INTERIM REPORT
SIX MONTHS TO SEPTEMBER 2001

Edgars | abc | United Retail | Sales House | Jet | cuthberts | Manufacturing Division

Edcon

EDGARS CONSOLIDATED STORES LIMITED

SALIENT FEATURES

- *Comparable store sales rise by 5%*
- *Primary turnaround initiatives complete*
- *Attributable earnings increase by 14%*
- *Interim dividend maintained at 36 cents per share*
- *Net asset value per share exceeds R40*
- *Gearing ratio reduced further to 0,21*

Income Statement

		2001 26 weeks September Rm (excluding Zimbabwe)	2000 26 weeks September Rm (restated excl. Zimbabwe)	2001 52 weeks March Rm (restated excl. Zimbabwe)
Revenue – retail sales		**3 087,0**	3 074,3	6 557,4
Cost of sales		**2 036,2**	2 003,1	4 316,6
Gross profit		**1 050,8**	1 071,2	2 240,8
Depreciation		**96,0**	107,4	203,8
Occupancy costs		**197,2**	186,3	369,4
Employment costs		**410,1**	447,4	926,9
Other operating costs		**224,0**	223,1	482,7
Trading profit		**123,5**	107,0	258,0
Net financing costs		**44,9**	40,3	85,8
Profit before taxation		**78,6**	66,7	172,2
Taxation		**26,3**	20,9	51,3
Earnings attributable to ordinary shareholders		**52,3**	45,8	120,9
SEGMENTAL ANALYSIS				
Retail sales				
Clothing, Footwear and Textiles				
	Edgars	**1 846,7**	1 778,5	3 722,1
	United Retail	**1 038,2**	988,2	2 223,4
		2 884,9	2 766,7	5 945,5
Cellular products				
	Edgars	**84,9**	101,9	230,2
	United Retail	**117,2**	205,7	381,7
		202,1	307,6	611,9
Total retail sales		**3 087,0**	3 074,3	6 557,4
Trading profit	Edgars	**109,9**	88,2	228,5
	United Retail	**36,5**	59,2	110,7
	Credit and Financial Services	**(28,4)**	(45,8)	(93,7)
	Other	**5,5**	5,4	12,5
	Group trading profit	**123,5**	107,0	258,0
		September 2001	September 2000	
Retail space (000 m²)	Edgars	**395 115**	410 807	
	United Retail	**300 593**	316 509	
		695 708	727 316	
Number of facias	Edgars	**183**	207	
	United Retail	**456**	427	
		639	634	
Weighted average number of ordinary shares in issue *(000)*		**57 198**	57 445	57 445
Earnings per ordinary share *(cents)*				
attributable earnings basis		**91**	80	211
headline earnings basis		**91**	83	214
Dividends per ordinary share *(cents)*		**36**	36	100

This unaudited interim report has been prepared in accordance with the accounting policies outlined in the audited 2001 annual report and is in compliance with AC127: Interim Financial Reporting. As there are currently severe restrictions on the repatriation of dividends from Zimbabwe, the results of Edgars Stores Limited Zimbabwe have not been consolidated in the six months under review. To facilitate meaningful analysis, all comparative figures based on the audited annual financial statements as at 31 March 2001, have been restated by excluding Edgars Zimbabwe. Dividends from Edgars Zimbabwe will be brought to account on a cash receipt basis. The impact of this decision on key disclosures, if applied retrospectively to figures reported last year, is as follows:

		September 2000		March 2001	
		Restated	As reported	Restated	As reported
Retail sales	(Rm)	3 074,3	3 188,1	6 557,4	6 844,8
Earnings attributable to ordinary shareholders	(Rm)	45,8	54,5	120,9	150,1
Net assets	(Rm)	2 905,1	2 945,3	3 124,5	3 207,3
Headline earnings per share	(cents)	83	98	214	268
Gearing		0,25	0,24	0,28	0,25

Cash Flow Statement

	2001 26 weeks September Rm (excluding Zimbabwe)	2000 26 weeks September Rm (restated excl. Zimbabwe)	2001 52 weeks March Rm (restated excl. Zimbabwe)
Cash retained from operating activities			
Trading profit	**123,5**	107,0	258,0
Depreciation	**96,0**	107,4	203,8
Other non-cash items	**0,6**	2,9	2,9
Reduction/(increase) in working capital requirements	**97,9**	(23,8)	(229,4)
Cash generated from operating activities	**318,0**	193,5	235,3
Net financing costs paid	**(44,9)**	(40,3)	(85,8)
Taxation paid	**(13,9)**	(42,3)	(95,5)
Cash inflow from operations	**259,2**	110,9	54,0
Dividends paid	**(36,8)**	(55,7)	(76,3)
Net cash retained	**222,4**	55,2	(22,3)
Cash utilised in investment activities	**(78,3)**	(92,3)	(109,2)
	144,1	(37,1)	(131,5)
Cash effects of financing activities			
(Decrease)/increase in shareholder funding	**(12,0)**	2,0	2,0
(Decrease)/increase in interest bearing debt	**(135,2)**	37,3	208,6
Net cash (outflow)/inflow from financing activities	**(147,2)**	39,3	210,6
(Decrease)/increase in cash and cash equivalents	**(3,1)**	2,2	79,1
Cash and cash equivalents at the beginning of the period	**180,5**	99,3	99,3
Currency adjustments	**7,9**	—	2,1
Cash and cash equivalents at the end of the period	**185,3**	101,5	180,5
Cash flow per share (cents)	**449**	192	92

COMMENT

THE RETAIL ENVIRONMENT

As anticipated, domestic economic activity has remained sluggish. It has been another difficult six months and clothing, footwear and textile (CFT) sales are estimated by the Retailers' Liaison Committee to have increased by only 3%, of which price rises in the sector accounted for just under 2%. The proliferation of outlets offering cellular products, to an already saturated handset market – which declined by approximately 30%, impacted negatively on the success and profitability of existing cellphone retailers.

GROUP RESULTS

The group's property rationalisation programme continued apace and, in spite of new store openings, retail space was reduced by 4,3% over the past year. As a result, comparable store sales grew by almost 5% in the six months under review. The analysis of group sales shows a modest growth of 4,3% in CFT departments, but highlights a significant 34% decline in cellular product sales. This performance from the group's core business certainly surpassed that of the market as a whole while the group's moving annual share of the CFT market rose marginally during the period.

The benefits of the turnaround strategies are finally materialising, and reduced costs of credit and selling compensated for the slight deterioration in gross profit, resulting from additional merchandise clearance costs on the consolidation of United facias. Accordingly, trading profit rose by 15% while earnings, excluding Edgars Zimbabwe, improved by 14% on a comparable basis. More important, however, is the improvement in cash flow per share of 134%, which underpins the quality of these earnings.

At the individual chain level, Edgars, with 24 fewer facias and 4% less space, increased its CFT turnover by 4% but its cellular sales fell by almost 17%. A 25% improvement in operating profit confirms that its restructuring is now substantially complete, and as a predominantly mall based department store, it is well positioned to serve the fashion needs of middle to upper income families. The trading profit generated by United Retail was disappointing as its 5% improvement in apparel sales, out of 5% less space, was insufficient to absorb the impact of a 43% decline in cellular revenues. Every Sales House outlet has now been converted into a multibrand store and the majority of Cuthberts branches have been incorporated into Jet/Sales House operations. With the bulk of its repositioning complete, United is now appropriately structured as a discount operation, offering competitively priced, quality fashion to South Africa's mass formal market. The recent Markinor survey awarded Edcon the top three positions in the clothing sector for its retail brands. This confirms that Edgars, Sales House and Jet all enjoy top of the mind awareness amongst the consuming public.

The quality of the debtors books continued to improve during the period under review with almost 80% of debtors now current compared with 75% at the same time last year. The containment of the net cost of credit was pleasing as was the progress made by Edcon's financial services division.

Edgars Zimbabwe traded particularly well for the first six months of its financial year with reported sales and earnings increasing by 55% and 74% respectively in Zimbabwe dollar terms. Regrettably, the macro economic, social and political environment in Zimbabwe has deteriorated dramatically, resulting in a total collapse in its currency and an inability to meet foreign liabilities and external dividend payments. The board has therefore resolved to deconsolidate Edgars Zimbabwe from its financial statements and to account for dividends on a cash receipt basis. The prior year comparatives have been restated to reflect this. The group's net investment in Edgars Zimbabwe has been included in other non-current assets at R13,6 million.

In spite of excluding all earnings from Edgars Zimbabwe, the board has resolved to maintain the interim dividend at last year's level of 36 cents per share, representing a dividend cover of 2,5 times.

FINANCIAL POSITION

Improved merchandise management, resulting in a noteworthy 12% decline in closing inventories, compared with September last year, and negligible growth in accounts receivable, boosted cash generated from operating activities. This, coupled with a restrained capital expenditure programme, facilitated the repayment of R135 million in interest bearing debt and a further reduction in the gearing ratio to 0,21 – meaningfully below the group's self-imposed constraint of 0,50.

DIRECTORATE

A special welcome is given to Mr P L Wilmot on his appointment to the board. He retired as Chairman of the board of Deloitte & Touche in August 1999 and is currently deputy Chairman of the Standards Advisory Council of the International Accounting Standards Board.

STRATE

Dematerialisation of Edcon shares took place during October and the company's share certificates were no longer good for delivery for transactions after 22 October 2001. Shareholders who have not submitted their share certificates are therefore encouraged to dematerialise their scrip at their earliest convenience.

PROSPECTS

Consumer spending prospects for the festive season – key to a retailer's success – remain uncertain as South Africa's short term economic outlook weakens, given the general worsening of global economic activity. In addition, a measure of Edcon's success in the short term will be its ability to digest the steep decline in cellular sales, by boosting CFT sales. Fortunately, however, the impact of the restructuring programme of the last few years is starting to have a beneficial effect, and on balance, even if sales growth is limited, a moderate improvement on last year's headline earnings of 214 cents per share, could be expected.

For and on behalf of the board

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

INTERIM CASH DIVIDEND

Notice is hereby given that the interim ordinary dividend (No. 110) of 36 cents per share in respect of the 26 weeks ended 30 September 2001 has been declared payable to the holders of ordinary shares appearing in the records of the company at the close of business on Friday, 28 December 2001. The dividend is declared payable in the currency of the Republic of South Africa and in compliance with the requirements of STRATE, the following dates are applicable:

Last day to trade cum the dividend	Wednesday, 19 December 2001
Date trading commences ex the dividend	Thursday, 20 December 2001
Record date	Friday, 28 December 2001
Date of payment	Monday, 31 December 2001

Certificated shareholders may not dematerialise their share certificates between Wednesday, 12 December 2001 and Friday, 28 December 2001, both dates inclusive.

On behalf of the board

D J Viviers
Group Secretary

Johannesburg
15 November 2001

Balance Sheet

	2001 September Rm (excluding Zimbabwe)	2000 September Rm (restated excl. Zimbabwe)	2001 March Rm (restated excl. Zimbabwe)
ASSETS			
Non-current assets			
Operating assets	**733,2**	819,7	711,7
Trademarks	**1,8**	5,9	3,8
Other	**60,0**	44,3	74,4
Total non-current assets	**795,0**	869,9	789,9
Current assets			
Inventories	**1 129,7**	1 289,3	1 175,8
Accounts receivable and prepayments	**2 072,7**	1 994,7	2 066,6
Cash and cash equivalents	**185,3**	101,5	180,5
Total current assets	**3 387,7**	3 385,5	3 422,9
Total assets	**4 182,7**	4 255,4	4 212,8
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity	**2 308,6**	2 250,1	2 305,3
Minority interest	**0,4**	0,3	0,4
Total shareholders' equity	**2 309,0**	2 250,4	2 305,7
Interest bearing debt	**676,5**	654,7	818,8
	2 985,5	2 905,1	3 124,5
Interest free liabilities			
Current	**1 041,2**	1 240,3	934,1
Deferred taxation	**156,0**	110,0	154,2
Total interest free liabilities	**1 197,2**	1 350,3	1 088,3
Total equity and liabilities	**4 182,7**	4 255,4	4 212,8
Gearing ratios			
Net interest bearing debt/total shareholders' funds	**0,21**	0,25	0,28
Total liabilities/total shareholders' funds	**0,81**	0,89	0,83
Future capital expenditure	**Rm**	Rm	Rm
Contracted	**2,0**	70,7	5,7
Authorised but not contracted	**80,4**	54,3	163,1
Net equity per ordinary share (cents)	**4 019**	3 917	4 013

Statement of changes in ordinary shareholders' equity

	2001 September Rm (excluding Zimbabwe)	2000 September Rm (restated excl. Zimbabwe)	2001 March Rm (restated excl. Zimbabwe)
Ordinary shareholders' equity at the beginning of the year	**2 305,3**	2 253,0	2 253,0
Share capital issued			
Executive share incentive scheme	**—**	2,0	2,0
Share buy-back	**(12,0)**	—	—
Movements in distributable reserves			
Earnings attributable to ordinary shareholders	**52,3**	45,8	120,9
Ordinary dividends	**(36,8)**	(55,7)	(76,3)
Reversal of deferred taxation	**—**	—	1,3
Movements in non-distributable reserves			
Foreign currency translation reserve	**(6,9)**	1,9	6,3
Other	**6,7**	3,1	(1,9)
Ordinary shareholders' equity at the end of the period	**2 308,6**	2 250,1	2 305,3

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

Non-executive directors: W S MacFarlane *(Chairman)* A J Aaron Z B Ebrahim T N Eboka J D M G Koolen† P L Wilmot *(† Netherlands)*

Executive directors: S M Ross** *(Chief Executive)* M R Bower J A Day G R Evans Dr U Ferndale K C van Aardt *(**USA)*

Group secretary: D J Viviers

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

BASTION GRAPHICS