ANNUAL RESULTS
2000

Edcon

Edgars Consolidated Stores Limited (Formerly Edgars Stores Limited)

SALIENT FEATURES

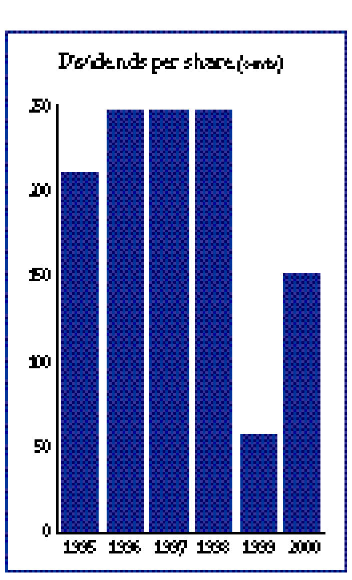
- *Turnaround gains momentum*
- *Sales 10% ahead of last year*
- *Attributable earnings up 164% to R227 million*
- *Headline earnings rise from 148 to 408 cents per share*
- *Dividends increased by 162% to 152 cents per share*
- *Gearing ratio down to 0,23*

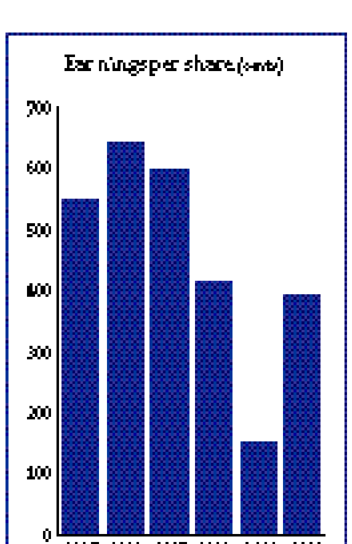
Edgars · Sales House · Jet · Manufacturing Division · abc shoes · cuthberts · Smiley's Wearhouse

Income Statement

	2000 March 52 weeks Rm (audited)	1999 March 52 weeks Rm (audited)	Change %
Retail sales	6 423,6	5 849,8	10
Cost of sales	4 100,7	3 834,1	
Gross profit	2 322,9	2 015,7	15
Expenses	1 892,3	1 787,2	6
Trading profit	430,6	228,5	88
Net financing costs	77,4	121,4	
Profit before taxation	353,2	107,1	230
Taxation	108,3	38,9	
Profit after taxation	244,9	68,2	
Attributable to outside shareholders	18,4	(17,6)	
Earnings attributable to ordinary shareholders	226,5	85,8	164
DIVISIONAL ANALYSIS			
Retail sales			
Edgars	3 675,8	3 612,9	
Sales House	887,9	851,4	
Jet	1 295,7	867,8	
Shoecorp	241,3	239,6	
Smiley's Wearhouse	110,4	98,1	
Zimbabwe	212,5	180,0	
Total retail sales	6 423,6	5 849,8	
Trading profit			
Edgars	243,4	162,6	
Sales House	62,0	58,9	
Jet	82,9	21,8	
Shoecorp	4,0	4,2	
Smiley's Wearhouse	3,4	(5,4)	
Zimbabwe	46,9	31,2	
Other	(12,0)	(44,8)	
Group trading profit	430,6	228,5	
Reconciliation of headline earnings			
Group attributable earnings	226,5	85,8	
Plus: loss on disposal of fixed assets and trademarks net of taxation	7,5	(1,7)	
Headline earnings	234,0	84,1	
Weighted average number of ordinary shares in issue (000)	57 376	56 965	
Earnings per ordinary share (cents)			
attributable earnings basis	395	151	162
headline earnings basis	408	148	176
cash equivalent basis	780	514	52
Dividends per ordinary share (cents)			
interim	55	15	
final	97	43	
total	152	58	162

This report has been prepared in accordance with the group's published and consistently applied accounting policies.





Comment

THE RETAIL ENVIRONMENT

The upturn in consumer spending has been slower than anticipated, particularly over the second six month period. As a result, clothing, footwear, textiles and accessory sales, reported by the Retailers' Liaison Committee, excluding the performance of the Edcon Group, are estimated to have increased by 7% in nominal terms in the year to March 2000. Fierce competition has limited inflation in this sector to just over 1%.

GROUP RESULTS

Edcon's primary goals for the past year were to recoup profitable market share and to regain status as the store of choice in the areas traded. Considerable turnaround progress has been made on both initiatives. Market share increased, as sales grew by 10%, and gross profit rose at a faster rate of 15%, through better managed inventories, more focused advertising spend and well controlled markdowns.

This has been a year of effort and transformation. Carefully orchestrated, extensive restructuring ensured that expense growth was contained to only 6%. Consequently, the overall trading margin improved from 3,9% last year to 6,7%. Lower average borrowings, declining interest rates and reduced corporate taxation all facilitated an impressive increase of 164% in attributable earnings. Headline earnings per share rose to 408 cents compared with the 148 cents reported last year.

At the individual chain level, Edgars sales growth of 2%, although lower than forecast, was importantly, achieved at an improvement of 300 basis points in the gross profit percentage. The 4% rise in turnover at Sales House reflects a satisfactory improvement in unit sales, albeit at a planned reduction in average unit prices. Their middle to lower income customer base is gradually acknowledging that the "new" Sales House is offering quality classic merchandise at much more affordable prices. The Jet brand has powered ahead to establish and cement a trading formula that has captured the imagination of a broad spectrum of South African consumers and its trading profits have been exceptional. The new management team at Shoecorp has taken aggressive steps to position ABC and Cuthberts with more relevance to their target markets, but results will only become evident in the months ahead. After further rationalisation with related costs, the losses at the manufacturing and Meltz divisions have now been curtailed and a good platform has been established for the coming year. The situation in Zimbabwe is extremely worrying. Ironically, the Group's operation – listed on the Zimbabwe Stock Exchange – had its best year in history and contributed 7,5% of group attributable earnings, but its future is heavily dependent on the restoration of law and order and renewed economic growth and stability after the general elections.

In terms of the Group's long-standing policy of covering dividends 2,6 times, a final cash dividend of 97 cents per ordinary share (152 cents for the full year) has been declared.

FINANCIAL POSITION

The marked improvement in trading profit and constrained investment activities facilitated a further reduction in net borrowings, in spite of working capital requirements, particularly for debtor funding, increasing by R335 million. Inventories, which rose in line with sales, are current and competitively priced. Collections from debtors remained difficult, but management is confident that doubtful debt provisions are adequate. Closing gearing was reduced further from 0,25 last March to 0,23.

YEAR 2000

The transition into the new millennium was seamless and no operational or systems problems were experienced. Edcon will certainly benefit from having accelerated, ahead of the year 2000, critical enhancements to its extensive information systems infrastructure.

PROSPECTS

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

For and on behalf of the board

W S MacFarlane — *Chairman*
S M Ross — *Chief Executive*

FINAL CASH DIVIDEND

Notice is hereby given that a final ordinary dividend (No.107) of 97 cents per share in respect of the year ended 31 March 2000 has been declared payable to the holders of ordinary shares registered in the books of the company at the close of business on Friday, 9 June 2000. The dividend is payable in the currency of the Republic of South Africa and dividend cheques will be posted on or about 30 June 2000.

On behalf of the board

D J Viviers — *Group Secretary*

Johannesburg
18 May 2000

Cash Flow Statement

	2000 March 52 weeks Rm (audited)	1999 March 52 weeks Rm (audited)
Cash retained from operating activities		
Trading profit	430,6	228,5
Depreciation	218,0	196,4
Other non-cash items	7,3	(2,9)
Working capital requirements	(334,9)	(22,6)
Cash generated from operating activities	321,0	399,4
Interest received	11,2	4,9
Financing costs paid	(88,6)	(126,3)
Taxation paid	(36,2)	(82,4)
Cash flow from operations	207,4	195,6
Dividends paid	(60,6)	(21,8)
Net cash retained	146,8	173,8
Cash utilised in investment activities	(137,5)	(223,2)
Cash effects of financing activities		
Increase in shareholder funding	0,6	13,0
Increase in interest bearing debt	27,8	52,3
Net cash inflow from financing activities	28,4	65,3
Increase in cash and cash equivalents	37,7	15,9
Cash and cash equivalents at the beginning of the year	81,4	61,5
Currency adjustment	(0,6)	4,0
Cash and cash equivalents at the end of the year	118,5	81,4

Cash Value Added Statement

	2000 March 52 weeks Rm (audited)	1999 March 52 weeks Rm (audited)
Cash generated		
Cash derived from customers	6 145,6	5 748,4
Cash payments outside the group to suppliers of materials, merchandise, facilities and services	(4 497,6)	(4 038,6)
Cash value added	1 648,0	1 709,8
Cash utilised to:		
Remunerate employees for their services	943,3	953,1
Pay direct taxes to the state	36,2	82,4
Provide lenders with a return on monies borrowed	88,6	126,3
Provide lessors with a return for the use of their premises	372,5	352,4
Provide shareholders with cash dividends	60,6	21,8
Cash disbursed among stakeholders	1 501,2	1 536,0
Net cash retained	146,8	173,8

Balance Sheet

	2000 March Rm (audited)	1999 March Rm (audited)
ASSETS		
Non-current assets		
Operating assets	851,5	860,6
Trademarks	8,2	17,1
Other	19,2	22,2
	878,9	899,9
Current assets		
Inventories	1 204,7	1 083,2
Accounts receivable and prepayments	1 902,9	1 715,1
Cash and cash equivalents	118,5	81,4
Total current assets	3 226,1	2 879,7
Total assets	4 105,0	3 779,6
EQUITY AND LIABILITIES		
Shareholders' equity		
Ordinary	2 197,3	2 061,9
Outside	42,4	31,6
	2 239,7	2 093,5
Interest bearing debt	627,8	596,9
	2 867,5	2 690,4
Interest free liabilities		
Current	1 118,2	959,1
Deferred taxation	119,3	130,1
Total interest free liabilities	1 237,5	1 089,2
Total equity and liabilities	4 105,0	3 779,6
Gearing ratios		
Net interest bearing debt/total shareholders' funds	0,23	0,25
Total liabilities/total shareholders' funds	0,83	0,81
Capital expenditure	Rm	Rm
Contracted	38,1	9,8
Authorised but not contracted	219,1	164,4
Net equity per ordinary share (cents)	3 830	3 594

Edcon

Incorporated in the Republic of South Africa
Edgars Consolidated Stores Limited
(formerly Edgars Stores Limited)
(Registration number: 05/22751/06)

Non-executive directors: W S MacFarlane *(Chairman)* A J Aaron W F de la H Beck Z B Ebrahim T N Mosery-Eboka M I Wyman* (*UK)
Executive directors: S M Ross** *(Chief Executive)* M R Bower J A Day G R Evans Dr U Ferndale R C Maydon (**USA)
Group Secretary: D J Viviers
Transfer secretaries: Mercantile Registrars Limited 11 Diagonal Street, Johannesburg 2001 PO Box 1053, Johannesburg 2000 Fax: (011) 370-5271 Telephone: (011) 370-5000
Registered office: Edgardale, Press Avenue, Crown Mines, Johannesburg 2092 PO Box 100, Crown Mines 2025 Fax: (011) 837-5019 Telephone: (011) 495-6000
Auditors: Ernst & Young

These results can be viewed on the internet at: http://www.edcon.co.za

BASTION GRAPHICS