INTERIM REPORT SIX MONTHS TO SEPTEMBER 2000

Edcon

Edgars Consolidated Stores Limited

SALIENT FEATURES

- Retail sales rise by 6,5%
- Reallocation and rationalisation of space and brands well under way
- Attributable earnings below expectations – down 33% to R55 million
- Interim dividend 36 cents per share compared with 55 cents last year
- Gearing ratio remains unchanged at 0,24

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

Income Statement

	2000 26 weeks September Rm (unaudited)	1999 26 weeks September Rm (unaudited)	2000 52 weeks March Rm (audited)
Revenue-retail sales	**3 188,1**	2 992,3	6 423,6
Cost of sales	**2 076,8**	1 914,6	4 100,7
Gross profit	**1 111,3**	1 077,7	2 322,9
Expenses	**982,3**	895,4	1 892,3
Trading profit	**129,0**	182,3	430,6
Net financing costs	**38,1**	48,1	77,4
Profit before taxation	**90,9**	134,2	353,2
Taxation	**29,9**	45,3	108,3
Profit after taxation	**61,0**	88,9	244,9
Attributable to outside shareholders	**6,5**	7,4	18,4
Earnings attributable to ordinary shareholders	**54,5**	81,5	226,5
Segmental analysis			
Retail sales			
Edgars	**1 853,0**	1 787,0	3 675,8
United Retail	**1 221,3**	1 129,5	2 535,3
Zimbabwe	**113,8**	75,8	212,5
Total retail sales	**3 188,1**	2 992,3	6 423,6
Trading profit			
Edgars	**86,9**	88,4	223,8
United Retail	**60,5**	55,3	175,5
Zimbabwe	**22,0**	15,6	46,9
Credit and Financial Services	**(45,8)**	22,1	(14,9)
Other	**5,4**	0,9	(0,7)
Group trading profit	**129,0**	182,3	430,6
Weighted average number of ordinary shares in issue (000)	**57 445**	57 376	57 376
Earnings per ordinary share (cents)			
attributable earnings basis	**95**	142	395
headline earnings basis (1)	**98**	146	408
Dividends per ordinary share (cents)	**36**	55	152
	Rm	Rm	Rm
(1) Reconciliation of headline earnings			
Earnings attributable to ordinary shareholders	**54,5**	81,5	226,5
Loss on disposal of fixed assets and trademarks, net of taxation	**1,8**	2,4	7,5
	56,3	83,9	234,0

Cash Flow Statement

	2000 26 weeks September Rm (unaudited)	1999 26 weeks September Rm (unaudited)	2000 52 weeks March Rm (audited)
Cash retained from operating activities			
Trading profit	**129,0**	182,3	430,6
Depreciation	**109,0**	104,4	218,0
Other non-cash items	**3,3**	3,0	7,3
Working capital requirements	**(41,8)**	(200,3)	(334,9)
Cash generated from operating activities	**199,5**	89,4	321,0
Net financing costs paid	**(38,1)**	(48,1)	(77,4)
Taxation (paid)/refund	**(52,1)**	10,1	(36,2)
Cash inflow from operations	**109,3**	51,4	207,4
Dividends paid	**(59,2)**	(25,7)	(60,6)
Net cash retained	**50,1**	25,7	146,8
Cash utilised in investment activities	**(95,4)**	(28,6)	(137,5)
Cash effects of financing activities			
Increase in shareholder funding	**2,1**	—	0,6
Increase in interest bearing debt	**38,6**	43,1	27,8
Net cash inflow from financing activities	**40,7**	43,1	28,4
(Decrease)/increase in cash and cash equivalents	**(4,6)**	40,2	37,7
Cash and cash equivalents at the beginning of the period	**118,5**	81,4	81,4
Currency adjustment	**1,7**	1,2	(0,6)
Cash and cash equivalents at the end of the period	**115,6**	122,8	118,5

Comment

THE RETAIL ENVIRONMENT

The anticipated upturn in economic activity, and in particular in retail sales, has not materialised in the period under review and there has been a marked decline in consumer confidence. Furthermore, the redirection of discretionary disposable incomes away from clothing expenditure into other areas, including housing-related costs, transportation, the lottery, gambling and communication spends, has dampened clothing sales. Consequently, clothing, footwear, textile and accessory (CFTA) sales are estimated by the Retailers' Liaison Committee to have increased by only 6,9% in nominal terms in the six months to September. Competition remained fierce and inflation in the sector was just under 1%.

GROUP RESULTS

As advised in a notice to shareholders on 18 September 2000, Edcon sales, particularly since August, have been well below the group's targeted growth of approximately 10%. The total sales increase of 6,5%, coupled with a 3% increase in gross profit, was insufficient to compensate for a R46 million loss in the credit and financial services activities following the legislated steep decline in interest rates chargeable on customer accounts. Consequently, earnings attributable to ordinary shareholders fell by a disappointing 33%.

Following the detailed market research in the second phase of the planned turnaround, the assessment of real estate allocation warrants positioning the Edgars chain as a middle to upper market, predominantly mall-based, department store. United Retail (arising from the amalgamation of the Jet, Sales House, Cuthberts, ABC and Smiley's Wearhouse brands) will serve the middle to lower income segments as a keenly competitive discount specialty clothing retailer. Every retail outlet is being evaluated in the light of this strategy and against changes in customer demographics. Accordingly, twenty-two Edgars stores have been closed and seventy-two new Jet and/or Sales House, Cuthberts, ABC and Smiley's facias created. This reallocation and rationalisation of space and brands will continue in the months ahead, so as to build on the increased efficiencies of last year.

At the individual chain level, Edgars sales growth of almost 4%, although modest, represented some improvement on the under 2% reported last year. Merchandise ranges were enhanced further and customer's perceptions are that Edgars' prices are now very competitive in the mall. United, with an overall growth rate for the six months of 8%, has continued to amalgamate and consolidate its retail chains in line with the above strategy and to offer customers remarkable value as a major clothing discounter. Edgars chain introduced cellular products to its offering in March 2000 and this initiative, coupled with United Retail's dominance in the market, resulted in 10% of group sales arising from this merchandise category. Earnings from the Zimbabwe operations were particularly gratifying when viewed against the background of their political, social and economic turmoil. Management has again assessed the appropriateness of consolidating these results, and given that all arrear dividends have now been received, full consolidation remains justified.

The significant deterioration of R68 million in the credit and financial services activities includes a R44 million decline in the net interest margin earned on customer accounts in the bank-financed extended credit book, with the balance of R24 million being essentially a higher incidence of bad debts.

In terms of the group's policy of covering dividends 2,6 times, an interim dividend of 36 cents per ordinary share has been declared.

FINANCIAL POSITION

Capital expenditure of R95 million reflects expansion in Jet and the transfer of Edgars stores to United. Although above that expended last year, it remains within plan and was comfortably financed from retained cash and existing facilities. Borrowings increased marginally by R39 million during the period but gearing remained at last year's level of 0,24 times, within the group's self-imposed constraint of 0,50. Inventories at 17% above last year arose from the sudden deterioration in sales activity from August, the inputs for new United stores and the addition of cellphones to Edgars. Stock holdings are, however, current and the profile of the debtors books is improving gradually.

PROSPECTS

The factors which have impacted negatively on customers' CFTA spend are likely to persist in the short term. As a result, the sales growth and decline in earnings for the full year are currently expected to be similar to those reported for the six months under review. Nevertheless, the restructuring activity currently under way is laying the foundation for better performance into the future.

For and on behalf of the board

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

INTERIM CASH DIVIDEND

Notice is hereby given that the interim ordinary dividend (No. 108) of 36 cents per share in respect of the 26 weeks ended 30 September 2000 has been declared payable to the holders of ordinary shares registered in the books of the company at the close of business on 24 November 2000. The dividend is declared payable in the currency of the Republic of South Africa and dividend cheques will be posted on or about 29 December 2000.

On behalf of the board

D J Viviers
Group Secretary

Johannesburg
16 November 2000

Balance Sheet

	2000 September Rm (unaudited)	1999 September Rm (unaudited)	2000 March Rm (audited)
ASSETS			
Non-current assets			
Operating assets	**837,6**	859,0	851,5
Trademarks	**6,1**	14,4	8,2
Other	**18,5**	22,4	19,2
Total non-current assets	**862,2**	895,8	878,9
Current assets			
Inventories	**1 329,1**	1 137,3	1 204,7
Accounts receivable and prepayments	**2 070,4**	1 722,7	1 902,9
Cash and cash equivalents	**115,6**	122,8	118,5
Total current assets	**3 515,1**	2 982,8	3 226,1
Total assets	**4 377,3**	3 878,6	4 105,0
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity	**2 238,1**	2 113,6	2 197,3
Minority interest	**44,6**	37,9	42,4
Total shareholders' equity	**2 282,7**	2 151,5	2 239,7
Interest bearing debt	**662,6**	640,0	627,8
	2 945,3	2 791,5	2 867,5
Interest free liabilities			
Current	**1 312,6**	957,2	1 118,2
Deferred taxation	**119,4**	129,9	119,3
Total interest free liabilities	**1 432,0**	1 087,1	1 237,5
Total equity and liabilities	**4 377,3**	3 878,6	4 105,0
Gearing ratios			
Net interest bearing debt/total shareholders' funds	**0,24**	0,24	0,23
Total liabilities/total shareholders' funds	**0,92**	0,80	0,83
Future capital expenditure			
	Rm	Rm	Rm
Contracted	**70,7**	55,4	38,1
Authorised but not contracted	**54,6**	90,6	219,1
Net equity per ordinary share (cents)	**3 896**	3 684	3 830

Statement of changes in ordinary shareholders' equity

	2000 September Rm (unaudited)	1999 September Rm (unaudited)	2000 March Rm (audited)
Ordinary shareholders' equity at the beginning of the year	**2 197,3**	2 061,9	2 061,9
Share capital issued			
Executive share incentive scheme	**2,0**		
Movements in distributable reserves			
Earnings attributable to ordinary shareholders	**54,5**	81,5	226,5
Transfer from non-distributable reserves	**—**	0,7	1,8
Ordinary dividends	**(20,7)**	(31,6)	(87,2)
Movements in non-distributable reserves			
Foreign currency translation reserve	**1,9**	1,1	(1,7)
Other	**3,1**	—	(4,0)
Ordinary shareholders' equity at the end of the period	**2 238,1**	2 113,6	2 197,3

This interim report has been prepared in accordance with the accounting policies outlined in the 2000 annual report and is in compliance with AC 127: Interim Financial Reporting.

Edcon
Edgars Consolidated Stores Limited
Registration number: 05/22751/06
(effective 31/12/2000: 1946/022751/6)
Incorporated in the Republic of South Africa

Non-executive directors: W S MacFarlane *(Chairman)* A J Aaron Dr A P Burger 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 (**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