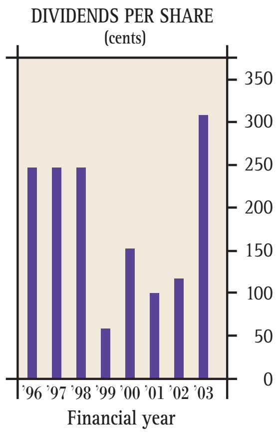
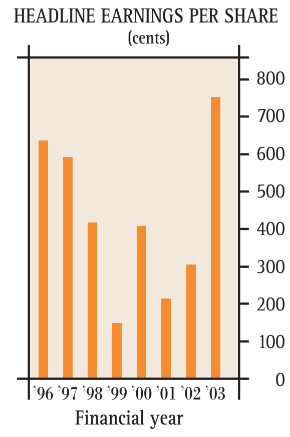
Record year

FINANCIAL REPORT
FOR THE YEAR ENDED 29 MARCH 2003

- Retail sales growth of 24% (organic growth 15%, purchased growth 9%)
- Record headline earnings per share (up 148% to 753 cents)
- New dividend policy (moving to twice covered)
- Strategic acquisitions (CNA, Super Mart and RAG)





THE RETAIL ENVIRONMENT

While global markets remained depressed and were characterised by economic uncertainty and the tensions of war, the South African economy, in contrast, continued to grow steadily.

Improved economic activity and the stimulus from cuts in personal taxes announced by the Minister of Finance, fuelled consumer confidence, and retail spending gained momentum during 2002. However, the relatively strong Rand, together with high interest rates, began to curb this enthusiasm in the last quarter of 2002.

Against this background, clothing, footwear and textile (CFT) sales were buoyant. Based on S.A. Reserve Bank data, consumer spending on semi-durable goods increased by 9,3%, in real terms, during the calendar year 2002. Furthermore, statistics provided by the Retailers' Liaison Committee indicate that national CFT sales in the year to March 2003 rose by 15%, in nominal terms, while inflation in the sector is estimated at 5%.

GROUP RESULTS

The past year has been very pleasing for Edcon as the full impact of changes implemented by management over the past few years is now being reflected in the financial performance.

The Directors are proud to announce that Edcon achieved its highest ever headline earnings per share of 753 cents, up 148% on last year (previous record 636 cents per share in 1996). This follows the strong growth of 42% already achieved in the previous financial year and demonstrates the sustainable momentum of the turnaround strategy.

Impressive retail sales growth of 24%, of which 9% relates to new businesses acquired, was recorded for the year under review. The organic sales growth of 15% was achieved with 4% less retail space. Consequent comparable store sales growth of 19%, driven by continued improvements in product and service, highlights Edcon's ability to increase further its market share. Efficiencies and productivity in the supply chain process contributed materially towards the improvement in the gross profit margin from 36,4% to 38,6%.

Income statements

	52 weeks to March 2003 (audited) Rm	52 weeks to March 2002 (audited) Rm	Change %
Revenue – retail sales	8 313,7	6 709,8	24
Cost of sales	5 107,0	4 264,1	
Gross profit	3 206,7	2 445,7	
Store costs	1 595,9	1 381,1	
Other operating costs	1 047,6	680,8	
Retail trading profit	563,2	383,8	47
Credit and financial services profit/(loss) (see note 2)	51,7	(55,2)	
Operating profit before financing costs	614,9	328,6	
Net financing costs (note 3)	44,2	63,5	
Profit before taxation	570,7	265,1	115
Taxation	223,2	93,4	
Current	315,7	52,3	
Deferred	(129,8)	38,8	
STC	37,3	2,3	
Earnings attributable to ordinary shareholders	347,5	171,7	102
Number of ordinary shares (000)			
in issue	45 956	51 838	
weighted average	50 331	56 667	
Earnings per ordinary share (cents)			
attributable earnings basis	691	303	128
headline earnings basis	753	304	148
cash equivalent basis	1 012	727	39
Diluted earnings per ordinary share (cents) (note 4)			
attributable earnings basis	647	296	118
headline earnings basis	705	297	137
Dividends per ordinary share (cents)			
interim (paid)	123	36	242
final (proposed)	185	81	128
total	308	117	163

NOTES:

Note 1

The accounting policies adopted for the purpose of this report comply with South African Statements of Generally Accepted Accounting Practice and International Accounting Standards, and are consistent with those of the previous year.

Note 2

	2003	2002
Cost of credit	(37,9)	(111,4)
Financial services profit	89,6	56,2
Credit and financial service profit/(loss) (per income statement)	51,7	(55,2)
Notional financing costs allocated on own debtors*	(223,5)	(197,0)
Total cost of credit	(171,8)	(252,2)
Net financing costs (per income statement)	(44,2)	(63,5)
Notional financing receipts allocated	223,5	197,0
Group net financing receipts	179,3	133,5
Total profit/(cost) of financing	7,5	(118,7)

*Being a market related charge on the balance sheet assets within the credit area.

Note 3

	2003	2002
Net financing costs include foreign exchange losses/(profits) of	33,2	(10,1)

Note 4

Dilution on possible exercise of share options

Note 5

These statements have been audited by Ernst and Young and the audit certificate is available for inspection at the company's registered office.

Reconcilation of headline earnings

	2003	2002
Group attributable earnings	347,5	171,7
Plus: Loss on disposal of fixed assets net of taxation	12,1	0,6
Less: Recognition of discount on acquisition of RAG receivables and assets net of taxation	(19,2)	–
Plus: Goodwill amortised	38,4	–
Headline earnings	378,8	172,3

Segmental analysis

		2003	2002	Change %
Retail sales				
Clothing, Footwear, Textiles and Other	Edgars	4 560,7	3 939,4	16
	United Retail	2 645,4	2 339,0	13
	CNA	353,5	–	
	Super Mart	182,5	–	
		7 742,1	6 278,4	23
Cellular products	Edgars	256,8	185,8	38
	United Retail	278,8	245,6	14
	CNA	36,0	–	
		571,6	431,4	32
Total retail sales		8 313,7	6 709,8	24
Retail trading profit	Edgars	411,6	296,4	39
	United Retail	182,8	115,5	58
	CNA	(2,4)	–	
	Super Mart	10,2	–	
	Manufacturing	(7,7)	(36,6)	
	Other including goodwill amortisation	(31,3)	8,5	
	Total	563,2	383,8	47
Retail space (m^2)	Edgars	374 824	391 566	
	United Retail	280 088	289 495	
	CNA	80 609	–	
	Super Mart	39 822	–	
		775 343	681 061	14
Number of facias	Edgars	151	166	
	United Retail	588	557	
	CNA	151	–	
	Super Mart	12	–	
		902	723	

The Edgars chain regained market share by increasing its CFT turnover by 16% with 4% less retail space. Significant benefits are now materialisng from the chain's merchandise strategy, focus on customer service and improved employee efficiency levels. As a result, the chain increased its retail trading profit by 39%. Strong performances across a broad range of merchandise contributed to the outstanding results, with turnover growths in excess of 20% for ladies' and kids' apparel being major drivers. Merchandise management continues to receive high focus and the effectiveness of distribution and inventory control processes are evidenced in the improvement in Edgars' stock turn from 3,5 last year to 4,8 times.

United Retail, incorporating Jet, Sales House, Cuthberts and Smiley's Wearhouse, made great strides during the year and achieved CFT turnover growth of 13%, despite trading in 3% less retail space. The chain is now realising the full benefit of the space and inventory management changes implemented over the past year. This process has improved the chain's performance dramatically and is reflected in the 58% improvement in retail trading profit. All departments achieved positive growth, and this was especially evident in childrenswear and ladieswear. The efficiency in merchandise management is highlighted by a marked improvement in United Retail's stock turn from 3,9 times last year to 5,8 times and by a stockholding reduction of 13% over the year.

The CNA chain's trading was hampered by difficulties in rebalancing and stocking merchandise ranges. Sales for the period met Edcon's targets. Margins have unavoidably been impacted by aggressive markdowns required to clear excess stock. CNA's post acquisition trading loss, which accounts for integration costs, has been contained to only R2 million, which was in line with expectations. The integration of CNA with Edcon's systems, distribution and support infrastructures is proceeding according to plan. The positive impact of synergies with Edcon will only start to be realised in the 2004 financial year.

Super Mart, the Group's newly acquired general merchandise discount retailer, in spite of inflationary pressures and higher interest rates and their impact on lower income earners, performed satisfactorily and achieved a trading profit of R10 million for the period since acquisition. An aggressive store expansion strategy is proceeding and 5 new stores have already been opened.

Management's focus on productivity and cost disciplines within the overall Group's store environment limited store expense growth to 6% for Edgars and United and 16% for the Group. Despite further investment in, and accelerated depreciation of, the systems infrastructure, consolidation of additional support functions and integration costs relating to the new acquisitions, all reflected under other operating costs, retail trading profit increased by an impressive 47%.

Another very significant achievement for the Group has been its ability to convert the total cost of financing from R119 million last year to a profit of R7 million. This performance was driven by the ongoing improvement of the quality of the debtors book, with 86% being current and able to buy this year. Credit sales now account for 63% of total sales, down from last year's 66% partly due to the acquisition of the CNA and Super Mart cash chains. Higher interest rates boosted financing income, while bad debt was constrained well below that in the prior year. A R36 million gain, from better than anticipated collections on the debtors' book purchased from Retail Apparel Group (RAG), has also been recognised. The Financial Services division, with its innovative customer insurance offerings, continued to record substantial growth.

The effective taxation rate increased from 35,2% to 39,1%, mainly as a consequence of the Secondary Tax on Companies of R37 million incurred on the repurchase and cancellation of 5,7 million shares. Earnings attributable to ordinary shareowners effectively doubled to reach R347 million while the growth in headline earnings per share was 148%, calculated after adjusting for goodwill write offs and capital items, and the lower weighted number of shares in issue after the share buyback.

DIVIDEND

Mindful of the improved profitability of the Group and the liquidity benefits resulting from the successful securitisation of receivables, the Directors have amended Edcon's dividend policy. A revised policy of covering dividends twice (previously 2,6 times) has been approved by the Board and was applied to this year's second half attributable earnings. In terms of this policy the Board has declared a record final dividend of 185 cents per share, reflecting 128% growth on last year's final dividend. Total dividends of 308 cents per share were covered by an average of 2,2 times attributable earnings per share for the year. The 2,0 times policy will be applied in the 2004 financial year.

CASH FLOWS AND FINANCIAL POSITION

The substantial lift in profitability, together with the Group's focus on working capital management, facilitated a meaningful increase in cash generated from operating activities. Cash inflow from operations rose by 19% from the previous year to R727 million and the attributable cash flow per share increased 34% to 1 445 cents.

The securitisation of certain receivables was completed in July 2002 and generated net proceeds of R798 million. The proceeds from this allowed the Group to reduce its interest bearing debt and to continue its policy of utilising excess capital to fund the buyback of shares. During the year a further 5 882 044 shares were purchased for R324 million. No further share buybacks are envisaged in the foreseeable future.

Key strategic acquisitions during the past year included:

- The rights to RAG's retail brands, its debtors book, customer database and a number of its retail stores for R252 million on 1 July 2002. A discount of R30 million was recognised on the transaction.
- Super Mart on 1 October 2002. The purchase price, consisting of an upfront payment of R86 million and contingency payments totalling a further R70 million dependent on future earnings, has given rise to goodwill of R107 million which is being amortised over 7 years.
- Selected assets and certain liabilities of CNA, effective 21 October 2002, for a net purchase price of R130 million. Foreign companies of CNA in Botswana, Lesotho, Swaziland, and Namibia were also acquired for an additional R8 million. After providing for retrenchment costs, goodwill of R31 million resulting from the transactions has been written off.

The strength of Edcon's financial position is evident in the positive cash and cash equivalents balance, net of interest bearing debt, of R115 million at year-end. Further substantial flexibility is provided by the negative gearing of 0,05 at the year end and the existence of R865 million unutilised borrowing facilities. Edcon has maintained its conservative policy relating to doubtful debts and has adequately provided for any deterioration in the book that may result from the effect on customers of the persistently high bank interest rates.

CORPORATE GOVERNANCE

The Group, at all levels, subscribes to the values of good corporate governance and to applying the principles of the second King Report and the requirements of JSE Securities Exchange South Africa. It has also committed itself to conduct business with discipline, integrity, transparency and social responsibility.

PROSPECTS

Interest rates remain high, but inflation is easing. The strength in our comparable store turnover growth in the quarter to March 2003 is a reflection of the continued resilience of our customers and their ongoing appetite for our well-priced product offering. The Edcon Board is of the opinion that this trading momentum will continue in the Edgars and United chains in the year ahead, but at a somewhat slower pace than that reported for the past year. This will, however, be supplemented by a full year's turnover from our recent acquisitions and, coupled with a continued focus on operating efficiencies, shareowners can expect another rise in earnings at a rate well above that of total turnover growth.

For and on behalf of the board

W S MacFarlane
Chairman

S M Ross
Chief Executive Officer

FINAL CASH DIVIDEND

Notice is hereby given that the final ordinary dividend (No.113) of 185 cents per share in respect of the 52 weeks ended 29 March 2003 has been declared payable to the holders of ordinary shares appearing in the records of the company at the close of business on Friday, 27 June 2003. The dividend is declared payable in the currency of the Republic of South Africa and, in compliance with the requirements of the STRATE, the following dates are applicable:

Last day to trade cum the dividend	*Friday, 20 June 2003*
Date trading commences ex the dividend	*Monday, 23 June 2003*
Record date	*Friday, 27 June 2003*
Date of payment	*Monday, 30 June 2003*

Share certificates may not be dematerialised or rematerialised between Monday, 23 June 2003 and Friday, 27 June 2003, both dates inclusive.

On behalf of the board

D J Viviers
Group Secretary

Johannesburg *20 May 2003*

Edgars · abc · CNA · United Retail · Jet · Sales House · Cuthberts · Smiley's · Super Mart · Manufacturing Division

Edcon

Cash flow statements

	52 weeks to March 2003 (audited) Rm	52 weeks to March 2002 (audited) Rm
Cash retained from operating activities		
Operating profit (excl. dividends received)	609,2	325,1
Depreciation, amortisation and impairment	304,5	198,7
Dividends received	5,7	3,5
Other non-cash items	(12,9)	2,7
Cash "EBITDA"	906,5	530,0
Investment in working capital	(32,0)	185,7
Inventories	(39,4)	181,0
Accounts receivable and prepayments	(431,0)	(44,0)
Accounts payable	438,4	48,7
Cash generated from operating activities	874,5	715,7
Net financing costs paid	(44,2)	(63,5)
Taxation paid	(103,2)	(40,0)
Cash inflow from operations	727,1	612,2
Dividends paid	(104,1)	(57,2)
Net cash retained	623,0	555,0
Cash generated from/(utilised in) investment activities		
Investment in property, plant and equipment	(113,7)	(129,0)
Acquisitions	(503,4)	–
Net proceeds of securitisation	798,3	–
Loans	4,8	(30,8)
Net cash generated/(invested)	186,0	(159,8)
Cash effects of financing activities		
Decrease in shareowner funding	(324,0)	(141,5)
Decrease in interest bearing debt	(393,4)	(238,7)
Net cash outflow from financing activities	(717,4)	(380,2)
Increase in cash and cash equivalents	91,6	15,0
Cash and cash equivalents at the beginning of the year	215,5	180,5
Acquisitions during the year	6,2	–
Currency adjustments	(15,3)	20,0
Cash and cash equivalents at the end of the year	298,0	215,5
Attributable cash flow per share (cents)	1 445	1 080
Cash realisation rate %	143	149

Statement of changes in ordinary shareowners' equity

	Share capital and premium Rm	Non-distributable reserves Rm	Retained surplus Rm	Total Rm
Ordinary shareowners' equity at 30 March 2002	451,7	57,3	1 787,8	2 296,8
Earnings attributable to ordinary shareowners			347,5	347,5
Ordinary dividends paid			(104,1)	(104,1)
Foreign currency translation reserve		(32,2)		(32,2)
Other		3,8		3,8
Share buyback	(324,0)			(324,0)
Balance at 29 March 2003	127,7	28,9	2 031,2	2 187,8

Balance sheets

	At March 2003 (audited) Rm	At March 2002 (audited) Rm
ASSETS		
Non-current assets		
Properties, fixtures, equipment and vehicles	689,2	825,8
Goodwill	103,6	–
Investments	400,0	13,9
Other	80,6	76,0
Total non-current assets	1 273,4	915,7
Current assets		
Inventories	1 186,6	993,2
Accounts receivable and prepayments	1 515,6	2 026,8
Cash and cash equivalents	298,0	215,5
Total current assets	3 000,2	3 235,5
Total assets	4 273,6	4 151,2
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary shareowners' equity	2 187,8	2 296,8
Minority interests	0,6	0,6
Total shareowners' funds	2 188,4	2 297,4
Interest bearing debt	183,4	575,0
Total capital employed	2 371,8	2 872,4
Interest free liabilities		
Current	1 859,5	1 104,3
Deferred taxation	42,3	174,5
Total interest free liabilities	1 901,8	1 278,8
Total equity and liabilities	4 273,6	4 151,2
Gearing ratios		
Net interest bearing debt/total shareowners' funds	(0,05)	0,16
Total liabilities/total shareowners' funds	0,95	0,81
Future capital expenditure	Rm	Rm
Contracted	67,9	6,5
Authorised but not contracted	297,9	151,0
Net equity per ordinary share (cents)	4 761	4 431

Cash value added statements

	52 weeks to March 2003 (audited) Rm	52 weeks to March 2002 (audited) Rm	Change %
Cash generated			
Cash derived from customers	8 765,7	6 727,2	
Cash payments outside the Group to suppliers of materials, merchandise, facilities and services	(6 364,1)	(4 706,2)	
Wealth created through cash value added	2 401,6	2 021,0	18
Cash utilised to:			
Remunerate employees for their services	1 017,0	890,5	
Pay direct taxes to the state	103,2	40,0	
Provide lenders with a return on monies borrowed	83,0	72,3	
Provide lessors with a return for the use of their premises	471,3	406,0	
Provide shareowners with cash dividends	104,1	57,2	
Cash disbursed among stakeholders	1 778,6	1 466,0	21
Net cash retained	623,0	555,0	12

NON-EXECUTIVE DIRECTORS: W S MacFarlane *(Chairman)*, A J Aaron, T N Eboka, Z B Ebrahim, J D M G Koolen#, P L Wilmot *(#Netherlands)* **EXECUTIVE DIRECTORS:** S M Ross** *(Chief Executive)*, S R Binnie*, A V A Boshoff, M R Bower, Dr U Ferndale, J L Spotts** *(** USA)* *(* UK)* **GROUP SECRETARY:** D J Viviers **TRANSFER SECRETARIES:** Computershare Investor Services Limited, 70 Marshall Street, Johannesburg 2001. PO Box 61051, Marshalltown 2107. Fax: (011) 370-5487 Telephone: (011) 370-5000 **REGISTERED OFFICE:** Edgars Consolidated Stores Limited, Registration No. 1946/022751/6 Incorporated in the Republic of South Africa, Edgardale, Press Avenue, Crown Mines, Johannesburg 2092. PO Box 100, Crown Mines 2025 Fax: (011) 837-5019, Telephone: (011) 495-6000 **AUDITORS:** Ernst & Young, Wanderers Office Park, 52 Corlett Drive, Illovo 2196 **SPONSORS:** Cazenove South Africa (Proprietary) Limited, First Floor, Moorgate, Dunkeld Park, 6 North Road, Dunkeld West. PO Box 412468, Craighall 2024

We make it happen

Edgars Consolidated Stores Limited •Registration number: 1946/022751/6
Incorporated in the Republic of South Africa
ISIN number: ZAE000018388 • Share code: ECO

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

BASTION GRAPHICS