the Skills Development Act will receive the maximum permissible refund of costs from the W&R SETA.

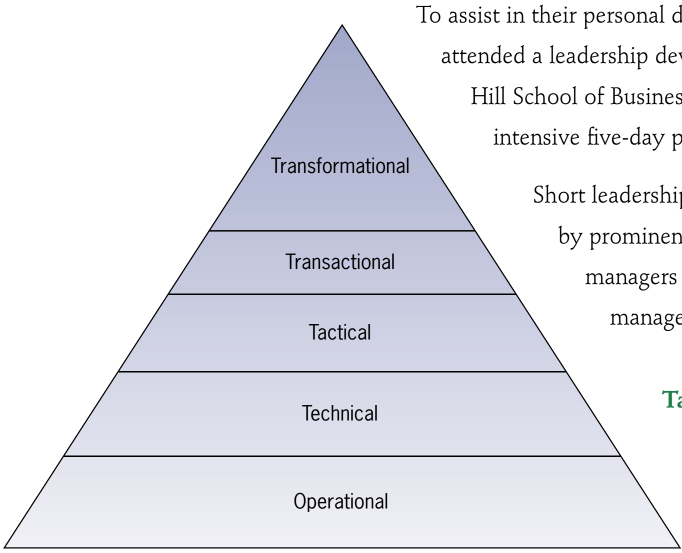
Leadership

A framework designed to reinforce a leadership culture within the Group was launched to all staff in July 2004.

We have defined leadership in terms of ME (Personal Characteristics); WE (People Management); WORK (Process Management) and WORLD (Strategic Management). For each of these four aspects of leadership, we defined the competencies in terms of five levels of leadership namely Operational, Technical, Tactical, Transactional and Transformational.

The importance of leadership for Edcon is reflected in the fact that 15% of the performance goals of all supervisors and managers are based on leadership.

Edcon Levels of Leadership



To assist in their personal development, all senior managers attended a leadership development programme conducted by Hill School of Business and executive directors attended an intensive five-day programme at Harvard Business School.

Short leadership courses and quarterly presentations by prominent speakers continue to provide managers with timeous information on best management practices.

Talent Management

Our talent management strategy, which has been rolled out in the past financial year, forms part of the strategic business planning process and is a joint effort between line managers and Human Resources. Talent fora were created and convened in both divisions within Edcon as a way of gaining a comprehensive understanding of our talent pipeline and to plan our people's needs for the future. That process enabled career discussions to be held in the various business units and individual development plans to be compiled for most managers.

Our Employee Relations policies were reviewed and relaunched into the business.

Performance Management

Our performance management process ensures that key performance areas, indicators and objectives are contracted with all employees. Performance is measured and feedback provided to employees with the outcome of the performance management process impacting employees' guaranteed pay and incentives. Our passionate belief that people are the key to the sustainability of our success is reflected in the fact that 50% of the goals of managers and supervisors are linked to people management and we believe the success of this strategy contributed significantly to the financial results of the Group.

Talent Acquisition

Our talent acquisition department continues to be at the front-line in the war for talent in South Africa. In an attempt to strengthen our branding as an "Employer of Choice" we participated in various job fairs, university recruitment campaigns, placed advertisements in relevant magazines and published articles in journals explaining Edcon's people strategy.

In particular, we have introduced the use of assessment centres and simulation technologies in our merchandise areas, in an attempt to enhance the predictive validity of our selection tools, and to identify and address the learning needs of the merchandise fraternity.

We are currently in the process of assessing Edcon staff, to enhance our understanding of our employee capability for promotion, and in support of our talent management programme.

Employee Relations

The unprecedented relationship agreement between Edcon and SACCAWU continues to provide stability to the company with no man-days lost due to strike action in the last year. Union membership has decreased from 36,4% to 23,0%. Our second National Shop Steward's conference was held to enhance further the relationship with SACCAWU and Edcon. In addition, the Group facilitated training for many of our shop stewards in financial management, conflict handling and labour legislation to improve their skills as labour representatives.

Our Employee Relations policies were reviewed and relaunched into the business. One of the major changes was the removal of the appeal process.

The introduction of full time, well qualified adjudicators to chair disciplinary hearings enhanced the perception of the fairness of hearings and CCMA referrals continue to decline. In the past year, full time initiators were introduced in order to complement the success of the adjudicators.

Restructuring, Retrenchments and Acquisitions

A comprehensive mergers and acquisitions handbook has been compiled to ensure all human resources issues are addressed.

Boardmans was fully integrated into Edcon and a number of existing Edcon business units and departments were restructured to enhance their effectiveness. Many of the staff affected were reassigned into other areas within the Group and outplacement programmes were conducted to facilitate employment outside the Group for affected staff. In line with the requirements of the Labour Relations Act all recognised unions were consulted at the time.

Remuneration

Our reward strategy complements the objectives of Edcon by:

- Attracting achievement-oriented talent to meet business requirements.
- Retaining value-adding individuals through flexible, market-aligned and performance driven remuneration.

- Motivating all staff through effective communication and delivery of superior reward and recognition opportunities for value-creating performance.
- Encouraging the development of skills and competencies required to meet current and future business needs.
- Rewarding differentially based on the market, performance and competencies.
- Securing the commitment of employees to Edcon's business strategy through the optimum mix of financial and non-financial rewards.

Mechanisms to fulfil these goals include:

- Regularly reviewing and linking guaranteed pay to competitive norms.
- Linking increments in guaranteed pay to both competency and performance levels.
- Providing incentives, which appropriately reward for value created by individuals.
- Offering special recognition awards to encourage appropriate behaviours contributing to organisational success.
- Allocating share options at appropriate levels to encourage long-term alignment with shareholders and to assist in retaining key staff.

In an attempt to continue to reward good performance, this financial year saw the introduction of a new monthly incentive scheme for all store based employees within the Jet chain. This scheme is primarily driven by achieving the sales budget and through individual performance although an interesting penalty and reward module was also introduced which aimed at creating a learning and team culture within each store.

The existing scheme for the remainder of the Group was also modified to allow for increased bonus payments to be paid to employees who qualify and exceed performance expectations. Staff can now earn up to 16 cheques annually.

Employees were rewarded for the Group's growth in exceptional earnings

Edcon is committed to sharing Group profits in recognition of exceptional performance. As a result, all permanent employees received a bonus payment of 33% of their monthly benefit salary as recognition for their contribution towards a triple digit improvement in earnings in the year to March 2004.

Executive directors and senior managers participate in a staff share option scheme which has been designed to reward executives for the performance of the Group as a whole and their individual performance.

Funeral benefits are payable in the event of the death of a permanent employee, their spouse, dependent children or parents as registered in terms of the company's funeral scheme.

Recognition Scheme

The first annual recognition function for the Golden Hearts Recognition Scheme was held in July 2004 to announce the top three winners in each PIPP Value category (People, Integrity, Performance, Professionalism). The winners were selected quarterly through an employee voting process.

We also have recognition events for employees with ten years or more service and have an annual event (Chairman's Cup) to recognise exceptional performance of teams.

Health and Safety

Health and safety committees exist in all stores with the mandate to ensure compliance with the Occupational Health and Safety Act. The Committees comprise elected health and safety representatives from each store.

The number of reported accidents as at 2 April 2005 was 260. The number of days lost for incidents which required more than 14 days' absenteeism reduced by 35% despite the number of stores increasing to 734.

Medical Aid

The Edcon Medical Aid had a good year and reasonable surpluses were achieved. This was a direct result of the members using their benefits carefully as well as medical inflation being lower than anticipated.

The legislated minimum reserve requirements of 25% as at December 2004 have now been exceeded and it will no longer be necessary to build these reserves into the future.

For the first time in several years, the increase in contributions to the Edcon medical scheme was lower than expected, at an average increase of 5% while benefits were increased by an average of 6%.

The two options within the Ingwe Health Plan, the alternative medical scheme offered by the company, increased their contributions by 8% and 10%. The company maintained its policy of increasing its contributions and a 7,5% increase was applied to all company contributions. This resulted in some members of the Edcon Medical Aid experiencing an increase in contributions of less than 5%.

Retirement Funds

Separate funds, independent of the Group, provide retirement and other benefits to all permanent employees including the Edcon Provident Fund, SACCAWU National Provident Fund, the FEDCRAW Provident Fund and the Edcon Pension Fund, which is closed to new members. A defined contribution pension fund is available to employees in Namibia and in Botswana. Contributions to the Group's retirement funds are at a rate of 17,49% of the benefit emoluments and, where funds are contributory, members pay a maximum of 7,5%.

Employees who are members of the Edcon Provident Fund continue to enjoy investment returns which exceed the mandate of CPIX +5% given to the investment managers. In addition, the stable portfolio created to provide a less volatile portfolio for those members who are nearing retirement has also performed well, achieving 16,6% return over the past 12 months.

The death and disability cover has been maintained in a very challenging risk benefit environment. Mindful of the impact that HIV/Aids could have on this Fund, members have been advised that these benefits may not be maintained at current levels for much longer due to the escalating claims experienced. However, the Fund will retain the strategy of reducing the death benefits and maintaining the retirement savings element at the current rate.

The company continues to grant new employees the option of joining the Edcon Provident Fund or alternative defined contribution funds offered by the unions. Full details relating to the distribution of the surplus within the Edcon Pension Fund are included in the notes to the Financial Statements.

HIV/Aids

Recognising the significant challenge of managing South Africa's HIV/Aids pandemic, Edcon launched an integrated HIV programme in October 2004. The focus of the programme is on reducing the rate of infection in the Group and extending the quality of life of infected employees, through the provision of managed health care.

Through this programme we are facilitating access to counselling, HIV testing and HIV/Aids education. A key focus of the initiative is the provision of voluntary counselling and testing (VCT) which is provided by an external service provider so as to ensure employees feel comfortable knowing their status will remain confidential. This programme also offers employees the option of being tested in a private facility if they choose.

For those employees who are uninsured and identified as being HIV positive, the Group has taken a conscious decision to provide antiretroviral (ARV) medication in the absence of government facilities being available. Mindful of the fact that Government will eventually be providing this medication, the same protocols have been implemented to allow for easy transition to an alternative facility, when the need arises. The provision of ARVs will assist employees to remain healthier for longer, which will result in a prolonged family life as well as working lifespan.

To date, 21% (3 775) of our employees have utilised the testing facilities, which has resulted in 7% (266) of these being HIV positive. The Group plans to encourage the remainder of employees to be tested by the end of 2005.

Information provided by the service providers is purely statistical and names of employees remain totally confidential. These statistics will be compared to the impact analysis previously provided by an external service provider, which projected the prevalence rate of Edcon employees to reach its peak at 9% in the 2005 calendar year.

We utilise Aids posters, videos, industrial theatre and an in-house newsletter as media of communication with staff.

Employer of Choice

We continued to implement a holistic approach to maintain our status as an Employer of Choice (EOC) so as to attract and retain the best talent in the country. Eight broad areas of focus in this regard have been identified:

- Company reputation;
- The community;
- Leadership;
- Culture;
- Learning;
- Employee care;
- Compensation; and
- Meaningful jobs and working conditions.

The success of our EOC strategy is evident in that we were again listed in the 2005 edition of the book "The Best Companies to Work for in SA" edited by the Corporate Research Foundation and is an improvement in our ranking from 19th to 12th in the "Best Company to work for in Southern Africa" in the Deloitte survey. We were also ranked as the best employer in retail in that survey.

Another indication of the success of this programme is the fact that staff turnover continues to decline and is now at 13% compared with 14% last year.

A key focus of our EOC programme in the past year was leadership. In the year ahead we intend to relaunch our EOC strategy and focus on staff becoming "Employees of Choice". In this regard our pay-off line will change to "Bring out your best". A comprehensive launch of this new direction is planned early in the new financial year.

Sharing the burden helps strengthen our communities

I love talking to people. Often their problems are challenging and I try to guide them into doing what is right . . .

Leadership within our organisation

Ntombintombi Johanna Moshoeshoe

Call Centre Agent: Johannesburg Customer Services

Leadership within our communities:

My life is my community and my church. Funerals are extremely important social events in black cultures, as significant as weddings are to white society. I assist people – colleagues and customers – who are struggling to arrange funerals for their family members and loved ones. In that small way I help our communities to function as they should.

Leadership with our colleagues:

I have worked for Edcon for 36 years and I feel that I've become a role model to those I work with. I use my status to help managers better understand the cultures of their employees, and to remind the young staff that they are well paid and must do a proper day's work.

Leadership with our customers:

My job means talking on the phone all day to people from all walks of life – often more than 120 callers per day. I use these opportunities to demonstrate how Edcon can solve their problems more efficiently than any of our competitors.

Goldern Heart Award *Winner in 2004*

Facilitating transformation across the Group

Transformation

Our transformation strategy is to position Edcon as a dynamic innovative market leader, while at the same time ensuring that the business grows, striving to empower our people, suppliers and the community in a meaningful and sustainable way.

As one of South Africa's largest retailers, Edcon believes that the future prosperity of our country, as well as the Group, hinges on the positive transformation and upliftment of our communities. In the implementation of our transformation strategy we pay close attention to the Broad Based Black Economic Empowerment Act (BBBEE).

Through transformation Edcon seeks to provide leadership which will contribute to the country's economic growth on an equitable basis and which will ultimately underpin political transformation.

To facilitate transformation, Edcon's BEE Committee meets quarterly to review strategic positioning and to oversee the change process. In addition, a Transformation sub-committee of the Board was established, chaired by the Group HR Director, to assist in the integration of transformation policies across the business and to advise the Board and business on matters relating to transformation.

Our transformation strategies and policies seek to provide a framework for the development and implementation of BEE within Edcon. The approach addresses both internal change and opportunities with respect to our relationships with external stakeholders.

Much has already been achieved through efforts to address the seven key pillars of transformation.
In addition, Edcon has proposed the establishment of a Staff Empowerment Trust which will benefit approximately 18 000 permanent and permanent part-time employees, 94% of whom are black. This empowerment initiative has emphasised our commitment to addressing the quality of the lives of our people while creating the opportunity for staff to remain aligned with the economic interests of the Group.

A key initial goal of the transformation department was to generate recognition across the Group around the need to integrate transformation and business strategies. Developing consistent employee and business practices to foster sustainability provides a motivation for our employees to make productive contributions and encourages them to bring out their best.

As such, a wide range of Edcon's business policies, including quality of management, pay and conditions in the workplace, recruitment practices, training and development and the new staff empowerment scheme support our ongoing transformation initiatives.

Current BEE Status

Our management control, employment equity and skills development initiatives and progress are detailed in the Human Resources section of this report on page 59.

Company ownership

- A staff empowerment deal includes the following benefits:
  1. Voting rights equivalent to a 10,6% stake in Edcon for at least a six-year period.
  2. Economic benefits equivalent to the dividends paid on a 10,6% stake in Edcon, but paid in terms of a half-yearly empowerment payment to these employees.
  3. Capital appreciation on the Edcon share price over and above R500 in years three and six of the transaction.
- The transaction fulfils the essence of the BEE charter in that it transfers wealth and empowers a broad base of black individuals.

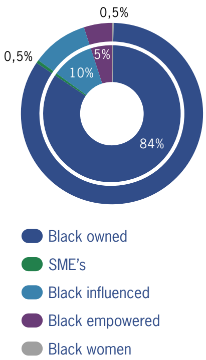
Preferential procurement

- The Group is currently collating the amount spent with black enterprises with a view to setting targets for the future. It is estimated that 15% of the Group's controllable spend went to black suppliers in the past year.
- A Preferential Procurement and Enterprise Development Policy has been formulated to maximise the spend with black suppliers and to assist them in competing for the Group's business. Focus areas of the policy include:
  - Driving BEE procurement behaviour at corporate and chain levels;
  - Helping BEE small businesses to complete tender documentation;
  - Making BEE status part of the supplier selection process;
  - Monitoring and evaluating growth in the value of the spend with BEE suppliers per category; and
  - Developing BEE suppliers through funding initiatives and quality management.

Positive upliftment through investing in sustainable projects

- Edcon is conscious that BEE needs to be an integrated business process. The transformation function continuously analyses the Group's controllable procurement spend to determine how much can be channelled through BEE suppliers. In determining the potential BEE spend, issues such as business risk, capital investment required to supply the goods and services, technical complexity and geographic delivery patterns are considered.
- A database of black suppliers has been developed to facilitate the achievement of the Group's BEE spend targets.

Preferential procurement expenditure (total R1 631 million)



Social development

- The Group's Corporate Social Investment (CSI) initiatives have been aligned with Edcon's overall transformation objectives. The focus is on the positive transformation and upliftment of communities through investment in sustainable projects, that support both the Government's and Edcon's priorities on education, health and social development.
- The CSI spend in the last year was in excess of R23 million (2004: R16 million).

Government Relations

Our focus has been to:

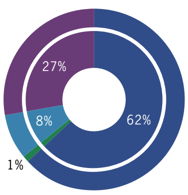
- Position the Group's business/social interests by establishing relationships with key government bodies within various fora to manage proactively and advise the business of issues in the public arena as they arise, and be a credible voice for the company on matters related to business policy formulation.
- Scope and position a holistic government relations solution aligned to the internal and external macro and micro political, social and business scenarios. This is achieved by an in-depth understanding of the various government departments, in order to position the business by communicating the business value impact on the socio-economic geographical area and maximising business opportunities.
- Create an awareness of government operating processes by identifying the relevant different approaches and channels thereby facilitating better relationships with stakeholders.

- Establish retail associations in each metropolitan to work with the city councils on matters affecting the trading environment in the respective CBD's.
- Establish a business impact framework in order to isolate and manage the interrelated variables that could affect business operations and direct these to the relevant stakeholders (business, labour and government structures) in order to obtain a desired end result.

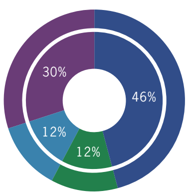
Corporate Social Investment (CSI)

Through our strategic partnerships with various stakeholders, Edcon's CSI has had a positive socio-economic impact and have delivered added value to the recipient communities and institutions.

CSI expenditure
(total R23 million)



Analysis of
education initiatives



Projects are implemented systematically with a focus on the involvement of all stakeholders. This contributes to successful delivery and the sustainability of solutions for the benefit of the community and Edcon. This approach enhances Edcon's corporate branding and reputation as a good corporate citizen, employer of choice and active community builder.

As part of its formal CSI strategy, Edcon maintains a level of flexibility to ensure that we have capacity to respond in times of unexpected crisis in the communities in which we operate. Such initiatives often take the form of direct donations of clothing, books or general merchandise which help to alleviate hardship.

Edcon also provides support for projects identified by individual staff or specific stores. This forms part of our drive to encourage staff involvement in their community and allows them to take pride in working for a Group which is progressive, and embraces, and learns from, diversity. This is both socially responsible as well as a business choice.

We aim to create opportunities and to provide resources to develop our people's capacity to contribute and to participate in creating a nation that is inspiring, progressive and caring.

Education

Edcon has identified education as a key area of intervention. Our focus encompasses educator and student development, school management improvement and youth empowerment.

Focusing on poverty alleviation and community development

Project highlights for the year include:

- Partnerships with Read Educational Trust and Penreach focusing on early childhood development programmes.
- Assistance to Rally to Read, which delivers carefully selected books to remote schools across South Africa and underwrites teacher development programmes.
- Support for the National Business Initiative (NBI) Equip programme aimed at improving leadership and governance in schools.
- Support for Junior Achievement South Africa (JASA) which provides business and entrepreneurial skills training to students with the objective of empowering the youth of South Africa.
- CNA Class of 2004 competition which seeks to encourage youth participation in social developments.
- Participation in 'take a girl child to work' day.
- Support for the Boys and Girls Town South Africa 'Well Managed Classroom' programme.

Social Development

Social development continues to play an important role within Edcon's CSI programmes. Our focus is on poverty alleviation programmes and projects that encourage sustainable development in communities. This has resulted in the formation of partnerships with the Department of Social Development and other welfare organisations.

Interactions during the past year encompass:

- Jet Club Community Awards.
- Kenneth Kaunda Work Project (Habitat for Humanity). In addition to financial support, Edcon employees volunteered to participate in the house-building programme.
- Edcon remains the largest sponsor of SOS Children's Villages in South Africa.
- Ongoing support for Childline.
- Nelson Mandela Children's Christmas Party Gift packs were provided to children attending the annual Christmas party.

Health

In addition to Edcon's internal HIV/Aids programme, our external contributions focused on improving South Africa's health, primarily through HIV/Aids prevention, education and care-giving.

Project highlights for the past year were:

- Participated in the 16 Days of Activism against Women and Child Abuse.
- Support for the fight against HIV/Aids was given through participating in the HIV/Aids Bannerthon campaign.

- Donations of nutritional packs, through the SOS Outreach Programme and Tikkun.
- Sponsorship of the Witwatersrand Hospice Laugh and Dine dinner.
- Donations to children's hospitals.

Looking Forward

Edcon's aspiration is to be an integral part of the upliftment of South Africans and to stay relevant to the communities we serve through not only our business practices but all our transformation and social investment initiatives.

Zimbabwe

During the year, the rate of inflation in Zimbabwe slowed dramatically from over 600% to below 300%, following the introduction of real interest rates and more stability in the value of their currency. Dire shortages of foreign currency at the weekly Central Bank auctions, however, meant that for another year, no funds were available for the payment of dividends to foreign shareholders.

In spite of a further deterioration in the retail environment and lower levels of consumer confidence, Edgars Zimbabwe had another relatively successful year and gained further market share from its competitors. Group sales rose by an impressive 293%, while margins were maintained. Accordingly, headline earnings per share rose by 294%. Following a reduction in the credit terms offered to customers, cash from operating activities grew significantly and at year-end, gearing fell from 15% last year to negative 49%.

As indicated in last year's annual report, dividends, which could not be remitted for the past three years, were converted in the current year into ordinary shares in Edgars Zimbabwe. These 7,7 million shares, together with an additional 27,9 million shares, were transferred to the Zimedgroup Employee Trust Company (Private) Ltd resulting in the Group's holding in Edgars Zimbabwe falling below 50% to 42%. Consequently, as the Group has a minority holding in Edgars Zimbabwe and does not control its operating activities, it remains appropriate for Edcon to continue not to consolidate or equity account the Edgars Zimbabwe results. The investment is reflected in Edcon's books at a nominal R1.

Dividends declared to the Employee Trust Company will be distributed amongst our Zimbabwe staff equitably, based on performance, with 50% thereof reserved for bargaining unit staff, 25% for middle management and 25% for executives.

Further declines in Gross Domestic Product are expected in Zimbabwe in the year ahead. As a result, trading will be constrained, but every effort will be made to maintain growth in sales and earnings ahead of the rate of inflation.

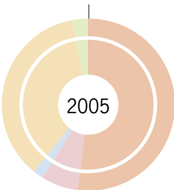
Appreciation

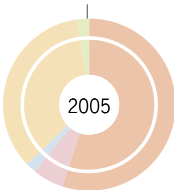
In last year's annual report I challenged my divisions to exceed the boundaries of possibility; and once again they have achieved the seemingly impossible. I salute each and every member of this highly competent, dedicated team of professionals in their respective fields, and thank them for their contribution to a truly superlative set of results. The race in retail never ends, however I remain confident that we have a winning services team that will continue to support the retail businesses in their ambitious endeavours.

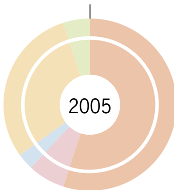
Thank you

M R Bower *Chief Executive – Group Services*

Chain Analysis



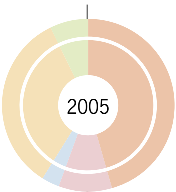


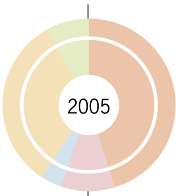


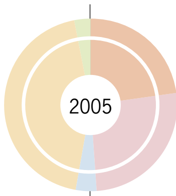
	Retail sales			Gross profit			Stockturn		Number of employees (Note 1)			Retail sales/ retail employee		
	2005 Rm	2004 Rm	%	**2005 Rm**	2004 Rm	%	**2005 Times**	2004 Times	**2005**	2004	%	**2005 R000**	2004 R000	%
Edgars	**7 055**	5 596	26	**2 982**	2 299	30	**5,5**	5,2	**7 895**	6 730	17	**894**	832	7
CNA	**1 012**	874	16	**329**	328	—	**3,4**	2,7	**1 021**	874	17	**991**	1 000	—
Boardmans	**241**			**93**			**2,7**		**397**			**607**		
Department Stores Division	**8 308**	6 470	28	**3 404**	2 627	30	**5,0**	4,6	**9 313**	7 604	22	**892**	851	5
Jet	**4 825**	3 600	34	**1 896**	1 369	38	**8,6**	7,2	**4 400**	3 429	28	**1 097**	1 050	4
Jet Mart	**457**	460	—	**110**	111	—	**4,9**	4,6	**732**	1 099	(33)	**624**	419	49
Discount Division	**5 282**	4 060	30	**2 006**	1 480	36	**8,1**	6,7	**5 132**	4 528	13	**1 029**	897	15
Total	**13 590**	10 530	29	**5 410**	4 107	32	**5,8**	5,2	**14 445**[3]	12 132[3]	19	**941**[3]	868[3]	8

Notes

1. Includes permanent part timers and flexible full timers. Excludes flexible part timers, learners and casuals.
2. Represents active accounts and includes securitised debtors accounts (000): Department Stores Division – 1 110 000 (2004: 988 000) Discount Division – 844 000 (2004: 530 000).
3. Excludes Corporate and Credit and Financial Services employees of 3 160 (2004: 2 735) regarded as retailing employees in the 7 Year Group Review data.
4. Excludes 12 000 (2004: 9 000) third party accounts in the Credit and Financial Services Division.



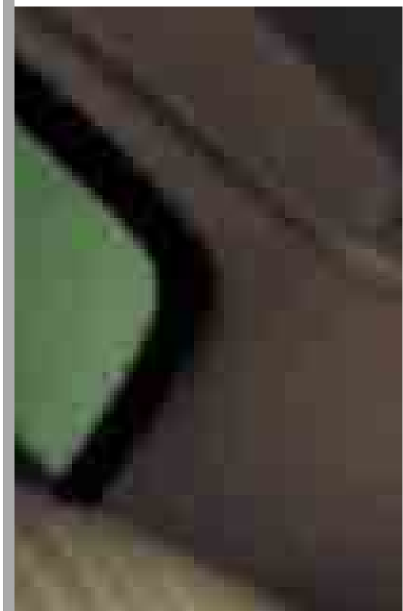


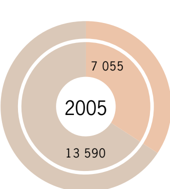


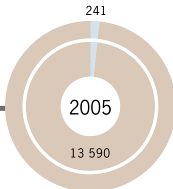
Average retail space			Closing retail space			Retail sales/m² (moving average)			Number of accounts (Note 2)			Closing number of stores		
2005 000 m²	2004 000 m²	%	**2005 000 m²**	2004 000 m²	%	**2005 R**	2004 R	%	**2005 000**	2004 000	%	**2005**	2004	%
401	379	6	**421**	386	9	**17 594**	14 778	19				**171**	155	10
90	82	10	**89**	88	1	**11 244**	10 610	6				**191**	186	3
29			**33**			**8 310**						**28**		
520	461	13	**543**	474	15	**15 977**	14 035	14	**1 709**	1 506	13	**390**	341	14
297	283	5	**306**	287	7	**16 246**	12 709	28				**320**	283	13
63	50	26	**71**	57	25	**7 254**	9 260	(22)				**24**	17	41
360	333	8	**377**	344	10	**14 672**	12 192	20	**1 766**	1 418	25	**344**	300	15
880	794	11	**920**	818	12	**15 443**	13 262	16	**3 475**[4]	2 924[4]	19	**734**	641	15

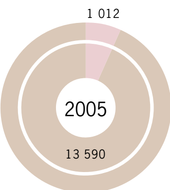
Department Stores Division

The Department Stores Division exceeded its sales and profit contribution budgets for the year, resulting in an increase of 28% in sales and 68% in profit contribution over the previous year.









Edgars
CNA
Boardmans
Group

J L Spotts: *Chief Executive*
Department Stores Division

The Department Stores Division comprises the following retail chains: Edgars, CNA, Boardmans, Red Square, Prato and Temptations, all of these chains serve middle- and upper-income southern Africans. While senior management within the Division is responsible for overseeing the entire operation, CNA still maintains separate buying, planning, marketing and store operations structures up to executive level. As a result, we are able to provide segmented financial measures for CNA to the gross margin line but consolidate expenses into the Department Stores Division total. The other chains share management resources at all levels above store level.

The following table provides comparative key performance indicator data for the entire Department Stores Division:

Key performance indicators	**2005**	2004	Change %
Retail sales (Rm)	**8 308**	6 470	28
Trading profit (Rm)	**994**	590	68
Number of stores	**390**	341	14
Average retail space (000 m^2)	**520**	461	13

The Department Stores Division exceeded its sales and profit contribution budgets for the year, resulting in an increase of 28% in sales and 68% in profit contribution over the previous year. This was achieved with 13% more average trading space. Sales momentum was maintained throughout the year with a 31% increase recorded for the first six months and 26% increase for the second half. Gross profit margin rose to 41,0% (an increase of 40 basis points compared to last year) as assortments became more focused, and total cost reductions remained below 10% of sales. Store and chain management expenses were well managed and ended 21% up on last year, resulting in positive leverage on a percent to sales basis.

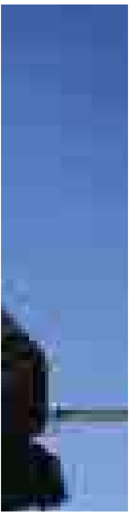
We remain the leading national distributor of top global brands, supplemented by a value-for-money range of core merchandise.



Delivering a superior shopping experience

While the merchandise product categories differ for each chain, the chains share the same mission of being the pre-eminent customer service providers in southern Africa. All aim to deliver a superior shopping experience through; store layouts and signage that make merchandise easy to find, being in-stock of sizes and colours, and offering friendly and helpful sales assistance and quick and easy checkout.

Edgars



Key performance indicators	2005	2004	Change %
Retail sales (Rm)	**7 055**	5 596	26
Gross profit (Rm)	**2 982**	2 299	30
Number of stores	**171**	155	10
Average retail space (000 m^2)	**401**	379	6
Stockturn (times)	**5,5**	5,2	

Edgars is the leading retailer of clothing, footwear, textiles and accessories in southern Africa and operates full-line department stores. Underpinning our aforementioned customer service deliverables is a merchandise offering that provides an assortment of appropriately fashionable product representing clear value for quality. We remain the leading national distributor of top global brands, supplemented by a value-for-money range of core merchandise, including sportswear and other apparel products relevant to our customer segment.

The Edgars chain achieved unprecedented success across every relevant key performance indicator for the fourth consecutive year. Chain performance compared favourably with industry performance, as well as with internal standards. Market share grew by 60 basis points. The most significant gains were noted in the footwear business, supplemented by apparel with Ladies', Mens', Childrens', Intimate Apparel and Active Apparel groups all recording gains.

Edgars exceeded its sales and gross profit budgets for the year, with an increase of 26% for sales and 30% for gross profit over the previous year. The gross profit margin rate increased by 120 basis points over the previous year. This was achieved with 6% more average trading space and zero selling price inflation.

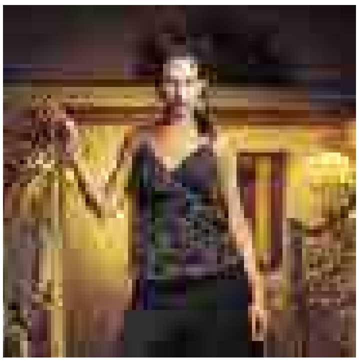
Stockturn improved from 5,2 to 5,5 times as the chain continues to leverage the capabilities of the Retek merchandising system. Retek has allowed us to improve the freshness of our inventories through enhanced information availability, distribution methodologies and inventory control processes. The replenishment systems have become more detailed and efficient, allowing better Stock Keeping Unit (SKU) level fulfilment. Markdowns and pricebreaks are centrally managed, providing excellent control and strategic implementation.

We will continue to implement enhancements to our merchandise system during the course of the new year. Information reporting will become quicker and more efficient. A new assortment planning tool will make the process of determining ideal store assortments easier. Inventory risk management and store allocations will be improved through the development of a new merchandise forecasting system.

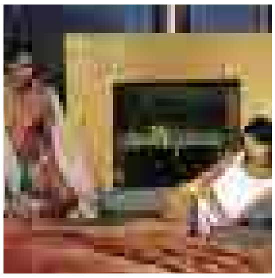
Supplier performance is critical in ensuring that we can leverage fully our new process and system enhancements. As such, strategic sourcing workshops will be held with key vendors to strengthen relationships and ensure a more consistent source of supply. The workshops will be based on the programme developed by Jet last year which was critical to the improvement they achieved in supplier delivery.

Trading densities were improved by 19% due to enhanced sales floor replenishment processes, revamps to some of our larger stores and new fixturing programmes. Edgars' locations are well matched to our target customer base allowing for focused assortments and effective marketing programmes. The renovation and fixturing programmes allowed us to trade more efficiently in areas where we have the greatest growth potential. Future expansion plans include the addition of 14 full-line Edgars stores over the next year resulting in 11% more trading space by the close of the next financial year.

Our credit account base increased year-on-year due to improved credit marketing activities and the enhanced merchandise and service offering. As a result credit sales grew by 29% as the account base showed an increase of 14% and the average credit purchase increased by 22%. The new credit marketing activities included pre-approved account mailings and further enhancements to Edgars Club benefits. The pre-approved account mailings were very successful with response rates exceeding established direct mail norms. We will tailor future mailing campaigns on what was learnt from this year's mailing. We are also changing the



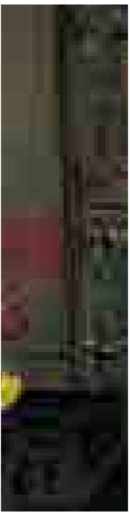
Customer service is central to our strategy and the successes of the past year were achieved through continuous improvement in our ability to meet our customer service deliverables.


Continuous improvement in meeting deliverables

format of our Club Magazine to align it more closely with our retail offering, thus making it appealing, relevant and useful to our Club members.

In addition to the new Club Magazine format, the chain will also be revising its advertising message in order to clearly communicate its brand proposition. A new advertising agency, The Jupiter Drawing Room, has been appointed to manage the process. The chain has significantly reduced the number of pricebreak promotions on the advertising calendar during the past year. This created space to communicate its service and value strategy. We will also upgrade our in-store visual package to make our stores more aspirational.



Customer service is central to our strategy and the successes of the past year were achieved through continuous improvement in our ability to meet our customer service deliverables. The fundamentals are simple, yet they require that each person in the organisation demonstrates leadership in their respective roles. Consistency from department to department and from store to store is vital and this year more people delivered great performances than ever before. Employee efficiency levels improved as sales per employee rose by 7% and as a result, approximately 94% of store staff will qualify for our performance incentive programme. The majority of our head office staff will also benefit from the Performance Rewards programme with an estimated 98% of employees qualifying for a payout.

Experience has helped the organisation realise improved benefits from the performance management process and our Performance Rewards incentive programme. Each employee received a personalised set of goals and was personally evaluated against these goals. A more targeted approach to training has allowed us to improve the competency of our staff. Each employee in the chain has been measured against the competencies defined for their respective position. A customised training programme is then developed to address the gap between the knowledge and skills currently possessed by the employee and the required competencies.

The chain will also implement a new management development programme to help it meet the needs of our expanding organisation. Beginning in March 2005, 50 buyer and planner trainees and 90 store operations management trainees embarked on an intensive five month training programme. Through a combination of general business and Edcon-specific curricula, we will fast-track these learners, enabling them to make an immediate impact on the business.

New store staffing structures will be introduced during the year to improve service delivery. Additional departmental managers will be added to our larger stores to enable closer supervision, improved training and better relationships with store staff members. We have also created a new employee type called a flexible full-timer with an employment contract which enables them to work evenings and weekends when trade often reaches its peak levels. We will convert many of our part-time and casual staff members to fill these positions, resulting in more permanent positions throughout the chain, while still maintaining the flexibility of our staffing component. Permanent staff members have a longer tenure with the chain than casual and part-time staffers, resulting in improved efficiencies from our training expenses and reduced recruitment needs.

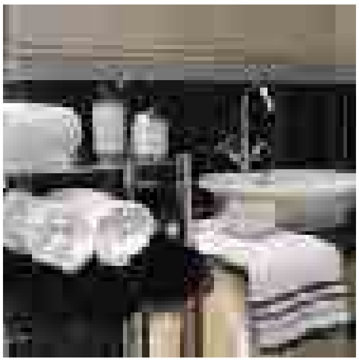
Outlook

The outlook for Edgars continues to be very promising. Employees at every level of the organisation are engaged in improving our proposition to the customer. The appeal of well-priced, fashionable apparel, footwear and textiles, coupled with the strongest and best priced assortment of national and international brands, offered to customers in an environment of care and efficiency, should continue to make us a unique and formidable force in the region.

Key performance indicators	2005	2004	Change %
Retail sales (Rm)	**1 012**	874	16
Gross profit (Rm)	**329**	328	—
Number of stores	**191**	186	3
Average retail space (000 m^2)	**90**	82	10
Stockturn (times)	**3,4**	2,7	

The CNA mission is to become the dominant retailer of reading, writing, listening, learning and communicating consumables to middle and upper-income families in southern Africa. Underpinning this strategy is competitive pricing, well positioned and easy-to-shop stores, strong customer interface at till points and exciting and fresh assortments, all put together by skilled, well trained staff and backed up by first class systems.

CNA achieved its sales budget with an increase of 16% over the previous year and 10% more average trading space. Gross profit and



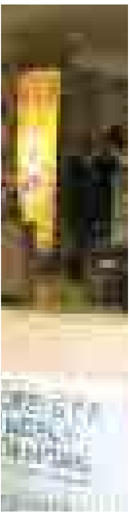
Core items have been identified and new product launches have become a priority enabling us to make steady progress towards improving our in-stock position.



CNA has a great brand name and customer base

employer productivity was similar to last year and trading densities increased by 6%. Improved stock efficiencies led to an improvement in stockturn from 2,7 to 3,4 times.

All merchandise groups achieved a sales increase for the year except for audio which finished in line with the previous year. The performance in audio was hampered by unproductive stocks remaining from the acquisition. These have now been liquidated, facilitating a sales increase in the final months of the year. CNA's most dominant businesses, namely newsstand, books and stationery, produced healthy increases during the year. Greeting cards, gift wrap and gifting are also quickly becoming dominant businesses as new product development has resulted in improved volumes for the second half of the year. Computer and television gaming led to a resurgence in our interactive business, with sales in our video category being driven by the shift to DVD as the VHS format is being phased out. Cellphones posted excellent sales increases as assortments became more focused and replenishment improved. Toys and photo development and accessories were affected by structural shifts in technology and increased competition, but still managed to record increases. We are in the process of modernising our approach to these businesses and expect to see improving results as the year progresses.



Outlook

Opportunities exist for significant range development in numerous product categories which will be completed in the first half of the new year. Core items have been identified and new product launches have become a priority enabling us to make steady progress towards improving our in-stock position. The most significant improvements to in-stock positions will come through a focus on increasing the skills levels of buying and planning staff, improved replenishment methodologies and closer relationships with our suppliers. Store operations structures were changed late in the financial year to provide more permanent staff in store and more hands-on management from the regional and head office management team.

CNA has a great brand name, an excellent real estate portfolio and a strong customer base. The Edcon infrastructure will allow a rejuvenated CNA workforce to fulfil the mandate of returning the chain to its pre-eminent position in its chosen product categories.

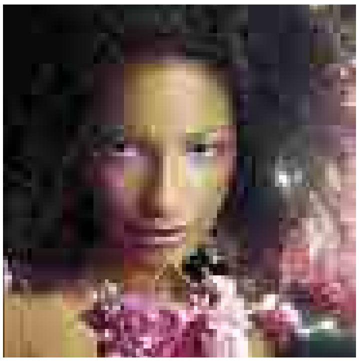
boardmans

Boardmans was acquired in April 2004 to strengthen the Group's position in the fast-growing home living retail segment. It has a strong brand name and loyal customer base. The chain consisted of 25 retail stores, primarily based in appealing locations in South Africa's premier malls. We have added 3 freestanding stores and 5 full-size locations within Edgars stores during the course of the financial year. The stores range in size from 600 to 2 700 square metres.

Boardmans aims to provide the most complete home living solution in the mall. The merchandise assortment will consist of well-priced core items, the best of international brands and the latest in fashion and technology. Significant opportunities exist to achieve synergies between the existing home living departments within Edgars stores and Boardmans, from the standpoint of both the product range and service offering. Edgars' proficiency in bedroom and bathroom ranges will be used to strengthen these areas within Boardmans. Likewise, Edgars will capitalise on Boardmans' heritage in kitchen and home décor.

Boardmans was fully integrated into Edcon's IT systems as of June 2004 in what was our quickest and most seamless integration of an acquisition to date. The chain achieved sales of R241 million in its freestanding locations. The gross profit margin was 38,6% reflecting improved merchandise management. Trading densities were R8 310 m² indicating substantial opportunity for growth.

We have made considerable progress during the past year in achieving our stated strategy for Boardmans. In-stock has improved steadily as the merchandising teams and the vendor community have learned how to work with Edcon merchandise systems and philosophies. Assortments have become more complete on a monthly basis, although considerable improvement must still be realised. Store staff have been trained on Edcon standards and processes and managers have begun utilising our human resource tools to improve performance. Credit has been made available to Boardmans customers allowing a full range of payment options.



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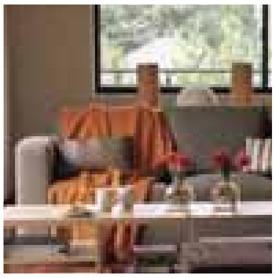



Exceptional financial results while undergoing unprecedented change

TEMPTATIONS

Temptations is a chain of ladies' intimatewear stores dedicated to providing a complete private label assortment at excellent value combined with personal and highly knowledgeable service. We launched Temptations on 30 March 2005, thus, the sales for this reporting period are insignificant. There are currently 4 freestanding stores of 250 – 300 square metres and 6 shop-within-a-shop locations within Edgars stores. The long-term plan is to make this exclusively a freestanding concept of 40 – 50 locations.

prato

Prato is a chain of footwear stores targeting 16 – 30-year-old consumers, offering a heavily branded footwear assortment with credit facilities available on Edcon store cards. The chain was launched in August 2004, by closing the ABC shoe chain and converting the 5 remaining locations to Prato. Adjustments are still being made to assortments and we are continuing to hone our service offering. The concept is dependent on acquiring high traffic locations in top-end malls and expansion will continue as sites become available.

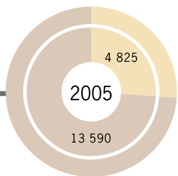
Acknowledgements

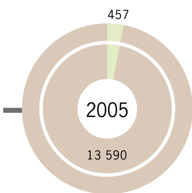
The Department Stores Division has undergone unprecedented levels of change due to the expansion of existing businesses and the creation of new businesses while still achieving exceptional financial results. These accomplishments have been made possible through the efforts and discipline of everyone on the team. I would like to congratulate associates for meeting all of these challenges with a high degree of leadership, motivation and expertise.

JL Spotts *Chief Executive – Department Stores Division*

Discount Division

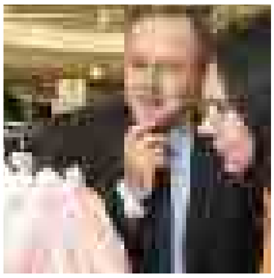
The Discount Division's target market is the mass lower to middle income market in southern Africa.





Jet
Jet Mart
Group

A v A Boshoff: *Chief Executive*
Discount Division



The Discount Division includes the Jet, Jet Mart, Legit and Jet Shoes retail formats. Its mission is to be the consumer store of choice, for the products we sell, and to honour our promise to an ever increasing customer base of being "Good for Life". The Discount Division's target market is the mass lower to middle-income market in southern Africa. Our mission will be achieved by:

- Being the dominant retailer of discounted volume product with special emphasis on clothing and also by offering the best financial service products in the market;
- Having the lowest cost structure in the discount industry and by offering the lowest prices; and
- Developing supplier alliances and superior local and international sourcing capabilities.

Discount Division

Key performance indicators	2005	2004	Change %
Retail sales (Rm)	**5 282**	4 060	30
Trading profit (Rm)	**653**	366	78
Number of stores	**344**	300	15
Average retail space (000 m^2)	**360**	333	8

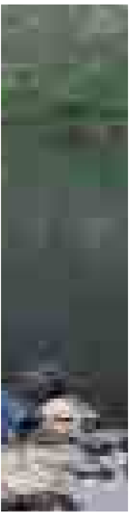
Jet Mart's results are disclosed separately in this report while Legit and Jet Shoes are incorporated into the Jet chain. Jet Mart has been completely integrated into the Discount Division infrastructure. Specialised functional teams centrally manage and control business decision making for all the Division's retail formats, while the credit, distribution, finance, human resource, IT and real estate requirements are fulfilled centrally.

Jet achieved unprecedented success across every relevant key performance indicator.



Outstanding growth in Discount Division sales

The Discount Division reported outstanding results with a 30% increase in sales and a 78% rise in trading profit. This was achieved with only 8% more average trading space. Efficient replenishment processes and better input margins ensured that the gross profit margin improved from 36,5% to 38,0%. Confirmation of the Division's ability to improve the return on its merchandise investment is reflected in the increased stockturn from 6,7 times last year to 8,1 times.



Key performance indicators	2005	2004	Change %
Retail sales (Rm)	**4 825**	3 600	34
Gross profit (Rm)	**1 896**	1 369	38
Number of stores	**320**	283	13
Average retail space (000 m^2)	**297**	283	5
Stockturn (times)	**8,6**	7,2	

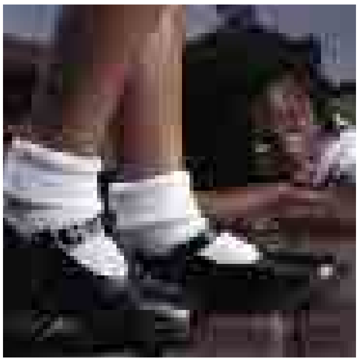
Jet achieved unprecedented success across every relevant key performance indicator. The chain's performance surpassed industry norms and in several instances compared favourably with global best practice. Retail sales revenue rose by 34% over the previous year, and on the back of a 5% increase in average retail space comparable sales growth sustained its momentum at 29%. More competitive and disciplined sourcing, coupled with the benefits associated with a strong Rand, increased the buying margin. Average stockholdings were only 11% higher, while stockturn advanced from the previous record level of 7,2 times, to a new high of 8,6 times. As always, this increase in productivity was facilitated through leveraging our world-class information system capabilities. The store cost of selling ratio was reduced from 16,5% to 14,9%. Another significant achievement was the reduction in stock losses as a percentage of sales from 1,4% to 1,0%.

Even more remarkable is that these achievements were accomplished with an 18% deflation in the average selling price of merchandise. This translates into a unit throughput increase of 63%. The resultant pressure on store capacity is a challenge which is monitored closely to ensure that space, fixture, people and technology requirements are being met. Overall sales growth was supported by strong growth in menswear, mens' footwear and childrens' wear. Exceptional results were also recorded in ladieswear, ladies' footwear and infantswear. Jet was richly rewarded for its retail value proposition and advertising efforts by being ranked in the number one position for brand awareness and loyalty for apparel retailers in South Africa in the annual Markinor survey of brands.

A new store location plan was successfully implemented which drove store openings into previously untested areas, taking the "number one" apparel brand to the people. On average the performance of the newly opened stores exceeded our retail sales revenue expectations by a healthy margin, proving that we have a successful business model that can now be replicated at an accelerated pace.

Membership in the Jet Club grew by 14,6% over the previous year. Jet Club remains the largest Loyalty Club in the country and its magazine is also the most widely distributed and read, reaching 1,8 million people each month. It serves as a unique advertising, customer messaging and marketing research platform and provides the Discount Division with a sustainable advantage over its competitors. The Club membership also provides a valuable database of potential customers for high quality discount financial service products, including funeral coverage, cellphone insurance, and account protection against job loss, incapacity and/or death.

Legit, the retail format that caters for 16 – 24-year-old young fashionable women was rolled out during the year with great success. The format now consists of 52 stores, all yielding optimal levels of productivity and we are now actively looking for additional store locations. The opening of stand-alone Jet Shoes pilot stores coincided with the elimination of the Cuthberts retail format. The test results so far are positive and we are also looking for additional store locations, albeit with a less aggressive approach.



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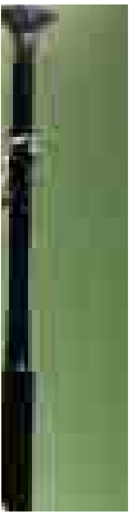
Rebranding highly successful



Key performance indicators	**2005**	2004	Change %
Retail sales (Rm)	**457**	460	—
Gross profit (Rm)	**110**	111	—
Number of stores	**24**	17	41
Average retail space (000 m^2)	**63**	50	26
Stockturn (times)	**4,9**	4,6	

Jet Mart is a general merchandise discounter selling clothing, kitchenware, music, D.I.Y, small electrical appliances, household textiles, health and beauty and stationery. Last year we announced a plan to co-brand the 17 Super Mart stores with the Jet brand, while all new stores would be opened under the newly designed Jet Mart retail format. The openings of those new stores in Thohoyandou, Mitchells Plain, The Bridge in Johannesburg, Mamelodi and Dobsonville proved to be highly successful and led to the decision to re-brand the existing Super Mart stores to Jet Mart immediately. This re-branding allows for some of the Jet merchandise ranges to be retailed with strength through these formats and we anticipate the apparel contribution in these stores to exceed 30% in future.

The general merchandise assortment was considered too wide and was consequently narrowed from approximately 1 280 stock keeping units (SKUs) by store to approximately 830 SKUs. Although the end result was a more focused merchandise range, retail sales revenue suffered in the short-term with comparable sales down on last year for most of the year. Jet Mart's total sales revenue was R457 million at a gross profit of R110 million representing a gross profit margin of 24,1%. The flow of merchandise was well managed and delivered a stockturn of 4,9 times.

In October 2004 we started to allow existing Jet cardholders to purchase on credit in Jet Mart. The credit behaviour of these customers will be closely monitored by the Credit and Financial Services Division. The disciplines introduced during the year have resulted in improved sales and productivity in the last two quarters and a platform for growth has now been established. I am confident that this growth trend will continue into the new year.

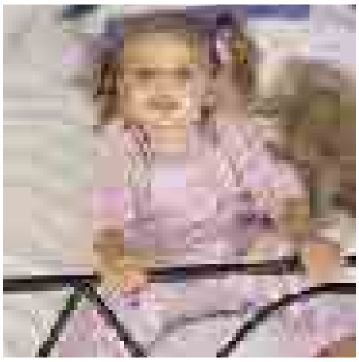
Strategic Initiatives

During the year under review the segments targeted by the Discount Division were re-visited, updated and deepened. In the coming year portraits of our customers will be imprinted in the minds of those involved in merchandise, marketing and development decision-making. We also conducted a survey to evaluate future growth opportunities for the Discount Division, and as a result, a range of health and beauty products and a convenience food range will be piloted in the Jet and Jet Mart retail formats respectively. Subsequent full-scale rollout of these initiatives is dependent upon the test results. At the same time a narrow and focused cosmetics range will be tested in Legit.

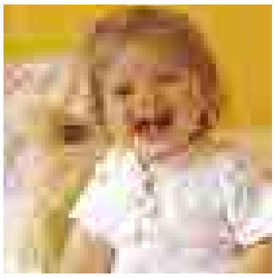
A framework for strategic decision-making in the Discount Division, appropriately called “Shaping the Jet World”, was launched during the year. This framework successfully integrates the macro-environment, the target segment and the competitive environment, through strategic questions and measurable parameters, and culminates in the Discount Division service delivery model. The newly formulated Discount Division strategy statement, service delivery model and the Edcon leadership handbook were rolled out to all levels within the Division. Senior management now participate in quarterly strategic sessions, with the content designed around the elements of “Shaping the Jet World”. From these sessions, areas for reinvention in terms of people, product, position and performance are identified. Action plans are designed and executed by specifically selected committees.

Strategic priorities identified for 2006 include, *inter alia*:

- Continual development and sourcing of talented people under the Edcon Employer of Choice programme;
- Improvement in the pipeline visibility with commensurate supply chain benefits;
- Extracting value from our supplier base through collaborative relationship building and performance management;

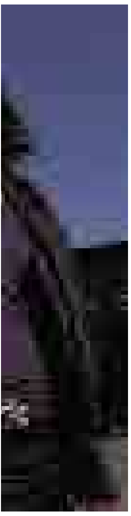


We expect that if we continue to satisfy our customers' desire for exceptional value, in a low cost environment and with fashions that engender respect, the Discount Division will again deliver growth in sales.


Remaining close to our customers

- Significant store expansion;
- Establishing and maintaining a globally competitive retail cost model;
- Improvement in decision-making at a colour and size dimension;
- Empowerment of all our people through well documented process models;
- Continual increase in market share and dominance in the categories in which we trade; and
- Piloting a health and beauty product range in Jet, cosmetics in Legit and a convenience food range in Jet Mart.



Outlook

The sound economic fundamentals in South Africa should continue to favour our customers in the foreseeable future. Closeness to the customer is therefore the rational route to sustainable growth in retail sales revenue. We expect that if we continue to satisfy our customers' desire for exceptional value, in a low cost environment and with fashions that engender respect, the Discount Division will again deliver growth in sales, market share and profit, in the year ahead. I acknowledge that the success of the Discount Division depends upon the performance of its team of people. Finally then I thank each and every member of the Discount Division for upholding their demand for greatness and for their truly outstanding commitment and results.

A v A Boshoff *Chief Executive – Discount Division*

Mr S M Ross
Group Chief Executive Officer: Edcon
BA
(53) Joined 1998

Mr J L Spotts
Chief Executive: Department Stores Division
BS, CPA
(42) Joined 1999

- **Mr R Dodds** — *Marketing Executive* — **(46) Joined 2004**
- **Mr C T Garraway** — *Operations Executive: North Division* — BCom — **(39) Joined 1990**
- **Ms S Pieterse** — *Planning Executive* — BCom (Hons) — **(34) Joined 1992**
- **Mr S E Hoddy** — *Merchandise Executive* — BCom — **(38) Joined 1993**
- **Mr N G Fowler** — *Operations Executive: South Division* — **(34) Joined 1991**
- **Mr M Moodley** — *General Manager & Merchandise Executive: CNA* — BMech Engineering — **(45) Joined 2004**
- **Ms V Shera** — *Merchandise Executive* — **(38) Joined 1991**
- **Ms M Lambros** — *Planning Executive* — **(37) Joined 1991**
- **Mr A M Dearling** — *Merchandise Executive* — BSc, MBA — **(52) Joined 1995**

Mr A v A Boshoff
Chief Executive: Discount Division
BA (Hons)
(53) Joined 1998

- **Mr R Ashton** — *Marketing Executive* — **(48) Joined 1983**
- **Ms J T de Chaud** — *Merchandise Executive* — BCom — **(41) Joined 1998**
- **Ms D A du Sart** — *Planning Executive* — **(47) Joined 1978**
- **Ms H R Khan** — *Planning Executive* — BCom — **(32) Joined 1994**
- **Mr R A W Roberts** — *Merchandise Executive* — **(61) Joined 1969**
- **Mr C Claassen** — *Business Information and Development Executive* — BCom, BCom (Hons), CA(SA), MBA — **(36) Joined 2004**
- **Mr J H de Lange** — *Operations Executive* — **(51) Joined 1973**
- **Ms C Haupfleish** — *Executive Manager Planning* — **(43) Joined 1995**
- **Mr R Scott** — *Executive Business Manager* — **(35) Joined 1990**

Mr M R Bower
Chief Executive: Group Services
BCom, BCompt (Hons), CA(SA)
(50) Joined 1990

Mr S R Binnie
Group Financial Director
BCom, BAcc, CA(SA), MBA
(37) Joined 2002

Dr U Ferndale (Mr)
Group Human Resources Director
BA Hons, MA, DLitt et Phil
(40) Joined 1999

Mr J H Slabbert
Chief Information Officer
BSc (RAU), Bsc Hons (RAU), MSc (Unisa), MSc OR (Unisa), LicM (Belgium)
(49) Joined 2002

Mr M J Lewin
Property Development Executive
BCom, B AgMan
(50) Joined 1989

Mr M J Pienaar
Executive Manager: Commercial
BSc, LLB
(42) Joined 1996

Mr G Place
Executive Manager: Property Development
BSc
(46) Joined 2004

Mr I P Wood
Financial Services Executive
ACIS, AICM
(40) Joined 1991

Ms E A Bagley
Group Legal Advisor & Company Secretary
B.Proc. MBL
(54) Joined 2004

Ms T A Christelis
Executive Manager: Investor Relations
BCom, BAcc, CA(SA), CFA, H.Dip. Company Law
(35) Joined 2003

Mr R Mlotshwa
Group Managing Director: Zimbabwe
BA
(54) Joined 1981

Mr M J Deall
Merchandise Logistics Executive
BCom
(51) Joined 1979

Mr P J Moonsamy
Chief Executive: Manufacturing
BAdmin, MBA
(49) Rejoined 2003

Mr G R Evans
Chief Executive: New Business
(52) Joined 1981

Ms N Mosiane
Group Executive: Transformation
BA
(36) Joined 1997

2005 Highlights

- Employment contract of Chief Executive Officer, Mr S M Ross, extended until March 2008.
- Articles of Association amended to provide that immediately following each annual general meeting the directors will elect a Chairman from their number for the ensuing year.
- Quorum for Board meetings increased from 3 to 7, the majority of whom must be non-executive directors.
- Mr S D M Zungu's appointment as an independent non-executive director confirmed at annual general meeting held on 14 July 2004.
- Ms K D Moroka appointed as an independent non-executive director with effect from 1 April 2005.
- Transformation Committee actively engaged with fulfilling its mandate since its establishment in 2004.
- Edcon included in the JSE's Socially Responsible Investment (SRI) Index for 2003 and 2004.

Introduction

Edcon subscribes to and practises good corporate governance. The Group complies with all legislation to which it is subject, including the listings requirements of the JSE Securities Exchange South Africa (JSE) and the Namibian Stock Exchange, and endorses the principles incorporated in the Code of Corporate Practices and Conduct recommended by the second King Report (King Code). The Group includes sound corporate governance amongst its key priorities and constantly reviews and adapts its governance structures and processes to ensure that cognisance is taken of local and international standards of best practice and developments within the Group.

The Board and Directors

Edcon is governed by a unitary Board of Directors, assisted by the following committees:

- Audit and Risk Committee;
- Remuneration and Nominations Committee;
- Customer Service Committee; and
- Transformation Committee.

Mr W S MacFarlane, who is an independent non-executive director, chairs the Board. At the company's last annual general meeting the shareowners approved an amendment to Edcon's Articles of Association (articles) to provide that immediately following each annual general meeting the directors will elect a Chairman from their number for the ensuing year, and Mr MacFarlane was so elected.

The roles of the Chairman and the Chief Executive Officer are separate, with a clear division of responsibilities to ensure a balance of power and authority between them. The Chairman has no executive functions. He meets at least monthly with senior executive management to monitor progress and discuss relevant business issues and is available to respond to shareowner queries or issues relating to the Group at any time during the year. Non-executive directors have the opportunity to meet separately (without the Chief Executive Officer and executive directors) as and when circumstances warrant.

Edcon's Articles of Association permit a maximum of 20 directors. The names and credentials of the directors in office on 2 April 2005 are detailed on pages 12 and 13 of the annual report. Ms T N Eboka resigned as a director with effect from 31 December 2004 and Ms K D Moroka was appointed as an independent non-executive director with effect from 1 April 2005. Therefore, currently the Board consists of six executive directors and seven non-executive directors, five of whom are independent. The non-executive directors enjoy a majority and thus excercise significant influence at Board meetings. Edcon believes that its Board is sufficient in number and expertise to ensure a wide range of skills, views, experience and the professional and industry knowledge required to meet the Group's strategic objectives.

The Board applies the JSE's Listings Requirements' guidelines when considering a director's independence. Although Mr A J Aaron is a senior director of Werksmans Attorneys, professional advisors to the Group, the Board has determined that he is independent in character and judgement. Mr Aaron was appointed to the Board in 1978 and as Edcon's longest serving Board member, he brings invaluable advice and experience to the Board. Mr J D M G Koolen is the Managing Director of The Monitor Group, an organisation whose services were utilised during the year on an arm's length basis. In spite of this, the Board is satisfied that Mr Koolen has remained independent in character and judgement.

The Board and the Remuneration and Nominations Committee, in reviewing the Board's composition and structure, take into consideration criteria such as racial and gender diversity. Succession planning is also considered at every meeting of the Remuneration and Nominations Committee. Procedures for appointments to the Board are formal and transparent. New directors are appointed by the Board as a whole, subject to election by the shareowners in general meeting. On appointment, a new director has:

- Discussions with the Chairman regarding the company's expectations of the director, the potential contribution of the director to the Group and the areas of such director's expertise; and
- The benefit of an induction programme aimed at broadening that director's understanding of the Group as well as the business environment and markets in which the Group operates. The induction programme includes meetings with senior management, visits to the Group's major facilities and the provision of information relating to the business and financial performance of the Group.

Newly appointed directors cease to hold office at the conclusion of the next annual general meeting following their appointment unless the appointment is confirmed by shareowners at that meeting. All directors, except the Chief Executive Officer, retire by rotation. One third retire by rotation each year and are eligible for re-election by shareowners in accordance with the Articles of Association. Subject to performance and eligibility for re-election, Board continuity is imperative but it is generally expected that a non-executive director will hold office for no more than three consecutive three-year terms. However, the Board is mindful of the need to maintain an infusion of fresh thinking, a relevant mix of skills and experience and racial and gender diversity. The normal retirement age for an executive director is 63 years and for a non-executive director it is 70 years.

Certain executive directors, including the Chief Executive Officer, are engaged on fixed-period service contracts. This is presently considered appropriate given the scarcity of specialised skills in the South African retail industry. During the reporting period it was agreed to extend the employment contract of the Chief Executive Officer, Mr S M Ross, until 31 March 2008. The contracts of the Chief Executive – Group Services and the Group Human Resources Director have also been extended, until 31 January 2008. The Chief Executive – Department Stores Division has a contract which expires on 1 June 2006 and the Chief Executive – Discount Division signed a three-year contract to January 2008. In terms of the Articles of Association, Messrs W S MacFarlane, J M D G Koolen, M R Bower and Dr U Ferndale will retire by rotation at the next annual general meeting and, being eligible, will offer themselves for re-election. Shareowners will also be asked to confirm the appointment of Ms K D Moroka, who was appointed to the Board on 1 April 2005, as an independent non-executive director.

Through the Remuneration and Nominations Committee, the Board determines the level of remuneration and incentives provided to directors within any limitations imposed by shareowners. Incentives include allocations of share options to executive directors in terms of the company's share incentive scheme. Edcon encourages executive directors to hold shares and options in the company, believing that this has the capacity to increase the focus of executive directors on Group performance and share value and is therefore in the interests of all shareowners. Non-executive directors may only receive share options with the prior approval of a resolution passed by shareowners. None were passed during the year under review. Non-executive directors receive no significant benefits from Edcon other than their directors' fees and discounts on private purchases.

Board Charter: Roles and Responsibilities of the Board

Edcon's Board Charter (Charter) regulates the conducting of business by the Group and forms an integral part of each director's conditions of appointment. The Charter recognises that the Board is to provide leadership and vision to the Group in order that shareowner value may be enhanced and that long-term sustainable development and growth of the

Group may be achieved. The Board is ultimately accountable and responsible for the Group's performance and affairs. The directors acknowledge that they:

- Regard corporate governance as vitally important to the success of Edcon's business;
- Are responsible for the Group achieving the highest standards of business conduct;
- Are unreservedly committed to applying the principles necessary to ensure that good corporate governance is practised in all of the Group's business dealings; and
- Are expected to act with due regard to their fiduciary duties and responsibilities in a professional manner, and to uphold Edcon's core values of people, integrity, performance and professionalism.

The Board focuses on the key elements of the corporate governance processes underpinning the operation of the Group. In particular its role is to:

- Consider, and adopt if appropriate, operating budgets and business plans proposed by management for the achievement of the Group's strategic direction;
- Delegate authority for capital expenditure and evaluate investment, capital and funding proposals reserved for Board approval;
- Provide oversight of performance against targets and objectives;
- Provide oversight of reporting to shareowners on the direction, corporate governance and performance of the Group; and
- Identify, consider and review key risk areas.

Board Meetings

Board meetings are held at least quarterly and whenever else circumstances necessitate. Directors are invited to add items to the agendas for Board meetings. Dates for the quarterly Board meetings to be held the following year are set in August each year. Details of the meetings held during the 2005 financial year and attendance at each are contained on page 125 of the annual report.

Evaluation of Performance

The directors complete Board-assessment checklists annually. This mechanism is used to ensure not only that the Board's chartered responsibilities are complied with, but also that adequate attention is paid by the Board to matters of both performance and conformance. The results of the exercise are collated by the Group Secretary, considered by the Chairman and discussed with the Board for purposes of performance improvement.

Conflicts of Interest

Directors are required to inform the Board timeously of conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors are obliged to recuse themselves from discussions or decisions on matters in which they have a conflicting interest, unless resolved otherwise by the remaining members of the Board. Directors are required to disclose their shareholdings in the company and other directorships at least annually and as and when changes occur. All directors have agreed to consult with the Chairman (and, in the case of executive directors, the Chief Executive Officer) in regard to appointments to the Boards of other companies. Declarations of interest are tabled at each Board meeting.

Share Dealings

Directors may not deal in the company's shares without first advising and obtaining clearance from the Chairman. The Chairman may not deal in the company's shares without first advising and obtaining clearance from a non-executive director designated by the Board. Details of all share dealings by directors in the company's shares are disclosed in accordance with the JSE Listings Requirements and at each Board meeting. The Group Secretary regularly advises directors of prohibited periods, as prescribed by the Listings Requirements, during which dealings in the company's shares may not be undertaken.

Insurance

Adequate directors' and officers' insurance cover has been purchased by the company. No claims under the relevant policy were lodged during the year under review.

Advice

Directors have unlimited access to the Group Secretary, who acts as an advisor to the Board and its committees on issues including compliance with rules and procedures, statutory regulations and the King Code. The name and address of the Group Secretary may be found on page 196 of the annual report. Furthermore, any director may, in appropriate circumstances and at the expense of the Group, obtain independent professional advice. The directors are also entitled, with the prior knowledge of the Chief Executive Officer, to have access to senior management and to all relevant Group information.

Board Committees

Edcon's current Board committees are described below. Page 109 shows a list of committee members as well as their attendance at committee meetings. Each of the committees operates according to terms of reference defined in their respective charters.

Audit and Risk Committee

The Committee met four times during the year. One meeting was specially called to consider the proposed staff empowerment transaction. The remaining three meetings were scheduled to enable the Committee to perform its chartered responsibilities, mainly by considering comprehensive reports from the:

- Financial Director regarding the financial performance of the Group;
- Risk Management Workgroup regarding the output of Edcon's continuous risk management process;
- Internal auditors regarding the adequacy and effectiveness of financial and operational control measures; and
- External auditors regarding the planning and results of their audit activities.

The Audit and Risk Committee evaluates the Group's exposure and response to significant risks, including sustainability issues. The Risk Management Workgroup, chaired by the Chief Executive – Group Services, assists the Audit and Risk Committee in its risk management function. The Committee also reviews accounting policies and financial information issued to the public; provides effective communication between directors, management and the internal and external auditors; reviews the performance of the internal and external auditors; recommends the appointment of, and fees payable to, the external auditors; and monitors the level of non-audit services provided by the external auditors. The Board is provided with regular reports on the Committee's activities.

The Committee comprises three non-executive directors as detailed on page 109. The Chief Executive Officer and the Chief Executive – Group Services attend all meetings of the Committee as invitees. The Group Financial Director, external auditors, head of Group Internal Audit and Group Secretary also attend meetings. Committee members have unlimited access to all information, documents and explanations required in the discharge of their duties, as do the internal and external auditors.

In line with the provisions of the Committee's Charter, the Committee held separate meetings with management, the external auditors and the internal auditors to enable discussion of matters without undue influence. No negative issues were raised during these sessions. Group Internal Audit reports directly to the Committee but is responsible to the Group Financial Director on day-to-day matters. The internal and external auditors have unlimited access to the Chairman of the Audit and Risk Committee, Chairman of the Board and the Chief Executive Officer.

The Committee is satisfied, based on its deliberations during the reporting period, with the level of independent assurance that it has received, and believes that Edcon's risk management and internal control processes are adequate and are functioning effectively.

Remuneration and Nominations Committee

Membership of this Committee remained unchanged from the previous year. In view of his in-depth knowledge of the Group's remuneration policy, Mr A J Aaron is still regarded by the Board as its most suitable member to chair this Committee. Invitees to the Committee's meetings are the Chief Executive Officer, the Chief Executive – Group Services, the Group Human Resources Director and the Group Secretary.

The Committee fulfilled its Charter by meeting twice during the year in order to perform its function of approving a broad remuneration strategy for the Group and to ensure that directors and senior executives are adequately remunerated for their contribution to Edcon's operating and financial performance. The Committee also recommends the fees that should be paid to non-executive directors. In fulfilling its duties, consideration is given to industry and local benchmarks and international trends. At all times, due attention is paid to succession planning and the retention of key executives. This Committee is responsible for the assessment and nomination of potential new directors. An additional meeting was held during the year specifically for that purpose, as a result of which Ms K D Moroka was appointed to the Board as an independent non-executive director with effect from 1 April 2005. Annually, the Committee assesses the effectiveness of the Board composition and the Chairman of this Committee assists the Chairman of the Board in evaluating the performance of the Chief Executive Officer. The directors' emoluments are fully disclosed in note 7.2 to the Financial Statements and the share options granted to each executive director are detailed in note 7.3.

Customer Service Committee

The aim of this Committee is to promote a customer service ethic throughout the Group and to provide an independent assessment of customer service against specified service objectives. The Committee maintains a comprehensive understanding of the levels of customer service expected in each chain, against which it considers the results of various initiatives, including "mystery shopper" reports. It makes recommendations for corrective action after evaluating the results of the various survey reports it has commissioned. The composition of the Committee brings an informed and balanced business approach to its effective functioning. The Chief Executive Officer chairs the Committee, which met once during the year. He was supported by T N Eboka (until her resignation as a non-executive director with effect from 31 December 2004) and Mr R L Scott (Senior Executive Manager).

Transformation Committee

Dr U Ferndale chairs this Committee, which met twice during the year. One special meeting was called to consider the proposed staff empowerment transaction. The Committee monitors, reviews and evaluates the Group's progress on the four primary pillars of transformation, namely employment equity, community involvement, procurement that promotes Black Economic Empowerment, and black share ownership. The Committee is overseeing Edcon's supplier engagement strategy, which is aimed at ensuring the achievement of the Group's supplier transformation objectives. Black Economic Empowerment targets will be set for Edcon's suppliers and compliance with those targets will be monitored. Edcon believes it is taking the lead regarding transformation in the retail industry. Further details regarding a staff empowerment scheme and details of employment equity achievements are detailed on pages 41, 74 and 59 respectively.

Members of Board committees as at 2 April 2005 were as follows:

		Meeting attendance			
		1st	2nd	3rd	Special meeting
Audit and Risk Committee	P L Wilmot* *(Chairman)*	Yes	Yes	Yes	Yes
	W S MacFarlane*	Yes	Yes	Yes	Yes
	A J Aaron*	Yes	Yes	Yes	Yes
Remuneration and Nominations Committee	A J Aaron* *(Chairman)*	Yes	Yes	N/a	Yes
	Z B Ebrahim*	Yes	Yes	N/a	Yes
	W S MacFarlane*	Yes	Yes	N/a	Yes
Customer Service Committee	S M Ross *(Chairman)*	Yes	N/a	N/a	N/a
	T N Eboka*	Yes	N/a	N/a	N/a
	R L Scott	Yes	N/a	N/a	N/a
Transformation Committee	Dr U Ferndale *(Chairman)*	Yes	Yes	N/a	Yes
	S M Ross	Yes	Yes	N/a	Yes
	Z B Ebrahim*	Yes	Yes	N/a	Yes
	J D M G Koolen*	Yes	Yes	N/a	No
	S D M Zungu*	Yes	Yes	N/a	No

**Non-executive director*

Other Committees

The following senior-management committees are integral to Edcon's governance process:

Central Executive Forum (CEF)

The CEF is chaired by the Chief Executive Officer and comprises all the executive directors and the heads of key divisions as determined by the Chief Executive Officer from time to time. The Forum's purpose is to formulate and submit to the Board strategies, policies and objectives directed toward the Group achieving its goals and thereafter to monitor the effectiveness of their implementation. The Forum also considers the management of Group risks, based on input from the Risk Management Workgroup.

Employment Equity Committee

The role of the Employment Equity Committee is to formulate, review, evaluate and implement the Group's employment equity strategy and to measure achievement against targets. The Employment Equity Plan has been developed, updated and submitted to the relevant authorities and there is ongoing communication of the strategy and plan as well as monitoring of its implementation and the achievement of goals. A constitution guides the Committee's activities. The Committee of elected and appointed members met four times during the year with representatives from management and labour and is chaired by the Chief Executive Officer.

Employment Equity Committee members	S M Ross *(Chairman)*
	Designated Group: Perk Nxumalo, Dion Dalais, Terry Sivpersad, Eugene Rossouw, Sinah Rakau, Inge Fisher, Cynthia Nagia, Penny van den Berg
	Management Representatives: Urin Ferndale, Mark Bower, Jon Spotts, Adriaan Boshoff
	SACCAWU Representatives: Felix Dyomfana, Shalock Molifi, Aaron Tshabalala, Lee Modiga, Piet Manjela, Esther Mashinini

Risk Management Workgroup

This Workgroup, chaired by executive director M R Bower, meets prior to each Audit and Risk Committee meeting to monitor the efficacy of steps taken to mitigate Group risks and to consider the impact of emerging risks and opportunities. The Workgroup's efforts are reported to the Audit and Risk Committee, thus providing an important link between the Group's operational and governance processes and ensuring that the Board's appetite for risk is not exceeded. The Workgroup met three times during the year.

Internal Control

The Board of Directors is responsible for the Group's systems of financial and operational internal control. To fulfil this responsibility, the executive directors ensure that management maintains accounting records and has developed and continues to maintain systems of internal control that are appropriate to the achievement of Edcon's business strategies. The systems of internal control are designed to provide reasonable, and not absolute, assurance as to the:

- Integrity and reliability of the financial and operational information that is used internally and for public reporting;
- Safeguarding, verification and maintenance of accountability of its assets;
- Detection and minimisation of fraud, potential liability, loss and material misstatement;
- Compliance with applicable laws, regulations and policies; and
- Effectiveness and efficiency of operations.

The systems of internal control are founded on the basis that directors and employees are required to maintain the highest ethical standards as outlined in the Group's Code of Ethics, thereby ensuring that business practices are conducted in a manner which, in all reasonable circumstances, is beyond reproach. Edcon's formal organisational structure incorporates suitable segregation of authority, duties and reporting lines and promotes effective communication of information. Defined control activities include documented policies and procedures as well as budgeting and forecasting disciplines with comparison of actual results against these budgets and forecasts. Risk management is practised as described on page 113. The directors have satisfied themselves that these systems and procedures are implemented, maintained and monitored by appropriately trained personnel with, and where appropriate, the comprehensive use of advanced computer hardware and software technologies.

The effectiveness of the systems of internal control in operation is monitored continually through reviews and reports from senior executives and divisional managers, the internal auditors and the external auditors. Furthermore, management has various control self-assessment processes to supplement the existing structures for evaluating the systems of internal control. The processes, which include the signing of a representation letter by the Chief Executive of each chain, are 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 has been reported to the directors in respect of the year under review.

Internal Audit

Edcon Group Internal Audit operates in terms of an Audit and Risk Committee approved Charter to provide management with an independent, objective consulting and assurance service that reviews matters relating to control, risk management, corporate governance and operational efficiency.

Group Internal Audit reports directly to the Audit and Risk Committee but is responsible to the Group Financial Director on day-to-day matters, which arrangement does not impair the function's independence or objectivity. There is regular two-way communication between the Chief Executive Officer and the head of Group Internal Audit. The Audit and Risk Committee approves the function's yearly plan of audits, based on an annually conducted group-wide risk assessment, which incorporates sustainability issues. All Edcon business operations and support functions are subject to internal audits.

In addition to the above, Group Internal Audit provides a risk management facilitation role, without assuming responsibility for risk management, the latter remaining the responsibility of relevant line management. This approach ensures that a high profile for the Group's risk management process is maintained.

Group Internal Audit also conducts independent investigations into fraud and other acts of corruption. Edcon's whistle-blowing facility comprises the Dishonesty Hotline, which affords internal or external callers' confidentiality and anonymity with regard to any matters they wish to report.

External Audit

The external auditors provide an independent assessment of Edcon's systems of internal financial control and express an independent opinion on the Annual Financial Statements. The external audit function offers reasonable, but not absolute, assurance on the accuracy of financial disclosures.

There is close co-operation between the internal and external auditors, with the aim of ensuring appropriate combined audit coverage and minimisation of duplicated effort. The external auditors' plan is reviewed by the Audit and Risk Committee to ensure that significant areas of concern are covered, without infringing on the external auditors' independence and right to audit. The Audit and Risk Committee continuously monitors the ratio between fees paid to the external auditors for statutory audit purposes versus those paid for other professional services rendered by the external auditors. In the year under review the ratio remained within acceptable levels.

Risk Management

The following diagram depicts Edcon's risk management process:

Board of Directors: Ultimately responsible and accountable for risk management. Gives a strategic direction regarding risk management and monitors the effectiveness of responses.

Audit and Risk Committee: Focus is on Group risks, based on Group strategy as well as input from Risk Management Workgroup. The appropriately qualified members perform the Board's role three times per annum. Discussions centre around reports from Financial Director, Risk Management Workgroup, Internal Audit and the external auditors.

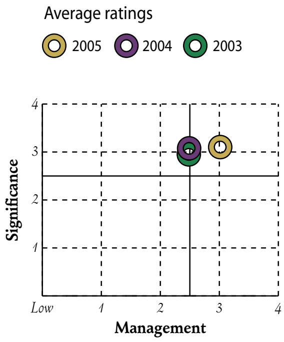
Risk Management Workgroup: Focus is on Group risks, based on Group strategy as well as input from Divisional Risk Management fora. Chaired by executive director M R Bower and includes Group Financial Director and Human Resources Director as members, thus providing a practical mechanism for aligning operational effectiveness with Board strategy. The workgroup evaluates input from representatives of 11 Divisional Risk Management fora and monitors progress with minuted risk management actions. Progress is reported to the Audit and Risk Committee.

Divisional Risk Management fora: Focus is on risks specific to a division, based on Group strategy and risks as well as line managers' input. These fora are organised per major business unit, with the aim of continuously identifying and evaluating exposure to and developing responses to existing and new risks and opportunities. The fora also monitor progress with applicable risk management actions, which are reported to the Risk Management Workgroup.

Line managers: Focus is on risks specific to their areas of operation, taking into account Group and Divisional strategy and risks. By involving line managers and risk managers, Edcon has managed to spread responsibility for risk management across the Group. Line managers continuously identify new risks and opportunities and then report these to their respective Divisional Risk Management fora. In this fashion, line managers become responsible for effecting agreed risk management actions.

Group Internal Audit: Advises on and independently reviews the risk management process. Reports to the Audit and Risk Committee, the Risk Management Workgroup and the Divisional Risk Management fora. Output from the risk management process is used to plan Internal Audit's activities.

Each of the Audit and Risk Committee, Risk Management Workgroup and Divisional Risk Management fora held three meetings, thus implying that the Group's significant risks were formally reviewed three times during the year. The following discussion of the Group's top ten significant risks, presented alphabetically, includes a graph per risk that shows management's self-rated assessment of the significance and management of each of the risks. Ratings plotted in the top right hand quadrant are considered to be acceptable.



Acquisition Management

Edcon must concentrate on the following issues when considering acquisitions:

- The need for specific skills and management focus in the target;
- Impact on investor confidence and Edcon's share price;
- Merging of different organisational cultures; and
- Possibility of doing business in foreign countries.

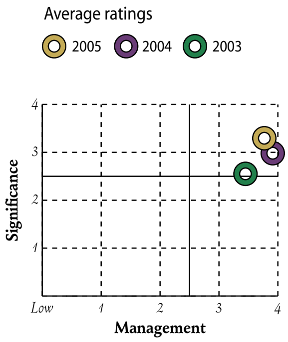
Risk response

Due diligence exercises and feasibility studies are conducted prior to acquisitions being authorised to ensure that they will ultimately contribute to Edcon's long-term sustainability, growth and wealth creation. The acquired businesses have been integrated into existing Group infrastructure thus generating synergistic economies of scale. Satisfactory sales and gross profits were realised in the CNA and Boardmans chains for the year under review.

Credit Management

This relates to the management and collectibility of Edcon's debtors, which could be impacted by various socio-economic factors, including:

- Debtors becoming over extended in terms of their personal financial obligations;
- Escalating levels of unemployment;
- Rising/high interest rates; and
- A reducing customer base.

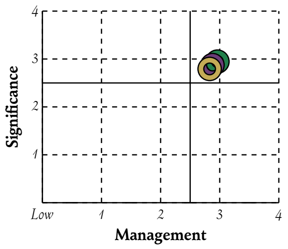


Risk response

Edcon's credit initiatives, such as invitations to pre-approved customers to open accounts and stronger focus on fraud prevention, continue to produce positive outcomes. Stringent credit granting requirements and high rejection rates ensured that a recent review by PIC Solutions showed that in each segment of the market Edcon's debtors book is still performing better than our competitors. A planned customer acquisition strategy for the acceptance of new accounts resulted in 553 763 (18,85% growth) additional new accounts with active debit balances in March 2005. However, able to buy and current accounts remain at 88%. Just over 66% of accounts are insured against death, permanent disability and retrenchment. Edcon's securitisation exercise has limited the Group's risk to R540 million (2004: R370 million), being Edcon's investment in OntheCards.

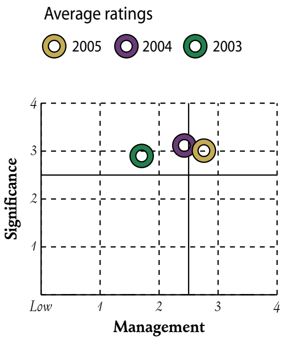
Crime

This is a reality that applies to Edcon as it would to most retailers and businesses in South Africa. The focus is on Edcon's exposure to events such as fraud, corruption, theft, robberies and hi-jacking.



Risk response

Various internal control measures are aimed at preventing and detecting incidents of fraud and corruption. Where such events are detected, specially trained and skilled personnel investigate them. Perpetrators are taken through internal disciplinary hearings and, where appropriate, criminal or civil action is instituted. Prevention techniques include educating employees. A whistle-blowing facility, in the form of a Dishonesty Hotline, allows callers' anonymity when reporting any act of dishonesty.

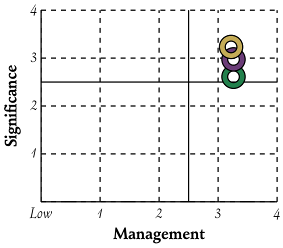


HIV/Aids

This refers to Edcon's ability to understand and respond to the impact of HIV/Aids on its stakeholders.

Risk response

Edcon's business will be impacted by a declining customer base and staff complement. The prevalence of HIV/Aids for the 2005 calendar year is estimated at 9% of permanent staff. The Board has taken a decision to roll out a fully-fledged HIV/Aids programme during 2005 to all staff and their partners at a budgeted cost of R15 million. Since the inception of the Edcon HIV/Aids Programme, voluntary counselling and testing has been offered in various areas of the business. As at the end of March 2005, 3 775 employees (21% of the workforce) had been tested and 266 employees (7% of workforce) have tested positive. The impact on the customer base is indeterminable but with the high unemployment level in South Africa, currently unemployed people will replace deceased customer spends, over time.



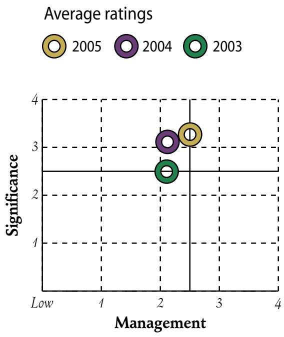
Information Technology

This highlights the need for Edcon to ensure that:

- The Group's IT investment is effectively managed;
- The benefits of IT projects and initiatives are realised;
- IT service is not interrupted; and
- IT systems, data and information are secure and sound.

Risk response

The Chief Information Officer is a member of the CEF. This allows top and senior management to monitor regularly the implementation of IT's strategy within Edcon. IT costs continued to decline relative to sales and are now 4,2% (2004: 4,7%) of Group turnover. The security and availability of IT systems, data and information are of paramount importance to the effective running of Edcon. Accordingly, actions such as disaster recovery tests, change control procedures and strict monitoring of access to systems and data are formalised and regularly reviewed for violations and tested for effectiveness. No significant adverse events were experienced during the year. Edcon applies a standard IT project management methodology, which includes a benefit realisation phase. The IT Business Continuity Plan is regularly reviewed to ensure its adequacy.

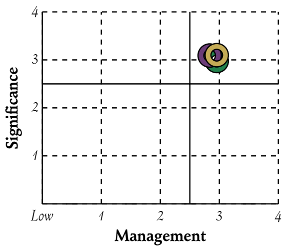


Extent of Black Economic Empowerment (BEE)

This emphasises that Edcon needs to progress an effective BEE strategy as part of the Group's overall transformation process, in the interests of sustaining Edcon's long-term growth and profitability.

Risk response

Edcon's Transformation Department has been strengthened by the development of a BEE procurement structure. During the year, this team did the groundwork to enable successful implementation of Edcon's BEE initiatives, which include stakeholder sensitisation sessions, the formulation of an Enterprise Development Plan and the formation of strategic partnerships. The Transformation Committee monitors progress in this regard. See pages 41 and 74 for more information on successes in the employment equity arena and on the proposed staff empowerment transaction to uplift previously disadvantaged Edcon employees.



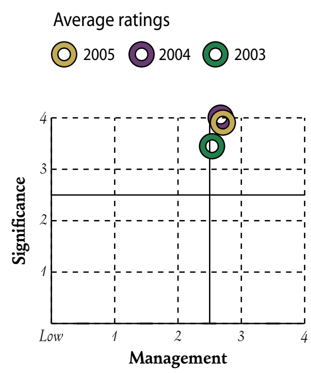
Market Behaviour

This refers to Edcon's awareness of and response to:

- Ever-increasing competition in the retail market;
- Geographic and demographic shifts; and
- Customer resistance to price increases coupled with greater quality expectations.

Risk response

Edcon has mechanisms such as independent brand health tracking, mystery shoppers and customer surveys to identify shifts in customer activity and perceptions.
The Board's Customer Service Committee drives a Group-wide emphasis on customer satisfaction. Carefully considered acquisitions continue to give Edcon a sizable, sustainable growth focused footprint in the retail market. Effective buying management ensures that Edcon offers customers what they want.



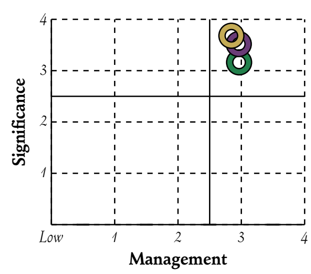
People Skills

This refers to Edcon's need to:

- Attract and retain the right people, especially in key positions;
- Maintain appropriate succession planning; and
- Ensure sound relationships with labour stakeholders.

Risk response

In the past year, this risk has been well managed by the development of leadership skills as part of the ongoing Employer of Choice programme. At Board level, the Remuneration and Nominations Committee reviews a succession plan for top executives at each of its meetings. Succession plans have also been developed for all levels of operational management. The Group has strong, mutually respected, interaction with labour unions. In the Deloitte survey, Edcon was voted the top retailer to work for in the country.



Supplier Base Decline and Supply Chain

This refers to Edcon's reliance on:

- Reliable supply from local manufacturers;
- Imports, as the strength of the Rand stifles local production; and
- Efficient distribution methods.

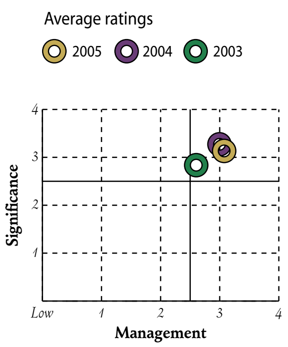
Risk response

Edcon management constantly focuses on utilising the best sourcing opportunities, be it via importing or local channels, to ensure that high quality products are always on offer to customers at highly competitive prices. A distribution and transport network optimisation model is being developed to fine-tune the capacity and capability of the Group's logistics function.

Treasury Management

This addresses Edcon's exposure to:

- Foreign exchange fluctuations;
- Interest rate changes;
- Usury rate changes; and
- Liquidity issues.



Risk response

US Dollar weakness has meant that importing is an increasingly viable option. Edcon's seasonal buying patterns result in only short-term foreign currency exposures. Group policy to cover between 80% and 125% of foreign order commitments was complied with. Formal treasury policies and objectives were used to guide the management of interest rate risk. Cognisance is taken of the natural hedge that exists between retail sales and finance charge income. New and existing loans or deposits are positioned according to expected movements in interest rates.

Other Sustainability Reporting

The directors are proud of the fact that Edcon was included in the JSE's Socially Responsible Investment (SRI) Index for 2003 and 2004. Edcon's sustainability is guided by the achievement of balanced and integrated economic, social and environmental performance. More information on these issues can be found by consulting the cross-referencing shown in the GRI Index on page 126 as well as from the information below. Edcon has taken an integrated approach to GRI reporting. Initially we will focus on addressing the part C reporting elements and the core performance indicators. In this context, there are no restrictions on the scope and boundaries of the integrated report.

At this point, Edcon does not find it feasible to commission independent resources specifically to review the integrity of sustainability reporting. Instead, the Group's usual practice of management's monitoring of, and reporting on, various sustainability programmes, supported by internal audit reviews of significant risk areas, is relied on to ensure accurate, reliable and complete sustainability reporting.

Stakeholder Relationships

Edcon's stakeholders have been identified as those groups of people or organisations that contribute to Edcon's sustainability either directly or indirectly. The principles of balanced reporting, understandability, openness and substance over form are applied for communication with stakeholders. Positive and negative aspects of both financial and non-financial information are provided. The stakeholder groups are equally important to Edcon and the means by which they are engaged in Edcon's operations are discussed in the table below:

Group	Stakeholder Engagement
Shareowners, investors, analysts and the media	Edcon meets regularly with institutional shareowners and investment analysts and does presentations to investors and analysts bi-annually, after the release of Group results. The Group's Investor Relations Executive maintains unbiased liaison with current and potential investors, analysts and the media.
Customers	Special focus magazines such as Edgars' *Imagine*, keeps customers informed of Edcon's offerings and relevant activities (for example community projects). Customers' opinions are obtained via specially developed questionnaires or they may contact a specified toll free number or e-mail address. The Board Customer Service Committee focuses on ensuring quality customer service, for example by reviewing independent "mystery shopper" survey reports and then making recommendations for corrective actions.
Employees	Employee participation continues through employee fora, the conclusion of mutually beneficial agreements between labour and the Group, a constant high focus on training, employee participation as trustees of the medical aid and retirement funds, and regular communication with employees through an internal newsletter, the internal radio station in stores and videos. The annual employee perception survey, involving all employees in the Group, was again conducted and results are reflected on page 59.
Communities	Refer to the section on Corporate Social Investment on page 76.
Business partners	Edcon's relationships with business partners such as Hollard, Accenture, Business Connexion, etc, regarding various financial products, are managed via appropriate contracts and committees consisting of high level representatives from both sides, who, guided by Edcon's business strategies, continuously monitor and improve the effectiveness and profitability of such relationships.

Group	Stakeholder Engagement *(continued)*
Government	Besides the routine completion of various statutory returns, Edcon has established a portfolio to position the Group's business/social interests by establishing relationships with key government bodies within various fora.
Suppliers (including agents) of product and services	Product suppliers are initially engaged through a vetting process whereby issues such as quality of product, working conditions, legal compliance and creditworthiness are confirmed prior to becoming approved suppliers. Once approved, periodic audits on suppliers are conducted to ensure that quality of service is maintained. Service suppliers are engaged initially via tendering processes and then through a contract. Dedicated contract managers monitor delivery in terms of such contracts.

Going Concern

The Annual Financial Statements set out on pages 135 to 189 have been prepared on the going-concern basis since the directors, after due deliberation at the last meeting of the Board, have every reason to believe that the company and Group have adequate resources to continue in operation for the foreseeable future.

Ethical Conduct

A formal, documented and well-communicated Code of Ethics exists and includes the Group's vision, mission statement, set of values and Code of Conduct. The Code of Conduct succinctly describes the following relationships or events:

• Edcon and its employees;	• Using Edcon's resources;
• Personal conduct;	• Crime prevention;
• Corporate governance;	• Conflicts of interest;
• Dealing with colleagues;	• Gifts and favours;
• Dealing with customers;	• External communication;
• Dealing with the community;	• Competition; and
• Dealing with suppliers;	• Political or religious interests.

The following extracts from the Code of Ethics highlight its contribution to Edcon's sustainability:

- Edcon respects the right of employees to be members of recognised trade unions and also complies with the agreements that it has with these unions.
- Edcon strives to treat all employees equally.

- Edcon is free of discrimination on the basis of race, age, disability, nationality, ethnic or national origin, religion, creed, gender, HIV status, sexual orientation, marital status, family responsibility or political persuasion.
- Edcon gives employees fair remuneration for the work they do and complies with the terms of contracts of employment.
- Edcon does not exploit labour.
- We develop professional relationships of trust with our various suppliers in order to support Edcon's business reputation of integrity and professionalism.
- We reject any business practice that appears improper.
- We do not deal with suppliers who are not prepared to be scrutinised for tax/duty compliance.
- We will not knowingly associate with suppliers who exploit labour or use child labour.

Employees, including top management and directors, are expected to act in terms of the Code of Ethics at all times and failure to do so results in disciplinary action. Employees of outsourced functions, as well as suppliers, are required to comply with the principles of the Code of Ethics. Employees with access to confidential financial information are prohibited from disclosing this to outsiders and from trading in Edcon shares during the closed periods 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. Approval for sharing of customer information is obtained during the account application process, while customers can elect not to receive promotional items. Electronically held customer information is protected via Edcon's effective data security practices.

The Code of Ethics emphasises that Edcon has played, and is willing to continue to play, a significant role in developing and improving the South African community. Information regarding Edcon's social investment programmes can be found in the Chief Executive – Group Services' report on page 76.

Safety, Health and the Environment

The directors acknowledge their responsibility to all Edcon employees and the public for compliance with occupational safety and environmental health standards. The Risk Management Workgroup focuses on ensuring that the requirements of the Occupational Health and Safety Act (OHASA) are complied with, thus providing for communication of issues to the Audit and Risk Committee. During the year a senior specialist was appointed to co-ordinate the maintenance of high levels of effective health, safety and security standards across the Group. Internal audits, testing for compliance with OHASA, are conducted on a regular basis, whilst Edcon's Quality Assurance Department conducts random reviews of suppliers to ensure that they comply with relevant legislation.

A current review of Edcon's environmental policies and management systems identified the following direct and indirect environmental impacts:

Direct	Indirect
• Water consumption • Energy consumption • Waste disposal • Fuel consumption of own vehicles • Selection of products and services that we trade in • Composition of packaging	• Materials/substances and methods used in the manufacture of products/ merchandise • Transport contractors regarding their fuel consumption and other environmental impacts • Developers/landlords regarding their environmental impact • Third party service providers regarding their environmental impact

The following are examples of Edcon's responses to the above impacts:

- Edcon leases extensive trading and office space, which increased over the past year as described on page 53. Standard architectural specifications require landlords to ensure that environmental impact assessments are obtained as well as OHASA compliance, local authority clearance, staff health facilities, waste disposal compliance and other certificates are obtained. All new contracts with landlords include a standard specification for energy and heat-saving lighting.
- Across the Group various professional wastage disposal companies are charged with reselling, recycling or disposing of Edcon's wastage, which relates mainly to consumables such as stationery and packaging.
- Edcon has a standard agreement ("Doing Business with Edcon") that suppliers are required to sign, in which exploitative behaviour such as using child labour, is forbidden. The Group's Code of Ethics also prohibits such behaviour.
- The services of expert health laboratories are used to conduct tests for the Legionella disease at Edgardale.
- The quality and thickness of all plastic bags issued to customers at Edcon outlets comply with appropriate legislative requirements.
- Edcon's own vehicles are leased, with the result that monthly reports per vehicle allow line managers to regularly check on fuel consumption and to take corrective action where required.
- The transportation of merchandise between Edcon's various distribution centres and stores is done by contracted specialists who focus on the optimisation of fuel consumption, by ensuring their vehicles operate efficiently and that they limit their travelling by maximising the number of cartons delivered per kilometre travelled.
- Quality standards, test methods and operating procedures are in place for the broad expanse of product categories that exist. These standards outline the performance requirements as well as the construction requirements for relevant products. Information is also given on specific product warnings. Extensive testing of products occurs in line with said performance requirements at both Edcon's in-house Laboratory, as well as the South African Bureau of Standards (SABS) and international test houses such as:
  - Intertek Testing Services (ITS); and
  - SGS Testing Services.

Edcon recognises its responsibility to the state and community to pay all applicable taxes and duties. Details are provided in the cash value-added statement in the Financial Statements.

The Group has a comprehensive HIV/Aids Policy in relation to staff and continually evaluates the current and prospective impact of HIV/Aids on consumer spending as well as on the employee base. More information is provided on page 116.

Social Transformation and Human Capital Development

These aspects of corporate governance are discussed in detail in the Human Resources report on page 59.

Directors' Responsibilities for Financial Reporting

The Annual Financial Statements for the year ended 2 April 2005 incorporate the results for the fifty-three weeks ended 2 April 2005 (2004: fifty-two weeks ended 27 March 2004). 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 South African Statements of Generally Accepted Accounting Practice, International Financial Reporting Standards and in the manner required by the Companies Act in South Africa. They incorporate full and reasonable disclosure and are based on appropriate accounting policies, which have been consistently applied, except where otherwise indicated as set out in note 1 to the Financial Statements, 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 external auditors have concurred with the disclosures of the directors on going concern.

The 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 Officer

Johannesburg
17 May 2005

Certificate by Group Secretary

In my capacity as Group Secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 2 April 2005, 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.

E A Bagley

Group Secretary

Johannesburg

17 May 2005

Board Attendance

Director's name	May 2004	July 2004 (special meeting)	August 2004	November 2004	February 2005	March 2005 (special meeting)
W S MacFarlane	Yes	Yes	Yes	Yes	Yes	Yes
S M Ross	Yes	Yes	Yes	Yes	Yes	Yes
S R Binnie	Yes	Yes	Yes	Yes	Yes	Yes
A v A Boshoff	Yes	Yes	Yes	Yes	Yes	Yes
M R Bower	Yes	Yes	Yes	Yes	Yes	Yes
U Ferndale	Yes	Yes	Yes	Yes	Yes	Yes
J L Spotts	Yes	No	Yes	Yes	Yes	No
A J Aaron	Yes	Yes	Yes	Yes	Yes	Yes
T N Eboka (resigned 31 December 2004)	Yes	Yes	Yes	Yes	N/a	N/a
Z B Ebrahim	Yes	Yes	No	Yes	Yes	Yes
J D M G Koolen	Yes	No	Yes	Yes	Yes	No
P L Wilmot	Yes	Yes	Yes	Yes	Yes	Yes
S D M Zungu	Yes	Yes	Yes	Yes	Yes	No
K D Moroka (appointed 1 April 2005)	N/a	N/a	N/a	N/a	N/a	N/a

GRI reporting elements and performance indicators		Reference/comment	Page
Vision and strategy			
1.1	Vision and strategy re sustainable development	Chairman's Statement	14
1.2	CEO statement	Group Chief Executive Officer's Report	23
Profile			
2.1	Name of organisation	Corporate Information	196
2.2	Major products and services, including brands	Chief Executive Group Services' report – Credit and Financial Services Department Stores Division's report Discount Division's report	47 82 92
2.3	Operational structure	Edcon Top Structure	100
2.4	Description of major divisions, operating companies, subsidiaries and joint ventures	Chief Executive Group Services' report Department Stores Division's report Discount Division's report Interests in Subsidiaries	33 82 92 189
2.5	Countries in which operations are located	Segmental Analysis	150
2.6	Nature of ownership; legal form	Shareholders' Information Corporate Information	193 196
2.7	Nature of markets served	Chief Executive Group Services' report – Credit and Financial Services Department Stores Division's report Discount Division's report	47 82 92
2.8	Scale of reporting organisation	7 Year Group Review	3
2.9	List of stakeholders, key attributes of each and relationship	Corporate Governance – Stakeholder Relationships Shareholders' Information	120 193
Report scope			
2.10	Contact information	Ms T A Christelis, e-mail tchristelis@edcon.co.za Corporate Information: http://www.edcon.co.za	N/a 196
2.11	Reporting period	Year ended 2 April 2005	N/a
2.12	Date of most recent previous report	11 May 2004 regarding the year ended 27 March 2004	N/a
2.13	Boundaries of report and any specific limitations on the scope	Corporate Governance – Other Sustainability Reporting	119
2.14	Significant changes in size, structure, ownership of products/services that have occurred since the previous report	Chief Executive Group Services' report – Credit and Financial Services report Chief Executive Group Services' report – Property Department Stores Division's report Discount Division's report	47 53 82 92
2.15	Basis for reporting on joint ventures, partially-owned subsidiaries, leased facilities and other situations that can significantly affect comparability	Note 1.2 to Annual Financial Statements	141
2.16	Explanation of the nature and effect of any restatement	Note 1.1 to Annual Financial Statements	140

GRI reporting elements and performance indicators		Reference/comment	Page
Report profile			
2.17	Decision not to apply GRI principles or protocols	Corporate Governance – Other Sustainability Reporting	119
2.18	Criteria/definitions used in any accounting for economic, environmental and social costs and benefits	Only accounting policies and definitions provided	140 to 149
2.19	Significant changes in measurement methods applied to key economic, environmental and social information		
2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness and reliability of the sustainability report	Corporate Governance – Other Sustainability Reporting	119
2.21	Policy and current practice with regard to providing independent assurance for the full report		
2.22	Additional information and reports on sustainability	Contact Edcon at: http://www.edcon.co.za	196
Governance structure and management systems			
3.1	Governance structure including major Board committees	Corporate Governance – The Board and Directors Corporate Governance – Board Committees	102 106
3.2	Percentage of the Board of Directors that are independent non-executive	Corporate Governance – The Board and Directors	102
3.3	Process for determining Board members' required expertise		
3.4	Board level processes for overseeing the identification and management of risks and opportunities	Corporate Governance – Risk Management	113
3.5	Link between executive compensation and achievement of financial and non-financial goals	Corporate Governance – The Board and Directors	102
3.6	Organisational structure and key individuals responsible for oversight, implementation and audit of policies	Edcon Top Structure Corporate Governance – All	100 102
3.7	Mission and values statements, internally developed codes of conduct and status of implementation	Group Vision and Mission Statements Corporate Governance – Ethical Conduct	8 121
3.8	Mechanisms for shareholders to provide recommendations or direction to the Board	Chief Executive Group Services' report – Investor Relations	46

GRI reporting elements and performance indicators		Reference/comment	Page
Stakeholder engagement			
3.9	Identification and selection of major stakeholders	Corporate Governance – Stakeholder Relationships	120
3.10	Stakeholder consultation		
3.11	Information generated by stakeholder engagement		
3.12	Use of information resulting from stakeholder engagement		
Overarching policies and management systems			
3.13	Precautionary principle	Not applicable as Edcon's product offering does not pose threats of serious or irreversible environmental damage	N/a
3.14	External, voluntary economic, environmental and social charters endorsed	Chief Executive Group Services' report – Corporate Social Investment Corporate Governance – Introduction	76 102
3.15	Membership of industry and business associations and/or national/international advocacy organisations	Ignoring employees' individual professional memberships, Edcon is: • A member of the South African Quality Institute; • Fully accredited by the Wholesale and Retail SETA; • Accredited by SAICA as a TOPP training office; • A participant in the Retailers Association; • A member of the Black Management Forum; • A member of the Consumer Credit Association; • A member of the Council for Debt Collectors; and • A member of the Marketing Federation of South Africa	N/a
3.16	Policies/systems to manage upstream and downstream impacts regarding supply chain and products	Chief Executive Group Services' report – Supply Chain Corporate Governance – Stakeholder Engagement	51 120
3.17	Approach to managing indirect impacts resulting from activities	Corporate Governance – Safety, Health and the Environment	122
3.18	Major decisions regarding location of or changes in operations	Group Chief Executive Officer's report Chief Executive Group Services' report – Finance Chief Executive Group Services' report – Property Department Stores Division's report Discount Division's report	23 34 53 82 92

GRI reporting elements and performance indicators		Reference/comment	Page
Overarching policies and management systems *(continued)*			
3.19	Programmes and procedures pertaining to economic, social and environmental performance, including: • Priority and target-setting. • Major programmes to improve performance. • Internal communication and training. • Performance monitoring. • Internal and external auditing. • Senior management review.	Corporate Governance – Other Sustainability Reporting	119
3.20	Status of certification	Not applicable, given 3.15	N/a
Economic performance indicators			
EC1	Net sales	Group Financial Highlights Income Statements Segmental Analysis	1 135 150
EC2	Geographic breakdown of markets	Chief Executive Group Services' report – Property Department Stores Division's report Discount Division's report Segmental Analysis	53 82 92 150
EC3	Cost of all goods, materials and services purchased	Income Statements Cash Value-added Statements	135 137
EC4	Percentage of contracts paid in accordance with agreed terms, excluding penalty arrangements	No contracts are in dispute	N/a
EC5	Total payroll and benefits, excluding future commitments	Income Statements Cash Value-added Statements	135 137
EC6	Distributions to providers of capital		
EC7	Increase/decrease in retained earnings	Cash Value-added Statements Statement of Changes in Shareowners' Equity	137 139
EC8	Taxes paid	Cash Value-added Statements Note 10 to the Annual Financial Statements	137 164
EC9	Subsidies received	Chief Executive Group Services' report – Human Resources – People development	62
EC10	Donations to communities and civil society (cash and in-kind)	Chief Executive Group Services' report – Corporate Social Investment	76

GRI reporting elements and performance indicators		Reference/comment	Page
Environmental performance indicators			
EN1	Total materials used, other than water	A review is currently under way to examine the feasibility of developing appropriate systems to provide relevant reliable information.	N/a
EN2	Percentage of materials used that are wastes from external sources		
EN3	Direct energy use segmented by primary source		
EN4	Indirect energy use		
EN5	Total water use		
EN6	Location and size of land owned, leased or managed in biodiversity rich habitats	Not applicable.	N/a
EN7	Description of the major impacts on biodiversity relating to terrestrial, fresh-water and marine environments		
EN8	Greenhouse gas emissions	A review is currently under way to examine the feasibility of developing appropriate systems to provide relevant reliable information.	N/a
EN9	Use and emissions of ozone-depleting substances		
EN10	NOx, SOx and other significant air emissions by type		
EN11	Total amount of waste by type and destination		
EN12	Significant discharges to water by type	Not applicable.	N/a
EN13	Significant spills of chemicals, oils and fuels		
EN14	Significant environmental impacts of principal products and services	A review is currently under way to examine the feasibility of developing appropriate systems to provide relevant reliable information.	N/a
EN15	Percentage of weight of products sold that is reclaimable versus the percentage that is actually reclaimed		
EN16	Incidents of and fines for non-compliance associated with environmental issues	None.	N/a

GRI reporting elements and performance indicators		Reference/comment	Page
Social performance indicators			
Labour practices and decent work			
LA1	Breakdown of workforce	Chief Executive Group Services' report – Human Resources – Employment Equity	59
LA2	Net employment creation and average turnover	7 Year Group Review Chief Executive Group Services' report – Human Resources – Employer of Choice	5 70
LA3	Trade union representation	Chief Executive Group Services' report – Human Resources – Employee Relations Corporate Governance – Ethical Conduct	65 121
LA4	Policy and procedures involving information, consultation and negotiation with employees over changes in operations	Chief Executive Group Services' report – Human Resources – Restructuring, Retrenchments and Acquisitions	65
LA5	Occupational accidents and diseases	Corporate Governance – Safety, Health and the Environment	122
LA6	Health and safety committees	Chief Executive Group Services' report – Human Resources – Health and Safety	67
LA7	Injury, lost days, absentee rates and fatalities		
LA8	HIV/Aids policies or programmes	Chief Executive Group Services' report – Human Resources – HIV/Aids	69
LA9	Training per employee	Chief Executive Group Services' report – Human Resources – People Development	62
LA10	Equal opportunity policies or programmes, and the monitoring thereof	Chief Executive Group Services' report – Human Resources – Employment Equity Corporate Governance – Ethical Conduct	59 121
LA11	Composition of senior management, the Board and corporate governance bodies	Chief Executive Group Services' report – Human Resources – Employment Equity Corporate Governance – The Board and Directors	59 102

GRI reporting elements and performance indicators		Reference/comment	Page
Social performance indicators *(continued)*			
Human Rights			
HR1	Policies, guidelines, corporate structure and procedures to deal with all aspects of human rights	Chief Executive Group Services' report – Human Resources Corporate Governance – Ethical Conduct	59 121
HR2	Evidence of consideration of human rights impacts as part of investment and procurement	Corporate Governance – Ethical Conduct Corporate Governance – Safety, Health and the Environment	121 122
HR3	Policies and procedures to evaluate and address human rights performance within the supply chain and contractors	Corporate Governance – Ethical Conduct	121
HR4	Policy and procedures/programmes preventing all forms of discrimination in operations	Chief Executive Group Services' report – Human Resources – Employment Equity, Employee Relations, Restructuring, Retrenchments and Acquisitions Corporate Governance – Ethical Conduct	59 & 65 121
HR5	Freedom of association policy	Corporate Governance – Ethical Conduct	121
HR6	Policy excluding child labour	Corporate Governance – Ethical Conduct Corporate Governance – Safety, Health and the Environment	121 122
HR7	Policy preventing forced and compulsory labour	Corporate Governance – Ethical Conduct	121
Society			
SO1	Policies to manage impacts on communities	Chief Executive Group Services' report – Transformation Corporate Governance – Ethical Conduct	73 121
SO2	Policy, procedures/management systems for addressing bribery and corruption	Corporate Governance – Internal Audit Corporate Governance – Ethical Conduct	112 121
SO3	Description of policy, procedures/management systems for managing political lobbying and contributions	Corporate Governance – Ethical Conduct	121
Product Responsibility			
PR1	Policy, procedures/management systems for preserving customer health and safety during use of products and services	Corporate Governance – Safety, Health and the Environment	122
PR2	Policy, procedures/management systems related to product information and labelling		
PR3	Policy, procedures/management systems for consumer privacy	Corporate Governance – Ethical Conduct	121

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Group Annual Financial Statements

Currency of Annual Financial Statements

Currency of Annual Financial Statements

The presentation and measurement currency of the Annual Financial Statements is South African Rand (R).

The approximate Rand cost of a unit of the following currencies at year-end was:

	2005	2004
US Dollar	**6,31**	6,57
Sterling	**11,86**	11,89
Botswana Pula	**1,37**	1,37
Euro	**8,14**	7,95

Report of the Independent Auditors

To the members of Edgars Consolidated Stores Limited

We have audited the Financial Statements set out on pages 135 to 189 for the year ended 2 April 2005. 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 Group and the company at 2 April 2005, and the results of their operations, cash flows and changes in equity for the 53 week period ended on 2 April 2005 in accordance with South African Statements of Generally Accepted Accounting Practice, International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.

Ernst & Young

Chartered Accountants (SA)

Registered Accountants and Auditors

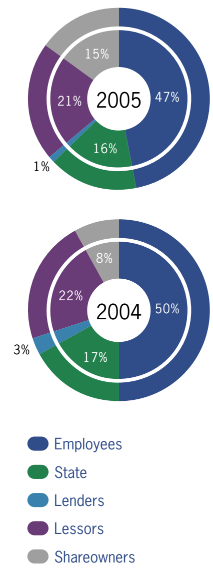
Johannesburg

17 May 2005

Company 2004 Rm	Company 2005 Rm		Note	Group 2005 Rm	Group 2004 Rm
10 330	14 351	**Total revenues**	4	14 838	11 514
9 475	12 995	**Revenue – retail sales**		13 590	10 530
5 943	8 110	Cost of sales		8 180	6 423
3 532	4 885	**Gross profit**		5 410	4 107
1 814	2 194	Store costs		2 329	1 914
1 070	1 211	Other operating costs		1 439	1 301
648	1 480	**Trading profit**		1 642	892
(29)	(74)	Credit and financial services profit/(loss)	5	213	186
619	1 406	**Operating profit**	6	1 855	1 078
202	559	Dividend income	8		
50	40	Interest received	9	23	15
871	2 005	**Profit before financing costs**		1 878	1 093
49	21	Financing costs	9	27	66
822	1 984	**Profit before taxation**		1 851	1 027
197	482	Taxation	10	618	355
625	1 502	**Earnings attributable to ordinary shareowners**		1 233	672
		Earnings per ordinary share (cents)	12		
		Attributable earnings basis		2 670	1 527
		Headline earnings basis		2 661	1 588
		Diluted earnings per share (cents)	12		
		Attributable earnings basis		2 413	1 307
		Headline earnings basis		2 405	1 359
		Dividends per ordinary share (cents) declared for the financial year	11	1 345	768

Company 2004 Rm	Company 2005 Rm		Note	Group 2005 Rm	Group 2004 Rm
		Cash retained from operating activities			
619	**1 406**	Operating profit		**1 855**	1 078
204	**238**	Depreciation	6.3	**250**	223
15	**1**	Amortisation and impairment	6.1	**1**	46
1	**(2)**	Non-cash items	13.1	**11**	4
198	**551**	Dividends received	13.2		
1 037	**2 194**	**Cash "EBITDA"**	2.8	**2 117**	1 351
(434)	**(426)**	Working capital movement	13.3	**(201)**	(677)
603	**1 768**	**Cash generated from operating activities**		**1 916**	674
50	**40**	Interest received	9.2	**23**	15
(49)	**(21)**	Financing costs paid	9.1	**(27)**	(66)
(275)	**(361)**	Taxation paid	13.4	**(513)**	(422)
329	**1 426**	**Cash inflow from operations**		**1 399**	201
(223)	**(550)**	Dividends paid	13.5	**(470)**	(191)
106	**876**	**Net cash retained**		**929**	10
		Cash utilised in investment activities			
(135)	**(119)**	Investment to maintain operations	13.6	**(135)**	(181)
(274)	**(416)**	Investment to expand operations	13.7	**(324)**	(156)
(409)	**(535)**	**Net cash invested**		**(459)**	(337)
		Cash effects of financing activities			
—	**54**	(Decrease)/increase in shareowner funding	13.8	**(7)**	44
224	**(287)**	Decrease in interest bearing debt	13.9	**(247)**	183
224	**(233)**	**Net cash outflow from financing activities**		**(254)**	227
(79)	**108**	**Increase in cash and cash equivalents**	13.10	**216**	(100)
192	**113**	**Cash and cash equivalents at the beginning of the period**		**195**	298
—	**36**	Cash and cash equivalents on rationalisation of subsidiaries			
		Currency adjustments		**—**	(3)
113	**257**	**Cash and cash equivalents at the end of the period**		**411**	195
		Attributable cash inflow from operations per ordinary share (cents)	12	**3 029**	457
		Attributable cash equivalent earnings per ordinary share (cents)	12	**3 131**	2 246
		Cash realisation rate (%)	2.4	**97**	20

	Group		
	2005 Rm	2004 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	**12 976**	9 665	
Cash payments outside the Group to suppliers of materials, merchandise, facilities and services	**(8 848)**	(7 151)	
Wealth created through cash value-added	**4 128**	2 514	64
Cash utilised to:			
Remunerate employees for their services	**1 527**	1 279	
Pay direct taxes to the state			
South Africa	**473**	411	
Elsewhere	**40**	11	
Provide lenders with a return on monies borrowed	**27**	66	
Provide lessors with a return for the use of their premises	**662**	546	
Provide shareowners with cash dividends	**470**	191	
Cash disbursed among stakeholders	**3 199**	2 504	28
Net cash retained	**929**	10	
Reconciliation with cash generation			
Cash value-added (above)	**4 128**	2 514	
Less: Remunerate employees for their services	**(1 527)**	(1 279)	
Provide lessors with a return for the use of their premises	**(662)**	(546)	
Interest received	**(23)**	(15)	
Cash generated from operating activities (per cash flow statement)	**1 916**	674	
State taxes summary:			
Direct taxes (as above)	**513**	422	
Net value-added tax	**352**	260	
Employee tax	**188**	141	
Regional services council levies	**24**	22	
Municipal assessment rates and services	**113**	104	
Channelled through the Group	**1 190**	949	
Paid in			
South Africa	**1 086**	889	
Elsewhere	**104**	60	
	1 190	949	



Company 2004 Rm	Company 2005 Rm		Note	Group 2005 Rm	Group 2004 Rm
		Assets			
		Non-current assets			
584	**812**	Properties, fixtures, equipment and vehicles	14	**920**	738
4	**29**	Goodwill and trademarks	15	**79**	54
954	**1 005**	Investments	17	**570**	400
128	**126**	Loans	18		
1 670	**1 972**	**Total non-current assets**		**1 569**	1 192
		Current assets			
1 093	**1 639**	Inventories	19	**1 734**	1 231
2 152	**2 699**	Accounts receivable and prepayments	20	**2 935**	2 478
113	**257**	Cash and cash equivalents	21	**411**	195
3 358	**4 595**	**Total current assets**		**5 080**	3 904
5 028	**6 567**	**Total assets**		**6 649**	5 096
		Equity and liabilities			
		Capital and reserves			
274	**328**	Share capital and premium	22	**102**	109
9	**40**	Non-distributable reserves	23	**73**	24
2 077	**3 029**	Retained surplus	24	**3 291**	2 517
2 360	**3 397**	**Total shareowners' funds**		**3 466**	2 650
		Interest bearing debt			
407	**120**	Short-term interest bearing debt	26	**120**	367
2 767	**3 517**	**Total capital employed**		**3 586**	3 017
		Interest free liabilities			
347	**86**	Owing to subsidiaries	17		
60	**13**	Deferred taxation	27	**32**	86
49	**241**	Current taxation		**241**	87
1 805	**2 710**	Accounts payable	28	**2 790**	1 906
2 261	**3 050**	**Total interest free liabilities**		**3 063**	2 079
5 028	**6 567**	**Total equity and liabilities**		**6 649**	5 096
		Net equity per ordinary share (cents)	2.17	**7 387**	5 897

Statements of Changes in Ordinary Shareowners' Equity

Company: Share capital and premium Rm	Company: Non-distri-butable reserves Rm	Company: Retained surplus Rm	Company: Total Rm		Group: Share capital and premium Rm	Group: Non-distri-butable reserves Rm	Group: Retained surplus Rm	Group: Total Rm
274	9	1 675	1 958	**Restated balance at 29 March 2003**	71	29	2 032	2 132
		625	625	Earnings attributable to ordinary shareowners			672	672
		(223)	(223)	Ordinary dividends (note 11)			(191)	(191)
				Share-based payment credit			4	4
				Net movement in treasury shares	44			44
				Capital gains tax on treasury shares	(6)			(6)
				Foreign currency translation reserve		(4)		(4)
				Decrease in tax reserve relating to LIFO adjustment		(1)		(1)
274	9	2 077	2 360	**Balance at 27 March 2004**	109	24	2 517	2 650
		1 502	1 502	Earnings attributable to ordinary shareowners			1 233	1 233
		(550)	(550)	Ordinary dividends (note 11)			(470)	(470)
				Share-based payment credit			11	11
38			38	Compulsorily convertible debentures converted on 31 March 2004	38			38
16			16	Ordinary share capital issued on 1 December 2004	16			16
				Net movement in treasury shares	(61)			(61)
	31		31	Revaluation of land and buildings		50		50
				Decrease in tax reserve relating to LIFO adjustment		(1)		(1)
328	**40**	**3 029**	**3 397**	**Balance at 2 April 2005**	**102**	**73**	**3 291**	**3 466**
22	23	24		Note	22	23	24	

1. Significant Accounting Policies and Basis of Preparation

The Financial Statements are prepared in accordance with the historical cost basis except for land and buildings and certain derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

The Group and company Financial Statements are presented in Rands and all values are rounded to the nearest Rands million except when otherwise indicated.

The Financial Statements incorporate the following principal accounting policies, which conform with South African Statements of Generally Accepted Accounting Practice and International Financial Reporting Standards.

1.1 Changes in Accounting Policies and Comparability

The accounting policies adopted are consistent with those of the previous year except that the Group has adopted certain new and amended South African Statements of Generally Accepted Accounting Standards and International Financial Reporting Standards, which are mandatory for financial years beginning on or after 1 January 2005. IAS 36 (AC 128), 'Impairment of Assets', IAS 38 (AC 129), 'Intangible Assets' and IFRS 3 (AC 140) became mandatory effective 31 March 2004. The effects of adopting these standards are discussed below.

1.1.1 IFRS 2 (AC 139), 'Share-based Payment'

In the current year, the Group adopted IFRS 2 (AC 139), which has resulted in a change in accounting policy. This standard requires an expense to be recognised in the income statement based on the fair value of share option awards, measured at the date of grant. Previously, no expense was recognised. The main impact on the Group is the expensing of employees' and directors' share options by using an option-pricing model, further details of which are given in notes 1.19.1 and 7.3.

The Group has adopted the transitional provisions of IFRS 2 (AC 139) in respect of share options and has applied the requirements of the standard only to share options granted after 7 November 2002 that had not yet vested by this date.
The effect of the revised policy has decreased consolidated current year profits by R11 million (2004: R4 million) due to an increase in the employee benefits expense with a corresponding increase in shareowners' equity which has been taken to retained earnings. The 2004 opening retained earnings and shareowners' equity have not been restated as the 2003 impact on adoption was immaterial.

The effect of the revised policy on basic and diluted earnings per share (EPS) is as follows:

For the 2005 year a decrease in basic earnings per share of 23 cents (2004: 8 cents) to 2 670 cents (2004: 1 527cents).

1.1.2 IFRS 3 (AC 140), 'Business Combinations', IAS 36 (AC 128), 'Impairment of Assets' and IAS 38 (AC 129), 'Intangible Assets'

IFRS 3 (AC 140) applies to business combinations for which the agreement date is on or after 31 March 2004. The Group adopted this standard in the current year which had two significant effects, namely the recognition of the acquisitions provisions and the amortisation of goodwill. The Group now only recognises an existing liability contained in the acquiree's financial statements on acquisition. Previously this type of restructuring provision could be recognised regardless of whether the acquiree had recognised this type of liability or not. Further, upon acquisition, the Group initially measures the identifiable assets and liabilities acquired at their fair values, as at the date of acquisition. Any minority interest would be stated at the minority proportion of the net fair values of those items.

In terms of IFRS 3 (AC 140) goodwill amortisation is no longer permitted, instead the Group tests for impairment annually at the cash generating unit level, unless an event occurs during the year which requires the goodwill to be tested more frequently. The transitional provisions of IFRS 3 (AC 140) require the Group to eliminate the carrying amount of the accumulated amortisation on existing goodwill (R38 million).

In accordance with IAS 38 (AC 129), the useful life of intangible assets is now assessed at the individual asset level as having either a finite or indefinite life. Where an intangible asset has a finite life, it is amortised over its useful life. Amortisation periods and methods of depreciation for intangible assets with a finite useful life are reviewed annually or earlier where an indicator of impairment exists. Intangibles assessed as having indefinite useful lives are not amortised, as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Intangibles with indefinite useful lives are reviewed annually to ensure that the carrying value does not exceed the recoverable amount, regardless of whether an indicator of impairment is present and, whether or not the intangible asset continues to have an indefinite life.
The Group currently has no intangibles assessed as having an indefinite life.

1. Significant Accounting Policies and Basis of Preparation *(continued)*

1.1.3 IFRS 5 (AC 142), 'Non-current Assets Held for Sale and Discontinued Operations'

IFRS 5 (AC 142) was early adopted which resulted in a change in accounting policy on the recognition of discontinued operations. Previously the Group would have recognised a discontinued operation at the earlier of either the Group entering into a binding sale agreement or the Board of Directors having approved and announced a formal disposal plan.

The adoption of this standard requires an operation to be classified as discontinued when the criteria for sale have been met or the Group has disposed of the operation. Where an asset is held for sale, the carrying amount will be recovered through a sale transaction. As a result of this change in accounting policy, where an operation is discontinued, it will be recognised at a later point as a result of the stricter recognition criteria stipulated in the standard. The adoption of this standard has had no impact on the current financial year since no operations have been discontinued in the current financial year.

1.1.4 Early adoption of other International Financial Reporting Standards

In addition to the standards referred to in 1.1.1 to 1.1.3 above, the Group resolved to adopt the following revised standards before the required implementation date:

- IAS 1 (AC 101), 'Presentation of Financial Statements';
- IAS 2 (AC 108), 'Inventories';
- IAS 8 (AC 103), 'Accounting Policies, Changes in Accounting Estimates and Errors';
- IAS 10 (AC 107), 'Events after the Balance Sheet Date';
- IAS 17 (AC 105), 'Leases';
- IAS 21 (AC 112), 'The Effects of Changes in Foreign Exchange Rates';
- IAS 24 (AC 126), 'Related Party Disclosures';
- IAS 27 (AC 132), 'Consolidated and Separate Financial Statements';
- IAS 28 (AC 110), 'Investments in Associates';
- IAS 31 (AC 119), 'Interests in Joint Ventures';
- IAS 32 (AC 125), 'Financial Instruments: Disclosure and Presentation';
- IAS 33 (AC 104), 'Earnings per Share'; and
- IAS 39 (AC 133), 'Financial Instruments: Recognition and Measurement'.

None of the above standards has had a material impact on the results of operations or the financial position of the Group during the year under review. Additional disclosures have been provided where required in accordance with IAS 1 (AC 101), IAS 2 (AC 108) and IAS 8 (AC 103).

1.2 Basis of Consolidation

The Group Annual Financial Statements comprise the financial statements of the parent company (Edgars Consolidated Stores Limited), its subsidiaries, the Staff Share Trust and jointly controlled operations, presented as a single economic entity. All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Subsidiaries, which are directly or indirectly controlled by the Group, are included in the consolidated Financial Statements as from the date of acquisition, where control is transferred to the Group, and cease to be consolidated from the date on which control no longer exists. Where there is a loss of control of a subsidiary, the consolidated Financial Statements includes the results for the part of the reporting year during which the Group has control. The identifiable assets and liabilities of companies acquired are assessed and included in the balance sheet at their fair values as at the dates of acquisition.

New acquisitions are included in the Group Financial Statements using the purchase method whereby the assets and liabilities are measured at their fair value. The purchase consideration is allocated to the assets and liabilities on the basis of fair values at the date of acquisition.

The company carries its investments in subsidiaries at cost less any accumulated impairment losses (refer to note 1.8.2).

Significant influence is generally presumed where the Group owns 20% or more of a company's voting rights.

1. Significant Accounting Policies and Basis of Preparation *(continued)*

1.3 Use of Estimates in the Preparation of the Financial Statements and Assumptions Made

In preparing the Financial Statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Financial Statements. Significant judgements made relate to the allowance for doubtful debts (refer to note 1.8.3), allowances for slow-moving inventory (refer to note 1.9), estimating the fair value of share options granted (refer to note 1.1.1, 1.19.1 and 7.3), and asset impairment tests (refer to note 16).

The Group owns 42% of the shares in Edgars Zimbabwe Limited. Edgars Zimbabwe has not been equity accounted in the current or prior year, as the Group does not participate in any financial or operating policy-making decisions of Edgars Zimbabwe, there are no material transactions which take place between the Group and Edgars Zimbabwe, and there is no interchange of managerial personnel or the provision of technical information. As a result, the directors have assessed that the Group has no significant influence in Edgars Zimbabwe and the investment is treated in accordance with IAS 39 (AC 133).

IAS 27 (AC 132) revised, is applied with retrospective restatement. In 2004, the Group owned 55% of the shares in Edgars Zimbabwe. Under the previous standard Edgars Zimbabwe was not consolidated in accordance with the exclusion provisions, and was treated as an available-for-sale asset. The Group does not govern the financial and operating policies of Edgars Zimbabwe so as to obtain any benefit from its activities. The directors have assessed that the Group has no control and, as a result, the early adoption of the revised IAS 27 (AC 132) has had no material impact on the comparatives, which have not been restated as discussed in 1.1.4 above. The investment in Edgars Zimbabwe continues to be accounted for in accordance with IAS 39 (AC 133) revised.

1.4 Foreign Currency Transactions

The functional and presentation currency of Edgars Consolidated Stores Limited and its South African subsidiaries is the South African Rand. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency, being the South African Rand, at exchange rates ruling at the balance sheet date. Exchange differences arising on the settlement of transactions, at rates different from those at the date of the transaction, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement and included in financing costs.

1.5 Foreign Currency Translations

The functional currency of the foreign subsidiaries is as follows:

- Pula – (Jet Supermarkets Botswana (Pty) Limited and Central News Agency (Botswana) (Pty) Limited).
- Maloti – (Edgars Stores (Lesotho) (Pty) Limited, Central News Agency (Lesotho) (Pty) Limited and Easy Rider Clothing (Pty) Limited).
- Namibian Dollar – (Edgars Stores (Namibia) Limited and Central News Agency (Pty) Limited).
- Emalangeni – (Edgars Stores Swaziland Limited, Central News Agency (Swaziland) (Pty) Limited and Swaziland News Agency (Pty) Limited).
- British Pound – (Bellfield Limited).

The Maloti, Namibian Dollar and the Emalangeni are pegged at one to one to the South African Rand.

As at the balance sheet date, the assets and liabilities of these foreign subsidiaries are translated into the presentation currency of Edgars Consolidated Stores Limited at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised directly in a foreign currency translation reserve within shareowners' equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in shareowners' equity relating to that particular foreign operation is recognised in the income statement.

1. Significant Accounting Policies and Basis of Preparation *(continued)*

1.6 Goodwill

Goodwill is initially measured at cost and represents the excess of the purchase consideration over the fair value of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Goodwill relating to acquisitions after 31 March 2004 and existing goodwill carried in the balance sheet is no longer amortised. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the acquisition. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation, when determining the gain or loss on disposal of that operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

1.7 Trademarks and Brand Names

Where payments are made for the acquisition of trademarks and brands with a finite useful life, the amounts are capitalised and amortised on a straight-line basis over their anticipated useful lives. Currently the useful life is estimated to be five years. Amortisation is charged on those assets with finite lives and the expense is taken to the income statement and included in other operating costs. At each balance sheet date, trademarks and brands are reviewed for indications of impairment or changes in estimated future benefits, either individually or at the cash-generating unit level. If such indications exist, an analysis is performed to assess whether the carrying amount of trademarks and brands is fully recoverable. An impairment is made if the carrying amount exceeds the recoverable amount. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

No valuation is made of internally developed and maintained trademarks or brand names. Expenditure incurred to maintain brand names is charged in full to the income statement as incurred.

1.8 Financial Instruments

Financial instruments recognised on the balance sheet include investments, derivative instruments, investments in debt securities, accounts receivable, cash and cash equivalents, accounts payable, and interest bearing debt. Financial instruments are initially measured at fair value, including transaction costs, when the Group becomes a party to contractual arrangements. The subsequent measurement of financial instruments is dealt with in the subsequent notes. Where the Group can legally do so and the Group intends to settle on a net basis, or simultaneously, related positive and negative values of financial instruments are offset within the balance sheet amounts.

1.8.1 Derivative Instruments

The Group uses derivative financial instruments, including interest rate swaps, forward rate agreements and forward exchange contracts to hedge its exposure to interest rate and foreign currency fluctuations. It is the policy of the Group not to trade in derivative financial instruments for speculative purposes.

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 the profit for the period.

Gains and losses on effective cash flow hedging instruments in respect of firm commitments, or forecast transactions, 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 that do not result in the recognition of an asset or liability, the cumulative gains or losses reflected in equity are included in profit in the period in which the hedged firm commitment or forecast transaction affects profit.

1. Significant Accounting Policies and Basis of Preparation *(continued)*

1.8. Financial Instruments *(continued)*

1.8.2 Investments

Investments consist of subsidiaries held at cost and debt securities.

Where entities are neither equity accounted nor consolidated (refer to note 1.3), and are treated as available-for-sale assets, and where such investments are not actively traded in organised financial markets, fair value is based on the net asset value of the entity, translated into South African Rand at exchange rates ruling at the balance sheet date. Gains or losses are recognised directly in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss, previously recognised in shareowners' equity, is included in the income statement.

Debt securities held by the Group, classified as held to maturity investments, are initially recorded at fair value, which is the fair value of the cash given to acquire the debt securities, and are subsequently measured at amortised cost, using the effective interest rate method. Interest received on debt securities is included in the income statement as interest received and is recognised on an accrual basis.

1.8.3 Trade and Other Receivables

Trade and other receivables are stated at cost less an allowance for doubtful debts. The allowance raised being 100% of debtors in the ages six to nine months. Based on past experience there is little prospect of recovering debts in this category. Delinquent accounts are written off by applying the Group's write-off policy recognising both contractual and recency ages of accounts.

1.8.4 Cash and Cash Equivalents

Cash and cash equivalents are measured at fair value.

1.8.5 Financial Liabilities

Financial liabilities, other than derivatives, are amortised at their original debt value, less principal payments and amortisation. Derivatives are subsequently measured at fair value, and gains and losses are included in profit for the period. 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.

1.8.6 Impairment of Financial Assets

At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence then the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39 (AC 133).

1.8.7 Derecognition of Financial Instruments

Financial instruments are derecognised where the Group no longer controls the contractual rights that comprise the financial instrument. Derecognition normally occurs when the instrument is sold or all the cash flows associated with the instrument are passed to an independent third party.

1.9 Inventories

Retail trading inventories are valued at the lower of cost, using the weighted average cost, and net realisable value, less an allowance for slow-moving items. Net realisable value is the estimated selling price in the ordinary course of business less necessary costs to make the sale. In the case of own manufactured inventories, cost includes the total cost of manufacture, based on normal production facility capacity, and excludes financing costs.

Work-in-progress is valued at actual cost, including direct material costs, labour costs and manufacturing overheads.

Factory raw materials and consumable stores are valued at average cost, less an allowance for slow-moving items.

The allowance for slow-moving inventory is made with reference to an inventory age analysis. All inventory older than 18 months is fully provided for in full.

All store inventories are physically verified at least twice a year through the performance of inventory counts and shortages identified are written off immediately. Stores, which have a history of high inventory losses, are counted more frequently. An allowance is made, based on historical trends of inventory losses, for losses incurred between the last physical count and the balance sheet date.

1. Significant Accounting Policies and Basis of Preparation *(continued)*

1.10 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. 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 on a systematic basis over the term of the lease.

1.11 Properties, Fixtures, Equipment and Vehicles

1.11.1 Properties

Properties comprise a building held by the Group for retail space and general-purpose land and buildings for use by employees. Properties are initially valued at cost and subsequently revalued every three years by recognised professional valuers, to net realisable open-market value using the alternative or existing-use basis as appropriate, ensuring carrying amounts do not differ materially from those which would be determined using fair value at the balance sheet date. On revaluation, the cost, as well as the accumulated depreciation, is restated proportionately. Any revaluation surplus is credited to the asset revaluation reserve, net of deferred taxes, and included in shareowners' equity in the balance sheet. Any revaluation deficit directly offsetting a previous surplus, is offset against that surplus in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular property being sold, is transferred to retained earnings.

Depreciation is provided on buildings on a straight-line basis over 50 years. Properties are reviewed periodically for impairment.

1.11.2 Lease Premiums and Leasehold Improvements

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

Leasehold improvements for leasehold land and buildings are depreciated over the lease periods, or such shorter periods as may be appropriate.

1.11.3 Fixtures, Equipment and Vehicles

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

Fixtures and fittings	8 years
Computer equipment	5 years
Computer software	3 years
Machinery	10 years
Vehicles	5 years

Fixtures, equipment and vehicles are reviewed periodically for impairment.

1.11.4 Derecognition of Fixtures, Equipment and Vehicles

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

Items with a value of R2 000 or less are expensed as incurred.

1.12 Software Costs

Packaged software and the direct costs associated with the development and installation thereof are capitalised and included as work-in-progress in computer software until commissioned. Once commissioned, the total cost capitalised to date is transferred to computer software and depreciated in accordance with 1.11.3 above.

1. Significant Accounting Policies and Basis of Preparation *(continued)*

1.13 Income Taxes

Income tax payable on profits, based on the applicable tax laws, is recognised as an expense in the period in which profits arise.

Deferred tax liabilities are recognised for temporary differences arising between the carrying amounts of assets and liabilities in the balance sheet and their amounts as measured for tax purposes, which will result in taxable amounts in future periods, unless the deferred tax liability arises from goodwill, for which amortisation is not deductible for tax purposes. Deferred tax assets are recognised for all temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised. Neither a deferred tax asset nor liability is recognised where it arises from a transaction, which is not a business combination, and, at the time of the transaction, affects neither accounting profit nor taxable profit or tax loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled, based on enacted rates.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity, and relate to the same tax authority, and when the legal right to offset exists. Where applicable, non-resident shareholders' taxation is provided in respect of foreign dividends receivable.

1.14 Financing Costs

Financing costs are recognised in the income statement in the period in which they are incurred.

1.15 Joint Ventures

The Group's interest in the jointly controlled operation is accounted for by recognising the assets and liabilities the Group controls and the expenses it incurs and its share of the income.

1.16 Accounting for Insurance Activities

The profits of the insurance activity, conducted through an independent insurance company, are determined in accordance with generally accepted practice for insurance companies. Full provision is made for the estimated cost of claims notified but not settled and for those incurred but not yet reported. In addition, a monthly reserve is created for cancellations and future deaths in terms of the life cover provided.

1.17 Revenue Recognition

Revenue from all sales of merchandise net of returns is brought to account when delivery takes place to the customer. Revenue from manufacturing and other operations is recognised when the sale transactions giving rise to such revenue are concluded. Finance charges on arrear account balances is accrued on a time proportion basis, recognising the effective yield on the underlying assets. Financial services revenue comprises premium on short-term and life products and is recognised when billed. Dividends are recognised when the right to receive payment is established. Interest received is recognised using the effective interest rate method. Club fees are recognised when billed.

1.18 Business and Geographical Segments

The principal segments of the Group have been identified on a primary basis by division, 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 revenue – retail sales reflect sales to third parties, excluding arm's length inter-segment revenue recorded at fair value. The segment result is presented as segment operating 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 and Financial Services Division, nor corporate liabilities which are held at the Group Services Division, are allocated to segments.

1. Significant Accounting Policies and Basis of Preparation *(continued)*

1.19 Employee Benefits

The Group operates a number of retirement benefit plans for its employees. These plans include both defined benefit and defined contribution provident funds and other retirement benefits such as medical aid benefit plans. Current contributions incurred with respect to the defined contribution provident funds, are charged against income when incurred.

The Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related current service cost and, where applicable, past service costs. The portion of actuarial gains and losses recognised is the excess over the greater of 10% of the present value of the defined benefit obligation at the end of the previous reporting period, before deducting plan assets, and 10% of the fair value of any plan assets at the same date, divided by the expected average remaining working lives of the employees participating in the fund. Improved benefits in defined benefit funds are only granted if they can be financed from the actuarial surplus. Contribution rates to defined benefit plans are adjusted for any unfavourable experience adjustments. Favourable experience adjustments are retained within the funds. Actuarial surpluses are only brought to account in the Group's Financial Statements when it is clear that economic benefits will be available to the Group.

1.19.1 Equity Participation Plans

Employees, including directors, of the Group receive remuneration in the form of share options, whereby they render services in exchange for rights over shares. The cost of share options is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes option-pricing model, further details of which are given in note 7.3. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Edgars Consolidated Stores Limited.

The cost of the share options is recognised, together with a corresponding increase in shareowner's equity, over the vesting period ending on that date on which the performance conditions are fulfilled and the employees become fully entitled to take up the share option. The cumulative expense recognised for share options granted at each balance sheet date until the vesting date, reflects the extent to which the vesting period has expired and the number of share option grants that will ultimately vest in the opinion of the directors of the Group, at that date. This is based on the best available estimate of the number of share options that will ultimately vest. No expense is recognised for share options that do not ultimately vest.

Where the terms of share options are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transactions, as a result of the modification, as measured at the date of modification.

Where a share option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new share option is substituted for the cancelled share option, and designated as a replacement share option on the date that it is granted, the cancelled and new share option grant are treated as if they were a modification of the original grant, as described above.

The dilutive effect of outstanding options is reflected as a share dilution in the computation of diluted earnings per share (refer to note 12).

1.20 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 statement of changes in ordinary shareowners' equity. Dividends declared subsequent to the year-end are not charged against shareowners' equity at the balance sheet date as no liability exists. Upon allotment of shares in terms of a capitalisation award, the election amounts are transferred to the share capital and share premium account; cash dividend election amounts are paid and the amount removed from equity.

1.21 Treasury Shares

Shares in Edgars Consolidated Stores Limited held by its subsidiary and the Staff Share Trust are classified in the Group's shareowners' equity as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares, and the cost price of the shares is deducted from share capital and premium, in the balance sheet. Dividends received on treasury shares are eliminated on consolidation.

1. Significant Accounting Policies and Basis of Preparation *(continued)*

1.22 International Financial Reporting Standards to be adopted in 2006

Other than the standards issued and revised, which are discussed in note 1.1, the IASB issued an amended IAS 16 (AC 123), 'Property, Plant and Equipment', and a new standard IFRS 4 (AC 141), 'Insurance Contracts'. Both standards are effective 1 January 2005. The Group has elected not to adopt these standards in the current year but they will be applied in the next financial year.

1.22.1 IAS 16 (AC 123), 'Property, Plant and Equipment'

This standard provides more detailed guidance on the component approach for recognising items of property, plant and equipment and requires each component to be depreciated separately. In addition, the standard requires that residual values, useful lives and the depreciation methods must be reviewed at least at each financial year-end. We are currently in the process of revisiting the residual values, useful lives and depreciation methods currently estimated, as well as the process of capitalising assets, which consist of separate components. Any change in expectations on residual values, useful lives or depreciation methods would result in a change in estimate, which would be accounted for in accordance with IAS 8 (AC 104). Our preliminary assessments indicate that the adoption of the standard in the 2006 year will not have a material effect on the results of operations and financial position of the Group.

1.22.2 IFRS 4 (AC 141), 'Insurance Contracts'

As discussed in note 1.16, profits of the insurance activity recognised in the Group are conducted through an independent insurance company. This standard applies to all insurance contracts written. It requires that insurance contracts that include a deposit component, be separated into a deposit and insurance component. The Group will account for profits from the insurance activity in the 2006 year in accordance with this standard once consideration is given to the accounting policy currently applied by the independent insurance company. It is not considered that this standard will have a material effect on the results of operations and financial position of the Group.

2. Definitions

2.1 Attributable Cash Inflow from Operations per Ordinary Share

Attributable cash flow from operations divided by the weighted average number of ordinary shares in issue during the year.

2.2 Capital Employed

Shareowners' funds including minority interests in subsidiaries and interest bearing debt.

2.3 Cash and Cash Equivalents

Comprise cash on hand and demand deposits together with any highly liquid investments readily convertible to known amounts of cash.

2.4 Cash Realisation Rate

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

2.5 Cost of Credit

The cost of administering the debtors book.

2.6 Cost of Sales

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

2.8 Cash "EBITDA"

Cash earnings before interest, taxation, depreciation and amortisation charges.

2.9 Dividend Cover

Earnings per ordinary share divided by dividends per ordinary share.

2.10 Dividend Yield

Dividends declared per ordinary share divided by the closing share price on the JSE Securities Exchange South Africa.

2. Definitions *(continued)*

2.11 Earnings per Ordinary Share

2.11.1 Attributable Earnings Basis

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

2.11.2 Cash Equivalent Basis

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

2.11.3 Diluted Earnings Basis

Earnings attributable to shareowners, adjusted for the cost of share-based payments, 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 dilutive options.

2.11.4 Headline Earnings Basis

Earnings attributable to ordinary shareowners, 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 Circular 7 of 2002 issued by the South African Institute of Chartered Accountants.

2.12 Earnings Yield

Earnings per ordinary share divided by the closing share price on the JSE Securities Exchange South Africa.

2.13 Financing Cost Cover

Operating profit divided by net financing costs.

2.14 Gearing Ratio

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

2.15 Net Assets

Total assets less interest free liabilities.

2.16 Net Asset Turn

Retail sales divided by closing net assets.

2.17 Net Equity per Ordinary Share

Shareowners' funds divided by the number of ordinary shares in issue at the year-end.

2.18 Price Earnings Ratio

The closing share price on the JSE Securities Exchange South Africa divided by earnings per ordinary share.

2.19 Retail Sales

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

2.20 Return on Ordinary Shareowners' Equity

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

2.21 Revenue

Comprises retail sales, manufacturing sales, club fees, financial services income, dividends, interest and finance charges accrued to the Group and company.

2.22 Weighted Average Number of Ordinary Shares in Issue

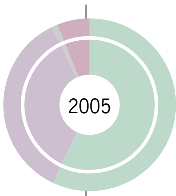
The number of ordinary shares in issue at the beginning of the period, excluding treasury shares, increased by shares issued during the period, and decreased by share repurchases, weighted on a time basis for the period during which they have participated in the income of the Group. In the case of shares 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

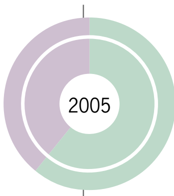
The total value of shares traded each year, divided by the total volume of shares traded for the year on the JSE Securities Exchange South Africa.

3. Segmental analysis

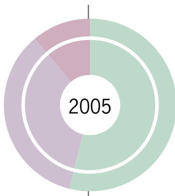
Revenues



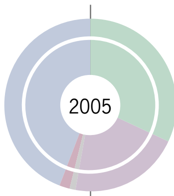
Revenue – retail sales



Segment result-operating profit



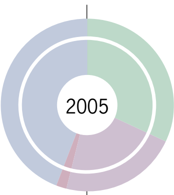
Depreciation, amortisation and impairment

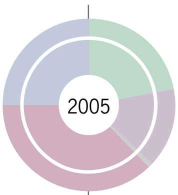


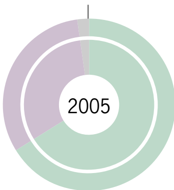
	Revenues			Revenue – retail sales			Segment result-operating profit			Depreciation, amortisation and impairment		
	2005 Rm	2004 Rm	%	**2005 Rm**	2004 Rm	%	**2005 Rm**	2004 Rm	%	**2005 Rm**	2004 Rm	%
Department Stores Division	**8 437**	6 568	28	**8 308**	6 470	28	**994**	590	68	**80**	74	8
Discount Division	**5 442**	4 182	30	**5 282**	4 060	30	**653**	366	78	**53**	49	8
Manufacturing Division	**83[2]**	111[2]	(25)				**(4)**	(17)	76	**3**	3	—
Credit and Financial Services	**853**	638	34				**213**	186[4]	15	**5**	4	25
Group Services[3]	**23**	15	53				**(1)**	(47)	98	**110**	139	(21)
Group	**14 838**	11 514	29	**13 590**	10 530	29	**1 855**	1 078	72	**251**	269	(7)
Per geographic region												
South Africa	**14 174**	11 013	29	**12 995**	10 073	29	**1 675**	950	76	**243**	265	(8)
Other[5]	**664**	501	33	**595**	457	30	**180**	128	41	**8**	4	100

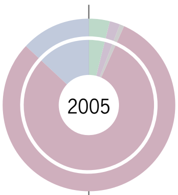
Notes

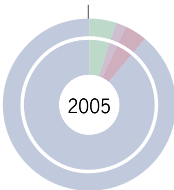
1. Excludes proceeds on disposal of properties, fixtures, equipment and vehicles and movements in loans (note 13.6).
2. Represents manufacturing sales to third parties. In deriving the revenue, inter-group manufacturing sales of R145 million (2004: R115 million) have been eliminated.
3. Incorporating corporate divisions and consolidation adjustments.
4. Comparatives have been restated to include cellphone insurance revenue previously allocated to retail Divisions. Accordingly, the Department Stores and Discount Division have been restated.
5. Comprising Botswana, Lesotho, Swaziland and Namibia.











Capital expenditure[1]			Non-current assets		Inventories		Other current assets		Liabilities		Shareowners' funds		
2005 Rm	2004 Rm	%	**2005 Rm**	2004 Rm	**2005 Rm**	2004 Rm	**2005 Rm**	2004 Rm	**2005 Rm**	2004 Rm	**2005 Rm**	2004 Rm	%
122	108	13	**345**	301	**1 158**	866	**130**	46	**170**	84	**1 463**	1 129	30
86	83	4	**238**	223	**549**	333	**74**	52	**70**	74	**791**	534	48
1	5	(80)	**15**	17	**27**	32	**17**	45	**13**	3	**46**	91	(49)
7	4	75	**583**	412			**2 701**	2 182	**134**	86	**3 150**	2 508	26
167	72	132	**388**	239			**424**	348	**2 796**	2 199	**(1 984)**	(1 612)	(23)
383	272	41	**1 569**	1 192	**1 734**	1 231	**3 346**	2 673	**3 183**	2 446	**3 466**	2 650	31
366	247	48	**1 528**	1 160	**1 658**	1 181	**3 034**	2 507	**3 119**	2 431	**3 101**	2 417	28
17	25	(32)	**41**	32	**76**	50	**312**	166	**64**	15	**365**	233	57

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
4. Revenues				
Retail sales	**13 590**	10 530	**12 995**	9 475
Administration fees			**55**	49
Club fees	**289**	221	**289**	221
Dividend income	**39**	27	**559**	202
Finance charges	**437**	386	**413**	333
Financial services income	**377**	224		
Interest received	**23**	15	**40**	50
Manufacturing sales to third parties	**83**	111		
	14 838	11 514	**14 351**	10 330
5. Total cost of financing				
Cost of credit[2]	**(50)**	(6)	**(74)**	(29)
Financial services profit[1]	**263**	192		
Credit and financial services profit/(loss)	**213**	186	**(74)**	(29)
Notional financing costs allocated on own debtors[3]	**(238)**	(239)		
Total cost of credit	**(25)**	(53)		
Net financing costs (note 9)	**(4)**	(51)		
Notional financing receipts allocated[3]	**238**	239		
Group net financing receipts	**234**	188		
Net profit from financing	**209**	135		

[1] *Comparitives have been restated to include cellphone insurance revenue of R49 million previously allocated to retail Divisions.*
[2] *Includes OntheCards net income of R66 million (2004: R32 million).*
[3] *Being a market related charge on the balance sheet assets within the credit area.*

6. Operating profit

This is stated after taking account of the following items:

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
6.1 Amortisation of goodwill and trademarks				
Charge for the year	**1**	29	**1**	1
Impairment of goodwill	**—**	17	**—**	14
	1	46	**1**	15
6.2 Auditors' remuneration				
Audit fees	**5**	4	**5**	4
Fees for consulting and other services	**1**	1	**1**	1
	6	5	**6**	5

	Group		Company	
	2005 Rm	2004 Rm	**2005 Rm**	2004 Rm
6. Operating profit *(continued)*				
6.3 Depreciation of properties, fixtures, equipment and vehicles				
Buildings	**3**	1	**1**	—
Leasehold improvements	**35**	13	**34**	11
Fixtures and fittings	**97**	100	**92**	91
Computer equipment and software	**109**	103	**108**	99
Machinery and vehicles	**6**	6	**3**	3
	250	223	**238**	204
6.4 Fees payable				
Managerial, technical, administrative and secretarial fees paid outside the Group	**78**	53	**78**	52
Outsourcing of IT function	**187**	173	**187**	173
	265	226	**265**	225
6.5 Operating lease expenses				
Properties				
Minimum lease payments	**601**	510	**567**	455
Turnover clause payments	**61**	36	**59**	44
Sublease rental income	**(15)**	(19)	**(15)**	(19)
Furniture, equipment and vehicles	**184**	153	**183**	150
	831	680	**794**	630
6.6 Net gain on disposal of properties, fixtures, equipment and vehicles	**(2)**	1	**(2)**	1
7. Directors and employees				
7.1 Employees				
The aggregate remuneration and associated cost of permanent and casual employees including directors was:				
Salaries and wages	**1 372**	1 148	**1 280**	989
Retirement benefit costs	**118**	101	**115**	95
Medical aid contributions				
Current	**36**	26	**33**	24
Post-retirement	**1**	4	**1**	3
	1 527	1 279	**1 429**	1 111
Edcon Pension Fund				
Actuarially determined:				
Current service cost	**(1)**	(1)		
Interest cost	**(28)**	(32)		
Return on assets	**56**	72		
Net gain	**27**	39		
Company contributions	**1**	1		
Increase in plan assets	**28**	40		
Estimated return on pension fund assets	**21**	31		

	Group and Company	
	2005 Rm	2004 Rm
7. Directors and employees *(continued)*		
7.1 Employees *(continued)*		
Edcon Medical Aid (Group and company)		
Actuarially determined:		
Current service cost	**2**	3
Interest cost	**8**	11
Net gain	**(7)**	(7)
Expected employer benefit payments	**(5)**	(6)
Decrease in post-retirement medical aid liability	**(2)**	1

Separate funds, independent of the Group, provide retirement and other benefits for all permanent employees and their dependants. During the year there were five defined contribution funds of significance, namely Edgars Provident Fund, Super Mart – Elixer FEDCRAW, Super Mart – Elixer ORION, SACCAWU National Provident Fund and FEDCRAW Provident Fund. The Super Mart – Elixer ORION fund is closed for new membership and currently in the process of closing. A defined contribution fund is available to employees in Namibia and Botswana, Edcon Namibia Provident Fund and Edcon Botswana Provident Fund. The CNA Pension Fund and CNA Provident Fund are closed to new entrants and currently are in the process of being wound down.

A statutory valuation of the Edgars Pension Fund was carried out by an independent firm of consulting actuaries on 31 December 1999 using the attained age method of valuation. The actuarial value of liabilities for all pensioners and members, including a stabilisation reserve, was determined at R293 million. The fair value of assets calculated by reference to the market value was R523 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 a post-retirement interest rate of 4,5% per annum. The 31 December 2002 statutory pension valuation has not been finalised due to delays in the distribution of the surplus (see details below).

In the current year an actuarial estimate was performed using the projected unit method, and the fair value of the assets and liabilities are reflected below. The actuarial estimate was based on the principal assumptions that the expected rate of return on assets would be 9% per annum after taxation, that salary increase will be 5,5% per annum, a discount rate of 8,5% and a post-retirement interest rate of 4,0% per annum.

As reported last year, proposals were submitted to the Financial Services Board (FSB) to offer pensioners an enhanced pension in exchange for assuming all their medical aid liabilities. Similarly, a portion of the surplus was to be utilised to pay the lump sum to medical aid members' provident fund accounts to meet the company's existing post-retirement medical aid liability for service rendered to date. Initially approval was received from the FSB to transfer active members and pensioners to alternative arrangements and annuity policies. These members' and pensioners' accrued actuarial liabilities were enhanced by 25%. The surplus detailed below is adequate to cover the estimated consequence of this transaction which is estimated to be R54 million and the balance of the surplus will be transferred to the Edcon Provident Fund. Subsequently, however, the FSB reneged on their approval and requested a determination of the surplus available for distribution to former members prior to the utilisation of the surplus for current members. As a result, Edgars Pension Fund has appealed to the Appeal Board of the FSB and the first date available for the hearing is August 2005. Should the appeal not be successful, the Board remains confident that sufficient surplus exists to meet past-retirement medical aid liabilities and amounts due to former members.

Contributions to the Group's significant defined contribution funds are at a rate of 17,49% of benefit salary, and where funds are contributory members pay a maximum of 7,5%. The employer's portion is charged against profits.

The funded status of the Edcon Pension Fund determined in terms of IAS 19 (AC 116) is as follows:

	Company	
	2005 Rm	2004 Rm
Benefit obligation	**311**	304
Fair value of assets	**634**	638
Funded benefit plan asset	**323**	334
Unrecognised net loss	**109**	70
Plan asset	**432**	404
To be utilised to fund the post-retirement medical aid obligation (note 20)	**86**	88
Unrecognised net asset	**346**	316

No asset has been recognised pending claims from former members in terms of the Pension Funds Second Amendment Act.

7. Directors and employees *(continued)*

7.1 Employees *(continued)*

Membership of and employer contributions to each of the funds at 2 April 2005 were:

	Pensioners	Members	Contributions Rm
2005			
Edcon Pension Fund	**971**	**42**	**1**
Edcon Provident Fund	**—**	**14 960**	**110**
Edcon Namibia Retirement Fund	**13**	**202**	**1**
Botswana Retirement Fund	**—**	**126**	**—**
Super Mart – Elixer FEDCRAW	**—**	**365**	**2**
SACCAWU National Provident Fund	**—**	**1 092**	**5**
FEDCRAW Provident Fund	**—**	**504**	**2**
	984	**17 291**	**121**
2004			
Edcon Pension Fund	915	48	1
Edcon Provident Fund	—	11 950	88
Edcon Namibia Retirement Fund	13	168	1
Super Mart – Elixer FEDCRAW	—	821	2
Super Mart – Elixer ORION	—	90	1
SACCAWU National Provident Fund	—	1 189	4
FEDCRAW Provident Fund	—	430	1
	928	14 696	98

All funds are subject to the Pension Funds Acts of the various countries and, where required by law, actuarial valuations are conducted every three years. The market value of investments of the various Edcon funds above as at 2 April 2005 was R1 426 million (2004: R1 228 million).

Medical aid funds

The company and its subsidiaries operate a defined benefit medical aid scheme for the benefit of permanent employees. The costs are charged against income as incurred and amounted to R36 million (2004: R26 million). Membership of the Group's medical aid scheme is voluntary for all employees. Total membership currently stands at 4 370 principal members in South Africa. In terms of employment contracts and the rules of the schemes, certain post-retirement medical benefits are provided to 3 071 current and past employees by subsidising a portion of the medical aid contribution of members, after retirement. The cost of providing post-retirement medical aid has been determined in accordance with IAS 19 (AC 116) and the charge against income for the year was R1 million (2004: R4 million). The actuarially determined present value of the company's liability for post-retirement medical aid benefits for all pensioners and staff, for service to date, is R86 million (2004: R88 million). The actuarial valuation was based on the main assumptions of 8,5% per annum discount rate, a future rate of consumer price inflation of 4,0% per annum and an allowance for general future salary inflation in line with CPI has been applied.

The status of the Edcon Medical Aid Fund determined in terms of IAS 19 (AC 116) is as follows:

	Group	
	2005 Rm	2004 Rm
Recognised benefit obligation (note 28)	**86**	88
To be funded from pension fund actuarial surplus	**86**	88
	—	—

7. Directors and employees *(continued)*

7.2 Directors' emoluments paid

									Company	
									2005 Rm	2004 Rm
Name	**Months paid 2005**	Months paid 2004	**Fees R000**	**Remuneration R000**	**Retirement, medical, accident and death benefits R000**	**Performance[1] Bonus R000**	**Loyalty bonus R000**	**Other benefits R000**	**Total R000**	Total R000
Non-executive directors										
W S MacFarlane			310						**310**	195
A J Aaron			180						**180**	120
Z B Ebrahim			130						**130**	75
T N Eboka (Resigned at 31 December 2004)			82						**82**	75
J D M G Koolen			110						**110**	60
K D Moroka (Appointed 1 April 2005)			—						**—**	—
P L Wilmot			190						**190**	120
S D M Zungu			110						**110**	—
								Total	**1 112**	645
Executive directors										
S M Ross	**12**	12	—	5 491[2]	21	4 850	—	—	**10 362**	9 862
S R Binnie	**12**	12	—	1 049	229	1 517	—	—	**2 795**	1 526
A v A Boshoff	**12**	12	—	1 692	294	2 605	500	75	**5 166**	3 453
M R Bower	**12**	12	—	1 982	268	2 811	711	—	**5 772**	5 363
Dr U Ferndale	**12**	12	—	1 282	157	2 248	356	—	**4 043**	3 376
J L Spotts	**12**	12	—	1 996	298	2 818	485[2]	122	**5 719**	4 707
	72	72							**33 857**	28 287
									34 969	28 932
Pension for past managerial services										
Retired ex directors									**184**	175
								Total emoluments	**35 153**	29 107

[1] *Determined on performance for year to 31 March 2004.*
[2] *Includes US Dollar payments.*

7. Directors and employees *(continued)*

7.3 Staff share incentive scheme

In terms of the staff share incentive scheme (the "scheme"), shares are offered on a combined option and deferred sale basis. Options vest over a period of 1 to 5 years depending on the option type. An agreement of deferred sale is automatically constituted on acceptance of the offer. All shares must be taken up by way of purchase and delivery by no later than 10 years after the date of grant. The exercise price of the option is not less than the market value of the ordinary shares on the day following the date of grant and the option is exercisable provided the participant has remained in the Group's employ until the option vests. An exception is made in the case of termination of employment as a result of death or retirement. Options are settled in equity once exercised and subsequently taken up.

In the event of death or retirement of a participant, options may be taken up and paid for within two years of such event. In the event of resignation of a participant, options which have vested may be taken up and paid for within 90 days after termination of employment.

In terms of a shareowners' 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 scheme. The maximum number of Edcon ordinary shares to which any eligible participant is entitled shall not exceed 1,5% of the ordinary shares then in issue.

The fair value of options granted under the scheme are estimated at the date of the grant using the Black-Scholes option-pricing model.

The following assumptions were used in valuing the various option grants:

	2005	2004
Expected volatility	**25%**	82%
Risk-free interest rate	**8,86%**	9,58%
Expected dividend yield	**5%**	5%
Expected life (years)	**3 to 7**	3 to 5

The expected life of the options is based on historical data and expected future trends and is not necessarily indicative of exercise patterns that may occur. The expected volatility in 2005 of 25% reflects the assumption that the historical volatility of approximately 82% to 89% is not indicative of future trends. In previous years interest rates and foreign exchange rates fluctuated widely, the inflation rate has decreased and the Edcon share price collapsed in 1998 and has since recovered.

The fair value of the share options that were granted over the period to 2 April 2005 is R11 million (2004: R4 million) and is recognised as an expense in the profit and loss for the period.

The following table illustrates the number and weighted average exercise prices of share options held by eligible participants including executive directors:

	2005 Number of share options	**2005 Weighted average exercise price (R)**	2004 Number of share options	2004 Weighted average exercise price (R)
Balance at the beginning of the period	**7 502 885**	**30,01**	8 970 410	26,51
Options granted	**855 637**	**177,87**	591 344	64,80
Options taken up	**(1 967 313)**	**26,10**	(2 046 104)	24,68
Options forfeited	**(853 064)**	**27,54**	(12 765)	37,75
Balance at the end of the period	**5 538 145[1]**	**54,37**	7 502 885[1]	30,01
Details of share options taken up during the period:				
		R		R
Average subscription price per share		**25,24**		31,21
Average market price per share		**172,46**		113,48

[1] *Included in this balance are options relating to 4 098 146 (2004: 6 865 128) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.*

7. Directors and employees *(continued)*

7.3 Staff share incentive scheme *(continued)*

The options outstanding at 2 April 2005 become unconditional between the following dates:

	Subscription price (R)	2005 Number of share options	2004 Number of share options
4 August 1999 and 4 August 2008	29,50	—	2 500
4 August 2000 and 4 August 2008	29,50	—	97 800
4 August 2001 and 4 August 2008	29,50	1 500	93 500
1 September 1999 and 1 September 2008	20,61	—	150 000
10 March 2000 and 10 March 2009	27,30	—	120 000
23 November 2000 and 23 November 2010	21,80	—	100 000
11 March 2002 and 11 March 2009	29,00	—	12 000
5 May 2002 and 5 May 2009	30,20	—	1 200
30 September 2002 and 1 March 2006	26,00	200 000	550 000
5 November 2002 and 5 November 2009	63,00	—	8 000
19 January 2003 and 19 January 2010	69,00	10 200	13 000
5 June 2003 and 5 June 2010	21,80	214 430	472 688
27 November 2003 and 27 November 2010	21,80	249 451	523 739
22 May 2004 and 22 May 2011	23,55	1 097 598	1 865 307
12 June 2004 and 12 June 2011	24,95	7 000	10 000
17 September 2004 and 17 September 2011	29,60	3 223	4 604
13 November 2004 and 13 November 2011	26,00	14 000	20 000
18 February 2005 and 18 February 2012	24,00	155 000	205 000
22 May 2005 and 22 May 2013	58,00	412 372	445 757
23 May 2005 and 23 May 2012	31,00	1 887 090	2 357 136
29 August 2005 and 29 August 2012	39,90	200 000	200 000
1 October 2005 and 1 October 2012	38,20	50 000	50 000
29 October 2005 and 29 October 2012	39,90	8 654	8 654
14 November 2005 and 14 November 2012	47,00	30 000	30 000
19 March 2006 and 19 March 2013	48,98	50 000	50 000
7 April 2006 and 7 April 2013	49,50	20 000	20 000
22 May 2006 and 22 May 2013	58,00	27 000	27 000
2 June 2006 and 2 June 2014	138,50	457 724	
14 November 2006 and 14 November 2013	110,80	10 000	10 000
20 January 2007 and 20 January 2014	118,00	25 000	25 000
4 February 2007 and 4 February 2014	119,50	10 000	10 000
9 March 2007 and 9 March 2014	124,00	20 000	20 000
31 March 2007 and 31 March 2014	232,00	150 000	
2 June 2007 and 2 June 2014	138,50	10 000	
22 July 2007 and 22 July 2014	153,00	20 000	
5 August 2007 and 5 August 2014	159,40	2 903	
4 September 2007 and 4 September 2014	173,30	20 000	
11 November 2007 and 11 November 2014	232,00	10 000	
10 January 2008 and 10 January 2015	284,50	5 000	
7 March 2008 and 7 March 2015	294,50	10 000	
31 March 2008 and 31 March 2014	232,00	150 000	
		5 538 145	7 502 885

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.

7. Directors and employees *(continued)*

7.3 Staff share incentive scheme *(continued)*

Share options granted to executive directors are as follows:

	2005 Number of share options	2004 Number of share options
Balance at the beginning of the period	**1 557 342**	2 208 382
Options granted	**459 797**	181 259
Options taken up	**(775 475)**	(832 299)
Balance at the end of the period	**1 241 664**	1 557 342

The options outstanding for directors at 2 April 2005 become unconditional between the following dates:

	Subscription price (R)	2005 Number of share options	2004 Number of share options
1 September 1999 and 1 September 2008	20,61	**—**	150 000
10 March 2000 and 10 March 2009	27,30	**—**	100 000
23 November 2000 and 23 November 2010	21,80	**—**	100 000
11 March 2002 and 11 March 2009	29,00	**—**	12 000
30 September 2002 and 11 March 2006	26,00	**200 000**	550 000
5 November 2002 and 5 November 2009	63,00	**—**	8 000
23 November 2003 and 23 November 2010	21,80	**23 182**	48 657
18 February 2005 and 18 February 2012	24,00	**70 000**	100 000
22 May 2005 and 22 May 2013	58,00	**181 259**	181 259
23 May 2005 and 23 May 2012	31,00	**57 426**	57 426
21 August 2005 and 21 August 2012	39,90	**200 000**	200 000
1 October 2005 and 1 October 2012	38,20	**50 000**	50 000
2 June 2006 and 2 June 2014	138,50	**159 797**	
31 March 2007 and 31 March 2014	232,00	**150 000**	
31 March 2008 and 31 March 2014	232,00	**150 000**	
		1 241 664	1 557 342

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 and year-end to 24 hours after publication of the half-year and year-end results respectively and during any closed periods during which the company is trading under a cautionary announcement.

Options granted to executive directors as at 2 April 2005:

	Within 1 year	1 – 2 years	2 – 5 years	2005 Total	2004 Total
Executive director					
S R Binnie	19 468	26 022	37 575	**83 065**	63 405
A v A Boshoff	63 582	79 570	86 710	**229 862**	214 313
M R Bower	27 986	37 164	53 785	**118 935**	182 917
U Ferndale	50 608	49 451	68 050	**168 109**	172 060
S M Ross	100 000	100 000	300 000	**500 000**	800 000
J L Spotts	40 186	53 305	48 202	**141 693**	124 647
	301 830	345 512	594 322	**1 241 664**	1 557 342

7. Directors and employees *(continued)*

7.3 Staff share incentive scheme *(continued)*

Details of directors' share options per executive director:

2005	Movement date	Subscription price	Market price	Number of share options	Remaining vesting period
S R Binnie					
Balance at the beginning of the period				63 405	
Offered	13 May 2004	138,50		19 660	
Balance at the end of the period				83 065	
Comprising:		**38,20**		**50 000**	**October 2005 through October 2007**
		58,00		**13 405**	**May 2005 through May 2007**
		138,50		**19 660**	**June 2006 through June 2008**
				83 065	
A v A Boshoff					
Balance at the beginning of the period				214 313	
Options taken up	1 September 2004	21,80	168,06	(2 792)	
Options taken up	28 February 2005	24,00	294,72	(15 000)	
Offered	13 May 2004	138,50		33 341	
Balance at the end of the period				229 862	
Comprising:		**21,80**		**3 723**	**November 2005**
		24,00		**35 000**	**February 2006 through February 2007**
		31,00		**12 238**	**May 2005 through May 2007**
		39,90		**100 000**	**August 2005 through August 2007**
		58,00		**45 560**	**May 2005 through May 2007**
		138,50		**33 341**	**June 2006 through June 2008**
				229 862	
M R Bower					
Balance at the beginning of the period				182 917	
Options taken up	22 June 2004	21,80	147,00	(8 483)	
Options taken up	22 June 2004	27,30	147,00	(80 000)	
Options taken up	16 September 2004	27,30	184,00	(20 000)	
Offered	13 May 2004	138,50		44 501	
Balance at the end of the period				118 935	
Comprising:		**21,80**		**5 655**	**November 2005**
		31,00		**17 868**	**May 2005 through May 2007**
		58,00		**50 911**	**May 2005 through May 2007**
		138,50		**44 501**	**June 2006 through June 2008**
				118 935	

7. Directors and employees *(continued)*

7.3 Staff share incentive scheme *(continued)*

Details of directors' share options per executive director:

2005	Movement date	Sub-scription price	Market price	Number of share options	Remaining vesting period
U Ferndale					
Balance at the beginning of the period				172 060	
Options taken up	22 June 2004	29,00	147,00	(12 000)	
Options taken up	22 June 2004	21,80	147,00	(6 507)	
Options taken up	6 December 2004	63,00	279,72	(3 000)	
Options taken up	10 December 2004	63,00	279,73	(5 000)	
Offered	13 May 2004	138,50		22 556	
Balance at the end of the period				168 109	
Comprising:		**21,80**		**8 676**	**November 2005**
		31,00		**10 799**	**May 2005 through May 2007**
		39,90		**100 000**	**August 2005 through August 2007**
		58,00		**26 078**	**May 2005 through May 2007**
		138,50		**22 556**	**June 2006 through June 2008**
				168 109	
S M Ross					
Balance at the beginning of the period				800 000	
Options taken up	16 August 2004	20,61	160,24	(150 000)	
Options taken up	29 September 2004	21,80	189,48	(100 000)	
Options taken up	29 September 2004	26,00	189,48	(250 000)	
Options taken up	18 November 2004	26,00	253,11	(100 000)	
Offered	11 November 2004	232,00		150 000	
Offered	11 November 2004	232,00		150 000	
Balance at the end of the period				500 000	
Comprising:		**26,00**		**200 000**	**September 2005 through March 2006**
		232,00		**150 000**	**March 2007**
		232,00		**150 000**	**March 2008**
				500 000	
J L Spotts					
Balance at the beginning of the period				124 647	
Options taken up	17 March 2005	24,00	274,73	(15 000)	
Options taken up	17 March 2005	21,80	274,73	(5 743)	
Options taken up	17 March 2005	21,80	274,73	(1 950)	
Offered	13 May 2004	138,50		39 739	
Balance at the end of the period				141 693	
Comprising:		**21,80**		**5 128**	**November 2005**
		24,00		**35 000**	**February 2006 through February 2007**
		31,00		**16 521**	**May 2005 through May 2007**
		58,00		**45 305**	**May 2005 through May 2007**
		138,50		**39 739**	**May 2006 through May 2008**
				141 693	

7. Directors and employees *(continued)*

7.3 Staff share incentive scheme *(continued)*

Details of directors' share options per executive director:

2004	Movement date	Sub-scription price	Market price	Number of share options	Remaining vesting period
S R Binnie					
Balance at the beginning of the period				50 000	
Offered	21 May 2003	58,00		13 405	
Balance at the end of the period				63 405	
Comprising:		38,20		50 000	October 2005 through October 2007
		58,00		13 405	May 2005 through May 2007
				63 405	
A v A Boshoff					
Balance at the beginning of the period				187 545	
Options taken up	19 June 2003	21,80	70,69	(2 792)	
Options taken up	19 November 2003	29,50	114,68	(16 000)	
Offered	21 May 2003	58,00		45 560	
Balance at the end of the period				214 313	
Comprising:		21,80		6 515	November 2004 through November 2005
		24,00		50 000	February 2005 through February 2007
		31,00		12 238	May 2005 through May 2007
		39,90		100 000	August 2005 through August 2007
		58,00		45 560	May 2005 through May 2007
				214 313	
M R Bower					
Balance at the beginning of the period				341 006	
Options taken up	25 November 2003	29,50	119,00	(105 000)	
Options taken up	25 November 2003	17,80	119,00	(104 000)	
Offered	21 May 2003	58,00		50 911	
Balance at the end of the period				182 917	
Comprising:		21,80		14 138	November 2004 through November 2005
		27,30		100 000	Fully vested
		31,00		17 868	May 2005 through May 2007
		58,00		50 911	May 2005 through May 2007
				182 917	

7. Directors and employees *(continued)*

7.3 Staff share incentive scheme *(continued)*

Details of directors' share options per executive director:

2004	Movement date	Sub-scription price	Market price	Number of share options	Remaining vesting period
U Ferndale					
Balance at the beginning of the period				206 489	
Options taken up	5 December 2003	17,80	124,30	(24 000)	
Options taken up	5 December 2003	21,80	124,30	(6 507)	
Options taken up	5 December 2003	29,00	124,30	(18 000)	
Options taken up	5 December 2003	63,00	124,30	(12 000)	
Offered	21 May 2003	58,00		26 078	
Balance at the end of the period				172 060	
Comprising:		29,00		12 000	Fully vested
		63,00		8 000	Fully vested
		21,80		15 183	November 2004 through November 2005
		31,00		10 799	May 2005 through May 2007
		39,90		100 000	August 2005 through August 2007
		58,00		26 078	May 2005 through May 2007
				172 060	
S M Ross					
Balance at the beginning of the period				1 154 000	
Options taken up	6 June 2003	20,61	65,89	(50 000)	
Options taken up	20 November 2003	17,80	116,00	(104 000)	
Options taken up	5 March 2004	20,61	121,65	(200 000)	
Balance at the end of the period				800 000	
Comprising:		20,61		150 000	Fully vested
		21,80		100 000	Fully vested
		26,00		550 000	September 2003 through March 2006
				800 000	
J L Spotts					
Balance at the beginning of the period				269 342	
Options taken up	30 January 2004	17,80	120,00	(80 000)	
Options taken up	30 January 2004	27,30	119,79	(30 000)	
Options taken up	30 January 2004	23,55	119,79	(80 000)	
Offered	21 May 2003	58,00		45 305	
Balance at the end of the period				124 647	
Comprising:		21,80		12 821	November 2004 through November 2005
		24,00		50 000	February 2005 through February 2007
		31,00		16 521	May 2005 through May 2007
		58,00		45 305	May 2005 through May 2007
				124 647	

			Group		Company	
			2005 Rm	2004 Rm	**2005 Rm**	2004 Rm
8.	**Income from subsidiaries and jointly controlled entities**					
	Administration fees (included in operating profit)				**55**	49
	Dividend income				**559**	202
	Interest received				**28**	25
					642	276
9.	**Financing costs and interest received**					
9.1	**Financing costs**					
	Interest paid to independent third parties		**26**	46	**19**	43
	Interest paid to subsidiaries				**2**	1
	Foreign currency losses		**1**	20	**—**	5
			27	66	**21**	49
9.2	**Interest received**					
	Interest received from independent third parties		**23**	15	**12**	25
	Interest received from subsidiaries				**28**	25
			23	15	**40**	50
9.3	**Net financing costs/(income)**		**4**	51	**(19)**	(1)
10.	**Taxation**					
10.1	**Taxation charge**					
	Current taxation	– this year	**604**	283	**490**	150
		– prior years	**12**	(3)	**12**	(3)
	Secondary taxation on companies	– this year	**47**	24	**26**	12
		– prior years	**—**	13	**—**	—
	Withholding taxes	– this year	**4**	—	**4**	—
		– prior years	**—**	—	**—**	2
	Total current taxation		**667**	317	**532**	161
	Capital gains tax transferred to share premium on the sale of treasury shares		**—**	(6)		
	Deferred taxation	– this year	**(30)**	38	**(31)**	36
		– prior years	**(19)**	6	**(19)**	—
	Total deferred taxation		**(49)**	44	**(50)**	36
	Total		**618**	355	**482**	197
	Comprising:					
	South African normal taxation		**535**	292	**452**	183
	Secondary taxation on companies		**47**	37	**26**	12
	Withholding taxes		**4**	—	**4**	2
	Foreign taxes		**32**	26		
			618	355	**482**	197

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
10. Taxation *(continued)*				
10.2 Reconciliation of rate of taxation	**%**	**%**	**%**	**%**
Standard rate – South Africa	**30**	30	**30**	30
Adjusted for:				
Dividend income	**(1)**	(1)	**(9)**	(7)
Disallowable expenditure	**2**	2	**2**	
Secondary taxation on companies	**2**	4	**1**	1
Deferred tax asset not raised		1		
Joint venture rate differential		(1)		
Effective tax rate	**33**	35	**24**	24
10.3 Tax losses				
Estimated tax losses available for set-off against future taxable income	**32**	52		
Less amount attributable to temporary differences	**2**			
Estimated tax losses available to reduce future tax charge	**30**	52		
11. Dividends				
Ordinary shares				
No. 113 of 185 cents declared on 20 May 2003 and paid on 30 June 2003		95		95
No. 114 of 247 cents declared on 11 November 2003 and paid on 29 December 2003		128		128
No. 115 of 521 cents declared on 11 May 2004 and paid on 5 July 2004	**281**		**281**	
No. 116 of 494 cents declared on 10 November 2004 and paid on 10 January 2005	**269**		**269**	
Dividends received on treasury shares held through:				
– United Retail Limited	**(53)**	(23)		
– Staff Share Trust	**(27)**	(9)		
Total ordinary dividends paid	**470**	191	**550**	223

No. 117 of 851 cents (total dividends for the year 1 345 cents (2004: 768 cents)) declared on 17 May 2005 and payable on 4 July 2005. This will give rise to secondary taxation on companies of R50 million.

The Group and company respectively paid a 6% preference dividend of R18 thousand (2004: R18 thousand).

	Group 2005	2004	Change %
12. Earnings and cash flow per ordinary share			
12.1 Weighted average shares outstanding			
Weighted average shares outstanding for basic and headline earnings per share	**46 187 741**	44 025 894	5
Potentially dilutive ordinary shares resulting from options outstanding	**5 360 764**	5 500 209	
Compulsorily convertible debentures		2 144 000	
Weighted average shares outstanding for diluted and diluted headline earnings per share	**51 548 505**	51 670 103	—
12.2 Attributable earnings basis (R million)			
Earnings attributable to ordinary shareowners	**1 233**	676	
Change in accounting policy – cost of share-based payments		(4)	
Earnings attributable to ordinary shareowners for basic earnings per share	**1 233**	672	83
Interest on compulsorily convertible debentures net of taxation	**—**	3	
Cost of share-based options	**11**	—	
Earnings attributable to ordinary shareowners for diluted earnings per share	**1 244**	675	84
Earnings per share (cents)			
Basic	**2 670**	1 527	75
Diluted	**2 413**	1 307	85
Percentage dilution (%)	**9,6**	14,4	
12.3 Headline earnings basis (R million)			
Earnings attributable to ordinary shareowners for basic earnings per share	**1 233**	672	83
Profit on disposal of properties, fixtures, equipment and vehicles	**(2)**	1	
Recognition of discount on acquisition of RAG assets	**(4)**	(22)	
Goodwill amortised and impaired	**—**	46	
Taxation	**2**	2	
Headline earnings for headline earnings per share	**1 229**	699	76
Interest on compulsorily convertible debentures net of taxation	**—**	3	
Cost of share-based options	**11**	—	
Headline earnings for diluted headline earnings per share	**1 240**	702	77
Headline earnings per share (cents)[1]			
Basic	**2 661**	1 588	68
Diluted	**2 405**	1 359	77
Percentage dilution (%)	**9,6**	14,4	

[1] *The basis is a measure of the trading performance and excludes profits and losses of a capital nature.*

	Group 2005	Group 2004	Change %
12. Earnings and cash flow per ordinary share *(continued)*			
12.4 Attributable cash equivalent earnings and cash inflow from operations basis			
Earnings attributable to ordinary shareowners for basic earnings per share	**1 233**	672	83
Non-cash items (note 13.1)	**11**	4	
Depreciation and amortisation (notes 6.1 and 6.3)	**251**	269	
Deferred taxation (note 10.1)	**(49)**	44	
Attributable cash equivalent earnings	**1 446**	989	46
Attributable cash inflow from operations	**1 399**	201	596
Share performance (cents)			
Attributable cash equivalent earnings[2]	**3 131**	2 246	39
Attributable cash inflow from operations[3]	**3 029**	457	563

[2] *This basis recognises the potential of the earnings stream to generate cash and is consequently an indicator of the cash flow from operations.*
[3] *Focuses on the cash stream achieved in the year under review.*

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
13. Cash flow				
13.1 Non-cash items				
Net profit on disposal of properties, fixtures, equipment and vehicles (note 6.6)	**(2)**	1	**(2)**	1
Cost of share-based payments	**11**	4		
Other	**2**	(1)		
	11	4	**(2)**	1
13.2 Dividends received				
Dividends receivable at the beginning of the period			**30**	26
Dividends received (note 8)			**559**	202
Dividends receivable at the end of the period			**(38)**	(30)
			551	198

	Group		Company	
	2005 Rm	2004 Rm	**2005 Rm**	2004 Rm
13. Cash flow *(continued)*				
13.3 Working capital movement				
Increase in inventories	**(458)**	(31)	**(501)**	(70)
Increase in trade accounts receivable	**(1 673)**	(870)	**(1 553)**	(809)
Proceeds from the sale of accounts receivable to OntheCards	**1 109**		**1 109**	
Investment in debt securities	**(170)**		**(51)**	
Rationalisation of subsidiaries (note 13.11)			**21**	
Decrease/(increase) in other receivables	**110**	(68)	**(92)**	14
Increase in accounts payable	**881**	292	**902**	234
Decrease in amount owing to subsidiaries			**(261)**	197
	(201)	(677)	**(426)**	(434)
13.4 Taxation paid				
Taxation liability at the beginning of the period	**(87)**	(192)	**(49)**	(163)
Taxation – rationalisation of subsidiaries (note 13.11)			**(21)**	
Current taxation provided (note 10.1)	**(667)**	(317)	**(532)**	(161)
Taxation liability at the end of the period	**241**	87	**241**	49
	(513)	(422)	**(361)**	(275)
13.5 Dividends paid				
Dividends declared and paid (note 11)	**(470)**	(191)	**(550)**	(223)
	(470)	(191)	**(550)**	(223)
13.6 Investment to maintain operations				
Replacement of properties, fixtures, equipment and vehicles	**(138)**	(182)	**(122)**	(136)
Proceeds on disposal of properties, fixtures, equipment and vehicles	**3**	1	**3**	1
	(135)	(181)	**(119)**	(135)
13.7 Investment to expand operations				
Additions to leased premises	**(32)**	(22)	**(29)**	(17)
Additions to properties, fixtures, equipment and vehicles	**(213)**	(68)	**(210)**	(62)
Net investment in subsidiaries and other assets (note 13.11)	**(79)**	(66)	**(179)**	(146)
Increase in loan			**2**	(49)
	(324)	(156)	**(416)**	(274)

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
13. Cash flow *(continued)*				
13.8 (Decrease)/increase in shareowner funding				
Compulsorily convertible debentures converted on 31 March 2004	**38**		**38**	
Ordinary share capital issued on 1 December 2004	**16**		**16**	
Net movement in treasury shares	**(61)**	44		
	(7)	44	**54**	
13.9 Decrease in interest bearing debt				
Long and medium-term repaid	**—**	(1)	**—**	—
Net decrease in short-term	**(247)**	184	**(287)**	224
	(247)	183	**(287)**	224
13.10 Increase in cash and cash equivalents				
Cash on hand	**45**	(43)	**42**	(25)
Cash on deposit	**171**	(60)	**102**	(54)
Rationalisation of subsidiaries (note 13.11)			**(36)**	
Currency adjustments	**—**	3		
	216	(100)	**108**	(79)
13.11 Net investment in subsidiaries and other assets				
Acquisition of Boardmans				
With effect from 1 April 2004, the Group acquired certain Boardmans store net assets.				
The fair value of the net assets acquired was as follows:				
Fixtures and fittings	**8**		**8**	
Inventories	**45**		**45**	
Accounts receivable and prepayments	**3**		**3**	
Interest free liabilities	**(3)**		**(3)**	
Net assets acquired	**53**		**53**	
Goodwill arising on acquisition	**26**		**26**	
Consideration	**79**		**79**	
Settled by way of cash and cash equivalents	**79**		**79**	

	Group		Company	
	2005 Rm	2004 Rm	**2005 Rm**	2004 Rm
13. Cash flow *(continued)*				
13.11 Net investment in subsidiaries and other assets *(continued)*				
Subsidiary rationalisation				
During the year, certain subsidiary companies were rationalised in accordance with Section 45 of the Income Tax Act.				
The book value of the net assets acquired was as follows:				
Net fixtures and equipment			**60**	
Net leasehold improvements			**4**	
Inventory			**61**	
Accounts receivable and prepayments			**3**	
Cash and cash equivalents			**36**	
Interest free liabilities			**(43)**	
Taxation payable			**(21)**	
Total purchase price			**100**	
Less cash			**(36)**	
Cash outflow from rationalisation of subsidiaries net of cash acquired			**64**	
Acquisition of Elixer Marketing (Pty) Limited (trading as Super Mart)				
The Group acquired 100% of the shares of Elixer Marketing (Pty) Limited (trading as Super Mart), a general discount retailer, on 1 October 2002. The conditions of the sale included an earn-out agreement that was due to be completed in 2006. The settlement was accelerated and a discounted value offer for the balance of the business was concluded in December 2003.				
The subsequent adjustment to the purchase price was as follows:				
Goodwill recognised on acquisition in 2003		106		
Adjustment to goodwill on settlement of vendors		(17)		
Total goodwill recognised on acquisition		89		
Consideration in 2003		140		140
Adjustment to consideration (interest free liabilities)		(10)		(10)
Total consideration		130		130
Settled by way of:				
– cash and cash equivalents 2003		86		86
– cash and cash equivalents 2004		44		44
– included in interest free liabilities		—		—

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
13. Cash flow *(continued)*				
13.11 Net investment in subsidiaries and other assets *(continued)*				
Acquisition of ThisDay stores				
The Group acquired certain ThisDay store assets with effect from 3 November 2003.				
The fair value of the net assets acquired was as follows:				
Fixtures and fittings		3		3
Inventories		12		12
Interest free liabilities		(9)		(9)
Net assets acquired		6		6
Goodwill arising on acquisition		4		4
Consideration		10		10
Settled by way of cash and cash equivalents		10		10
Acquisition of CNA stores				
The Group acquired certain South African CNA store assets effective on 21 October 2002.				
Goodwill recognised in 2003		33		33
Adjustment to goodwill		11		11
Total goodwill recognised on acquisition		44		44
Consideration in 2003		130		130
Adjustment to consideration		7		7
Total consideration		137		137
Settled by way of:				
– cash and cash equivalents 2003		126		126
– cash and cash equivalents 2004		11		11
Additional capital invested in subsidiaries				
Smiley's Wearhouse (Pty) Limited				30
VOC Investments Limited				50
				80
Acquisition of Retail Apparel Group (RAG) assets				
With effect from July 2002, RAG's retail brands, debtors book, customer database and a number of its retail stores were integrated into the Discount Division.				
Additional cost associated with acquisition		1		1
Goodwill recognised in the income statement		1		1

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
13. Cash flow *(continued)*				
13.11 Net investment in subsidiaries and other assets *(continued)*				
Cash utilised:				
Boardmans	**79**		**79**	
Subsidiary rationalisation			**64**	
Elixer Marketing (Pty) Limited		44		44
ThisDay stores		10		10
CNA stores		11		11
Smiley's Wearhouse (Pty) Limited				30
VOC Investments Limited				50
RAG		1		1
Cash utilised in investment activities (note 13.7)	**79**	66	**143**	146
14. Properties, fixtures, equipment and vehicles Historic cost except for revalued land and buildings				
Land and buildings				
Historic cost	**16**	16	**2**	2
Revaluation surplus	**95**	37	**41**	4
Leasehold improvements	**203**	171	**193**	157
Fixtures and fittings	**1 318**	1 149	**1 251**	1 031
Computer equipment and software	**1 013**	879	**992**	837
Machinery and vehicles	**132**	79	**109**	55
Capitalised leased assets	**16**	9	**16**	16
	2 793	2 340	**2 604**	2 102
Accumulated depreciation				
Buildings	**20**	3	**4**	—
Leasehold improvements	**122**	87	**118**	81
Fixtures and fittings	**829**	732	**794**	688
Computer equipment and software	**830**	721	**814**	693
Machinery and vehicles	**56**	50	**46**	40
Capitalised leased assets	**16**	9	**16**	16
	1 873	1 602	**1 792**	1 518
Net carrying value	**920**	738	**812**	584
Comprising:				
Land and buildings	**91**	50	**39**	6
Leasehold improvements	**81**	84	**75**	76
Fixtures and fittings	**489**	417	**457**	343
Computer equipment and software	**183**	158	**178**	144
Machinery and vehicles	**76**	29	**63**	15
	920	738	**812**	584

	Group		Company	
	2005 Rm	2004 Rm	**2005 Rm**	2004 Rm
14. Properties, fixtures, equipment and vehicles Historic cost except for revalued land and buildings *(continued)*				
Opening net carrying value	**738**	689	**584**	573
Movements for the year				
Land and buildings – net revaluation	**45**		**34**	
Capital expenditure				
Leasehold improvements	**32**	22	**29**	17
Fixtures and fittings	**161**	160	**148**	116
Computer equipment and software	**134**	82	**132**	76
Machinery and vehicles	**53**	9	**52**	5
	425	273	**395**	214
Fair value of acquisitions (note 13.11)				
Fixtures and fittings	**8**	3	**8**	3
	8	3	**8**	3
Other				
Assets transferred on subsidiary rationalisation (note 13.11)			**64**	
Currency adjustments	**—**	(1)		
	433	275	**467**	217
Disposals				
Land and buildings	**1**	—	**1**	—
Leasehold improvements	**—**	1	**—**	1
Fixtures and fittings	**—**	1	**—**	1
Machinery and vehicles	**—**	1	**—**	—
	1	3	**1**	2
Depreciation (note 6.3)	**250**	223	**238**	204
Closing net carrying value	**920**	738	**812**	584

Land and buildings were revalued at 1 June 2004 to open market value based on the open market net rentals and current replacement cost of each property. Deferred taxation has been raised out of the revaluation surplus.

The independent valuations were carried out by professional valuers. It is the Group's policy to carry out such valuations every three years with the next valuation to be performed in June 2007. No other categories of assets were revalued.

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

At 2 April 2005 the properties, fixtures, equipment and vehicles have an estimated replacement cost and insurance value of R6 billion (2004: R5 billion) which excludes input value-added tax where appropriate.

At 2 April 2005 the Group had no idle fixed assets.

The gross cost of fully depreciated fixtures, equipment and vehicles at 2 April 2005 amounts to R51 million (2004: R24 million).

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
15. Goodwill and trademarks				
Goodwill represents the excess of the purchase consideration over the fair value of the identifiable assets at the date of acquisition purchased as part of a business combination. Trademarks represent registered rights to the exclusive use of certain trademarks and brand names.				
Balance at the beginning of the period	**54**	102	**4**	4
Current year movements				
Additions:				
Goodwill on acquisition of Boardmans (note 13.11)	**26**		**26**	
Goodwill on acquisition of ThisDay stores (note 13.11)		4		4
Adjustment to Super Mart goodwill (note 13.11)		(17)		
Goodwill and trademarks on acquisition of CNA stores (note 13.11)		11		11
Amortisation:				
Charge for the year (note 6.1)	**(1)**	(29)[1]	**(1)**	(1)
Impairment of goodwill (note 6.1)	**—**	(17)	**—**	(14)
Balance at the end of the period	**79**	54	**29**	4

[1] *During 2004 the estimated useful life of goodwill, which arose on the acquisition of Super Mart, was revised from seven years to three years. This was revised as a result of the early settlement of the earn-out agreement. Refer to note 13.11. This had the effect of increasing the amortisation charge for the 2004 year by R13 million (no tax effect).*

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
Comprising:				
Cost				
Goodwill	**77**	135	**26**	47
Trademarks	**28**	28	**20**	20
Accumulated amortisation and impairment				
Goodwill		84		47
Trademarks	**26**	25	**17**	16
	79	54	**29**	4

As at 28 March 2004, goodwill was no longer amortised and was annually tested for impairment (refer to note 16).

The impairment loss of R17 million in 2004, represents the writedown of subsequent goodwill that arose on the acquisition of CNA stores and ThisDay stores.

16. Impairment testing of indefinite life goodwill

Goodwill acquired through business combinations has been allocated to two individual cash-generating units for impairment testing as follows:

- Jet Mart (acquired on 1 October 2002 as Elixir Marketing (Pty) Limited, previously trading as Super Mart); and
- Boardmans.

The recoverable amount of both cash-generating units has been determined based on a value-in-use calculation.

To calculate this, cash flow projections are based on financial budgets approved by senior management covering a three-year period. The discount rate applied to the cash flow projections is 10% (2004: 10%). The average growth rate used to extrapolate the Jet Mart and Boardmans cash-generating units beyond the three-year period is 10% (2004: 10%) and 10% respectively. These calculations indicated that there was no impairment in the carrying value of the goodwill detailed below.

Carrying amount of goodwill (Rm)	**Jet Mart**	**Boardmans**	**Total**
Carrying amount of goodwill	51	26	77

Key assumptions applied in value-in-use calculation of the Jet Mart and Boardmans units

Sales growth rates, gross margins and costs were based on historical performance, or where there was insufficient history, we considered the performance of existing similar stores, increased for expected efficiency improvements. These improvements are as a result of the benefits that will be realised from the implementation of our merchandise systems and best operating practices as well as the benefits from economies of scale.

Store costs were grown at inflation except, where costs vary with sales. Costs were adjusted where necessary for efficiency improvements and best operating practice.

17. Investments

(Annexure 1, page 189)

17.1 Investment in Edgars Stores Limited Zimbabwe

In January 2005, Bellfield Limited, a subsidiary of the company, donated 35,6 million shares to the Zimedgroup Employee Trust reducing the Group's holding in its former subsidiary to 42%.

The remaining indirect investment in Edgars Stores Limited Zimbabwe is treated as an available-for-sale investment at zero value (2004: zero value).

	Group	
	2005 Rm	2004 Rm
Shares at cost	**—**	—
Post-acquisition retained earnings	**—**	14
Impairment in value of investment	**—**	(14)
Carrying amount at fair value	**—**	—
Directors' valuation of shares	**—**	—

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
17. Investments *(continued)*				
17.2 Consolidated subsidiaries				
Shares at cost			**61**	264
Indebtedness			**374**	290
Total interest in subsidiaries			**435**	554
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.				
17.3 Investment in debt securities				
Preference shares earning a prime interest linked rate of 6,88% redeemable in August 2007	**170**	—	**170**	—
Promissory notes earning a fixed interest, payable quarterly, of 12,22%, redeemable in quarterly instalments to 30 June 2005	**18**	67	**18**	67
Preference shares earning a fixed dividend, payable at the end of the term, of 10,10%, redeemable 30 June 2005	**235**	235	**235**	235
Accumulated promissory note interest and preference share dividends	**117**	68	**117**	68
Deposit related to OntheCards Limited back-up service agreement, earning variable interest adjusted quarterly presently at 7,40%, redeemable 30 June 2005	**30**	30	**30**	30
	570	400	**570**	400
The promissory notes and preference shares are pledged as security for a credit default swap which secures First Rand Bank's subordinated loan to OntheCards.				
Total investments	**570**	400	**1 005**	954
17.4 Owing to subsidiaries			**86**	347

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
17. Investments *(continued)*				
17.5 Aggregate income statement and balance sheet of subsidiary not consolidated in 2004				
The following was as per the audited results for the 52 weeks ended 31 December 2003. The historical income and balance sheet amounts in 2004 were translated at the parallel exchange rate – ZAR1: Z$824,00: average rate ZAR1: Z$691,83.				
Income statement				
Sales		103		
Operating profit		55		
Interest paid		5		
Profit before tax		50		
Attributable earnings		31		
Balance sheet				
Non-current assets		3		
Current assets		72		
Total assets		75		
Interest free liabilities		33		
Net assets		42		
Interest bearing debt		8		
Ordinary shareowners' equity		34		
Portion attributable to shareowners outside the Group		(15)		
Group's interest		19		
Included in ordinary shareowners' equity was R31 million of distributable reserves.				
There was no goodwill relating to the Zimbabwe subsidiary.				
17.6 Aggregate profits/losses of subsidiaries				
Profits	**313**	350		
Losses	**2**	22		
	311	328		

		Group		Company	
		2005 Rm	2004 Rm	**2005 Rm**	2004 Rm
18.	**Loans**				
	Staff Share Trust			**126**	128
	The loan to the Staff Share Trust is interest free and is secured by 2 423 357 (2004: 1 595 966) shares in Edgars Consolidated Stores Limited. It will be repaid when shares held by the Trust are sold.				
19.	**Inventories**				
	Merchandise	**1 709**	1 195	**1 639**	1 093
	Raw materials	**19**	26		
	Work in progress	**6**	10		
	Estimated replacement cost	**1 734**	1 231	**1 639**	1 093
	Inventory writedowns included above	**74**	41	**73**	39
20.	**Accounts receivable and prepayments**				
	Trade accounts receivable – retail	**2 787**	2 260	**2 480**	2 085
	Trade accounts receivable – personal loans	**75**		**75**	
	Allowance for doubtful debts	**(181)**	(143)	**(159)**	(133)
	Pension fund asset (note 7)	**86**	88	**86**	88
	Software	**—**	3	**—**	3
	Foreign exchange derivative fair value (note 33.2)	**2**	—	**2**	—
	Joint venture investment	**22**	10		
	Value-added taxation receivable	**—**	9	**—**	21
	Staff loans	**2**	1	**2**	1
	Other accounts receivable and debit balances, including payments in advance	**142**	250	**213**	87
		2 935	2 478	**2 699**	2 152
21.	**Cash and cash equivalents**				
	Cash on hand	**126**	81	**120**	78
	Cash on deposit	**285**	114	**137**	35
		411	195	**257**	113

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
22. Share capital and premium				
22.1 Authorised ordinary share capital				
72 000 000 (2004: 72 000 000) ordinary shares of 10 cents	**7**	7	**7**	7
22.2 Authorised and issued preference share capital				
150 000 6% preference shares of R2 R300 000 (2004: R300 000)				
22.3 Number of ordinary shares in issue				
Number of shares at the beginning of the period	**44 934 160**	43 338 871	**51 700 140**	51 700 140
Compulsorily convertible debentures of 10 cents each converted on 31 March 2004	**2 144 000**		**2 144 000**	
Issued on 1 December 2004 for exercise of share options	**667 696**		**667 696**	
Treasury shares – Staff Share Trust	**(827 391)**	1 595 289		
Number of shares at the end of the period	**46 918 465**	44 934 160	**54 511 836**	51 700 140
Number of ordinary shares in issue comprise:				
Ordinary shares in issue	**54 511 836**	51 700 140	**54 511 836**	51 700 140
Treasury shares – United Retail Limited	**(5 170 014)**	(5 170 014)		
Treasury shares – Staff Share Trust	**(2 423 357)**	(1 595 966)		
	46 918 465	44 934 160	**54 511 836**	51 700 140
22.4 Issued ordinary shares and premium				
Balance at the beginning of the period	**109**	71	**274**	274
Compulsorily convertible debentures converted on 31 March 2004	**38**		**38**	
Issued on 1 December 2004	**16**		**16**	
Net movement of treasury shares – Staff Share Trust	**(61)**	44		
Capital gains tax on sale of treasury shares		(6)		
Balance at the end of the period	**102**	109	**328**	274
Comprising:				
Share capital	**5**	4	**6**	5
Share premium	**97**	105	**322**	269
Total	**102**	109	**328**	274

In terms of a shareowners' resolution on 14 July 2004 the directors have unconditional authority until the next annual general meeting to issue 7 374 900 unissued ordinary shares.

	Group		Company	
	2005 Rm	2004 Rm	**2005 Rm**	2004 Rm
23. Non-distributable reserves				
Balance at the beginning of the period comprising:				
Revaluation reserve	**27**	27	**3**	3
Foreign currency translation reserve	**(14)**	(9)		
Share premium	**6**	6	**6**	6
Tax reserve relating to LIFO adjustment in foreign subsidiaries	**5**	5		
	24	29	**9**	9
Movements				
Net increase in revaluation reserve	**50**		**31**	
Foreign currency translation reserve	**—**	(4)		
Decrease in tax reserve relating to LIFO adjustment	**(1)**	(1)		
Balance at the end of the period	**73**	24	**40**	9
Comprising:				
Revaluation reserve net of deferred taxation	**77**	27	**34**	3
Foreign currency translation reserve	**(14)**	(13)		
Share premium	**6**	6	**6**	6
Tax reserve relating to LIFO adjustment in foreign subsidiaries	**4**	4		
	73	24	**40**	9
24. Retained surplus				
Comprising:				
Company	**3 029**	2 077		
Consolidated subsidiaries	**262**	440		
	3 291	2 517		
Distributions by certain foreign subsidiaries will give rise to withholding taxes of R15 million (2004: R11 million). No provision is raised until dividends are declared as these reserves are considered to be permanent capital.				
Included in the company retained earnings are dividends declared on 17 May 2005 (11 May 2004) (note 11)			**464**	281

	Group		Company	
	2005 Rm	2004 Rm	**2005 Rm**	2004 Rm
25. Long and medium-term interest bearing debt				
Secured loan in respect of assets with a net book value of R1 million during the year held under an instalment sale agreement bearing interest payable monthly in arrears at a prime linked rate of 11% repaid in June 2004	**—**	1	**—**	—
2 144 000 unsecured compulsorily convertible debentures of 10 cents each issued at a premium of R17,70. Interest was payable six-monthly in arrears on 31 March and 30 September of each year at a rate of 12,34%. As this rate is sufficiently close to market rates, the equity component was not material. These debentures automatically converted into Edgars Consolidated Stores Limited ordinary shares of 10 cents each on 31 March 2004	**—**	38	**—**	38
Current portion repayable within one year transferred to short-term interest bearing debt	**—**	39	**—**	38
Summary of interest bearing debt redemption by financial year: 2005	**—**	39	**—**	38
26. Short-term interest bearing debt				
Current portion of long and medium-term interest bearing debt	**—**	39	**—**	38
Unsecured bank overdrafts, acceptances and call funds	**120**	328	**120**	369
	120	367	**120**	407
27. Deferred taxation				
Balance at the beginning of the period	**86**	41	**60**	24
Income statement (note 10)	**(49)**	44	**(50)**	36
Revaluation reserve	**(5)**		**3**	
Tax reserve relating to LIFO adjustment in foreign subsidiaries (note 23)	**—**	1		
Balance at the end of the period	**32**	86	**13**	60
Comprising:				
Properties, fixtures, equipment and vehicles and other net temporary differences	**(41)**	12	**(58)**	(3)
Net temporary differences on accounts receivable	**68**	63	**67**	62
Foreign currency translation	**1**	1		
Revaluation reserve	**5**	10	**4**	1
Assessed losses created	**(1)**	—		
	32	86	**13**	60

	Group		Company	
	2005 Rm	2004 Rm	**2005 Rm**	2004 Rm
28. Accounts payable				
Trade accounts payable	**1 880**	1 208	**1 821**	1 161
Medical aid obligation (note 7)	**86**	88	**86**	88
Foreign exchange derivative fair value (note 33.2)	**—**	2	**—**	2
Value-added taxation payable	**12**		**10**	
Sundry accounts payable and accrued expenses	**812**	608	**793**	554
	2 790	1 906	**2 710**	1 805
29. Future capital expenditure				
Contracted:				
Properties, fixtures, equipment and vehicles	**163**	36	**161**	22
Authorised by the directors but not yet contracted:				
Properties, fixtures, equipment and vehicles	**468**	575	**453**	574
	631	611	**614**	596
All the expenditure will be incurred during the next financial year and is to be financed from free cash flows.				
30. Leases				
The Group leases the majority of its properties and computer equipment under operating leases whereas other operating assets are generally owned. The lease agreements of certain of the Group's store premises provide for a minimum annual rental payment and additional payments determined on the basis of turnover.				
At 2 April 2005 the future minimum property operating lease commitments are	**3 050**	2 595		
Due as follows:				
Within one year	**585**	507		
Between two and five years	**1 751**	1 546		
In more than five years	**714**	542		
The Group also leases certain computer equipment. The agreement provides for minimum annual rental payments and additional payments depending on usage.				
At 2 April 2005, the future minimum computer equipment operating lease commitments are	**311**	322		
Due as follows:				
Within one year	**153**	121		
Between two and five years	**158**	201		

	Group 2005 Rm	Group 2004 Rm	Company 2005 Rm	Company 2004 Rm
31. Contingent liabilities				
Guarantees in respect of staff loans and certain pensions	—	1	—	—

There is no litigation, current or pending, which is considered likely to have a material adverse effect on the Group.

32. Post balance sheet events

32.1 Securitisation

In terms of the Domestic Medium Term Note (DMTN) securitisation programme renegotiated in 2004, the Group has resolved to securitise a further R800 million of its receivables book during August 2005. Net cash generated from the disposal of the securitised assets will be used to repay debt and fund future expansion opportunities.

33. Financial risk management

33.1 Treasury risk management

A treasury workgroup consisting of senior executives meet on a quarterly basis to update treasury policies and objectives, analyse currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts. Compliance with Group Treasury policies and objectives of the Board and exposure limits is reviewed at quarterly meetings of the Risk Management Workgroup.

33.2 Foreign currency management

Material forward exchange contracts at 2 April 2005 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 12 months.

	Foreign currency m	Derivative fair value Rm	Contract equivalent Rm	Average rate
Foreign currency against Rand hedged import forward orders				
2005				
US Dollar	**18**	**2**	**112**	**6,18**
2004				
US Dollar	7	(2)	45	6,93

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 to the US Dollar at 2 April 2005 amounted to nil (2004: R6 million). The Group policy is to restrict the net aggregate cover to between 80% and 125% of total foreign order exposure.

33. Financial risk management *(continued)*

33.3 Interest rate management

As part of the process of managing the Group's fixed and floating rate interest bearing debt and cash and cash equivalents mix, the interest rate characteristics of new and the refinancing of existing loans are positioned according to expected movements in interest rates. The interest rate repricing profile at 2 April 2005 is
summarised as follows:

	Floating rate	Total interest bearing debt
2005		
Interest bearing debt (Rm)	**120**	**120**
% of total interest bearing debt	**100**	**100**
2004		
Interest bearing debt (Rm)	367	367
% of total interest bearing debt	100	100

	Total	Floating rate	0 – 6 months	Fixed rate
Cash on deposit and investments by currency				
2005 (Rm)				
US Dollar	**7**	**4**	**3**	**—**
Sterling	**3**	**—**	**3**	**—**
Euro	**4**	**4**	**—**	**—**
Botswana Pula	**5**	**5**	**—**	**—**
South African Rand	**163**	**163**	**—**	**—**

	Notional amount		Fixed interest % payable		Fair value	
	2005	2004	**2005**	2004	**2005**	2004
Interest rate swaps (Rm)						
Pay fixed/received floating:						
Interest rate swaps < 1 year	**370**	—	**10,87**	—	**—**	—
Interest rate swaps > 1 year	**—**	470	**—**	10,38	**—**	(16)
Other swaps (Rm)						
Usury/Usury star swap[1]	**2 686[2]**	1 665[2]				
Credit default swap	**540**	370				

1. *Receive Usury, pay Usury star (133% of prime rate plus 6%).*
2. *Nominal amount variable as asset base movements occur.*

33. Financial risk management *(continued)*

33.3 Interest rate management *(continued)*

Edcon classifies interest rate swaps and other derivatives as held for trading because hedge accounting has not been adopted. Hedge accounting is applied where the hedge is expected to be highly effective and reliably measurable.

The Usury/Usury star swap has not been revalued at year-end due to the number of variables and the difficulty in predicting the time lag between changes in the prime lending rate and the Usury rate.

The credit default swap was not revalued due to the number of variables and the difficulty in predicting the conditions upon which interest will be earned and had debt been incurred.

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.

33.4 Credit risk management

Potential concentrations of credit risk consist principally of trade accounts receivable and short cash investments. The Group only deposits short-term cash surpluses with financial institutions of high quality credit standing. Credit limits per financial institution are established at the treasury quarterly meeting and are approved at the Audit and Risk Workgroup. 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 2 April 2005, the Group did not consider there to be any significant concentration of credit risk in respect of which adequate provision had not been raised.

	Group	
	2005 Rm	2004 Rm
33.5 Liquidity risk		
The Group has minimised risk of illiquidity as shown by its substantial banking facilities and reserve borrowing capacity.		
Unutilised banking facilities		
Total banking and loan facilities	**1 455**	1 029
Actual interest bearing debt (notes 25 and 26)	**(120)**	(367)
Unutilised borrowing facilities	**1 335**	662
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 shareowners' funds.		
Maximum permissible year-end interest bearing debt	**2 600**	1 988
Actual interest bearing debt (notes 25 and 26)	**(120)**	(367)
	2 480	1 621
Cash and cash equivalents (note 21)	**411**	195
Reserve capacity	**2 891**	1 816

		Group 2005 Rm	Group 2004 Rm
33. Financial risk management *(continued)*			
33.5 Liquidity risk *(continued)*			
Sustainable liabilities			
The unutilised liability capacity is based on management's estimate of the capacity of each asset investment to sustain liabilities.			
	Liability capacity		
Properties, fixtures, equipment and vehicles	50%	**460**	369
Inventories	80%	**1 387**	985
Accounts receivable	80%	**2 348**	1 982
Cash, cash equivalents and taxation receivable	100%	**411**	195
		4 606	3 531
Liabilities		**(3 063)**	(2 079)
Permissible year-end interest bearing debt		**1 543**	1 452
Actual interest bearing debt (notes 25 and 26)		**(120)**	(367)
Unutilised liability capacity		**1 423**	1 085

33.6 Fair value of financial instruments

All financial instruments have been recognised in the balance sheet and there is no difference between their fair values and carrying values.

The following methods and assumptions were used by the Group in establishing fair values:

Liquid resources, trade accounts receivable, investments and loans: the carrying amounts reported in the 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 2 April 2005. Forward rate agreements and swaps are entered into mainly to hedge interest rate exposure of investments, interest bearing debt and fair values are determined using money market derivative rates at 2 April 2005.

	2005 Beneficial	2004 Beneficial	2005 Non-beneficial	2004 Non-beneficial

34. Interests of directors and managers in share capital and contracts

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

	2005 Beneficial	2004 Beneficial	2005 Non-beneficial	2004 Non-beneficial
Ordinary shares				
Non-executive directors				
W S MacFarlane	**10 000**	10 000	**11 003**	11 003
A J Aaron	**37 000**	20 000	**200**	200
Z B Ebrahim	**—**	—	**1 000**	1 000
Executive directors				
S M Ross	**250 000**	58 500	**—**	—
M R Bower	**63 843**	105 000	**—**	—
U Ferndale	**30 000**	40 000	**—**	—
J L Spotts	**20 743**	—	**—**	—
Executives	**108 834**	154 063	**3 750**	—
Balance at 2 April 2005 (27 March 2004) and 17 May 2005 (11 May 2004)	**520 420**	387 563	**15 953**	12 203
Warrants				
Executives	**—**	—	**1 170 000**	—
Balance at 2 April 2005 (27 March 2004) and 17 May 2005 (11 May 2005)	**—**	—	**1 170 000**	—

Disclosures by the directors indicate that at 2 April 2005 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/she 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.

35. Related party transactions

Related party relationships exist within the Group. During the year all purchasing and selling transactions were concluded at arm's length. Details of material transactions with related parties not disclosed elsewhere in the financial statements are as follows:

	2005		2004	
	Edcon purchases from	**Amounts owed by Edcon**	Edcon purchases from	Amounts owed by Edcon
VOC Investments Limited	**R145 million**	**R22 million**	R115 million	R17 million

Mr A J Aaron (non-executive director) is a senior Director of Werksmans Inc. Edcon incurred R1 million (2004: R2 million) of legal costs with Werksmans Inc. during 2005. The transactions were concluded at arm's length.

Mr J D M G Koolen is Managing Director of the Monitor Group South Africa (Pty) Ltd and a non-executive Director of Edcon. Edcon incurred R8 million in costs with Monitor during 2005 for the development of a new market segment model.

36. 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 – Group Services report and the 7 Year Group Review. Other required disclosures are contained in either these reviews or the Annual Financial Statements, together with the notes thereto.

Annexure 1

	Nature of business*	Issued ordinary capital		% interest in capital		Book value of shares		Amounts owing by subsidiaries (note 17.2)	
		2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
		R	R	**%**	%	**R**	R	**Rm**	Rm
Bookwise (Pty) Limited	L	**—**	4	**—**	100				
Cannon Clothing (Pty) Limited	L	**—**	100	**—**	100				
Celrose Clothing (Pty) Limited	L	**—**	100 000	**—**	100				
Celrose Jeans Company (Pty) Limited	L	**—**	50 000	—	100				
Cuthberts (Bophuthatswana) 1990 (Pty) Limited	D	**100 000**	100 000	**100**	100				
CNA Properties Limited	L	**—**	500 000	**—**	100				
Dale Retail Property Services (Pty) Limited	DE	**—**	36 000	**—**	100				
Edcon Sourcing (Pty) Limited	R	**1 000**	1 000	**100**	100	**256 369**	256 369		
Edcon Sourcing (Pty) Limited – preference shares	R					**—**	50 000 000		
Elixir Marketing (Pty) Limited	L	**—**	1 000	**—**	100	**—**	120 666 452	**—**	64
Ellesse SA (Pty) Limited	L	**—**	100	**—**	100				
Laurè Fashions (Pty) Limited	M	**1 000**	1 000	**100**	100			**—**	3
National Security Corporation (Pty) Limited	G	**2 000**	2 000	**100**	100	**1 800**	1 800		
Peoples Stores (Bophuthatswana) (Pty) Limited	DE	**—**	250 000	**—**	100	**—**	250 000		
R22 Properties (Pty) Limited	P	**1**	1	**—**	100	**1**	1		
Reactor Clothing (Pty) Limited	M	**100**	100	**100**	100				
Shoecorp Shoe Stores (Pty) Limited	D	**33 752**	33 752	**100**	100				
Smiley's Wearhouse (Pty) Limited	L	**—**	3 120	**—**	100	**—**	31 726 762		
Studio Clothing (Pty) Limited	L	**—**	100	**—**	100				
Super Mart (Pty) Limited	L	**—**	100	**—**	100	**—**	100		
United Retail Limited	D	**6 000**	6 000	**100**	100	**6 000**	6 000	**96**	90
VOC Investments (Pty) Limited	M	**950 050**	950 050	**100**	100	**50 950 000**	50 950 000		
W M Cuthbert & Company Limited	D	**12 200**	12 200	**100**	100				
Incorporated in Botswana		**P**	P						
Central News Agency (Botswana) (Pty) Limited	D	**2**	2	**100**	100	**2 556 106**	2 556 106	**—**	7
Jet Supermarkets Botswana (Pty) Limited	R	**300 000**	300 000	**100**	100			**106**	66
Incorporated in Lesotho		**M**	M						
Central News Agency (Lesotho) (Pty) Limited	D	**2**	2	**100**	100	**270 427**	270 427		
Easy Rider Clothing (Pty) Limited	D	**1 000**	1 000	**85**	85				
Edgars Stores (Lesotho) (Pty) Limited	R	**200 000**	200 000	**100**	100	**200 000**	200 000	**7**	—
Jet Supermarkets (Lesotho) (Pty) Limited	DE	**—**	100	**—**	100	**—**	100		
Celrose Jeans Company (Lesotho) (Pty) Limited	L	**—**	4 000	**—**	100				
Sales House (Lesotho) (Pty) Limited	DE	**—**	1 000	**—**	100	**—**	1 000		
Incorporated in Namibia		**N$**	N$						
Central News Agency (Pty) Limited	D	**200 000**	200 000	**100**	100	**4 615 430**	4 615 430		
Edgars Stores (Namibia) Limited	R	**1 050 000**	1 050 000	**100**	100			**108**	15
Incorporated in Swaziland		**E**	E						
Central News Agency (Swaziland) (Pty) Limited	D	**10 000**	10 000	**100**	100	**725 085**	725 085		
Edgars Stores Swaziland Limited	R	**1 500 000**	1 500 000	**100**	100	**1 500 000**	1 500 000	**57**	44
Swaziland News Agency (Pty) Limited	D	**2**	2	**100**	100				
Jet Supermarkets Swaziland (Pty) Limited	DE	**—**	100	**—**	100	**—**	100		
Incorporated in Zimbabwe		**Z$**	Z$						
Edgars Stores Limited†	R	**—**	46 146 000	**42**	55				
Incorporated in Guernsey		**£**	£						
Bellfield Limited	G	**41**	41	**100**	100	**75**	75	**—**	1
Interest in subsidiaries						**61 081 293**	263 725 807	**374**	290

**Nature of business R: Retailing, M: Manufacturing, G: Group Services, D: Dormant, P: Property Holding, L: Voluntary Liquidation, DE: De-registering.*
†December financial year-end. Details as at 31 December 2004.

Appendix A – Group Income Statement in US Dollar Terms (Unaudited)

	Group	
	2005 US$m	2004 US$m
Total revenues	**2 378**	1 604
Revenue – retail sales	**2 168**	1 467
Cost of sales	**1 305**	895
Gross profit	**863**	572
Store costs	**371**	267
Other operating costs	**230**	181
Trading profit	**262**	124
Credit and financial services profit	**34**	26
Operating profit	**296**	150
Interest received	**4**	2
Profit before financing costs	**300**	152
Financing costs	**4**	9
Profit before taxation	**296**	143
Taxation	**99**	49
Earnings attributable to ordinary shareowners	**197**	94
Earnings per ordinary share (US cents)		
Attributable earnings basis	**426**	213
Headline earnings basis	**424**	221
Diluted earnings per share (US cents)		
Attributable earnings basis	**385**	182
Headline earnings basis	**384**	189
Dividends per ordinary share (US cents)		
Interim (paid)	**84**	37
Final (proposed)	**135**	85

Note:

1. Dividends paid are at actual rates on the date of payment. The final dividend proposed for 2005 is at the closing rate of ZAR6,31: US$1.
2. The South African Rand values have been translated at the average rate of ZAR6,27: US$1 (2004: ZAR7,18: US$1).

Appendix B – Group Cash Flow Statement in US Dollar Terms (Unaudited)

	Group	
	2005 US$m	2004 US$m
Cash retained from operating activities		
Operating profit	**296**	150
Depreciation	**40**	31
Amortisation and impairment	**—**	6
Non-cash items	**2**	1
Cash "EBITDA"	**338**	188
Working capital movement	**(32)**	(94)
Cash generated from operating activities	**306**	94
Interest received	**4**	2
Financing costs paid	**(4)**	(9)
Taxation paid	**(82)**	(59)
Cash inflow from operations	**224**	28
Dividends paid	**(75)**	(27)
Net cash retained	**149**	1
Cash utilised in investment activities		
Investment to maintain operations	**(22)**	(25)
Investment to expand operations	**(52)**	(22)
Net cash invested	**(74)**	(47)
Cash effects of financing activities		
Decrease in shareowner funding	**(1)**	6
Decrease in interest bearing debt	**(39)**	26
Net cash outflow from financing activities	**(40)**	32
Increase in cash and cash equivalents	**35**	(14)
Cash and cash equivalents at the beginning of the period	**30**	37
Currency adjustments	**—**	7
Cash and cash equivalents at the end of the period	**65**	30
Attributable cash inflow from operations (US cents)	**483**	64
Attributable cash equivalent earnings per ordinary share (US cents)	**499**	313
Cash realisation rate (%)	**97**	20

Note:
The South African Rand values have been translated at the average rate of ZAR6,27: US$1 (2004: ZAR7,18: US$1). Cash and cash equivalents have been translated at the closing rate of ZAR6,31: US$1 (2004: ZAR6,57: US$1 and 2003: ZAR7,99: US$1).

Appendix C – Group Balance Sheet in US Dollar Terms (Unaudited)

	Group	
	2005 US$m	2004 US$m
Assets		
Non-current assets		
Properties, fixtures, equipment and vehicles	**146**	112
Goodwill and trademarks	**13**	8
Investments	**90**	61
Total non-current assets	**249**	181
Current assets		
Inventories	**275**	187
Accounts receivable and prepayments	**465**	377
Cash and cash equivalents	**65**	30
Total current assets	**805**	594
Total assets	**1 054**	775
Equity and liabilities		
Capital and reserves		
Share capital and premium	**16**	16
Non-distributable reserves	**12**	4
Retained surplus	**522**	383
Total shareowners' funds	**550**	403
Interest bearing debt		
Short-term interest bearing debt	**19**	56
Total capital employed	**569**	459
Interest free liabilities		
Deferred taxation	**5**	13
Current taxation	**38**	13
Accounts payable	**442**	290
Total interest free liabilities	**485**	316
Total equity and liabilities	**1 054**	775
Net equity per ordinary share (US cents)	**1 171**	898

Note:
The South African Rand values have been translated at the closing rate of ZAR6,31: US$1 (2004: ZAR6,57: US$1).

Financial calendar

Financial year-end	2 April
Annual general meeting	July
Reports	
Interim report	November
Preliminary announcement of annual results	May
Annual report	June
Dividends payable	
Ordinary shares – interim and final	January and July
6% preference shares	December and June

Analysis of holdings of ordinary shares at 2 April 2005

	Number of members			**Number of shares**		
Size of holding	**Individuals**	**Other**	**% of total**	**Individuals**	**Other**	**% of total**
1 – 500	3 003	1 474	69,2	485 005	290 964	1,4
501 – 2 500	471	660	17,5	518 237	807 158	2,4
2 501 – 5 000	65	212	4,3	247 808	790 003	2,0
5 001 – 50 000	35	413	6,9	393 930	7 196 769	13,9
50 001 – 100 000	2	49	0,8	117 267	3 272 254	6,2
Over 100 000	1	80	1,3	250 000	40 142 441	74,1
Total	3 577	2 888	100,0	2 012 247	52 499 589	100,0

Shareholder spread

	% of total
Non-public shareowner	15,9
Group directors	0,5
Trustee of the company's share and retirement funding schemes	4,5
Shareowners who, by virtue of an agreement, have a right to nominate Board members	—
Shareowners interested in 10% or more of the issued ordinary shares	10,9
Public shareowners	84,1
Total	100,0

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

United Retail Limited	5 170 014	9,5
Public Investment Commissioners	4 225 368	7,8
State Street Bank & Trust Co.	4 152 368	7,6
Liberty Life Association of Africa Limited (Holdings and Funds)	4 144 891	7,6
J P Morgan Chase Bank	3 721 593	6,8
Investec (Holdings and Funds)	3 432 356	6,3
Old Mutual (Holdings and Funds)	2 777 718	5,1

Shareholder by manager with a holding of greater than 5% of issued ordinary shares (including shares above)

Stanlib Asset Management (SA)	5 919 604	10,9
Old Mutual Asset Management	2 894 481	5,3

Notice is hereby given that the fifty-ninth 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, 13 July 2005 at 09h00 for the following purposes:

1. To receive and adopt the Annual Financial Statements for the year ended 2 April 2005;

2. To approve:

2.1 the remuneration for the directors for 2005 as reflected in note 7 to the Annual Financial Statements;

2.2 the following proposed fees payable to non-executive directors for 2006;

2.2.1 Chairman of the Board R400 000 per annum;

2.2.2 Chairman of the Audit and Risk Committee R200 000 per annum;

2.2.3 Chairman of the Remuneration and Nominations Committee R75 000 per annum;

2.2.4 Member of the Board R150 000 per annum;

2.2.5 Member of the Audit and Risk Committee R75 000 per annum;

2.2.6 Member of the Remuneration and Nominations Committee R30 000 per annum;

2.2.7 Member of the Customer Service Committee R30 000 per annum;

2.2.8 Member of the Transformation Committee R30 000 per annum.

3. To elect directors in place of those retiring in accordance with the provisions of the company's Articles of Association:

3.1 Messrs W S MacFarlane, M R Bower, J D M G Koolen and Dr U Ferndale retire by rotation and, being eligible, offer themselves for re-election.

3.2 During the year Ms K D Moroka was appointed an independent non-executive director. In terms of the company's Articles of Association, Ms Moroka retires and, being eligible, offers herself for re-election.

(Abbreviated biographical details of the directors are set out on pages 12 to 13)

4. To consider and, if deemed fit, to pass with or without modification the following ordinary resolution:

4.1 **Ordinary Resolution**

"That 3 860 205 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 originally given by members to the directors on 14 July 1999 and renewed on 14 July 2004.

Certificated or "own name" dematerialised shareholders, entitled to attend and vote at the annual general meeting, are entitled to appoint one or more proxies (who need not be a member(s) of the company) to attend, speak and vote (either on a poll or by show of hands) in place of that shareholder at the annual general meeting. If such shareholders do not wish to attend the annual general meeting either in person or by proxy, they must instruct their CSDP/broker as to how they wish to vote.

By order of the Board

E A Bagley

Group Secretary

PO Box 100
Crown Mines
2025

17 May 2005

Shareholders' attention is drawn to the fact that a further general meeting will be held immediately after the annual general meeting to consider and, if deemed fit, to pass resolutions in relation to the following matters:

- The subdivision of the company's ordinary shares;
- The creation by the company of new "A" shares;
- The adoption by the company of a new memorandum and Articles of Association to reflect the revised capital structure of the company; and
- The issue by the company of the new "A" shares to a Staff Empowerment Trust.

A circular containing further details of the above transactions will be posted to shareholders together with the company's annual report.

Edgars Consolidated Stores Limited

Incorporated in the Republic of South Africa
Registration number 1946/022751/06

Group Secretary

E A Bagley

Registered office

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Fax: +27 11 837-5019

Postal address

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Transfer secretaries

Ultra Registrars (Proprietary) Limited

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Sponsors

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These results can be viewed on the internet at: http://www.edcon.co.za

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Edgars Consolidated Stores Limited

("the Company") (Registration number 1946/022751/06)

Edcon

FORM OF PROXY

for use by members at the annual general meeting of the company to be held on Wednesday, 13 July 2005 at 09h00.

I/We

being the holder/s of ordinary shares in the company, appoint (see note 1)

1 or failing him/her

2 or failing him/her

3 the chairman of the annual general meeting:

as my/our proxy to act for me/us at the annual general meeting, which will be held at the registered office of the company, Edgardale, Press Avenue, Crown Mines, Johannesburg on **Wednesday, 13 July 2005 at 09h00** for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, to vote for or against the resolutions with or without modification, or to abstain from voting thereon, in respect of the ordinary shares in the issued capital of the company registered in my/our name/s in accordance with the following instruction (see note 2).

Each member is entitled to appoint one or more proxies (whether a member/s of the company or not) to attend, speak and to vote at the meeting in his/her stead.

(NOTE: ON A POLL A MEMBER IS ENTITLED TO ONE VOTE FOR EACH SHARE HELD)

	For No of votes poll	Against No of votes poll	Abstain No of votes poll
Ordinary Resolution No. 1 (Receipt and adoption of the Annual Financial Statements for the year ended 2 April 2005)			
Ordinary Resolution No. 2 To approve the remuneration for the directors for 2005.			
To approve the fees for non-executive directors for 2006:			
– Chairman of the Board R400 000 per annum;			
– Chairman of the Audit and Risk Committee R200 000 per annum;			
– Chairman of the Remuneration and Nominations Committee R75 000 per annum;			
– Member of the Board R150 000 per annum;			
– Member of the Audit and Risk Committee R75 000 per annum;			
– Member of the Remuneration and Nominations Committee R30 000 per annum;			
– Member of the Customer Service Committee R30 000 per annum;			
– Member of Transformation Committee R30 000 per annum.			
Ordinary Resolution No. 3 (election of directors) – Mr W S MacFarlane			
– Mr M R Bower			
– Mr J D M G Koolen			
– Dr U Ferndale			
– Ms K D Moroka			
Ordinary Resolution No. 4 (Placing of unissued shares under the control of the directors)			

Signed at on 2005

Signature

(ASSISTED BY ME WHERE APPLICABLE)

Notes

1. This form of proxy is to be completed only by those members who either still hold shares in certificated form, or whose shares are recorded in their own name in electronic form, and who are unable to attend the annual general meeting.
2. Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own-name" registration, and who wish to attend the annual general meeting either in person or by proxy must advise their Central Securities Depository Participant (CSDP)/broker of their intention to attend the annual general meeting in person or to send a proxy to represent them, and request their CSDP/broker to issue them or their proxy with the necessary letters of authority to attend the annual general meeting. Such shareholders must **not** complete this form of proxy. If such shareholders wish to attend and vote at the annual general meeting, they must ensure that their letters of authority from their CSDP/broker reach the transfer secretaries of the company, Ultra Registrars (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) not later than 09h00 on Monday, 11 July 2005. If such shareholders do not wish to attend the annual general meeting either in person or by proxy, they must instruct their CSDP/broker as to how they wish to vote. This must be done in the manner stipulated in the agreement concluded between such shareholders and their CSDP/broker.
3. Each certificated or "own name" dematerialised shareholder is entitled to appoint one or more proxies (who need not be a member(s) of the company) to attend, speak and vote (either on a poll or by show of hands) in place of that shareholder at the annual general meeting.
4. A certificated or "own name" dematerialised shareholder may insert the name of a proxy or the names of two alternate proxies of the certificated or "own name" dematerialised shareholder's choice in the space provided, with or without deleting the words 'the chairman of the annual general meeting'. All deletions must be individually initialled by the certificated or "own name" dematerialised shareholder, failing which they will not have been validly effected. The person whose name appears first on the form of proxy and who is present at the annual general meeting shall be entitled to act as proxy to the exclusion of the persons whose names follow.
5. Voting instructions for each of the resolutions must be completed by filling in the number of votes (one per ordinary share) under the "For", "Against" or "Abstain" headings on the form of proxy. If no instructions are filled in on the form of proxy, the chairman of the annual general meeting, if the chairman is the authorised proxy, or any other proxy shall be authorised to vote in favour of or against the resolutions or abstain from voting as he/she deems fit.
6. A certificated or "own name" dematerialised shareholder or his/her proxy is entitled but not obliged to vote in respect of all the ordinary shares held by him/her. The total number of votes for or against the resolutions and in respect of which any abstention is recorded may not exceed the total number of shares held by the certificated or "own name" dematerialised shareholder.
7. If this form has been signed by a person in a representative capacity, the document authorising that person to sign must be attached, unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.
8. The chairman of the annual general meeting may reject or accept any form of proxy that is completed and/or received other than in accordance with these instructions.
9. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
10. The completion and lodging of this form of proxy does not preclude the relevant certificated or "own name" dematerialised shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof.
11. Forms of proxy must be lodged with or posted to the company, c/o the transfer secretaries, to be received not later than 09h00 on Monday, 11 July 2005.
12. This form of proxy shall be valid at any resumption of an adjourned annual general meeting to which it relates, unless the contrary is stated thereon.
13. This form of proxy shall not be used at the resumption of an adjourned annual general meeting if it could not have been used at the annual general meeting from which it was adjourned for any reason other than that it was not lodged timeously for the annual general meeting from which the adjournment took place.
14. This form of proxy shall not be valid after the expiry of two months after the date when it was signed.
15. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been previously recorded by the transfer secretaries.