APPLICABLE PRICING SUPPLEMENT

EDCON (PROPRIETARY) LIMITED

(Incorporated in the Republic of South Africa with limited liability under Registration Number 2007/003525/07)

Issue of ZAR1,010,000,000 Senior Secured Floating Rate Notes due 4 April 2016
Under its ZAR2,500,000,000 Domestic Medium Term Note Programme
Guaranteed on a senior secured basis by Edcon Holdings (Proprietary) Limited
and certain of its wholly-owned subsidiaries

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum, dated 31 March 2011, prepared by Edcon (Proprietary) Limited in connection with the Edcon (Proprietary) Limited ZAR2,500,000,000 Domestic Medium Term Note Programme, as amended and/or supplemented from time to time (the "**Programme Memorandum**").

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the section of the Programme Memorandum headed "*Terms and Conditions of the Notes*", Annexure "B" headed "*Trust Deed*" attached to this Applicable Pricing Supplement and Annexure "D" headed "*Description of Certain Other Indebtedness*".

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. The Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

The Notes described herein are of a speculative nature and prior to investing in the Notes investors should seek independent professional advice.

PARTIES

1.	Issuer	Edcon (Proprietary) Limited (the "**Issuer**")
2.	Guarantors	Edcon Holdings (Proprietary) Limited ("**HoldCo**"); Edcon Acquisition (Proprietary) Limited ("**BidCo**"); Edgars Consolidated Stores Limited ("**ECSL**"); and Elephant OntheCards (Proprietary) Limited (the "**SPV Guarantor**")
3.	Dealer(s)	N/A
4.	Lead Managers	Goldman Sachs International ("**GSI**"); and Rand Merchant Bank, a division of FirstRand Bank Limited ("**RMB**")
5.	Co-Managers	Absa Capital, a division of Absa Bank Limited ("**Absa Capital**"); and Morgan Stanley & Co. International plc ("**Morgan Stanley**")
6.	Junior Managers	The Standard Bank of South Africa Limited; and Deutsche Bank AG, Johannesburg Branch
7.	Paying Agent	RMB
	Specified Address	1 Merchant Place Cnr Fredman Drive and Rivonia Road Sandton, 2196 South Africa

8.	Calculation Agent	RMB
	Specified Address	1 Merchant Place Cnr Fredman Drive and Rivonia Road Sandton, 2196 South Africa
9.	Transfer Agent	RMB
	Specified Address	1 Merchant Place Cnr Fredman Drive and Rivonia Road Sandton, 2196 South Africa

PROVISIONS RELATING TO THE NOTES

10.	Status of Notes	Senior Secured
11.	Form of Notes	Listed Registered Notes
12.	Series Number	1
13.	Tranche Number	1
14.	Aggregate Nominal Amount:	
	(a) Series	ZAR1,010,000,000
	(b) Tranche	ZAR1,010,000,000
15.	Interest	Interest-bearing
16.	Interest Payment Basis	Floating Rate
17.	Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another	N/A
18.	Form of Notes	Registered Notes: The Notes in this Tranche are issued in certificated form and lodged in the CSD under a single Global Certificate.
19.	Issue Date	4 April 2011
20.	Nominal Amount per Note	ZAR1,000,000
21.	Specified Denomination	ZAR1,000,000
22.	Specified Currency	ZAR
23.	Issue Price	100 per cent
24.	Interest Commencement Date	4 April 2011
25.	Maturity Date	4 April 2016
26.	Applicable Business Day Convention	Modified Following Business Day
27.	Final Redemption Amount	100 per cent of Nominal Amount
28.	Last Day to Register	by 17h00 on 24 March, 24 June, 24 September and 24 December of each year
29.	Books Closed Period(s)	The Register will be closed from 25 March to 4 April, 25 June to 4 July, 25 September to 4 October and from 25 December to 4 January in each year until the Maturity Date.
30.	Default Rate	Yes, see clause 22 of the Trust Deed (as defined below).

FIXED RATE NOTES N/A

FLOATING RATE NOTES

31.	(a) Floating Interest Payment Date(s)	4 April, 4 July, 4 October and 4 January
	(b) Interest Period(s)	From and including the applicable Floating Interest Payment Date and ending on but excluding the following Floating Interest Payment date, the first Interest Period commencing on 4 April 2011 and ending on the day before the next Floating Interest Payment Date.
	(c) Definition of Business Day (if different from that set out in Condition 1) (*Interpretation*)	N/A
	(d) Minimum Rate of Interest	N/A
	(e) Maximum Rate of Interest	N/A
	(f) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision)	N/A
32.	Manner in which the Rate of Interest is to be determined	Screen Rate Determination
33.	Margin	6.25% (six point twenty five per cent) to be added to the relevant Reference Rate
34.	If ISDA Determination:	
	(a) Floating Rate	N/A
	(b) Floating Rate Option	N/A
	(c) Designated Maturity	N/A
	(d) Reset Date(s)	N/A
	(e) ISDA Definitions to apply	N/A
35.	If Screen Determination:	
	(a) Reference Rate (including relevant period by reference to which the Rate of Interest is to be calculated)	ZAR-JIBAR-SAFEY
	(b) Interest Rate Determination Date(s)	First day of each Interest Period
	(c) Relevant Screen Page and Reference Code	Reuters Screen SAFEY Page 01209
36.	If Rate of Interest to be calculated otherwise than by ISDA Determination or Screen Determination, insert basis for determining Rate of Interest/Margin/ Fallback provisions	N/A
37.	Calculation Agent responsible for calculating amount of principal and interest	RMB
ZERO COUPON NOTES		N/A
PARTLY PAID NOTES		N/A
MIXED RATE NOTES		N/A
INDEX-LINKED NOTES		N/A

DUAL CURRENCY NOTES		N/A
EXCHANGEABLE NOTES		N/A
OTHER NOTES		N/A
PROVISIONS REGARDING REDEMPTION/MATURITY		
38.	Redemption at the Option of the Issuer:	Yes, see clause 14 of the Trust Deed as read with Schedule 4 headed "*Redemption of Notes*" of the Trust Deed (as defined and attached below).
39.	Redemption at the Option of the Senior Noteholders:	Yes, see clause 14 of the Trust Deed as read with Schedule 4 headed "*Redemption of Notes*" of the Trust Deed (as defined and attached below).
40.	Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default (if required).	Yes, see Schedule 3 headed "*Events of Default*" and Schedule 4 headed "*Redemption of Notes*" of the Trust Deed (as defined and attached below).
GENERAL		
41.	Financial Exchange	JSE (Interest Rate Market)
42.	Additional selling restrictions	N/A
43.	ISIN No.	ZAG000085168
44.	Stock Code	EDC01
45.	Stabilising manager	N/A
46.	Provisions relating to stabilisation	N/A
47.	Method of distribution	Bookbuild
48.	Credit Rating assigned to the Notes	N/A
49.	Applicable Rating Agency	N/A
50.	Governing law (if the laws of South Africa are not applicable)	N/A
51.	Surrendering of Notes in the case of Notes represented by a Certificate	10 days after the date on which the Certificate in respect of the Note to be redeemed has been surrendered to the Issuer
52.	Use of proceeds	The net proceeds of the offering of the Notes (after deduction of the expenses relating to the issuance of the Notes) will be used for general corporate purposes and to refinance the amounts outstanding under the Super Senior Rand Loan.
53.	Other provisions	For purposes of these Notes, please see descriptions of the security structure and the description of the SPV Guarantor set out in Annexure "A" (*Security Structure*), the Trust Deed (including the Amendment Agreement to the Trust Deed) set out in Annexure "B" (*Trust Deed*), the general investor considerations set out in Annexure "C" (*General Investor Considerations*), the description of certain other indebtedness set out in Annexure "D" (*Description of Certain Other Indebtedness*), the related party transactions set out in Annexure "E" (*Related Party Transactions*), a summary of the historical financial and other data for HoldCo set out in Annexure "F" (*Summary Historical Consolidated Financial Information and Other Data*) and management's discussion and analysis of financial

condition and results of operations set out in Annexure "G" (*Management's Discussion and Analysis of Financial Condition and Results of the Operations*).

Negative Pledge

Condition 7 (*Negative Pledge*) of the Conditions shall not apply to the Notes and the negative pledge applicable shall be as set out in clause 12 (*Covenants*) of the Trust Deed as read with Schedule 2 (*Covenants*) of the Trust Deed.

Events of Default

Condition 16 (*Events of Default*) of the Conditions shall not apply to the Notes and the Events of Default applicable to the Notes shall be as set out in clause 13 (*Events of Default and Remedies*) of the Trust Deed read with Schedule 3 (*Events of Default*) of the Trust Deed.

Covenants

The Issuer gives the covenants set out in clause 12 (*Covenants*) of the Trust Deed as read with Schedule 2 (*Covenants*) of the Trust Deed.

Provisions regarding redemption of Notes

Conditions 10.3 (*Redemption at the Option of the Issuer*), 10.4 (*Redemption at the option of the Senior Noteholders*) and 10.5 (*Early Redemption Amounts*) of the Conditions shall not apply to the Notes. The Issuer shall have the option to redeem the Notes in the circumstances and on the terms set out in clause 14 read with Schedule 4 (*Redemption of Notes*) of the Trust Deed. The Senior Noteholders shall have the option to require the Issuer to redeem the Notes in the circumstances and on the terms set out in clause 14 as read with clause 1.10 (*Repurchase at the Option of Holders for Failure to Refinance the Senior Notes)* of Schedule 4 (*Redemption of Notes*) of the Trust Deed.

Meetings of Noteholders

Condition 20 (*Meetings of Noteholders*) of the Conditions shall not apply to the Notes. The meetings of Noteholders shall take place in accordance with the provisions clause 33 read with Schedule 1 (*Meetings of Noteholders*) of the Trust Deed.

Risk factors relating to the Notes

For purposes of these Notes, please see the section headed "*Investor Considerations*" in the Programme Memorandum, including the additional risk factors relating to these Notes set out in Annexure "C" (*General Investor Considerations*).

54. Documents incorporated by Reference	Trust Deed, dated 24 March 2011, amongst, *inter alia*, GMG Trust Company (SA) (Proprietary) Limited, the Issuer, HoldCo, BidCo, ECSL and the SPV Guarantor in relation to notes issued under the Programme;

Amendment Agreement to the Trust Deed, dated on or about 30 March 2011, amongst, *inter alia*, GMG Trust Company (SA) (Proprietary) Limited, the Issuer, HoldCo, BidCo, ECSL and the SPV Guarantor in relation to notes issued under the Programme;

Addendum to First Ranking Senior Secured Debt Guarantee, dated 22 February 2011, amongst, *inter alia*, the SPV Guarantor, Absa Capital, The Bank of New York Mellon (previously The Bank of New York) Goldman Sachs Lending Partners LLC and to be acceded to by GMG Trust Company (SA) (Proprietary) Limited;

Intercreditor Amendment Deed, dated 24 February 2011, amongst, *inter alia*, HoldCo, Edcon (BC) S.à r.l. ("**LuxCo**"), Absa Capital, Barclays Bank plc and the SPV Guarantor; and

Subordination Agreement, dated 22 February 2011, amongst, *inter alia*, the Issuer, HoldCo, BidCo, ECSL, Edcon Finco (Proprietary) Limited, the SPV Guarantor, LuxCo, Absa Capital, Goldman Sachs Lending Partners LLC.

DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS

55. Paragraph 3(5)(a)

The "*ultimate borrower*" (as defined in the Commercial Paper Regulations) is the Issuer.

56. Paragraph 3(5)(b)

The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.

57. Paragraph 3(5)(c)

The auditor of the Issuer is Ernst & Young Inc.

58. Paragraph 3(5)(d)

As at the date of this issue:

(i) the Issuer has not issued Commercial Paper (as defined in the Commercial Paper Regulations), exclusive of this issue of Notes; and

(ii) to the best of the Issuer's knowledge and belief, the Issuer estimates that it will not issue any further Commercial Paper during the current financial year, ending 31 March 2011.

59. Paragraph 3(5)(e)

All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the Notes is contained in the Programme Memorandum and the Applicable Pricing Supplement.

60. Paragraph 3(5)(f)

There has been no material adverse change in the Issuer's financial position since the date of its last audited financial statements.

61. Paragraph 3(5)(g)

The Notes issued will be listed.

62. Paragraph 3(5)(h)

The funds to be raised through the issue of the Notes are to be used by the Issuer for its general corporate purposes and to refinance the amounts outstanding under the Super Senior Rand Loan.

63. Paragraph 3(5)(i)

The obligations of the Issuer in respect of the Notes are secured.

64. Paragraph 3(5)(j)

Ernst & Young Inc., the statutory auditors of the Issuer, have confirmed that nothing has come to their attention to cause them to believe that this issue of Notes issued under the Programme does not comply in all respects with the relevant provisions of the Commercial Paper Regulations.

Responsibility:
The Issuer accepts responsibility for the information contained in this Applicable Pricing Supplement. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Applicable Pricing Supplement is in accordance with the facts and does not omit anything which would make any statement false or misleading and all reasonable enquiries to ascertain such facts have been made. This Applicable Pricing Supplement contains all information required by law and the debt listing requirements of the JSE.

Application is hereby made to list this issue of Notes on 4 April 2011.

SIGNED at Johannesburg on this 31st day of March 2011

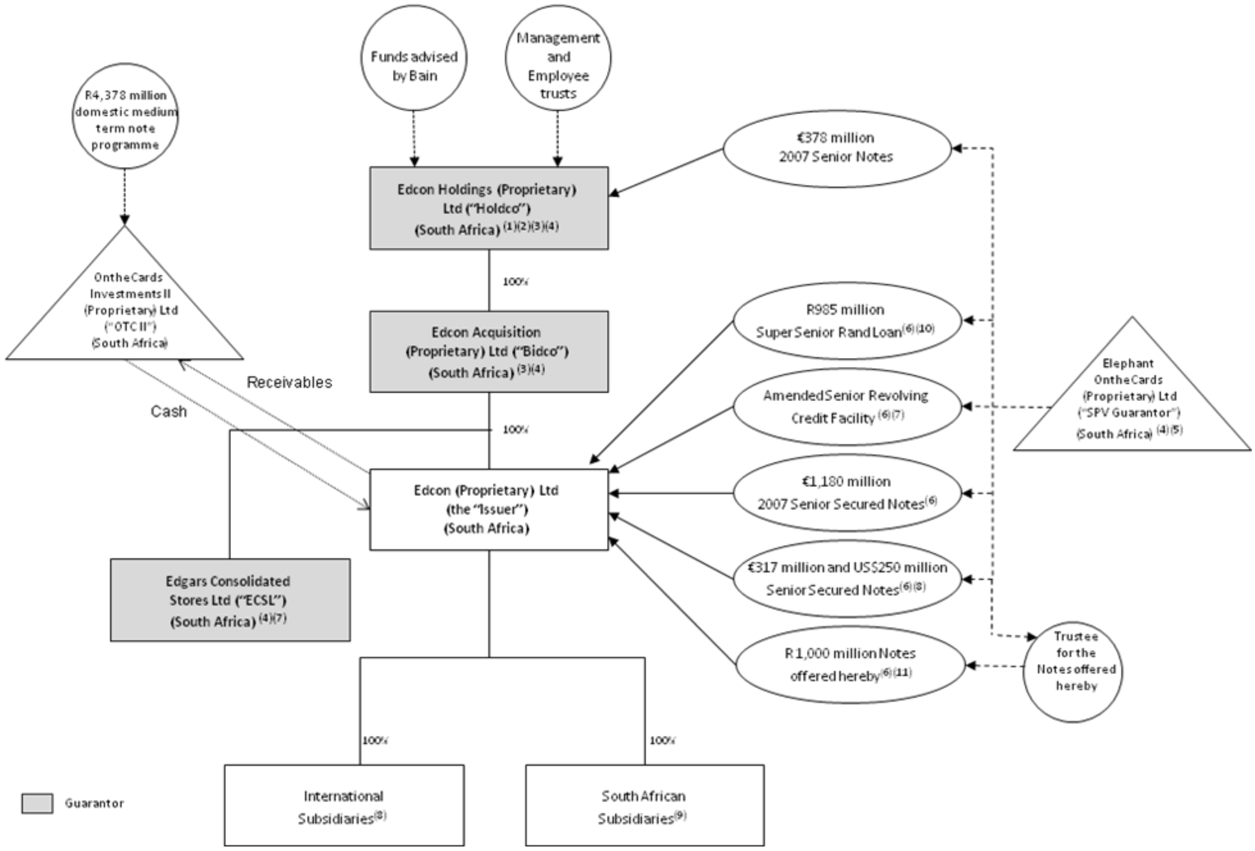
For and on behalf of
EDCON (PROPRIETARY) LIMITED

Name: Steve Binnie	Name: Urin Ferndale
Capacity: Director	Capacity: Director
Who warrants his/her authority hereto	Who warrants his/her authority hereto

ANNEXURE "A"

SECURITY STRUCTURE

Security Structure Diagram



Terms used in this Security Structure Diagram and not defined shall have the meanings ascribed to them in Schedule 2 (*Covenants*) of the Trust Deed and Annexure "D" (*Description of Certain Other Indebtedness*) and Annexure "E" (*Related Party Transactions*).

(1) The employee trust is the Empowerment Trust which was created in July 2005 as part of the Issuer's Broad Based Black Economic Empowerment programme and its beneficiaries are predominantly black employees. See the section headed "*Principal shareholders and share capital*" in the Programme Memorandum.

(2) The beneficiaries of the management trusts are predominantly managers and directors of Edcon (defined in Annexure "C" (*General Investor Considerations*)). See the section headed "*Principal shareholders and share capital*" in the Programme Memorandum.

(3) Holdco has advanced the funds it received as the borrower under the Subordinated Shareholder Loan to the Issuer pursuant to the Subordinated Matching Loan and the proceeds from the 2007 Senior Notes pursuant to the Subordinated Proceeds Loan. On 1 January 2011, the outstanding balances under the Subordinated Matching Loan and the Subordinated Proceeds Loan were R7,834 million and R8,166 million respectively, including capitalised and accrued interest.

(4) HoldCo, BidCo and ECSL will guarantee the Notes on a senior secured basis pursuant to the Guarantees.

(5) The Issuer, BidCo, HoldCo and ECSL have provided secured counter-indemnities in favour of the SPV Guarantor in relation to the SPV Guarantor's obligations under the SPV Guarantee.

(6) The SPV Guarantor has provided the SPV Guarantee to the lenders under the Amended Super Senior Revolving Credit Facility, the lenders under the Super Senior Rand Loan, the trustee of the 2011 Senior Secured Notes, the trustee of the 2007 Senior Secured Notes, the trustee of the 2007 Senior Notes and the hedging providers under certain new Hedging Arrangements. The SPV Guarantor will provide the SPV Guarantee to the Trustee for the Noteholders.

(7) The Issuer may draw up to R3,117 million of revolving credit under the Amended Super Senior Revolving Credit Facility to fund working capital requirements from time to time. The Issuer expects no advances to be drawn under the Amended Super Senior Revolving Credit Facility on the Issue Date.

(8) The Issuer beneficially controls 15 subsidiaries located outside of South Africa in Botswana, Lesotho, Mozambique, Namibia, Swaziland, Zambia, and Guernsey. The international subsidiaries will not be guarantors of the Notes, as none of them are Restricted Subsidiaries within the meaning of the Trust Deed.

(9) The Issuer beneficially controls 12 South African subsidiaries. These South African subsidiaries will not be guarantors of the Notes, as none of them are Restricted Subsidiaries within the meaning of the Trust Deed.

(10) The Issuer may draw up to R985 million under the Super Senior Rand Loan. The Issuer expects the Super Senior Rand Loan to be fully drawn on the Issue Date.

(11) The Security Interest granted to the Noteholders (i) ranks equally with the security interests of the lenders under the Amended Super Senior Revolving Credit Facility and the lenders under the Super Senior Rand Loan and (ii) ahead of the security interests granted to the holders of the 2011 Senior Secured Notes, the holders of the 2007 Senior Notes and the holders of the 2007 Senior Secured Notes.

Terms used in this Annexure "A" (*Security Structure*) and not defined shall have the meanings ascribed to them in Schedule 2 (*Covenants*) of the Trust Deed and Annexure "D" headed "*Description of Certain Other Indebtedness*".

Security Structure

The obligations of the Issuer under the Notes and of the Guarantors under the Guarantees will be secured by security interests on an equal and rateable basis (collectively, the "**Security Interests**") in collateral (the "**Collateral**") that will consist of substantially all of the assets of HoldCo and its Restricted Subsidiaries (including the Issuer), including pledges (the "**Share Pledges**") of all of the share capital of the Issuer and the Restricted Subsidiaries, other than certain accounts receivable that are transferred to OntheCards Investments II (Proprietary) Limited ("**OtC II**"), in accordance with OtC II's securitisation programme, and certain bank accounts in which collections on eligible receivables serviced by the Issuer are paid. The Notes will benefit from Security Interests in the same Collateral granted for the benefit of the Amended Super Senior Revolving Credit Facility.

The Security Interests in the Collateral will not be granted directly to the holders of the Notes (the "**Noteholders**") or the Trustee for the Noteholders. Instead, the Security Interests will be granted to the SPV Guarantor, a special purpose company incorporated under the laws of the Republic of South Africa, which will, in turn, provide a guarantee (the "**SPV Guarantee**") to the Trustee for the Noteholders. The Trustee for the Noteholders will therefore not be entitled to take any enforcement action with respect to the Collateral other than through the SPV Guarantee from the SPV Guarantor. The SPV Guarantor will be instructed exclusively in this regard by the Security Administrator (as defined in the Intercreditor Agreement) acting on the instructions of, among others, the Trustee for the Noteholders in accordance with the Intercreditor Agreement dated 25 May 2007 (as amended by the Intercreditor Amendment Deed), the lenders under the Amended Super Senior Revolving Credit Facility, the lenders under the Super Senior Rand Loan, the trustee for the noteholders of the 2011 Senior Secured Notes, the trustee for the noteholders of the 2007 Senior Secured Notes and the 2007 Senior Notes, the SPV Guarantor and certain hedge counterparties in respect of the 2011 Senior Secured Notes, the 2007 Senior Secured Notes and the 2007 Senior Notes (the "**Hedging Counterparties**") (the "**Intercreditor Agreement**"), and to which the Trustee for the Noteholders will become a party on the Issue Date.

To secure the obligations of the SPV Guarantor under the SPV Guarantee, the Issuer and the Guarantors providing the Security Interests (the "**SPV Indemnifiers**") will, pursuant to the counter indemnity agreements (the "**SPV Counter-Indemnities**"), indemnify the SPV Guarantor in respect of the SPV Guarantee. The Issuer's and the Guarantors' obligations under the SPV Counter-Indemnities are secured by security interests in the Collateral. The SPV Guarantor has also issued a guarantee to the trustee for the 2007 Senior Secured Notes and the 2007 Senior Notes, the trustee for the 2011 Senior Secured Notes, the lenders under the Amended Super Senior Revolving Credit Facility and the Hedging Counterparties.

Proceeds from the sale of any Collateral will, in accordance with the Intercreditor Agreement, be shared on a *pari passu* basis between the lenders under the Amended Super Senior Revolving Credit Facility, the lenders under the Super Senior Rand Loan and the Noteholders in priority to the holders of the 2011 Senior Secured Notes, the holders of the 2007 Senior Secured Notes, the holders of the 2007 Senior Notes and the hedge counterparties in respect of the 2011 Senior Secured Notes, the 2007 Senior Secured Notes and the 2007 Senior Notes.

The Intercreditor Agreement, to which the Initial Trustee will become a party, governs the enforcement of security interests in the Collateral. The Intercreditor Agreement is governed by English law and provides that the Security Administrator has the exclusive authority to direct and instruct the SPV Guarantor as to the enforcement of the Security Interests in the Collateral and as to the release of any Security Interests in the Collateral. A Security Arrangement Agreement has been entered into for the appointment of the Security Administrator.

If the Notes are declared to be due and payable as a consequence of the occurrence of an Event of Default or if the Notes become immediately due and payable pursuant to the exercise of any remedies relating to the occurrence of an Event of Default (an "**Enforcement Event**") and the Security Interests become enforceable in accordance with their terms following that Enforcement Event, the Trustee (acting on the instructions of the Notheholders) may request the Security Administrator to direct the SPV Guarantor to commence the enforcement of such Security Interests if, at that time, the event entitling the Trustee to take enforcement action is continuing.

To establish the relative rights of the Issuer's shareholders and other creditors, the Issuer, BidCo, ECSL, Luxco and HoldCo (amongst others) entered into a subordination agreement with, among others, the lenders under the Amended Super Senior Revolving Credit Facility, the trustee for the holders of the 2007 Senior Secured Notes and the 2007 Senior Notes, the trustee for the holders of the 2011 Senior Secured Notes, the SPV Guarantor and the hedging counterparties on 24 May 2007 (as amended) (the "**2007 Subordination Agreement**").

Additionally, the Issuer, HoldCo, BidCo, ECSL and Luxco (amongst others) have entered into a new subordination agreement with, among others, the lenders under the Super Senior Rand Loan, and the SPV Guarantor, as amended from time to time (the "**2011 Subordination Agreement**"). The 2007 Subordination Agreement and the 2011 Subordination Agreement are referred to as the "**Subordination Agreements**". The Subordination Agreements are governed by South African law. The Trustee for the Notes will accede to such agreement on or about the Issue Date.

Under the terms of the Subordination Agreements, all claims of the SPV Guarantor on behalf of the various creditors, whether secured and unsecured, will rank senior to all claims in relation to subordinated shareholder loans of the shareholders. The Issuer shall not be entitled to repay any portion of such subordinated shareholder loans contrary to the provisions of the indentures governing the 2011 Senior Secured Notes the 2007 Senior Secured Notes, the 2007 Senior Notes, the Intercreditor Agreement, the counter-indemnities, any hedging agreements, the Super Senior Rand Loan and the Amended Super Senior Revolving Credit Facility. Should such payment nevertheless be made by the Issuer, HoldCo, BidCo, ECSL or Luxco, they undertake to pay such amounts to the SPV Guarantor.

The Subordination Agreements provide that all claims under the subordinated shareholder loans mentioned above will rank junior in right and priority of payment to the Notes, the 2011 Senior Secured Notes, the 2007 Senior Secured Notes, the 2007 Senior Notes, the hedging agreements, the Super Senior Rand Loan and the Amended Super Senior Revolving Credit Facility.

The Subordination Agreements provide that the Issuer, BidCo, ECSL, Luxco and HoldCo may not, prior to the repayment in full of all debt that ranks ahead of the shareholder debt or otherwise with the consent of the lenders under the Super Senior Rand Loan, the Notes and the Amended Super Senior Revolving Credit Facility, the hedging counterparties and the trustees for the noteholders of the 2011 Senior Secured Notes, the 2007 Senior Secured Notes and the 2007 Senior Notes and the SPV Guarantor, take any action to enforce their claims under the shareholder debt except as permitted under the Intercreditor Agreement.

By accepting a Note, holders of Notes will be deemed to have agreed to, and accepted the terms and conditions of, the 2011 Subordination Agreement.

Recourse against the SPV Guarantor will be limited to the proceeds of enforcement of the Collateral and the SPV Counter-Indemnities.

Description of the SPV Guarantor

The SPV Guarantor

The SPV Guarantor was incorporated and registered in South Africa on 3 November 2006, under Registration Number 2006/034526/07, under the Companies Act, as a private company with limited liability. The issued share capital of the SPV Guarantor comprises 1 ordinary share of R1,00 par value, held by Elephant Cards SPV Owner Trust (IT1619/2007), represented by Mr J Doidge as nominee of GMG Trust Company (SA) (Proprietary) Limited (Registration Number 2006/013631/07). The SPV Guarantor has no subsidiaries.

Directors

The directors of the SPV Guarantor are Mr S Gaskell and Mr J Doidge.

Registered Address

The registered office of the SPV Guarantor is situated at 3rd Floor, 200 on Main, Corner Main and Bowwood Roads, Claremont, 7708.

Auditors

The current auditors of the SPV Guarantor are HLB Barnett Chown Inc.

Activities

The activities of the SPV Guarantor are to enter into, amend and perform the obligations and exercise the Guarantor SPV's rights under the SPV Guarantee, the SPV Counter-Indemnities and the Security Documents.

Description of the Edcon ZAR Notes Trust

The Edcon ZAR Notes Trust

The Edcon ZAR Notes Trust was constituted in terms of the Trust Deed, dated 24 March 2011, amongst GMG Trust Company (SA) (Proprietary) Limited, the Issuer, HoldCo, BidCo, ECSL and the SPV Guarantor.

Trustees

The Initial Trustee of the Edcon ZAR Notes Trust is GMG Trust Company (SA) (Proprietary) Limited (Registration Number 2006/013631/07) (represented by Mr J Doidge, Mr B Harmse and Mr J Wandrag), a private company duly incorporated in accordance with the laws of South Africa.

Registered Address

The registered office of the Initial Trustee is situated at 3rd Floor, 200 on Main, Corner Main and Bowwood Roads, Claremont, 7708.

Activities

The activities of the Trustees are to act as trustee for the Noteholders of the Notes on the terms and conditions contained in the Trust Deed.

ANNEXURE “B”

TRUST DEED

ANNEXURE "C"

GENERAL INVESTOR CONSIDERATIONS

The Issuer believes that the factors outlined in the Programme Memorandum and below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. The value of the Notes could decline due to any of these risks, and investors may lose some or all of their investment.

The Issuer believes that the factors described in the Programme Memorandum and below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Prospective investors should also read the detailed information set out in the section headed "Investor Considerations" in the Programme Memorandum to reach their own views prior to making any investment decision.

References below to the "Terms and Conditions", in relation to Notes, shall mean the "Terms and Conditions of the Notes" set out in the Programme Memorandum and references to a numbered "Condition" shall be to the Terms and Conditions under the relevant Terms and Conditions set out in the Programme Memorandum. Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in the Terms and Conditions, Schedule 2 (Covenants) of the Trust Deed and Annexure "D" (Description of Certain Other Indebtedness) except to the extent that they are separately defined in this section or it is clearly inappropriate from the context.

*References to "**we**", "**us**", "**our**", "**Edcon**" and other similar terms in this section headed "General Investor Considerations" refer to ECSL and its consolidated subsidiaries in respect of periods prior to the acquisition by BidCo on 14 May 2007 of the ordinary and preference shares of ECSL (the "**Share Acquisition**") and refer to HoldCo and its consolidated subsidiaries in respect of periods after the Share Acquisition, except where the context requires otherwise.*

Risks related to the Issuer

We may elect to use hedges as part of our hedging strategy

As part of the hedging strategy that we have implemented for the 2011 Senior Secured Notes, we may elect to hedge some or all of our interest rate and/or currency risk from the 2011 Senior Secured Notes, the 2007 Senior Secured Notes and the 2007 Senior Notes with credit-based hedges. Such hedges to the extent that they hedge such risks from the 2011 Senior Secured Notes or the 2007 Senior Secured Notes and the 2007 Senior Notes would rank below the Notes in right of recovery but would benefit from the same security as the Notes. If we were to default in making payments under the 2011 Senior Secured Notes, the 2007 Senior Secured Notes or the 2007 Senior Notes or if certain other credit events were to occur in relation to us and a credit-linked hedge of interest rate or currency risk in respect of the 2011 Senior Secured Notes, the 2007 Senior Secured Notes or the 2007 Senior Notes were to terminate or be closed out as a result, then, in relation to the mark-to-market value ("**MTM**") which would normally be payable by one party to the other on a termination or close out of an equivalent hedge which was not credit-linked, either (a) we will be limited, where such MTM would otherwise be payable to us, in claiming against our hedge counterparty in respect of such termination or close out to an amount equal to the product of (i) such MTM and (ii) the credit recovery rate for holders of the 2011 Senior Secured Notes, the 2007 Senior Secured Notes and the 2007 Senior Notes, such credit recovery rate being determined within a reasonable period after such termination or close out by reference to a market auction process or market quotations for such notes, or (b) no MTM payment in respect of such termination or close out will be due from either party, depending on the particular type of credit-linked hedge we enter into.

Risk related to the Notes

We may not be able to obtain enough funds to repurchase the Notes if a change of control takes place

A "*change of control*" is an event defined in the Trust Deed and includes certain changes in ownership or voting rights with respect to us. If a change of control occurs, Noteholders may require us to purchase any or all of the Notes at 101% of their principal amount together with accrued and unpaid interest. We may not have enough money, however, to purchase the Notes upon a change of control and also may not be able to raise the money to do so. Furthermore, any such purchase by the Issuer will require the approval of the South African exchange control authorities, which may not be forthcoming. Additionally, a change of control would be a prepayment event under the Amended Super Senior Revolving Credit Facility. In the event this results in an event of default under such facilities, the lenders under such facilities may accelerate such debt, which could also cause an event of default under the Trust Deed. Restrictions contained in the Trust Deed on a change of control may make it more difficult for others to obtain control of us. The change of control provisions may not protect investors in a transaction in which we incur a large amount of debt, including a reorganisation, restructuring, merger or other similar transaction, because that kind of transaction may not involve any shift in voting power or beneficial ownership, or may not involve a shift large enough to trigger a change of control.

Enforcing the investor's rights as a holder of the Notes or under the Guarantees across multiple jurisdictions may be difficult

The notes are issued by the Issuer and guaranteed by the Guarantors (as each is defined in the Trust Deed). Each of the Issuer and the Guarantors is organised under the laws of South Africa. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in South Africa or in the jurisdiction of incorporation or organisation (if other than South Africa) of a future Guarantor. The investor's rights under the Notes and the Guarantees may thus be subject to the laws of multiple jurisdictions, and there can be no assurance that investors will be able to effectively enforce the investor's rights in multiple bankruptcy, insolvency or other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of investor's rights.

In addition, the bankruptcy, insolvency, administrative, and other laws of such jurisdictions of organisation may be materially different from, or in conflict with, one another and those in the United States or other jurisdictions, with which investors may be familiar in certain areas, including creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect the investor's ability to enforce its rights and to collect payment in full under the Notes and Guarantees.

The laws of the jurisdiction in which the Guarantors are organised limit their ability to guarantee debts of a parent company. These limitations arise under various provisions and principles of corporate law, which can require sister or subsidiary guarantors to receive adequate corporate benefit from the financing and which govern fraudulent transfer laws. If these limitations were not observed, the Guarantees of the Notes would be subject to legal challenge. The Guarantees will contain language limiting the amount of debt guaranteed so that any applicable local law restrictions will not be violated. Furthermore, although the Issuer believes that the Guarantees of the Notes are enforceable (subject to the aforementioned restrictions), there can be no assurance that a third-party creditor would not challenge the Guarantees and prevail in court.

Fraudulent conveyance statutes under South African law may limit the investor's rights as a holder of the Notes to enforce the security provided by the Guarantors

The Issuer's obligations under the Notes are guaranteed by the Guarantors, and the Guarantees may be subject to review under the "*impeachable transactions*" provisions of the insolvency laws of South Africa, where the Issuer conducts its operations.

In an insolvency proceeding, it is possible that creditors of the Guarantors may challenge the Guarantees and intercompany obligations as impeachable transactions. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of such Guarantor's obligations under the Guarantees;
- direct that holders of the Notes return any amounts paid under the Guarantees to such Guarantor or to a fund for the benefit of its creditors; or
- take other action that is detrimental to investors.

If the Issuer cannot satisfy its obligations under the Notes and the Guarantees are found to represent an impeachable transaction, the Issuer cannot assure investors that the Issuer will ever be able to repay in full any amounts outstanding under the Notes. In addition, the liability of any Guarantor under its Guarantee of the

Notes will be limited to the amount that will result in its Guarantee not constituting an impeachable transaction and there can be no assurance as to what standard a court would apply in making a determination of the maximum liability of such Guarantor under its Guarantee of the Notes.

South African exchange control restrictions could hinder our ability to procure and/or repay foreign denominated financings

The issuance of the 2011 Senior Secured Notes and our ability to make scheduled interest payments and to pay principal at maturity under the 2011 Senior Secured Notes require the prior approval of the South African exchange control authorities, which we have obtained. To repurchase or redeem 2011 Senior Secured Notes prior to their stated maturity, however, including upon a change of control, upon a tax withholding event or with the proceeds from asset sales, we would need to obtain additional approvals from the South African exchange control authorities, which may take a significant amount of time to obtain, if we can obtain them at all. If we are unable to obtain the necessary consent (and, therefore, are unable to offer to repurchase or redeem the 2011 Senior Secured Notes following a change of control, tax event or asset sale offer, as the case may be), an event of default would occur, requiring us to repay the 2011 Senior Secured Notes at par plus accrued interest.

We must use a significant portion of its cash flow to service its indebtedness which could have important consequences for it. Any failure in our ability to generate sufficient cash in the future could force us to take certain actions which could have a material adverse effect on our retail sales, results of operations and liquidity

As of 19 March 2011, we had outstanding total corporate debt of R20,625 million. Our substantial indebtedness could have important consequences for us including:

- requiring us to dedicate a significant portion of our cash flow from operations to make payments on our indebtedness, thereby reducing the portion of our cash flow available to fund our working capital and capital expenditure needs and for other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industries within which we operate;
- limiting our ability to make strategic acquisitions or engage in other corporate transactions;
- placing us at a competitive disadvantage compared to our competitors that have less indebtedness; and
- limiting our ability to borrow additional funds or raise equity capital in the future and increasing the cost of any such financings.

Our ability to make payments on and repay or refinance our indebtedness, including the Notes, and to fund our working capital requirements and capital expenditures, will depend on our future operating performance and ability to generate cash, which in turn will depend, to some extent, on general economic, financial, competitive, market and other factors, many of which are beyond our control. Furthermore, we may incur additional indebtedness in the future that may contain financial or other covenants more restrictive than those contained in the Trust Deed or the 2011 Indenture.

Although we currently believe that our future cash flows, together with available borrowings, will be adequate to service our indebtedness and fund our working capital and capital expenditure needs, we cannot assure investors in the Notes that our business will generate sufficient cash or that future borrowings will be available to us for such purposes. If our future cash flows and available borrowings are insufficient to service our debt and fund its liquidity needs, the Issuer may be forced to take certain actions which could have a material adverse effect on its retail sales, results of operations and liquidity, including:

- reducing or delaying capital expenditures;
- selling assets;
- obtaining additional indebtedness;
- restructuring or refinancing all or a portion of its indebtedness, including the Notes, on or before maturity; or
- foregoing opportunities such as strategic joint ventures and acquisitions of other businesses.

In the worst case, an actual or impending inability to pay our debts as they become due and payable could result in our insolvency.

Despite our current levels of indebtedness, we and our subsidiaries may still be able to incur substantially more debt

The terms of the Trust Deed, the 2011 Indenture, the 2007 Indentures, the Amended Super Senior Revolving Credit Facility and the Super Senior Rand Loan will limit, but not prohibit, us or our subsidiaries from incurring additional indebtedness, including additional secured indebtedness. Consequently, were funding available, we and our subsidiaries may incur substantial additional indebtedness in the future. Any such incurrence of additional indebtedness could exacerbate the leverage-related risks that we now face.

Fluctuations in the value of the rand versus the euro may have an impact on our ability to borrow under the fixed charge coverage ratio in the Trust Deed

The Trust Deed, the 2011 Indenture, the 2007 Indentures, the Amended Super Senior Revolving Credit Facility and the Super Senior Rand Loan permit us to incur indebtedness if we meet, on a *pro forma* basis, an agreed ratio of fixed charges (as defined in the afore-mentioned agreements) to consolidated EBITDA (as defined in the afore-mentioned agreements). Because a significant portion of our future fixed charges will be payable in euro, an increase in the value of the rand compared to the euro would make it more likely that we could meet the agreed ratio without any change in the underlying performance of our businesses or our ability to generate cash flow, to the extent that we do not economically hedge such charges. A decrease in the value of the rand versus the euro would have an inverse effect.

Restrictions in documents governing the Notes and other instruments governing our indebtedness may limit our ability to operate our business

Restrictions contained in documents governing the Notes, the 2011 Indenture, the 2007 Indentures, the Amended Super Senior Revolving Credit Facility, the Super Senior Rand Loan and/or other of our indebtedness may limit our ability to, among other things:

- incur more debt;
- create liens;
- pay dividends and make distributions or repurchase shares;
- make investments or certain other restricted payments;
- sell assets;
- enter into new businesses;
- enter into sale-leaseback transactions;
- merge or consolidate or transfer and sell substantially all of our assets; and
- engage in transactions with affiliates.

Such restrictions could affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they may arise.

The insolvency laws of South Africa may not be as favourable to investors in the Notes as the insolvency laws of other jurisdictions with which investors in the Notes may be familiar

Ranking of claims

The Issuer is incorporated in South Africa and substantially all of their assets are located in South Africa. In the event of the Issuer's insolvency, the claims of Noteholders would be subject to the insolvency laws of South Africa. The insolvency laws of South Africa may not be as favourable to investors in the Notes as the laws of other jurisdictions with which investors may be familiar.

Under South African law, there are three types of creditors:

- secured creditors;
- preferred creditors; and
- concurrent creditors.

Secured creditors are creditors who hold security for their claims against the debtor in the form of a special mortgage, landlord's lien, pledge or right of retention. A secured creditor will be entitled to be paid out of the proceeds from the collateral subject to its security, after payment of costs and expenses and payment of any secured claim which ranks higher. If the proceeds from the encumbered property are insufficient to cover the secured creditor's claim against a debtor entity such as the Issuer, the secured creditor will have a concurrent claim for the balance from the free residue in the estate of the debtor entity (i.e. that portion of the debtor's estate which is not subject to a security interest or preferences), if any.

Preferred creditors are entitled to payment out of the free residue of a debtor's estate before concurrent creditors. The Insolvency Act, 1936 of South Africa ("**SA Insolvency Act**") stipulates preferences in ranking of certain claims of preferred creditors, including, *inter alia*, salaries or remuneration of employees, statutory obligations and income tax. Preferred creditors' claims include, among others, claims by the South African Revenue Services, costs of liquidation, salary or remuneration of employees and claims by holders of a notarial general bond which have not been perfected by way of a court order prior to the date of presentation to the court of the application for liquidation in respect of the debtor. A portion of the security for the Issuers' counter-indemnity obligations in respect of the Notes will be effected by way of registration of a general notarial bond ("**GNB**"), making the SPV Guarantor, on perfection of the GNB by way of a court order, a preferred creditor. A GNB may be perfected only by a court, and only in event of default or liquidation. In the event that the GNB is not perfected, with respect to the assets of the Issuer covered by such GNB, the SPV Guarantor will share the proceeds from realisation of such assets. Once a GNB is registered and subsequently perfected the creditor in whose favour the GNB is registered enjoys a secured preference relative to (i) the immovable assets secured by the GNB and (ii) the terms of the GNB.

Concurrent creditors do not enjoy any advantage over other creditors of a debtor. Instead, they are paid out of the free residue of the debtor's estate after any preferred creditors have been paid. Concurrent creditors all rank equally. Should the free residue be insufficient to meet their claims each receives a *pro rata* portion of its claim by way of cash dividend.

Insolvency procedures and reorganisations

The procedures available to wind-up or reorganise companies under South African law are:

- winding up;
- scheme of arrangement; and
- judicial management.

Winding-up

The Companies Act, 1973 of South Africa ("**SA Companies Act**") and the SA Insolvency Act govern the winding-up of companies in South Africa. Any creditor that has an unpaid claim of more than R100 or the debtor itself may present an application for winding up to the court if the debtor is "insolvent." Generally, a company will be "insolvent" if its liabilities exceed its assets or it cannot pay its debts as and when they become due or when certain technical events of insolvency occur (such as failure to pay a judgement debt).

Appointment of the liquidator. After the court has issued a winding-up order, a liquidator takes control of the debtor in the place of its directors, who lose all of their powers. The liquidator may only be removed if he does not act in the best interest of the general body of creditors or has misappropriated funds. The liquidator has three main functions. First, the liquidator investigates the affairs of the debtor. Second, the liquidator collects assets and claims in favour of the debtor. Finally, the liquidator realises the assets of the debtor and administers the debtor's affairs in order to wind up its affairs and pay the debtor's creditors from the debtor's estate.

General procedure and realisation of secured assets. In general, commencement of winding-up proceedings restricts all creditors, including secured creditors, from taking any action to recover their claims against the debtor. Provided that the liquidator has not elected to "take over" the assets forming the subject matter of a creditor's security (as more fully described below), a secured creditor is entitled, prior to the date of the second creditors' meeting, to realise its security provided that all proceeds from such realisation will have to be paid over to the liquidator and such creditor will still be obliged to prove its claim, which will be paid to the extent of the realisation and following final liquidation, in the ordinary course. Where the creditor has not realised its security prior to the second meeting of creditors, for example when the asset is part of a going concern, he must deliver the property to the liquidator who will realise the security, usually through public auction of the entire business or parts of business, taking into account the best interests of the secured creditor. There can be no assurance that a liquidator's realisation will be the same as that which a secured creditor might achieve on its own.

"Take over" of collateral by the liquidator. As an alternative to realisation of a secured creditor's collateral, the liquidator may, following certain notice periods, "take over" the property from the creditor at a value agreed upon between the liquidator and a secured creditor or at the full amount of the creditor's claim. In practice, the liquidator will only undertake this process if he believes he can dispose of the assets of the debtor or the

business of the debtor as a going concern. If the liquidator takes over the collateral, the secured debt claims of the creditor are released.

Ongoing operations during liquidation. Regardless of whether the liquidator intends to take over the collateral of one or more creditors, it is possible for the liquidator to continue operating the debtor's business in order to facilitate a sale of the debtor or its assets as a going concern. A liquidator may arrange interim funding for the debtor which is paid as part of the costs of the execution process, provided that the liquidator is reasonably confident the sale process will yield sufficient proceeds at relevant times to repay such funding. Court approval is required for any secured borrowings by the debtor. Typically, a liquidator will require indemnification from the creditors during continuation of the debtor's business.

Scheme of arrangement

A scheme of arrangement under the SA Companies Act may also be used to reorganise a debtor's debts. It amounts to a compulsory compromise of claims between the debtor and its creditors (once approved by creditors). A creditors' compromise or scheme of arrangement may be initiated by the creditors of a company or by the company itself. To become effective, it must be approved by at least three quarters in value of the creditors affected (or each relevant class of creditors affected) present and voting at a meeting convened for that purpose, as well as the shareholders of the company if the company has not been placed in liquidation (see above) or under judicial management (see below). If the company is in liquidation or under judicial management, then the discretion lies with the liquidator or judicial manager, as the case may be.

The scheme must be sanctioned by the court on good cause shown, primarily that the offer of compromise is fair and reasonable. The application to sanction a scheme is subject to certain notice provisions. The entire scheme of arrangement process generally takes about two months.

Judicial management

Judicial management is a seldom-used procedure provided for in the SA Companies Act. It is available if the debtor, because of mismanagement or any other cause, is unable to pay its debts or meet its obligations; the debtor has not become, or has been prevented from becoming, a successful concern; there is a reasonable probability that if the debtor is placed under judicial management it will be able to pay its debts or meet its obligations and become a successful concern; and it appears just and equitable to grant a judicial management order. The same parties entitled to apply for the winding-up of a company may also apply to place a company under judicial management. In an application for the winding-up of a company, the court may also order judicial management if circumstances permit. The purpose of judicial management is to get a company back into a profitable position, thus the process could last for a few years.

In addition to these court-driven procedures, debtors and their creditors are free to enter into a contractually-sanctioned reorganisation of claims against the debtor if the creditors and the debtor (and, where relevant, shareholders) agree.

Avoidance of claims. Under South African law, a number of pre-insolvency transactions, including granting security, can be set aside by a court. For instance, a court may set aside certain dispositions of a debtor's property made prior to commencement of winding up proceedings.

Transactions at under value. A court will set aside a disposition of the debtor's property if it was not made for value and, if:

- the disposition was made within two years of the date of the provisional liquidation order and the petitioning party proves that, immediately after the disposition was made, the liabilities of the debtor exceeded its assets; or
- the disposition was made two years before the date of the provisional liquidation order and the person who benefited from the disposition is unable to prove that, immediately after the disposition was made, the assets of the debtor exceeded its liabilities.

It is not necessary to establish whether or not the insolvent intended to prejudice creditors by making the disposition.

Preferences. South African law also makes provision for setting aside a disposition of the debtor's property if such disposition is made not more than six months before the date of the provisional liquidation order, such disposition has the effect of preferring one creditor over another and, if immediately after the making of such disposition, the liabilities of the debtor exceed the value of its assets. However, if the person in whose favour the disposition was made proves that the disposition was made in the ordinary course of business, being a disposition which would normally be entered into by solvent entities, and that the transaction was not intended to prefer one creditor above another, then such disposition may not be set aside.

South African law also provides that if a debtor makes a disposition of its property at any time when its liabilities exceed its assets, with the intention of preferring one of its creditors above another, and it is thereafter liquidated, the court may set aside the disposition.

In addition, South African law provides that any disposition by a debtor made prior to the date of a provisional liquidation order, in collusion with another person and in a manner which has the effect of prejudicing its creditors or of preferring one creditor over another, may be set aside. However, there is legal authority which states that in order for any transaction to be set aside under this provision, the transaction must have been concluded with a fraudulent intention.

Finally, under South African common law, a disposition may be set aside where the creditors of the insolvent estate can prove that:

- the disposition reduces the assets of the company;
- the company and the entity in favour of whom the disposition was made had a common intention to defraud or prejudice the creditors of the insolvent; and
- the prejudice to the insolvent's creditors was caused by the fraud referred to above.

Dispositions without notice. South African law provides that if a company transfers a business belonging to it or the goodwill of that business or any goods or property forming part thereof (save in the ordinary course of business or for the purpose of securing the payment of a debt) and such company has not published a notice of the intended transfer in the Government Gazette within a period of not less than thirty and not more than sixty days prior to the date of such transfer, the transfer will be void as against the creditors of the seller for a period of six months after such transfer and in addition will be void against the trustee if the estate of the seller is liquidated within that time period.

If the Issuer were to experience financial difficulties, it is impossible to predict whether claims under the Notes would be paid in full or at all, how long payments under the Notes could be delayed and whether or to what extent holders of the Notes would be compensated for any delay in payment under the Notes. The ultimate recovery (if any) by holders of Notes will depend on the value of the insolvent estate and numerous other factors, including those described above.

The New Companies Act in South Africa will bring significant changes to the corporate law of South Africa, including introducing a new regime of "business rescue" for financially distressed companies, which could significantly affect the rights of creditors

The Companies Act, 2008 (the "**New Companies Act**") is expected to become effective on 1 April 2011. The New Companies Act will repeal the current SA Companies Act, with the exception of the provisions that deal with the winding-up and liquidation of insolvent companies (which will remain in effect until new insolvency legislation is enacted). The New Companies Act introduces significant changes to the corporate law of South Africa and to corporate actions, and the responsibilities of directors.

Compromise with creditors

Under the New Companies Act, the concept of a scheme of compromise between a company and its creditors as contemplated in sections 311 and 312 of the SA Companies Act has been replaced with a "compromise with creditors" as contemplated in section 155 of the New Companies Act. A compromise with creditors under the New Companies Act may be proposed by the board of directors or, if the company is being wound-up, by the liquidator. This differs from the position under section 311 of the SA Companies Act, which enabled a creditor or a shareholder, in addition to the board of directors or the liquidator, to propose a compromise with creditors. To become effective, the proposed compromise with creditors must be supported by a majority in number, representing at least 75% in value, of the creditors (or each relevant class of creditor) present and voting in person or by proxy, at a meeting called for that purpose. A proposal or a compromise with creditors adopted in accordance with the provisions of section 155 of the New Companies Act may be submitted to court by the company for an order approving the proposal. A court may sanction the compromise as set out in such proposal if it considers it "just and equitable to do so" having consideration to the facts (including the number of creditor present and voting) set out in the New Companies Act. This differs from a scheme of compromise under section 311 of the SA Companies Act, which not only required a court order to convene a meeting of creditors to consider the proposal but also a second court order to sanction the compromise before it could become legally binding on all creditors of the company. Under both the SA Companies Act and the New Companies Act, a court sanctioned compromise is binding on all the creditors of the company or class of creditors, as the case may be. A compromise with creditors may involve the subordination of payment to certain creditors, the dilution of a creditor's claim or other situations which may adversely affect a creditor's claim. Since the New Companies Act does not place an obligation on a company to obtain court approval of the proposal, on the literal meaning of the section, it is possible that all dissenting creditors will be bound by the compromise notwithstanding the absence of a court order sanctioning the proposal. As such, as long as a majority in number representing 75% in value of the creditors approve the proposed compromise, the compromise will be binding on all dissenting minority creditors without any court scrutiny to ensure that the proposal is just and equitable.

Business rescue

The New Companies Act introduces the concept of "*business rescue*", a concept similar to chapter 11 bankruptcy proceedings in the United States. Business rescue allows a company that is "*financially distressed*" (defined as occurring where it seems reasonably likely that the company will not be able to pay its debts as they become due and payable during the ensuing six months or it seems reasonably likely that the company will become insolvent in the ensuing six months) and which appears to have a "*reasonable prospect*" of rescue to avoid liquidation by implementing a business rescue plan. Business rescue proceedings may be instituted by the board of directors of the company or by any affected person (including a shareholder or creditor, registered trade union or employee), on application to court or by the court of its own accord at any time during the course of any liquidation proceedings or proceedings to enforce any security against the company.

After initiating business rescue proceedings, the board of directors or the court, as the case may be, must appoint a business rescue practitioner, who will assume full management control of the company in substitution for its board and pre-existing management. However, directors continue to exercise their functions, subject to the authority of the practitioner. The practitioner, after consultation with the creditors, other affected persons and the management of the company must prepare a business rescue plan for consideration and possible adoption at a meeting of creditors convened in accordance with the provisions of the New Companies Act listing, among other things, all details of the plan envisaged to rescue the company. The company must publish a notice of the appointment of a practitioner to each affected person. The business rescue plan must be approved by creditors and, if the plan alters the rights of the holders of the company's securities, such holders must also approve the proposed business rescue plan. If not approved, the appointed business rescue practitioner may be required to revise the plan.

During a company's business rescue proceedings, the business rescue practitioner is empowered to suspend entirely, partially or conditionally, any provision of an agreement to which the company is a party (other than an employment contract or an agreement to which section 35A or 35B of the Insolvency Act applies) at the commencement of the business rescue period.

A provision of an agreement relating to security granted by a company would, notwithstanding suspension of same by a practitioner, continue to apply for the purposes of the disposal of the asset forming the subject matter of such security in respect of any proposed disposal of property by the company.

These powers have significant implications for claims of, and security held by, creditors. A practitioner may, for example, have the power to suspend provisions relating to creditors' rights, while maintaining provisions relating to creditors' performance obligations; however as any cancellations will be part of the business rescue plan they will be subject to creditor approval.

During business rescue proceedings, a general moratorium is placed on legal proceedings against the Company, and no legal action, including enforcement action, against the company, or in relation to property of the company, may be commenced except with *inter alia* the written approval of the practitioner or leave of court. The only recourse provided for the affected creditor in the New Companies Act whose agreement with the company, or any provision thereof, has been suspended either entirely, partially or conditionally, during the course of business rescue proceedings is to institute a claim for damages against the company.

The New Companies Act provides a degree of protection of property interests of a party that has security over, or title interest in, property held by the company. It states that if the company wishes to dispose of any property in which another person has any security over, or title interest in, the company must obtain the prior consent of that other person, unless the proceeds from the disposal would be sufficient to fully discharge the indebtedness protected by that person's security or the title interest and, following the disposal, either promptly pays to that person the sale proceeds attributable to that property up to the amount of the company's indebtedness to that other person or provide security for the amount of those proceeds, to the reasonable satisfaction of that other person.

Once under business rescue, claims against the company will rank as follows: (a) the practitioner's remuneration and expenses; (b) amounts due and payable to employees during business rescue proceedings; (c) post-commencement financing which is secured (in the order of preference in which they were incurred); (d) post-commencement financing which is unsecured (in the order of preference in which they were incurred); (e) secured financing which was incurred prior to the commencement of business rescue proceedings; (f) unsecured financing incurred prior to the commencement of business rescue proceedings; (g) all other unsecured claims against the company; and (h) shareholder claims against the company. No mention is made of secured claims prior to commencement of the business rescue proceedings in this section of the New Companies Act. However, the New Companies Act does state that to the extent that the practitioner's remuneration and expenses are not fully paid, the practitioner's claim for those amounts will rank in priority before the claims of all other secured and unsecured creditors.

The business rescue regime is an entirely new regime and significant interpretive questions remain unanswered. Many of the important concepts are untested and, as such, it is impossible to predict what the impact of the regime ultimately will be.

Reckless trading

Under section 22 of the New Companies Act, a company is prohibited from carrying on its business recklessly, with gross negligence, with intent to defraud any person or for any fraudulent purpose or to trade under insolvent circumstances. Directors who allow their companies to trade under such circumstances may be held personally liable for any loss or damages sustained by the company as a consequence of allowing the company to trade recklessly or under insolvent circumstances. The Companies and Intellectual Property Commission (which now replaces the old Companies Registration Office) (the "Commission") may issue a notice to a company where the Commission has reasonable grounds to believe that the company is carrying on its business in a reckless situation or under insolvent circumstances to show cause why the company should be permitted to continue carrying on its business. If the company to whom the notice has been issued fails, within 20 business days, to satisfy the Commission that it is not engaging in reckless trading, the Commission is empowered to issue a compliance notice to the company requiring it to cease carrying on its business or trading.

Creditors under the Amended Super Senior Revolving Credit Facility are entitled to be repaid with the proceeds from collateral sold in any enforcement sale on a pari passu basis with the holders of the Notes and the value of the collateral may not be sufficient to satisfy our obligations under the Notes

The SPV Guarantee in favour of the Trustee, the lenders under the Super Senior Rand Loan, the lenders under the Amended Super Senior Revolving Credit Facility is supported, with respect to the same collateral, on an equal and rateable basis by the secured counter-indemnities provided by the Issuer and the Guarantors in respect of certain receivables and related asset security only. In the event of a foreclosure on the liens securing the counter-indemnities, any proceeds received from the sale of the collateral would be distributed *pari passu* to satisfy debt and obligations incurred under the Notes, the Amended Super Senior Revolving Credit Facility, the Super Senior Rand Loan and any other debt ranking on an equal and rateable basis in right of payment upon enforcement of collateral.

No appraisals of the collateral have been prepared by or on behalf of us in connection with the issuance of the Notes. The amount of proceeds realised upon the enforcement of collateral will depend upon many factors including, among others, whether or not our business is sold as a going concern, the jurisdiction in which the enforcement action or sale is completed, the ability to readily liquidate the collateral, the availability of buyers, the condition of the collateral and exchange rates. Furthermore, there may not be any buyer willing and able to purchase our business as a going concern, or willing to buy a significant portion of our assets in the event of an enforcement action. Each of these factors could reduce the proceeds realised upon enforcement of the collateral. Consequently there can be no assurance that the proceeds from the sale of the collateral securing the Notes and the Guarantees will be sufficient to satisfy the obligations of the Issuer and the Guarantors under the Notes and the Guarantees, respectively. In addition, there can be no assurance that the collateral could be sold in timely manner, if at all.

The collateral will not be granted directly to the holders of the Notes

The security interests in the collateral will not be granted directly to the Noteholders. Instead, they will be granted to the SPV Guarantor (which will issue a limited recourse guarantee of the Notes) as security for the Issuer's and the Guarantors' obligations under their counter-indemnities to the SPV Guarantor.

As a result, neither the trustee nor the holders of the Notes will have the right to realise the collateral directly but, instead, must, acting in accordance with the Intercreditor Agreement, instruct the SPV Guarantor (which must take any such action to realise the security). This indirect claim over the collateral could delay or make more costly any realisation of the collateral.

Use of proceeds from Asset Sales

In terms of the Intercreditor Agreement, the we permitted to purchase, redeem, repay or acquire 2011 Senior Secured Notes, 2007 Senior Secured Notes and/or 2007 Senior Notes and/or *pari passu* debt with the net cash proceeds of asset sales up to an aggregate of €100 million, prior to offering repayment or redemption, as applicable, of the Super Senior Rand Loan, the Notes or the Amended Senior Revolving Credit Facility.

Use of free cash

In terms of the Intercreditor Agreement, the 2011 Senior Secured Notes, 2007 Senior Secured Notes and/or 2007 Senior Notes and/or *pari passu* debt and/or the Super Senior Rand Loan and/or the Notes shall only be repaid, purchased, redeemed and/or acquired by HoldCo or any of its subsidiaries from cash available from operating activities of HoldCo and its subsidiaries (the "**Group**") which has not been applied for other purposes of the Group (other than from the net proceeds of asset sales) if (1) the Amended Super Senior Revolving Credit Facility is at the same time prepaid *pro rata* or (2) an officer of Holdco confirms that after the relevant payment, purchase, redemption and/or acquisition, so far as he is aware, the Group (taken as a whole) will be able to perform its payment obligations under the Amended Super Senior Revolving Credit Facility for the 12 month period following the payment and that there will be no material adverse effect (taking into account funds and insurance and other indemnities available to the Group) on the business, assets or financial condition of the Group (taken as a whole) as a result of such repayment, purchase redemption and/or acquisition.

An active liquid trading market for the Notes may not develop

The Issuer may issue listed or unlisted Notes. The continued listing of the Notes listed on the Bond Market of the exchange operated by the JSE and/or on any other Financial Exchange(s) is subject to the rules of the relevant Financial Exchange(s) in force from time to time. There can accordingly be no assurance that the listing of the Notes will continue until the redemption date in respect of such Notes.

It is not possible to predict the price at which the Notes may trade in the secondary market, or whether such market will be liquid or illiquid. There can be no assurance that any secondary market for any of the Notes will continue until the redemption date in respect of such Notes. Consequently, a subscriber or purchaser must be prepared to hold its Notes until the redemption date in respect of such Notes.

If the Notes are traded after their initial issue, they may trade at a discount to their initial issue price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

Investment suitability

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should –

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in (or incorporated by reference into) this Applicable Pricing Supplement and the Programme Memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets;
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Change of law

This Applicable Pricing Supplement, the Programme Memorandum and the Notes are governed by, and will be construed in accordance with, South African law in effect as at the date of this Applicable Pricing Supplement. No assurance can be given as to the impact of any possible judicial decision or change to South African law or administrative practice in South Africa after the date of this Applicable Pricing Supplement.

Notes will be held in the CSD

The Notes which are listed on the Interest Rate Market of the JSE will be held by the CSD, a central securities depository licensed in terms of the Securities Services Act. The noteholders of such Notes will have to rely on the procedures of the JSE and the CSD for transfer, payment and communication with the Issuer. The noteholders of such Notes will not be entitled to receive individual certificates in respect of the Notes other than as may be described in the Programme Memorandum.

The CSD will maintain records of the beneficial interests as contemplated in the Securities Services Act, 2004 ("**Beneficial interests**") in Notes held in the CSD. While the Notes are held in the CSD, the holders of Beneficial Interests in such Notes will be able to trade their Beneficial Interests only through the CSD.

While the Notes are held in the CSD, the Issuer will discharge its payment obligations under such Notes by making payments to, or to the order of, the CSD's Nominee (as the registered holder of such Notes) for distribution to holders of the Beneficial Interest in such Notes. A holder of a Beneficial Interest in a Note must rely on the procedures of the CSD and the persons accepted as Participants to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, Beneficial Interests.

Holders of Beneficial Interests in Notes vote in accordance with the Applicable Procedures and will not have a direct right to vote in respect of such Notes. The holder of a Beneficial Interest will only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with the procedures set out in the Programme Memorandum.

Tax considerations

The Issuer has carried out (or will have carried out) all steps reasonably necessary to ensure its compliance with the current provisions of taxation legislation (including the Income Tax Act, the Value-Added Tax Act and other taxation provisions). Full disclosure will be made to any taxation bodies but no assurance can be given that the views of these bodies will not differ from the treatment adopted by the Issuer from time to time.

A summary of the applicable taxation legislation in respect of the Notes as at the date of this Applicable Pricing Supplement is set out in the Programme Memorandum. The summary does not constitute tax advice.

Potential investors in the Notes should, before making an investment in the Notes, consult their own professional advisers as to the potential tax consequences of, and their tax positions in respect of an investment in the Notes.

No representation and/or warranty and/or undertaking is given by the Issuer (or any other person) in respect of the tax treatment of any noteholder, and no liability and/or responsibility is assumed by the Issuer (or any other person) for the tax treatment of any noteholder.

ANNEXURE "D"

DESCRIPTION OF CERTAIN OTHER INDEBTEDNESS

*References to "**we**", "**us**", "**our**", "**Edcon**" and other similar terms in this section headed "Description of Certain Other Indebtedness" refer to ECSL and its consolidated subsidiaries in respect of periods prior to the acquisition by BidCo on 14 May 2007 of the ordinary and preference shares of ECSL (the "**Share Acquisition**") and refer to HoldCo and its consolidated subsidiaries in respect of periods after the Share Acquisition, except where the context requires otherwise.*

The Amended Super Senior Revolving Credit Facility

Overview. We have entered into an amendment of an existing super senior revolving credit facility agreement dated 29 May 2007 (the "**Existing Super Senior Revolving Credit Facility**"), to extend the original maturity date of the Existing Super Senior Revolving Credit Facility for up to two years to 31 March 2014 (the "**Amended Super Senior Revolving Credit Facility**").

The Amended Super Senior Revolving Credit Facility provides senior secured financing of up to R3,117 million for our general corporate and working capital purposes and is tranched into Tranche A, Tranche B1 and Tranche B2. We may draw up to R650 million under Tranche A, which matures on 15 June 2012. We may draw up to R250 million under Tranche B1, which matures on 31 December 2013. We may draw up to R2,217 million under Tranche B2, which matures on 31 March 2014. The terms of Tranche A, Tranche B1 and B2 are the same save as described herein. We are required to make draw downs under the Amended Super Senior Revolving Credit Facility *pro rata* under Tranche A, Tranche B1 and Tranche B2.

The Amended Super Senior Revolving Credit Facility can also be utilised by way of bank guarantees, letters of credit, short-term derivative transactions and borrowing under bilateral ancillary facilities.

Interest rate and fees. Borrowings under Tranche A will bear interest at a rate per annum equal to JIBAR plus an applicable margin. The initial applicable margin for borrowings under Tranche A is 2.50%. The applicable margin for borrowings under Tranche A will not exceed the initial applicable margin and is subject to adjustment based on the ratio of our total net indebtedness to our EBITDA. In addition to paying interest on outstanding principal under Tranche A, we are required to pay a commitment fee of 0.625% per annum in respect of the unutilised commitments thereunder.

Borrowings under Tranche B1 and Tranche B2 will bear interest at a rate per annum equal to Johannesburg Interbank Acceptance Rate plus an applicable margin. The initial applicable margin for borrowings under Tranche B1 and Tranche B2 is 4.0%. The applicable margin for borrowings under the Tranche B1 and Tranche B2 will not exceed the initial applicable margin and is subject to adjustment based on the ratio of our total net indebtedness to our EBITDA. In addition to paying interest on outstanding principal under Tranche B1 and Tranche B2, we are required to pay a commitment fee of 40% of the applicable margin for Tranche B1 and Tranche B2, as the case may be in respect of the unutilised commitments thereunder.

We must also pay customary bank guarantee fees, letter of credit fees and agency fees in relation to the Amended Super Senior Revolving Credit Facility.

Mandatory repayment and cancellation. To the extent that the amount of the 2011 Senior Secured Notes, 2007 Senior Secured Notes, 2007 Senior Notes, the Notes and/or *pari passu* debt purchased, redeemed, repaid or acquired with the net cash proceeds from asset sales exceeds (or will exceed) €100 million (or the equivalent amount of Rand in any applicable currency), the Amended Super Senior Revolving Credit Facility must be prepaid and the commitments thereunder cancelled to the extent of net cash proceeds from asset sales, unless our general corporate requirements are such that we require the total commitments under the Amended Super Senior Revolving Credit Facility to remain unchanged. The Amended Super Senior Revolving Credit Facility must also, in certain circumstances, be prepaid and the commitments thereunder cancelled *pro rata* with the repayment of the 2011 Senior Secured Notes, the 2007 Senior Secured Notes, or the 2007 Senior Notes our available cash (other than the net cash proceeds from assets sales).

Voluntary repayment and cancellation. We may voluntarily reduce the unutilised portion of the commitment amount and prepay the outstanding balance under the Amended Super Senior Revolving Credit Facility at any time (subject to giving the relevant notice) together with accrued interest without premium or penalty other than customary "breakage" costs.

Amortisation and final maturity. There is no scheduled amortisation under the Amended Super Senior Revolving Credit Facility. The principal amount outstanding of the loans under Tranche A is due and payable in full on 15 June 2012. The principal amount outstanding of the loans under Tranche B1 is due and payable in full on 31 December 2013. The principal amount outstanding of the loans under Tranche B2 is due and payable in full on 31 March 2014.

Guarantees and security. All obligations under the Amended Super Senior Revolving Credit Facility are unconditionally guaranteed by HoldCo, BidCo, the Issuer and ECSL and will also be guaranteed by any future material subsidiaries. The guarantees are structured as both counter-indemnities given to a special purpose security vehicle for the lenders under the Amended Super Senior Revolving Credit Facility as customary in South African financing transactions and guarantees in favour of the lenders.

All obligations under the Amended Super Senior Revolving Credit Facility, and the guarantees of those obligations, are secured, subject to certain exceptions, by substantially all of HoldCo's assets and substantially all of the assets of its subsidiaries that have guaranteed the Amended Super Senior Revolving Credit Facility.

Ranking. The Amended Super Senior Revolving Credit Facility ranks *pari passu* with the Notes and the Super Senior Rand Loan in right of security over our assets and the guarantees that secure the Amended Super Senior Revolving Credit Facility, the Notes and the Super Senior Rand Loan, and senior in right of security to all our other existing and future secured and unsecured indebtedness including the 2007 Senior Secured Notes and the 2011 Senior Secured Notes. The 2007 Senior Notes are subordinated to each of the Amended Super Senior Revolving Credit Facility, the Super Senior Rand Loan, the 2007 Senior Secured Notes, the 2011 Senior Secured Notes and the Notes offered hereby.

Certain covenants and events of default. the Amended Super Senior Revolving Credit Facility contains substantially the same covenants and events of default that are contained in the 2011 Indenture and the Trust Deed.

The Super Senior Rand Loan

Overview. We have entered into a credit agreement and related security and other agreements for a Super Senior Rand Loan with Goldman Sachs Lending Partners LLC ("**GSLP**") (the "**Super Senior Rand Loan**").

The Super Senior Rand Loan will provide senior secured financing of up to R985 million, which is fully drawn.

Interest rate and fees. Borrowings under the Super Senior Rand Loan will bear interest at a rate per annum equal to JIBAR plus an applicable margin. The initial applicable margin for borrowings under the Super Senior Rand Loan is 4% and this margin steps up to 6% after three months from the first date of utilisation of the Super Senior Rand Loan and steps up to either 7.50%, 8.00% or 9.50% per annum after four months from the first date of utilisation of the Super Senior Rand Loan depending on GSLP's outstanding exposure under the Super Senior Rand Loan on that date.

We must also pay customary agency fees.

Mandatory repayment and cancellation. To the extent that the amount of the Notes, the 2011 Senior Secured Notes, 2007 Senior Secured Notes and/or 2007 Senior Notes and/or *pari passu* debt purchased, redeemed, repaid or acquired with the net cash proceeds of asset sales exceeds €100 million, the Super Senior Rand Loan will only be prepaid (at the election of the lenders under the Super Senior Rand Loan) on a *pro rata* basis with all other indebtedness (including the Notes, the 2011 Senior Secured Notes, the 2007 Senior Secured Notes and the 2007 Senior Notes) which ranks *pari passu* with the Super Senior Rand Loan and contains provisions similar to those set forth in the Super Senior Rand Loan with respect to offers to purchase with proceeds of sales of assets, with any net cash proceeds remaining after having applied the net cash proceeds to the prepayment of the Amended Super Senior Revolving Credit Facility unless our general corporate requirements are such that the it requires the total commitments under the Amended Super Senior Revolving Credit Facility to remain unchanged.

The Super Senior Rand Loan may (at the option of the lenders under the Super Senior Rand Loan) also be prepaid prior to any prepayment of the Notes, the Amended Senior Revolving Credit Facility, the 2011 Senior Secured Notes, 2007 Senior Secured Notes, and the 2007 Senior Notes from our available cash (other than the net cash proceeds from assets sales).

Voluntary repayment and cancellation. We may voluntarily prepay the outstanding balance under the Super Senior Rand Loan at any time prior to the fifth month from the first utilisation date after the period commencing 12 months from the first utilisation date of the Super Senior Rand Loan without premium or penalty other than customary "breakage" costs. During the period from the date falling five months after the first utilisation date and ending 12 months after the first utilisation date, we may voluntarily prepay the outstanding balance under the Super Senior Rand Loan at any time, subject to payment of a prepayment penalty to the lenders under the Super Senior Rand Loan and customary "breakage" costs.

Amortisation and final maturity. There is no scheduled amortisation under the Super Senior Rand Loan. The principal amount outstanding of the loans under the Super Senior Rand Loan is due and payable in full on 31 March 2014.

Guarantees and security. All obligations under the Super Senior Rand Loan are unconditionally guaranteed by HoldCo, BidCo, the Issuer and ECSL and will also be guaranteed by any future material subsidiaries. The guarantees are structured as both counter-indemnities given to a special purpose security vehicle for the lenders under the Super Senior Rand Loan as required by South African law and guarantees in favour of the lenders.

All obligations under the Super Senior Rand Loan, and the guarantees of those obligations, are secured, subject to certain exceptions, by substantially all of HoldCo's assets and substantially all of the assets of its subsidiaries that have guaranteed the Super Senior Rand Loan.

Ranking. The Super Senior Rand Loan ranks senior in right of security over the assets of the Issuer and the guarantors that secure the Super Senior Rand Loan to all other existing and future secured and unsecured indebtedness of the Issuer including the 2011 Senior Secured Notes and the 2007 Senior Secured Notes and *pari passu* with the Notes and the Amended Super Senior Revolving Credit Facility.

Certain covenants and events of default. The Super Senior Rand Loan contains substantially the same covenants and events of default that are contained in the 2011 Indenture and the Trust Deed.

2011 Senior Secured Notes

On 1 March 2011, the Issuer issued €317,000,000 and US$250,000,000 in principal amount of senior secured floating rate notes due 1 March 2018 (the "**2011 Senior Secured Notes**"). The interest payable on the 2011 Senior Secured Notes is three-month 9.5% per annum, payable semi-annually in arrears in cash. The 2011 Senior Secured Notes rank *pari passu* with the 2007 Senior Secured Notes. The 2011 Senior Secured Notes are currently issued on the Global Exchange Market of the Official List of the Irish Stock Exchange.

The 2011 Senior Secured Notes are governed by an indenture among the Issuer, Holdco, Bidco, ECSL, the SPV Guarantor and The Bank of New York Mellon, as trustee (the "**2011 Indenture**"). The 2011 Senior Secured Notes are general obligations of the Issuer and rank equally in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the 2011 Senior Secured Notes and are senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the 2011 Senior Secured Notes. The 2011 Senior Secured Notes are also subject to certain customary covenants and events of default.

The 2011 Senior Secured Notes are guaranteed on a senior secured basis by HoldCo, BidCo and ECSL and are also guaranteed by the SPV Guarantor under the SPV Guarantee. The guarantee of the 2011 Senior Secured Notes by each guarantor ranks equally in right of payment with all existing and future indebtedness of such guarantor that is not subordinated in right of payment to such guarantee, are senior in right of payment to any and all of the existing and future indebtedness of such guarantor that is subordinated in right of payment to such guarantee, and are effectively senior to such guarantor's existing and future unsecured indebtedness to the extent of the value of the collateral securing such guarantee.

If an event treated as a change of control of the Issuer occurs, HoldCo must offer to purchase the 2011 Senior Secured Notes for a purchase price of an amount equal to 101% of the principal amount of the 2011 Senior Secured Notes, plus accrued and unpaid interest. In certain circumstances, the Issuer will be required to offer to purchase the 2011 Senior Secured Notes with the net cash proceeds from asset sales. The purchase price would be equal to 100% of the principal amount of the 2011 Senior Secured Notes, plus accrued and unpaid interest.

2007 Senior Secured Notes

In June 2007, the Issuer issued the 2007 Senior Secured Notes, €1,180,000,000 in aggregate principal amount of senior secured floating rate notes due 15 June 2014 (the "**2007 Senior Secured Notes**"). The interest payable on the 2007 Senior Secured Notes is three-month EURIBOR plus 3.25% per year, reset quarterly and payable quarterly in cash. The 2007 Senior Secured Notes rank *pari passu* with the 2011 Senior Secured Notes. The 2007 Senior Secured Notes are currently issued on the Global Exchange Market of the Official List of the Irish Stock Exchange.

The 2007 Senior Secured Notes are governed by an indenture among the Issuer, Holdco, Bidco, ECSL, the SPV Guarantor and The Bank of New York Mellon, as trustee. The 2007 Senior Secured Notes are general obligations of the Issuer and rank equally in right of payment with all existing and future indebtedness of the

Issuer that is not subordinated in right of payment to the 2007 Senior Secured Notes and are senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the 2007 Senior Secured Notes. The 2007 Senior Secured Notes are also subject to certain customary covenants and events of default.

The 2007 Senior Secured Notes are guaranteed on a senior secured basis by HoldCo, BidCo and ECSL and are also guaranteed by the SPV Guarantor under the SPV Guarantee. The guarantee of the 2007 Senior Secured Notes by each guarantor ranks equally in right of payment with all existing and future indebtedness of such guarantor that is not subordinated in right of payment to such guarantee, are senior in right of payment to any and all of the existing and future indebtedness of such guarantor that is subordinated in right of payment to such guarantee, and are effectively senior to such guarantor's existing and future unsecured indebtedness to the extent of the value of the collateral securing such guarantee.

If an event treated as a change of control of the Issuer occurs, HoldCo must offer to purchase the 2007 Senior Secured Notes for a purchase price of an amount equal to 101% of the principal amount of the 2007 Senior Secured Notes, plus accrued and unpaid interest. In certain circumstances, the Issuer will be required to offer to purchase the 2007 Senior Secured Notes with the net cash proceeds from asset sales. The purchase price would be equal to 100% of the principal amount of the 2007 Senior Secured Notes, plus accrued and unpaid interest.

2007 Senior Notes

In June 2007, HoldCo issued the 2007 Senior Notes, €630,000,000 in aggregate principal amount of senior secured floating rate notes due 15 June 2015 (the "**2007 Senior Notes**"). The interest payable on the 2007 Senior Notes is three-month EURIBOR plus 5.5% per year, reset quarterly and payable quarterly in cash. Following a partial buyback of the 2007 Senior Notes in 2008, the current outstanding principal of the 2007 Senior Notes is €378,000,000. The 2007 Senior Notes are structurally subordinated to all existing and future indebtedness of HoldCo's subsidiaries, including the 2007 Senior Secured Notes, the 2011 Senior Secured Notes, the Amended Super Senior Revolving Credit Facility, the Notes and the Super Senior Rand Loan. The 2007 Senior Notes are currently issued on the Global Exchange Market of the Official List of the Irish Stock Exchange.

The 2007 Senior Notes are governed by an indenture among the Issuer, Holdco, Bidco, ECSL, the SPV Guarantor and The Bank of New York Mellon, as trustee. The 2007 Senior Notes are general obligations of HoldCo and rank equally in right of payment with all existing and future indebtedness of HoldCo that is not subordinated in right of payment to the 2007 Senior Secured Notes and are senior in right of payment to all existing and future indebtedness of HoldCo that is subordinated in right of payment to the 2007 Senior Secured Notes. The 2007 Senior Notes are also subject to certain customary covenants and events of default.

The 2007 Senior Notes are guaranteed on a senior subordinated basis by the Issuer, BidCo and ECSL. These guarantees may be released in certain circumstances including upon the sale of one of the guarantors. The terms of the Intercreditor Agreement provide that no payments in respect of the guarantees relating to the 2007 Senior Notes may be made if a payment default has occurred and is continuing under the Amended Super Senior Revolving Credit Facility, the 2007 Senior Secured Notes, the 2011 Senior Secured Notes, the Notes, the Super Senior Rand Loan and the hedging arrangements or during the continuation of a payment blockage period. The 2007 Senior Notes are secured by a third ranking pledge of the Subordinated Proceeds Loan through the SPV Guarantor.

If an event treated as a change of control of the Issuer occurs, HoldCo must offer to purchase the 2007 Senior Notes for a purchase price of an amount equal to 101% of the principal amount of the 2007 Senior Notes, plus accrued and unpaid interest. In certain circumstances, HoldCo will be required to offer to purchase the 2007 Senior Notes with the net cash proceeds from asset sales. The purchase price would be equal to 100% of the principal amount of the 2007 Senior Notes, plus accrued and unpaid interest.

Hedging

Certain hedging arrangements relating to currency and interest rate risk from the 2007 Senior Secured Notes and the 2007 Senior Notes were previously put in place by the Group (the "**Existing Hedging Arrangements**"). Following the completion of the refinancing of the Existing Hedging Arrangements whereby the June 2012 principal hedges forming part of the Existing Hedging Arrangements were terminated and certain new hedging arrangements entered into, the Existing Hedging Arrangements in respect of the interest payments on the 2007 Senior Secured Notes and the 2007 Senior Notes will continue to hedge against fluctuations in the interest rate and the rate of exchange between the rand and euro until 15 June 2011.

We entered into hedging arrangements with respect to substantially all of the interest payments on the 2007 Senior Secured Notes, the 2007 Senior Notes and the 2011 Senior Secured Notes against fluctuations in the interest rate and rate of exchange between rand and euro for the period up to and including the first call date on the 2011 Senior Secured Notes (the "**New Hedging Arrangements**"). However, we may decide to hedge these amounts for a longer period of time. In addition, we intend to hedge the majority of the aggregate principal of the 2007 Senior Secured Notes, the 2007 Senior Notes and the 2011 Senior Secured Notes against fluctuations in the rate of exchange between rand and euro.

All our obligations under the hedging agreements entered into in connection with the 2007 Senior Secured Notes, the 2007 Senior Notes and the 2011 Senior Secured Notes share rateably in the guarantees and security interests granted to the special purpose vehicle for the holders of the 2007 Senior Secured Notes, the 2007 Senior Notes and the 2011 Senior Secured Notes.

The hedging agreements will be subject to early termination in the event of, amongst other things, bankruptcy or failure to make payments under the hedging agreements when due. Some or all of our New Hedging Arrangements may be credit-based hedges.

The OtC II Securitisation Programme

The Issuer's credit and financial services business is partially funded by the sale of receivables generated by that business to OntheCards Investments II (Proprietary) Limited (registration number 2009/005155/07) ("**OtC II**"), a special purpose insolvency remote entity not legally or beneficially controlled by the Issuer.

In August 2009, the Issuer entered into a securitisation programme with OtC II (the "**OtC II Securitisation Programme**"). Pursuant to the OtC II Securitisation Programme, the Issuer sells and OtC II purchases receivables arising on storecard accounts under which the Issuer provides credit to its customers on revolving credit payment plans whereby customers may pay for purchases over a period of time. Prior to August 2009, the Issuer sold its eligible receivables to OntheCards Investments Limited (registration number 2002/015386/06) ("**OtC I**"), a special purpose insolvency remote entity not legally or beneficially owned by the Issuer. In fiscal year 2010, OtC I sold to OtC II eligible receivables which were previously sold by the Issuer and purchased by OtC I. On 25 November 2009, following the sale by OtC I of all outstanding eligible receivables to OtC II, the securitisation programme with OtC I was terminated.

OtC II has issued from time to time notes and has borrowed under a subordinated loan facility provided by the Issuer in order to fund the purchase of receivables. As of 1 January 2011, R2,062 million remain outstanding under the subordinated loan facility. As of 1 January 2011, OtC II has issued a principal outstanding amount of R4,378 million notes—R2,228 million notes due in 2012, R1,395 million notes due in 2013, R505 million notes due in 2014, and R250 million notes due in 2017 ("**OtC II Outstanding Notes**"). Of the OtC II Outstanding Notes, R2,705 million are listed on the Interest Rate Market of the JSE Limited.

OtC II may issue further notes from time to time that may be listed on the Interest Rate Market of the JSE Limited and which will be rated by Standard & Poor's, in order to fund the payment of the purchase price for the purchase of further eligible receivables (together with the OtC II Outstanding Notes, the "**OtC II Indebtedness**"). The maximum aggregate nominal amount of all notes in issue at any point in time will not exceed R6,500 million.

OtC II will continue on a daily basis to purchase from the Issuer the eligible receivables arising on designated eligible accounts. OtC II will have available to it a liquidity facility and receivables purchase facility from FirstRand Bank Limited (acting through its Rand Merchant Bank division) ("**RMB**") to finance shortfalls arising in OtC II from mismatches in the timing of collections and the applications of payments. The total amount available under the liquidity facility is R145 million, and the total amount available under the receivables purchase facility is R43 million. Both the liquidity and receivables purchase facilities are renewable annually. The Issuer will continue to service the eligible receivables sold to OtC II through the management and collection of such receivables in the ordinary course of its credit management business.

The OtC II indebtedness will also contain performance triggers based on the performance of certain designated eligible receivables. A breach of these performance triggers that continues unremedied will result in an early amortization event under the OtC II Indebtedness pursuant to which such indebtedness will become repayable from the collections and recoveries on the designated eligible receivables and no further advances under the OtC II Indebtedness will be permitted.

Security. OtC II has pledged and ceded the eligible receivables that it acquires from time to time and all its other assets indirectly (via a SPV Guarantor) to, or for the benefit of, the lenders of the OtC II Indebtedness and the other transaction creditors.

Certain representations and warranties. The OtC II Indebtedness will contain certain representations, warranties, covenants and events of default including those relating to the performance of the Issuer as originator and servicer of the receivables. MBD Accounts Receivable Management (Proprietary) Limited has been appointed as back-up servicer. Upon the occurrence of an event of default or an early amortisation event under the OtC II Indebtedness which continues to be unremedied, OtC II may also be required to transfer the management and collection of the eligible receivables to the back-up servicer. The Issuer holds preference shares in OtC II which entitle it to receive by dividend any profits generated by OtC II. The preference shares do not carry any control rights over OtC II.

Intercreditor Agreement

To establish the relative rights of its creditors, we have amended and restated the intercreditor agreement with, among others, the lenders under the Amended Super Senior Revolving Credit Facility and the Super Senior Rand Loan, the trustee for the noteholders of the 2011 Senior Secured Notes, 2007 Senior Secured Notes and the 2007 Senior Notes, the SPV Guarantor, and the hedging counterparties as amended from time to time (the "**Intercreditor Agreement**"). The Trustee for the Noteholders will accede to the Intercreditor Agreement on or about the Issue Date. The Intercreditor Agreement is governed by English law. By accepting a Note, holders of Notes will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement sets out amongst other things:

- the relative ranking of certain of our debts;
- the relevant ranking of security granted by the us;
- when payments can be made in respect of our debt;
- when enforcement action can be taken in respect of our debt;
- the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions;
- application of recoveries from enforcement of security and guarantees; and
- when security and guarantees will be released to permit an enforcement sale.

The following is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and, as such, we urge investors to read that document because it, and not the discussion that follows, defines your rights.

Priority of debts

The Intercreditor Agreement provides that all claims under the Amended Super Senior Revolving Credit Facility, the Super Senior Rand Loan, the Notes, the 2011 Senior Secured Notes, the 2007 Senior Secured Notes, the hedging agreements, the claims against HoldCo under the 2007 Senior Notes and the claims of the trustees for the Notes, the 2011 Senior Secured Notes, the 2007 Senior Secured Notes and the 2007 Senior Notes for certain fees and expenses owing to them shall rank in right and priority of payment ahead of claims under the 2007 Senior Notes (other than claims against HoldCo under the 2007 Senior Notes) and the loan of the proceeds from the 2007 Senior Notes from HoldCo to the Issuer (the "**Subordinated Proceeds Loan**") and all of the foregoing claims rank ahead of the claims under any subordinated shareholder loans and the intercompany debt.

Priority of security and guarantees

The Intercreditor Agreement provides that security over our assets, save as set out below, shall rank first, to secure claims, *pari passu*, under the Notes, the Amended Super Senior Revolving Credit Facility and Super Senior Rand Loan and second, to secure claims, *pari passu*, under the 2011 Senior Secured Notes, the 2007 Senior Secured Notes and the hedging arrangements.

The security over the Subordinated Proceeds Loan shall rank first, to secure claims *pari passu*, under the Notes, the Amended Super Senior Revolving Credit Facility and Super Senior Rand Loan, second to secure claims, *pari passu*, under the 2011 Senior Secured Notes, the 2007 Senior Secured Notes and the hedging arrangements, and third, to secure claims under the 2007 Senior Notes.

The guarantee of the 2007 Senior Notes given by the SPV Guarantor and directly by Guarantors shall rank after the guarantees of the Notes, the Amended Super Senior Revolving Credit Facility, the Super Senior Rand Loan, the 2011 Senior Secured Notes and the 2007 Senior Secured Notes and the hedging arrangements, given by the SPV Guarantor and directly by Guarantors.

The provisions of the Intercreditor Agreement that purport to rank the claims of unsecured creditors amongst themselves are subject to applicable law and may not be enforceable by a liquidator or comparable insolvency practitioner under South African law.

Permitted payments

Payments of principal, interest and other amounts may be made at any time under and in accordance with the Notes, the Amended Super Senior Revolving Credit Facility, the Super Senior Rand Loan, 2011 Senior Secured Notes and 2007 Senior Secured Notes.

Certain payments of principal, interest and other amounts may be made under the 2007 Senior Notes and Subordinated Proceeds Loan prior to a payment blockage whereupon no further payments under the 2007 Senior Notes may be made under the Subordinated Proceeds Loan unless the payment blockage has expired. A payment blockage will arise upon the occurrence of a payment default or other default under the Notes, the Amended Super Senior Revolving Credit Facility, the Super Senior Rand Loan, 2011 Senior Secured Notes or 2007 Senior Secured Notes in respect of which a payment blockage notice has been served. A payment blockage will expire upon the date on which the default is no longer continuing or if a payment blockage notice is cancelled or within 179 days of receipt of a payment blockage notice. A payment blockage does not apply to payments by HoldCo on the 2007 Senior Notes.

Use of proceeds from Asset Sales

The Group is permitted to purchase, redeem, repay or acquire 2011 Senior Secured Notes, 2007 Senior Secured Notes and/or 2007 Senior Notes and/or *pari passu* debt with the net cash proceeds of asset sales up to an aggregate of €100 million, prior to offering repayment of the Super Senior Rand Loan, the Notes or the Amended Senior Revolving Credit Facility.

Use of free cash

The 2011 Senior Secured Notes, 2007 Senior Secured Notes and/or 2007 Senior Notes and/or *pari passu* debt and/or the Super Senior Rand Loan and/or the Notes shall only be repaid, purchased, redeemed and/or acquired by HoldCo or any of its subsidiaries from cash available from operating activities of the Group which has not been applied for other purposes of the Group (other than from the net proceeds of asset sales) if (1) the Amended Super Senior Revolving Credit Facility is at the same time prepaid *pro rata* or (2) an officer of Holdco confirms that after the relevant payment, purchase, redemption and/or acquisition, so far as he is aware, the Group (taken as a whole) will be able to perform its payment obligations under the Amended Super Senior Revolving Credit Facility for the 12 month period following the payment and that there will be no material adverse effect (taking into account funds and insurance and other indemnities available to the Group) on the business, assets or financial condition of the Group (taken as a whole) as a result of such repayment, purchase redemption and/or acquisition.

Enforcement of security

The Intercreditor Agreement provides that enforcement with respect to the security may only be taken by the SPV Guarantor.

The Noteholders and the lenders under the Amended Super Senior Revolving Credit Facility and Super Senior Rand Loan may direct the Security Administrator to direct the SPV Guarantor to enforce or to take any other action relating to the security over our assets that are granted as security for the Notes, the Amended Super Senior Revolving Credit Facility, the Super Senior Rand Loan, the 2011 Senior Secured Notes, 2007 Senior Secured Notes and the hedging arrangements; provided that the Security Administrator shall refrain from directing the SPV Guarantor to enforce the security over our assets unless instructed by the Trustee, or the facility agent of the Amended Super Senior Revolving Credit Facility, or the facility agent of the Super Senior Rand Loan or following the expiration of the standstill period or otherwise in the circumstances referred to under "—Standstill on enforcement" below the trustees in respect of the 2011 Senior Secured Notes and the 2007 Senior Secured Notes. The Trustee may direct the Security Administrator to enforce if the debt under the Notes (the "Notes Debt") and the debt under the Super Senior Rand Loan (the "Rand Loan Debt") exceeds 50% of the aggregate amount of the debt under the Notes Debt, the debt under the Rand Loan Debt and the debt under the Amended Super Senior Revolving Credit Facility ("RCF Debt"). The facility agent of the Amended Super Senior Revolving Credit Facility may direct the Security Administrator to enforce if the RCF Debt exceeds 50% of the aggregate amount of the Notes Debt, the debt under the Rand Loan Debt and the RCF Debt

The Security Administrator may refrain from directing the SPV Guarantor to enforce the security over our assets if instructed to do so (i) in certain circumstances until a period of consultation between the trustees in respect of the Notes and the 2011 Senior Secured Notes and the 2007 Senior Secured Notes and the facility agent in respect of the Amended Super Senior Revolving Credit Facility and the facility agent of the Super Senior Rand Loan and the hedging counterparties has elapsed and (ii) if the instructions given to the Security Administrator by the Trustee and the facility agent in respect of the Amended Super Senior Revolving Credit Facility and the facility agent in respect of the Super Senior Rand Loan (in circumstances where the trustees in respect of the 2011 Senior Secured Notes and the 2007 Senior Secured Notes is not entitled to give any instructions to the Security Administrator) conflict with each other, the Security Administrator may follow the instructions it determines are consistent with achieving the '*Security Enforcement Objective*'. "**Security Enforcement Objective**" means the aim of maximising so far as is consistent with a prompt and expeditious enforcement over the security over our assets, the recoveries there under of the creditors for which the relevant security over our assets is expressed to provide such security.

Standstill on enforcement

The Intercreditor Agreement further provides that (a) the holders of the 2011 Senior Secured Notes and 2007 Senior Secured Notes may not, prior to the repayment of the Notes, the Amended Super Senior Revolving Credit Facility and the Super Senior Rand Loan, without the consent of the Trustee (if the Notes Debt and the Rand Loan Debt exceed 50% of the aggregate amount of the Notes Debt, the RCF Debt and the Rand Loan Debt) or the facility agent for the Amended Super Senior Revolving Credit Facility (if the RCF Debt exceeds 50% of the aggregate amount of the Notes Debt, the RCF Debt and the Rand Loan Debt) direct the SPV Guarantor to enforce or take any other action relating to the security and (b) the holders of the 2007 Senior Notes may not, prior to the repayment of the Amended Super Senior Revolving Credit Facility, the Super Senior Rand Loan and the repayment in full of the 2011 Senior Secured Notes and 2007 Senior Secured Notes, without the consent of the Trustee (if the Notes Debt and Rand Loan Debt exceeds 50% of the aggregate amount of the Notes Debt, the RCF Debt and the Rand Loan Debt) or the facility agent (if the RCF Debt exceeds 50% of the aggregate amount of the Notes Debt, the RCF Debt and the Rand Loan Debt) direct the SPV Guarantor to enforce or take any other action relating to the security over the Subordinated Proceeds Loan for the 2007 Senior Notes.

The limitations on enforcement in the preceding paragraph will not apply if, in the case of enforcement by the holders of the 2011 Senior Secured Notes and 2007 Senior Secured Notes:

- an insolvency event has occurred with respect to an issuer, guarantor or counter-indemnifier in the Group in which case an enforcement action may only be taken against the relevant member of the Group; or
- in the case of enforcement over our assets, a period of not less than 179 days has passed from the date of receipt by the relevant facility agent or trustee of a written notice specifying that a standstill period has commenced or a default has occurred under the 2011 Senior Secured Notes and the 2007 Senior Secured Notes as a result of a failure to pay at maturity; or
- another creditor regulated by the Intercreditor Agreement has taken enforcement action permitted by the Intercreditor Agreement over the relevant asset in which event the same enforcement action may be taken,

  and, if, in the case of enforcement by the holders of the 2007 Senior Notes or by HoldCo as lender under the Subordinated Proceeds Loan:

- an insolvency event has occurred with respect to an issuer, guarantor or counter-indemnifier in the Group in which case an enforcement action may only be taken against the relevant member of the Group;
- another creditor regulated by the Intercreditor Agreement has taken enforcement action permitted by the Intercreditor Agreement over the relevant asset in which event the same enforcement action may be taken; or
- (save in the case of enforcement of the security over the Subordinated Proceeds Loan) a default has arisen as a result of a failure to pay principal on the 2007 Senior Notes at maturity.

Application of proceeds

Amounts received by the SPV Guarantor, the Trustee, the facility agent for the Amended Super Senior Revolving Credit Facility, the facility agent for the Super Senior Rand Loan, the trustee for the 2011 Senior Secured Notes, the trustee for the 2007 Senior Secured Notes and the trustee for the 2007 Senior Notes representing the proceeds from enforcement of any security (other than security over certain collection accounts of Edcon charged to OtC II into which collections on eligible receivables are paid) or recoveries under any guarantee (or SPV Counter-Indemnity or any SPV Guarantee) of the Senior Subordinated Notes, will be applied in the following order:

- in payment of any fees and expenses owing to the Trustee, the facility agent for the Amended Super Senior Revolving Credit Facility, the facility agent for the Super Senior Rand Loan, the trustee for the Senior Secured Notes, the trustee for the 2007 Senior Secured Notes, the trustee for the 2007 Senior Notes, the hedging counterparties, the Security Administrator and the SPV Guarantor, on a *pari passu* and *pro rata* basis;
- in payment of all costs and expenses incurred by or on behalf of the Trustee, the Noteholders, the lenders under the Amended Super Senior Revolving Credit Facility and the Super Senior Rand Loan in connection with the enforcement of security;
- in payment to the Trustee on behalf of the Noteholders, the facility agent for the Amended Super Senior Revolving Credit Facility and the facility agent for the Super Senior Rand Loan to discharge the liabilities in respect of the Notes, the Amended Super Senior Revolving Credit Facility and Super Senior Rand Loan on a *pro rata* basis;
- in payment to the trustee for the 2011 Senior Secured Notes on behalf of the holders of any 2011 Senior Secured Notes, trustee for the 2007 Senior Secured Notes on behalf of the holders of any 2007 Senior Secured Notes and the hedging counterparties in respect of the 2011 Senior Secured Notes, 2007 Senior Secured Notes and 2007 Senior Notes for application towards the discharge of their liabilities on a *pro rata* basis;
- in payment to the trustee for the 2007 Senior Notes towards discharge of the fees and expenses owing to it;
- in payment to the trustee for the 2007 Senior Notes towards discharge of the 2007 Senior Notes on a *pro rata* basis.
- in payment to HoldCo (to the extent it is entitled to such proceeds) in discharge of the Subordinated Proceeds Loan;
- in payment of shareholder liabilities and intra-group liabilities on a *pro rata* basis; and
- the balance in payment to any other person to which it is due or to the relevant issuer or Guarantor.

The proceeds from enforcement of the security over the Issuer collection accounts shall be applied to OtC II.

The proceeds from enforcement of any guarantee or SPV Counter-Indemnity or SPV Guarantee (but only in the case of the SPV Counter-Indemnity or SPV Guarantee to the extent such proceeds are not funded from an enforcement of security) will be applied as follows:

- in payment of any fees and expenses owing to the Trustee, the facility agent under the Amended Super Senior Revolving Credit Facility, the facility agent for the Super Senior Rand Loan, the hedging counterparties, the trustee for the 2011 Senior Secured Notes, the trustee for the 2007 Senior Secured Notes and the trustee for the 2007 Senior Notes and the SPV Guarantor, on a *pro rata* basis;
- in payment of all costs and expenses incurred by or on behalf of the Noteholders, the lenders under the Amended Super Senior Revolving Credit Facility, the lenders under the Super Senior Rand Loan, the noteholders under the 2011 Senior Secured Notes, the noteholders under the 2007 Senior Secured Notes and the noteholders under the 2007 Senior Notes in connection with the enforcement of the guarantees;
- in payment (A) *pari passu* to the Trustee, the facility agent under the Amended Super Senior Revolving Credit Facility and the facility agent under the Super Senior Rand Loan for application to discharge the liabilities under the Notes, the Amended Super Senior Revolving Credit Facility and the Super Senior Rand Loan, respectively, and (B) to the trustee of the 2011 Senior Secured Notes, the trustee of the 2007 Senior Secured Notes and the hedging counterparties in respect of the hedging for the 2011 Senior Secured Notes, 2007 Senior Secured Notes and 2007 Senior Notes to discharge the liabilities under the 2011 Senior Secured Notes and the related hedging liabilities on a *pro rata* basis;
- in the case of any other guarantee amounts, in payment to the trustee of the 2007 Senior Notes towards discharge of the liabilities under the 2007 Senior Notes, *pro rata*;
- in payment to HoldCo (to the extent it is entitled to such proceeds) in discharge of the Subordinated Proceeds Loan;

- in payment of shareholder liabilities and intra-group liabilities on a *pro rata* basis; and
- the balance in payment to any other person to which it is due or to the relevant issuer or Guarantor.

Option to purchase

The Intercreditor Agreement provides that, in the event of any enforcement action under either the Notes, the Amended Super Senior Revolving Credit Facility or the Super Senior Rand Loan, the holders of the 2011 Senior Secured Notes have the right to repurchase all debt outstanding under the Notes, the Amended Super Senior Revolving Credit Facility or the Super Senior Rand Loan at par.

Release of security and guarantees upon an enforcement action

In the case of any release of any security and any obligation or liability, including under any Guarantee, in connection with a disposal being effected pursuant to an enforcement of security in accordance with the Intercreditor Agreement (each, an "**Enforcement Action**") by the Noteholders, the Amended Super Senior Revolving Credit Facility creditors, the Super Senior Rand Loan creditors or in circumstances where such creditors are entitled to take an Enforcement Action, at the request of the applicable representatives for such creditors or holders, such security and/or Guarantee will only be released if (i) representatives for the relevant creditors confirm to the Security Administrator that the release has been consented to by such creditors or (ii) the relevant asset is disposed of in accordance with certain conditions including (A) the proceeds from such disposal are all or substantially all in the form of cash, (B) such disposal is made by public auction or upon receipt of an opinion from an internationally recognised accountancy firm or internationally recognised investment bank chosen by the security administrator as to fairness from a financial point of view, (C) the relevant asset or Guarantor (and its subsidiaries) is released from all present and future obligations and liabilities in respect of any amounts owing to the Noteholders, the Trustee, the lenders under the Amended Super Senior Revolving Credit Facility, the lenders under the Super Senior Rand Loan, the hedging counterparties, the holders and trustees of the 2011 Senior Secured Notes and the 2007 Senior Secured Notes, and (D) the proceeds from such disposal are applied in accordance with the Intercreditor Agreement.

Other Interest

Each of GSI, Barclays Bank PLC and Morgan Stanley directly or through their respective affiliates, has provided from time to time, and expects to provide in the future, investment and commercial banking, financial advisory, trading and other services to us and our affiliates for which they have received and/or will receive customary compensation. In particular (i) GSI and/or one of its affiliates is a lender under the Amended Super Senior Revolving Credit Facility, sole lender under the Super Senior Rand Loan and a hedge counterparty under the Existing Hedging Arrangements; (ii) Absa Capital, an affiliate of Barclays Bank PLC, is the agent and a lender under the Amended Super Senior Revolving Credit Facility; and (iii) Morgan Stanley or one of its affiliates is a lender under the Amended Super Senior Revolving Credit Facility. In addition, GSI coordinated the restructuring of the Existing Hedging Arrangements. Consequently, GSI has a substantial commercial interest in the outcome of the hedge refinancing and the execution of the New Hedging Arrangements. In the future, GSI may from time to time enter into further hedging arrangements with the Issuer and/or may novate or otherwise terminate its arrangements with some of all of the Existing Hedging Counterparties.

ANNEXURE "E"

RELATED PARTY TRANSACTIONS

Subordinated Shareholder Loan

In 2007, HoldCo entered into a loan agreement (the "**Subordinated Shareholder Loan**") with LuxCo, under which LuxCo advanced R5,057 million to HoldCo. Repayment of the Subordinated Shareholder Loan is subordinated to payments under all other debt obligations concluded by HoldCo and its subsidiaries in connection with the acquisition of ECSL and its subsidiaries in 2007 by BidCo, including the 2011 Senior Secured Notes, the Notes offered hereby and the Amended Super Senior Revolving Credit Facility. Interest on advances under the Subordinated Shareholder Loan accrues on a daily basis at an annual rate equal to the rate at which Absa Bank Limited lends rand plus 2.00% subject to certain adjustments. The term of the Subordinated Shareholder Loan ends on the 30th anniversary of the payment of the purchase price under the acquisition of ECSL and its subsidiaries in 2007 by BidCo. As at the issuance of the Notes, the outstanding balance under the Subordinated Shareholder Loan will be R8,153 million.

Pursuant to a subordination agreement entered into between HoldCo and LuxCo, entered in May 2009, LuxCo has agreed that the Subordinated Shareholder Loan is also subordinated to the claims of all other creditors of HoldCo to the extent required to pay their claims in full. The subordination agreement will remain in force until such time as HoldCo's assets, fairly valued, exceed its liabilities as certified by its auditors, whereupon it will automatically lapse.

Matching Loan

HoldCo and the Issuer have entered into a loan agreement (the "**Subordinated Matching Loan**"), under which HoldCo advanced R5,057 million to the Issuer. Repayment of the Subordinated Matching Loan is subordinated to payments under all debt obligations concluded by the Issuer and its subsidiaries in connection with the acquisition of ECSL and its subsidiaries in 2007 by BidCo, including the 2007 Senior Secured Notes and the 2007 Senior Notes, and the Amended Super Senior Revolving Credit Facility, as well as the 2011 Senior Secured Notes, the Notes offered hereby and the Amended Super Senior Revolving Credit Facility. Interest on advances under the Subordinated Matching Loan accrues on a daily basis at an annual rate equal to the rate at which Absa Bank Limited lends rand plus 2.25% and is subject to change as agreed from time to time by the parties, subject to certain minimum interest requirements, including that the interest rate will be at least equal to the interest rate on the Subordinated Shareholder Loan. The term of the Subordinated Matching Loan ends on the 30th anniversary of the payment of the purchase price under the share acquisition by BidCo on 14 May 2007 of the ordinary and preference shares of ECSL. As at the issuance of the Notes, the outstanding balance under the Matching Loan will be R8,009 million.

Proceeds Loan

HoldCo and the Issuer have entered into a loan agreement (the "**Subordinated Proceeds Loan**"), under which HoldCo advanced R6,250 million to the Issuer. Interest on advances under the Subordinated Proceeds Loan accrue at a rate to be agreed from time to time between HoldCo and the Issuer subject to certain minimum interest requirements, including that the interest rate will be at least equal to the coupon payable on the 2007 Senior Notes. In addition, the Issuer undertakes to pay to HoldCo as additional interest all additional amounts necessary to enable HoldCo to make payments of principal, premium and interest in respect of the 2007 Senior Notes. As at the issuance of the Notes, the outstanding balance under the Proceeds Loan will be R8,314 million.

Transaction services agreement

In May 2007, HoldCo and Edgars Holdings Limited, a Cayman Islands exempted limited company ("**CaymanCo**"), the parent of LuxCo, entered into a transaction services agreement (the "**Transaction Services Agreement**") with Bain Capital, Ltd and Bain Capital Partners, LLC (collectively, the "**Advisors**"), under which the Advisors undertake to provide HoldCo and CaymanCo with services such as advice on acquisitions and divestiture opportunities, financing alternatives and finance, marketing and other functions. In consideration for these services, HoldCo and CaymanCo undertake to pay to the Advisors (i) a fee equal to 1% of the transaction value of future acquisitions, divestitures and other financial transactions for which the Advisors provide services, and (ii) all reasonable out-of-pocket fees in relation to services provided under the Transaction Services Agreement. The initial term of the Transaction Services Agreement is ten years, subject to recurring automatic one-year extensions. The Transaction Services Agreement automatically terminates on change of control of HoldCo or CaymanCo, or a public offering of the shares of HoldCo or any of its subsidiaries.

Consulting services agreement

In May 2007, HoldCo entered into a consulting services agreement (the "**Consulting Agreement**") with Portfolio Company Advisors Limited and Bain Capital Partners, LLC (collectively, the "**Consultants**"), under which the Consultants undertake to provide executive, advisory and consulting services to HoldCo. In consideration for these services, HoldCo undertakes to pay the Consultants a fee based on hourly rates, or, under certain conditions, an annual consulting fee of R35 million. The initial term of the Consulting Agreement is two years, subject to a two-year renewal terms. The Consulting Agreement automatically terminates on a change of control of HoldCo or a public offering of the shares of HoldCo or any of its subsidiaries.

In January 2008, the rights and obligations of the Consultants under the Consulting Agreement were novated to PCA (South Africa) Limited ("**PCA SA**"), acting through its South African branch. The Consultants have agreed to render services to PCA SA to enable it to fulfil its obligations under the Consulting Agreement. In April 2008, the rights and obligations of HoldCo under the Consulting Agreement were novated to the Issuer.

ANNEXURE "F"

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

*References to "**we**", "**us**", "**our**", "**Edcon**" and other similar terms in this section headed "Summary Historical Consolidated Financial Information and Other Data" refer to ECSL and its consolidated subsidiaries in respect of periods prior to the acquisition by BidCo on 14 May 2007 of the ordinary and preference shares of ECSL (the "**Share Acquisition**") and refer to HoldCo and its consolidated subsidiaries in respect of periods after the Share Acquisition, except where the context requires otherwise.*

The following tables present summary historical consolidated financial information and other data for HoldCo for the periods ended and as of the dates indicated therein.

Our summary historical financial data as of and for the fiscal years 2009 and 2010 have been derived from HoldCo's audited historical consolidated financial statements as of and for the fiscal years 2009 and 2010. Those financial statements have been audited by Ernst & Young Inc. When used in this section, in relation to any year, "fiscal year" means the fiscal year ended on the Saturday of that year closest to 31 March of that year.

We present financial information for 39-week 2010 as a basis for comparing our unaudited interim condensed consolidated financial statements for 39-week 2011 in a meaningful way. Such financial information is not audited nor reviewed. We believe a comparison of our unaudited interim condensed consolidated financial statements for 39-week 2011 with our unaudited interim condensed consolidated financial statements for the 39 weeks ended 26 December 2009 (i.e. the end of the third quarter of fiscal year 2010) would not be a meaningful comparison of our results of operation because the latter do not reflect our trading during the last week of the calendar year, in which we usually record higher retail sales than average. "39-week 2010" and "39-week 2011", when used in this section, mean the 39-week-periods ended 2 January 2010 and 1 January 2011, respectively.

Our summary historical financial data as of and for the 52 weeks ended 1 January 2011 (the "LTM 2010") has been derived by adding the unaudited historical financial data for 39-week 2011 to the unaudited historical financial data for the 13 weeks ended 3 April 2010. This data has been prepared for illustrative purposes only and is not prepared in the ordinary course of our financial reporting. Such compilation has not been audited or reviewed.

You should read the summary historical consolidated financial information and other data presented below in conjunction with the information contained in the Programme Memorandum, the description of the SPV Guarantor set out in Annexure "A" (*Security Structure*), the Trust Deed set out in Annexure "B" (*Trust Deed*), the general investor considerations set out in Annexure "C" (*General Investor Considerations*), the description of certain other indebtedness set out in Annexure "D" (*Description of Certain Other Indebtedness*), the related party transactions set out in Annexure "E" (*Related Party Transactions*), management's discussion and analysis of financial condition and results of operations set out in Annexure "G" (*Management's Discussion and Analysis of Financial Condition and Results of the Operations*) and our consolidated financial statements. Historical results are not indicative of future expected results. Furthermore, our results for 39-week 2011 should not be regarded as indicative of our expected results for fiscal year 2011.

OntheCards Investments II (Proprietary) Limited and OntheCards Investments Limited

The assets, liabilities and results of OtC I and OtC II, the entities that purchase our receivables pursuant to the OtC Securitisation Programme, are fully consolidated into our consolidated financial statements because we are deemed to control OtC I and OtC II within the meaning of IFRS. As we sell our receivables under our OtC Securitisation Programme on a non-recourse basis, we retain no rights to such receivables. In addition, the creditors of OtC have no recourse against us or any of our other consolidated subsidiaries in excess of the amount provided. Further, OtC has no recourse against any of our consolidated subsidiaries pursuant to the terms of our OtC Securitisation Programme. See footnote 13 to "Summary Historical Consolidated Financial Information and Other Data". When used in this section "**OtC**" means OtC I and OtC II.

	52 weeks ended 28 March 2009	53 weeks ended 3 April 2010	39 weeks ended 2 January 2010	39 weeks ended 1 January 2011	52 weeks ended 1 January 2011	52 weeks ended 1 January 2011[2]
			(in millions)			
	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Income statement data[1]						
Revenues	R 25,195	R 24,876	R 18,996	R 20,054	R 25,458	€ 2,585
Retail sales[3]	*22,075*	*21,888*	*16,743*	*17,917*	*22,586*	2,293
Cost of sales	(13,774)	(13,848)	(10,530)	(11,251)	(14,257)	(1,447)
Gross profit	**R 8,301**	**R 8,040**	**R 6,213**	**R 6,666**	**R 8,329**	**€ 846**
Other income[4]	467	473	360	361	474	48
Store costs	(3,847)	(4,078)	(3,002)	(3,249)	(4,300)	(437)
Other operating costs[5]	(2,628)	(2,338)	(1,797)	(2,007)	(2,530)	(257)
Additional depreciation and amortisation[6]	(656)	(690)	(520)	(499)	(669)	(68)
Retail trading profit	**R 1,637**	**R 1,407**	**R 1,254**	**R 1,272**	**R 1,304**	**€ 132**
Income from credit	2,271	2,049	1,567	1,371	1,853	188
Expenses from credit	(1,772)	(1,771)	(1,377)	(880)	(1,274)	(129)
Equity accounted earnings of joint venture	349	435	309	349	475	48
Operating profit	**R 2,485**	**R 2,120**	**R 1,753**	**R 2,112**	**R 2,358**	**€ 239**
Fees incurred funding facilities	—	(33)	(28)	(10)	(15)	(2)
Gain on buy-back of 2007 Senior Notes	1,350	—	—	—	—	—
Net fair value movement on floating rate notes and associated derivatives	(1,050)	(459)	(70)	(1,453)	(1,842)	(187)
Impairment of indefinite life brands and goodwill	(697)	(137)	—	—	(137)	(14)
Profit before financing costs	**R 2,088**	**R 1,491**	**R 1,655**	**R 649**	**R 364**	**€ 37**
Net financing costs	(3,255)	(2,915)	(2,223)	(1,840)	(2,514)	(255)
Taxation	472	370	187	348	531	54
Net earnings	**R (695)**	**R (1,054)**	**R (381)**	**R (843)**	**R (1,619)**	**€ (164)**
Cash flow data[1]						
Operating cash inflow before changes in working capital	R 3,715	R 3,352	R 2,667	R 3,018	R 3,582	€ 364
Working capital movement	(1,553)	952	300	(421)	845	86
Cash generated from operating activities	2,162	4,304	2,967	2,597	4,427	449
Net cash invested	(568)	(353)	(345)	(355)	(363)	(37)
Net cash inflow from financing activities	793	(650)	(649)	(350)	(351)	(36)
Increase in cash and cash equivalents	(113)	774	2	223	1,506	153

	At 28 March 2009	At 3 April 2010	At 1 January 2011	At 1 January 2011[(2)]
	(in millions)			
	(audited)	(audited)	(unaudited)	(unaudited)
Financial Position[(1)]				
Cash and cash equivalents	R 379	R 1,125	R 1,332	€ 135
Working capital	8,721	7,685	8,131	825
Total assets	37,340	33,768	34,937	3,547
Total debt at unhedged rates	24,900	19,670	17,746	1,802
Total net debt including cash and derivatives	23,456	22,455	22,590	2,293
Total equity and shareholder's loan	6,066	5,752	5,781	587

	At 28 March 2009	At 3 April 2010	At 1 January 2011
Select operating data (unaudited)[(1)]			
Number of stores	1,233	1,228	1,198
Same store sales growth[(7)]	3.2%	(4.7)%	6.0%
Average retail space (in '000 sqm)	1,251	1,316	1,321
Trading density	17,646	16,645	17,372
Number of customer credit accounts (in '000s)	4,290	3,993	3,804

	52 weeks ended 28 March 2009	53 weeks ended 3 April 2010	39 weeks ended 2 January 2010	39 weeks ended 1 January 2011	52 weeks ended 1 January 2011	52 weeks ended 1 January 2011[(2)]
	(in millions)					
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other financial data[(1)]						
EBITDA[(8)]	R 3,187	R 2,716	R 2,574	R 1,569	R 1,590	€ 161
Adjusted EBITDA[(8)]	3,693	3,368	2,681	3,046	3,612	367
Adjusted corporate EBITDA[(9)]	3,410	3,044	2,453	2,663	3,133	318
Operating lease expenses[(10)]	1,269	1,425	1,054	1,119	1,490	151
Adjusted EBITDAR[(8)]	4,962	4,793	3,735	4,165	5,102	518
Capital expenditure	569	473	345	355	363	37
Depreciation and amortisation[(6)]	1,099	1,225	919	920	1,226	124

	52 weeks Ended 1 January 2011	
	(in millions) (unaudited)	
***Pro forma* data**		
Pro forma corporate net interest expense[(11)]	R 2,513	€ 255
Pro forma total corporate debt net of cash and cash equivalent[(12)]	19,172	1,946
Ratio of *pro forma* total corporate debt net of cash and cash equivalent to adjusted corporate EBITDA	6.1x	
Ratio of adjusted corporate EBITDA to *pro forma* corporate net interest expense	1.25x	

(1) Except as otherwise indicated, figures presented in the summary financial statements above include the impact of consolidating OntheCards Investments Limited ("OtC I") and OntheCards Investments II (Proprietary) Limited ("OtC II"). See footnote 13 for a presentation of certain key line items excluding the impact of consolidating OtC I and OtC II.

(2) For your convenience, rand amounts have been translated into euros at an exchange rate of R9.85 = €1.00, the Bloomberg Composite Rate on 11 February 2011.

(3) Retail sales reflect total revenues less administration and club fees, preference dividend, finance charges on trade receivables, equity accounted earnings of joint ventures, finance charges, interest received and manufacturing sales to third parties.

(4) Other income comprises fees from our *Edgars* and *Jet* clubs and manufacturing sales to third parties.

(5) Other operating costs includes amortisation of trademarks, auditors' remuneration, depreciation of properties, fixtures, equipment and vehicles, fees payable, lease-related expenses, cost of inventories expensed and VAT expense.

(6) Additional depreciation and amortisation relates to the amortisation of intangibles and the incremental depreciation arising from the fair value adjustments in relation to the Share Acquisition.

(7) Same store sales growth represents the change in retail sales from our stores that have been open for at least two years. For the purpose of same store sales growth calculations, a store will be included if it was open for trade at the beginning of the 52- or 53-week period preceding the 52- or 53-week and at the end of that period for which same store growth information is presented.

(8) We present EBITDA, adjusted EBITDA and adjusted EBITDAR because we believe they are frequently used by securities analysts, investors and other interested parties in evaluating similar issuers and as a supplemental measure of our ability to service our debt. Nevertheless,

EBITDA, adjusted EBITDA and adjusted EBITDAR have limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for, an analysis of our operating results as reported under IFRS. See "Presentation of Information—Non-IFRS financial measures".

(9) This adjustment reflects adjusted EBITDA excluding the impact of consolidating OtC I and OtC II. See footnote 13 for a presentation of certain key line items excluding the impact of consolidating OtC I and OtC II.

The following table reconciles net earnings to EBITDA, adjusted EBITDA and adjusted EBITDAR (unaudited)(1).

	52 weeks ended 28 March 2009		53 weeks ended 3 April 2010		39 weeks ended 2 January 2010		39 weeks ended 1 January 2011		52 weeks ended 1 January 2011		52 weeks ended 1 January 2011(2)
					(millions) (unaudited)						
Net earnings	R	(695)	R	(1,054)	R	(381)	R	(843)	R	(1,619)	€	(164)
Taxation		(472)		(370)		(187)		(348)		(531)		(54)
Net financing costs		3,255		2,915		2,223		1,840		2,514		255
Depreciation and amortisation		1,099		1,225		919		920		1,226		124
EBITDA	R	3,187	R	2,716	R	2,574	R	1,569	R	1,590	€	161
Net fair value movement on notes and associated derivatives(a)		1,050		459		70		1,453		1,842		187
Gain on buy-back of senior floating rate notes(b)		(1,350)		—		—		—		—		—
Impairment of intangible assets(c)		697		137		—		—		137		14
VAT expense(d)		90		—		—		—		—		—
Net asset write-off(e)		19		23		9		14		28		3
Fees incurred funding facilities		—		33		28		10		15		2
Adjusted EBITDA	R	3,693	R	3,368	R	2,681	R	3,046	R	3,612	€	367
Operating lease expenses(12)		1,269		1,425		1,054		1,119		1,490		151
Adjusted EBITDAR	R	4,962	R	4,793	R	3,735	R	4,165	R	5,102	€	518

(a) Prior to the issuance of the 2007 Senior Secured Notes and the 2007 Senior Notes we executed currency and interest rate derivatives to hedge the repayment of the interest and principal on the 2007 Senior Secured Notes and the 2007 Senior Notes to 2011 and 2012 respectively. This adjustment relates to the revaluation of the 2007 Senior Secured Notes and the 2007 Senior Notes to the spot exchange rate and change in the fair value of these derivatives.

(b) On 27 June 2008, we repurchased a nominal value of €252 million of the 2007 Senior Notes for €138,6 million, or 55% of the principal amount thereof. As a result of the buy-back we recognised a gain, net of associated fees, of R1,350 million.

(c) This adjustment relates to the impairment of goodwill and indefinite life intangible assets.

(d) This adjustment relates to a reversal of VAT input charges claimed from the South African Revenue Services ("SARS") in fiscal year 2009 of R90 million, that arose as a result of legislative interpretation, by SARS of the Value Added Tax Act, during fiscal 2009 which they applied retrospectively.

(e) This adjustment relates to assets written off, net of related proceeds.

(10) Operating lease expenses principally include rent for our stores and our head office premises.

(11) *Pro forma* net corporate interest expense reflects the estimated net interest expense that would have been payable during LTM 2010, excluding the impact of consolidating OtC I and OtC II as adjusted to give effect to the offering of the 2011 Notes, the application of the proceeds therefrom and the Transactions as if they had occurred at the beginning of such period.

(12) *Pro forma* total corporate net debt reflects our *pro forma* total debt, net of cash and cash equivalent excluding the impact of consolidating OtC I and OtC II.

(13) The following tables reconciles the consolidated financial information of HoldCo presented in the tables above to financial information of HoldCo and its subsidiaries, excluding the impact of consolidating OtC I and OtC II.

	52 weeks ended 28 March 2009		
	(in millions)		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
	(audited)	(audited)	(unaudited)
Comprehensive income data			
Revenues	R 25,195	R 530	R 24,665
Operating profit from credit and financial services	848	283	565
Other financial data			
Adjusted EBITDA	3,693	283	3,410
Financial position data			
Working capital	8,721	3,887	4,834
Total assets	37,340	2,518	34,822
Total debt at unhedged rates	24,900	2,659	22,241
Total net debt including cash and derivatives	23,456	2,659	20,797
Cash flow data			
Operating cash inflow before changes in working capital	3,715	283	3,432
Working capital movement	(1,553)	(133)	(1,420)

	53 weeks ended 3 April 2010		
	(in millions)		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
	(audited)	(audited)	(unaudited)
Comprehensive income data			
Revenues	R 24,876	R 603	R 24,273
Operating profit from credit and financial services	713	179	534
Other financial data			
Adjusted EBITDA	3,368	324	3,044
Financial position data			
Working capital	7,685	5,404	2,281
Total assets	33,768	4,224	29,544
Total debt at unhedged rates	19,670	4,300	15,370
Total net debt including cash and derivatives	22,455	3,616	18,839
Cash flow data			
Operating cash inflow before changes in working capital	3,352	364	2,988
Working capital movement	952	492	460

	39 weeks ended 2 January 2010		
	(in millions)		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
	(unaudited)	(unaudited)	(unaudited)
Comprehensive income data			
Revenues	R 18,996	R 454	R 18,542
Operating profit from credit and financial services	499	99	400
Other financial data			
Adjusted EBITDA	2,681	228	2,453
Financial position data			
Working capital	8,361	5,727	2,634
Total assets	34,424	4,253	30,171
Total debt at unhedged rates	21,212	4,300	16,912
Total net debt including cash and derivatives	22,855	3,929	18,926
Cash flow data			
Operating cash inflow before changes in working capital	2,667	228	2,439
Working capital movement	300	42	258

	39 weeks ended 1 January 2011 (in millions)		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
	(unaudited)	(unaudited)	(unaudited)
Comprehensive income data			
Revenues	R 20,054	R 522	R 19,532
Operating profit from credit and financial services	840	353	487
Other financial data			
Adjusted EBITDA	3,046	383	2,663
Financial position data			
Working capital	8,131	6,064	2,067
Total assets	34,937	4,301	30,636
Total debt at unhedged rates	17,746	4,300	13,446
Total net debt including cash and derivatives	22,590	4,207	18,383
Cash flow data			
Operating cash inflow before changes in working capital	3,018	383	2,635
Working capital movement	(421)	(174)	(247)

	52 weeks ended 1 January 2011 (in millions)		
	Including OtC	Consolidation adjustments for OtC	Excluding OtC
	(unaudited)	(unaudited)	(unaudited)
Comprehensive income data			
Revenues	R 25,458	R 671	R 24,787
Operating profit from credit and financial services	1,054	433	621
Other financial data			
Adjusted EBITDA	3,612	479	3,133
Financial position data			
Working capital	8,131	6,064	2,067
Total assets	34,937	4,301	30,636
Total debt at unhedged rates	17,746	4,300	13,446
Total net debt including cash and derivatives	22,590	4,207	18,383
Cash flow data			
Operating cash inflow before changes in working capital	3,582	519	3,063
Working capital movement	845	276	569

ANNEXURE “G”

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements and the related notes thereto. When used in this section in relation to any year, “fiscal year” means the fiscal year ended on the Saturday of that year closest to 31 March of that year. “39-week 2010” and “39-week 2011”, when used in this section, mean the 39-week periods ended 2 January 2010 and 1 January 2011, respectively. The discussions in this section contain forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed below. See Annexure “C” (General Investor Considerations).

*References to “**we**”, “**us**”, “**our**”, “**Edcon**” and other similar terms in this section headed “Management’s Discussion and Analysis of Financial Condition and Results of Operations” refer to ECSL and its consolidated subsidiaries in respect of periods prior to the acquisition by BidCo on 14 May 2007 of the ordinary and preference shares of ECSL (the “**Share Acquisition**”) and refer to HoldCo and its consolidated subsidiaries in respect of periods after the Share Acquisition, except where the context requires otherwise.*

Overview

We are the largest non-food retailer in South Africa with a 29.3% market share of the South African C&F market in the 52 weeks ended 1 January 2011 (“**LTM 2010**”), nearly twice that of our nearest competitor, and have been in operation for more than 80 years. Since opening our first *Edgars* store in 1929, we have expanded our footprint to include approximately 1,200 stores under 13 retail chains throughout southern Africa. Our leading chains include *Edgars*, *Jet*, *CNA, Boardmans* and *Red Square*, which are among the most recognisable retail brands in the region. We are the number one or number two retailer in the majority of our product lines, including clothing, footwear, mobile phones, cosmetics, stationery and books. We also have the largest base of consumer credit customers in southern Africa, with 3.8 million active credit card accounts. As of 1 January 2011, we employed approximately 18,900 permanent employees. In LTM 2010, we generated revenue of R25,458 million, including retail sales of R22,586 million and adjusted EBITDA of R3,612 million.

We generate 94% of our retail sales in South Africa. From fiscal year 2005 to LTM 2010, C&F sales, which accounted for 61% of our retail sales in fiscal year 2010 and 60% of our retail sales in 39-week 2011, grew at a compound annual growth rate (“**CAGR**”) of 8.1%. C&F spend as a percentage of household expenditure has also increased, in part as a result of a rapidly emerging black middle class, which has more than doubled in size since 2000. Our large retail footprint positions us to continue benefiting from this growth in the South African market. The remainder of our other operations are in neighbouring Namibia, Botswana, Lesotho and Swaziland.

Financial statement presentation

We discuss below the financial statements and results of operations of Edcon on a consolidated basis in fiscal years 2009, 2010 and 39-week 2010 and 39-week 2011. The financial statements for fiscal years 2009 and 2010 have been audited and prepared in accordance with IFRS, and the financial statements for 39-week 2011 and the 39-week period ended 26 December 2009 have been reviewed in accordance with ISRE 2410. See Annexure “F” (*Summary Historical Consolidated Financial Information and Other Data*).

The assets, liabilities and results of OtC I and OtC II, the entities that purchase our receivables pursuant to the OtC Securitisation Programme, are fully consolidated into our consolidated financial statements because we are deemed to control OtC I and OtC II within the meaning of IFRS. In this Applicable Pricing Supplement and the Programme Memorandum, we present certain financial information that excludes the impact of OtC I and OtC II on our consolidated assets, liabilities and results because we believe that such information is useful for assessing our financial position. As we sell our receivables under our OtC Securitisation Programme on a non-recourse basis, we retain no rights to such receivables. In addition, the creditors of OtC have no recourse against us or any of our other consolidated subsidiaries in excess of the amount provided. Further, OtC has no recourse against any of our consolidated subsidiaries pursuant to the terms of our OtC Securitisation Programme. See footnote 13 in Annexure “F” (*Summary Historical Consolidated Financial Information and Other Data*). When used in this section “**OtC**” means OtC I and OtC II and “**OtC Securitisation Programme**” means the OtC I Securitisation Programme and the OtC II Securitisation Programme.

Key income statement items

Revenue

We derive revenue primarily from the sale of retail products which accounted for 90% of our revenue in fiscal year 2010 and 92% of our revenues in 39-week 2011. Our retail products are available for sale in approximately 1,200 stores, 95% of which are in South Africa, with the remainder in Namibia, Botswana, Lesotho and Swaziland.

Changes to our retail sales from period to period are generally affected by the following factors:

- the quality and availability of our products;
- the extent to which we are able to predict, plan for and implement changes to our product mix to reflect customer trends;
- the prices at which we sell our products, which may change depending on markdowns; and
- the volume of our products sold and changes in the mix of products sold within our different product lines.

Changes to our cost of sales from period to period result from a number of factors, including:

- the base price of raw materials;
- exchange rates;
- the amount of duties paid on purchases of products imported to South Africa;
- freight cost;
- import quotas;
- rebates and discounts earned from suppliers; and
- the level of our marketing and advertising costs, including costs associated with market research.

Store costs

Our store costs primarily consist of (i) payroll for our store based employees, including salaries, bonuses, payroll taxes and pension costs, (ii) establishment costs such as rent, local taxes, service charges, and other operating costs at our stores, including cleaning, maintenance, security and energy, (iii) depreciation expense related to capital expended on our stores, (iv) stock shrinkage, and (v) credit card commissions.

Changes in our store costs from period to period are the result of a number of factors, including:

- the general level of payroll and benefit increases given to our store based employees;
- rental increases agreed to as part of our store lease agreements;
- the opening of new stores, including pre-opening costs, and the modernisation of existing stores, including the associated depreciation charge; and
- costs related to the volume of products sold, including increases in transaction charges related to credit card sales.

Other operating costs

Other operating costs primarily consist of (i) various corporate overhead costs associated primarily with our head offices, including human resources, procurement, communications, finance, information technology, strategy and facilities, (ii) depreciation expense related to our head office assets and the amortisation of other intangible assets, (iii) other human resource costs, such as our BBBEE programmes, our training programmes and the maintenance of our wellness programme for employees, (iv) depreciation and maintenance expense related to certain information technology systems, (v) costs related to group marketing, (vi) other head office facility costs, and (vii) costs associated with logistics in our distribution and supply chains.

Changes in our other operating costs from period to period are primarily the result of:

- the general level of payroll and benefit increases given to selected head office employees;
- costs associated with implementing employee incentive plans;
- expenses related to new and revised information technology systems;

- changes to our head offices including expansion of our head offices to accommodate the increased number of stores;
- changes to our overhead costs;
- changes in cost associated with our logistics in our distribution and supply chains.

Credit and financial services operating profit

In addition to our retail sales, we generate profit from our credit and financial services business.

Credit and financial services operating profit primarily consists of (i) interest earned from our credit card customers, (ii) equity accounted earnings from our insurance joint ventures, which earn money from premiums paid by customers, and (iii) revenue from the sale of credit receivables, less (x) bad debts on the credit accounts which we have underwritten, and the provision for doubtful debts, (y) costs associated with running the credit and financial services business, including payroll for our credit and financial services business employees, collection costs, and credit bureau costs, and (z) taxes incurred on the profit of the credit and financial services business.

Credit and financial services net profit from period to period is affected generally by the following factors:

- the level of credit card sales;
- incidence of bad debts on the credit card accounts which we have underwritten, and the provision for doubtful debts;
- interest rate fluctuations and changes to restrictions on the level of interest we are able to charge our credit customers;
- changes in the amount of receivables we sell or changes in the discount rate applicable to such receivables;
- the general level of payroll and benefit increases given to selected credit and financial service employees.

Significant factors affecting our results of operations

Economic conditions in South Africa

94% of our retail sales are generated in South Africa, which has undergone significant social, political and economic transformation in the last ten years. Our future results of operation are dependent on continued economic, political and social stability in South Africa. Changes in economic conditions may affect, among other things, demand for our services and the creditworthiness of our customers.

Although affected by the global economic downturn, South Africa has experienced overall economic growth in recent years, in part due to a rapidly emerging black middle class with increased spending power, and the government's commitment to macroeconomic growth. Real GDP increased by 5.6% and 3.6% in 2007 and 2008 respectively and decreased by 1.7% in 2009 and over the same periods, consumer price inflation has been 7.2%, 11.5% and 7.1% respectively. Real GDP increased by 2.6% in the first three quarters of calendar year 2010.

Growth in the clothing and footwear market

The C&F market in South Africa grew at a CAGR of 9.7% from fiscal year 2005 to LTM 2010. This growth was due to a number of factors, including the growth of the South African economy, the rapidly emerging black middle class, which historically spends a higher percentage of its disposable income on C&F goods, and the movement of market share from the informal market to more established medium- and large-sized retailers. We expect this growth to continue, and as the market share leader, we expect to benefit from the increased size of the C&F market.

Cost of sales

A key component of our growth strategy is to consolidate our procurement and leverage our market scale to obtain better pricing for our products, decreasing our cost of sales. We also intend to establish strategic relationships with low-cost suppliers.

Same store growth

Our retail sales and profitability are primarily dependent on the amount of retail sales that we generate from our existing stores. From fiscal year 2005 to fiscal year 2010, we have increased our same store growth at a CAGR of 3.3%, and increased our trading density from R15,443 million to R16,645 million. The amount of retail sales we generate from our existing store sites is contingent on a number of factors, including average customer spend, customer retention and merchandise assortment and allocation.

New store openings

Historically, we have increased retail sales by opening new stores. We opened a net of 34, 92 and 32 new stores in fiscal year 2008, 2009 and 39-week 2011, respectively, and closed a net of five stores in fiscal year 2010. Our property development committee applies strict criteria to potential new sites, and reviews site performance annually to determine if sites are meeting their targets or can be used more efficiently. Our ability to open new stores in the future will depend on our ability to find new sites which meet our investment criteria for expansion.

Acquisitions

Our retail sales, as well as our store costs and other operating costs can be affected by acquisitions. Between fiscal year 2008 and LTM 2010 we spent an aggregate of R318 million of capital expenditure on acquisitions. Certain indirect costs resulting from successful acquisitions, such as integration costs and increased overhead and employment costs are not included in these figures. Our ability to find and complete acquisitions is dependent on a number of factors, including the availability of attractive targets, the availability of funding for acquisitions, and restrictions placed on us by anti-competitive legislation. We continue to monitor joint venture and acquisition opportunities, with the aim of improving our profitability and cash generation.

Seasonality

Our retail sales, like most other retailers, are subject to seasonal influences. Historically, our most important trading periods in terms of retail sales have been the Easter and Christmas seasons, with 34% of our retail sales occurring in April, November and December combined. We incur significant additional expenses in advance of the Easter and Christmas seasons in anticipation of higher retail sales during those periods, including the cost of additional inventory, advertising and hiring additional employees. In previous years, our investment in working capital has peaked in early to mid-March, and October and November as a result of increased supply purchases in anticipation of Easter and Christmas. Our results are also affected by periods of abnormal or unseasonal weather conditions, which can lead to a decrease in retail sales and higher markdowns.

Performance of our receivables book

Our credit and financial services business generated R713 million (R534 million excluding OtC) of operating profit in fiscal year 2010. The size of our receivables book increased from R9.3 billion in fiscal year 2008 to R9.9 billion in fiscal year 2010, due to new credit accounts and increased credit balances from existing customers. During this period, the incidence of net bad debt in our receivables book increased from 11.8% in fiscal year 2009 to 12.9% in fiscal year 2010. Net bad debt for 39-week 2011 are down to 11.6%, due to initiatives implemented during fiscal year 2010 to limit the extension of credit to high risk customers. Credit and financial services operating profit is dependent on a number of factors. We may consider various opportunities to grow our credit and financial services business, and to expand its profits and return on capital employed.

Results of operations

	52 weeks ended 28 March 2009[1]	53 weeks ended 3 April 2010[1]	39 weeks ended 2 January 2010[1][2]	39 weeks ended 1 January 2011[1]
		(in millions)		
	(audited)	(audited)	(unaudited)	(unaudited)
Income statement data				
Retail sales	22,075	21,888	16,743	17,917
Cost of sales	(13,774)	(13,848)	(10,530)	(11,251)

	52 weeks ended 28 March 2009[(1)]	53 weeks ended 3 April 2010[(1)]	39 weeks ended 2 January 2010[(1)(2)]	39 weeks ended 1 January 2011[(1)]
		(in millions)		
	(audited)	(audited)	(unaudited)	(unaudited)
Gross profit	8,301	8,040	6,213	6,666
Gross profit as % of retail sales	37.6%	36.7%	37.1%	37.2%
Store costs	(3,847)	(4,078)	(3,002)	(3,249)
Other operating costs[(3)]	(2,817)	(2,555)	(1,957)	(2,145)
Retail trading profit	1,637	1,407	1,254	1,272
Cost of credit	499	278	190	491
Equity accounted earnings of joint venture	349	435	309	349
Credit and financial services operating profit	848	713	499	840
Net financing costs	(3,255)	(2,915)	(2,223)	(1,840)
Taxation	472	370	187	348

(1) All figures presented in the summary financial information above consolidate OtC I and OtC II. See footnote 13 in "Summary Historical Consolidated Financial Information and Other Data" for a reconciliation of key affected items.
(2) Comprises the unaudited financial information for the 39-week period ended 26 December 2009, net of the unaudited adjustments required to reflect performance for the 39-week period ended 2 January 2010, to be comparable with the weeks in the unaudited financial information for the 39-week period ended 1 January 2011.
(3) Other operating costs include other income, other operating costs and additional depreciation and amortisation as shown in "Summary—Summary Historical Consolidated Financial Information and Other Data".

39-week 2011 compared to 39-week 2010

We present financial information for the 39 weeks ended 2 January 2010 as a basis for comparing our 'unaudited interim condensed consolidated' financial statements for the 39 weeks ended 1 January 2011 in a meaningful way. The financial information for the 39 weeks ended 2 January 2010 is not audited nor reviewed. We believe a comparison of our unaudited interim condensed consolidated financial statements for the 39 weeks ended 1 January 2011 with our unaudited condensed consolidated financial statements for the 39 weeks ended 26 December 2009 (i.e., the end of the third quarter of fiscal year 2010) would not be a meaningful representation of our results of operation because the latter do not reflect our trading during the last week of the calendar year, in which usually record higher retail sales than average.

Retail sales

Retail sales increased by R1,174 million, or 7.0%, from R16,743 million in 39-week 2010 to R17,917 million in 39-week 2011.

In our department stores division, retail sales in 39-week 2011 increased by 7.9% from 39-week 2010 due primarily to strong growth from ladieswear, menswear and mobile phones. *CNA*'s retail sales in 39-week 2011 increased 4.6% from 39-week 2010, primarily due to growth in sales of mobile phones and stationery. Retail sales in the discount division increased by 6.3% from 39-week 2010 to 39-week 2011 primarily due to growth in cosmetics, home products and mobile phones.

Same store sales (sales from stores open for the full period in the current fiscal year and in the prior fiscal year) increased by 6.0% from the prior period. Our credit sales accounted for 49% of total retail sales during the 39-week 2011, down from 51% achieved during 39-week 2010. Cash sales for 39-week 2011 increased 10.8% from 39-week 2010, primarily due to improving merchandise and customer value proposition, which has had a positive effect on cash flow generation. Credit sales increased 3.4% compared to 39-week 2010 primarily due to increased spend per account.

Gross profit

Gross profit increased by R453 million, or 7.3%, from R6,213 million in 39-week 2010 to R6,666 million in 39-week 2011. Gross profit as a percentage of retail sales was 37.2%, substantially similar to 37.1% in 39-week 2010, as an improvement in the winter season was offset by increased seasonal markdowns in the second and third quarters and input price inflation.

Gross profit as a percentage of retail sales for the department store division increased from 41.5% in 39-week 2010 to 41.8% in 39-week 2011, primarily due to reduced markdowns on ladieswear and home products. Gross profit as a percentage of retail sales in *CNA* decreased from 32.9% in 39-week 2010 to 32.3% in 39-week 2011 primarily due to an increase in contribution to retail sales from lower margin merchandise such as mobile phones and digital products. In the discount division, gross profit as a percentage of retail sales was substantially similar, decreasing from 32.3% in 39-week 2010 to 32.2% in 39-week 2011.

Store costs

Store costs increased by R247 million, or 8.2%, from R3,002 million in 39-week 2010 to R3,249 million in 39-week 2011 principally as a result of (i) increases in electricity prices imposed by the utility provider and (ii) increases in wage and rent.

Other operating costs

Other operating costs increased by R188 million, or 9.6%, from R1,957 million in 39-week 2010 to R2,145 million in 39-week 2011. This increase was principally the result of higher fuel costs and an increase in unit volumes in the distribution centres.

Depreciation and amortisation

Depreciation and amortisation remained substantially similar, increasing by R1 million from R919 million in 39-week 2010 to R920 million in 39-week 2011.

Credit and financial services operating profit

Credit and financial services operating profit increased by R341 million (R87 million excluding OtC), or 68.3% (21.7% excluding OtC), from R499 million (R400 million excluding OtC) in 39-week 2010 to R840 million (R487 million excluding OtC) in 39-week 2011. This increase was primarily because of a decrease in bad debts and provision for doubtful debt caused by our initiatives in fiscal year 2010 to restrict the growth of our receivables book for higher risk customers and improved collection activity offset by lower interest income associated with a reduction in the prevailing interest rate charged to customers. Consolidated annualised bad debts as a percentage of average receivables decreased to 11.6% for 39-week 2011 from 12.7% in fiscal year 2010. Equity accounted earnings of joint ventures after taxation increased by R40 million, or 12.9%, from R309 million in 39-week 2010 to R349 million in 39-week 2011 primarily due to increased insurance sales. The number of active accounts decreased from 4.0 million accounts at December 2009 to 3.8 million at December 2010 due to our tightened credit standards in fiscal year 2010.

Net financing costs before tax

Net financing costs decreased by R383 million (R448 million excluding OtC), from R2,223 million (R2,004 million excluding OtC) in 39-week 2010 to R1,840 million (R1,556 million excluding OtC) in 39-week 2011. This decrease is primarily a result of lower interest rates and lower average drawings under the Existing Super Senior Revolving Credit Facility in 39-week 2011.

Taxation

Taxation income increased by R161 million, from R187 million in 39-week 2010 to R348 million in 39-week 2011, primarily as a result of higher taxable losses in 39-week 2011.

Fiscal year 2010 compared to fiscal year 2009

Overview

As GDP growth stalled in South Africa, management took proactive steps to reduce risk, improve cash flow and prepare for future growth. They took decisions to restrict the extension of credit to higher risk customers and stopped credit sales of certain lower margin products like mobile phones and food. Expenses were reviewed and plans for store space expansion were revised down, seasonal inventory was cleared and merchandise orders were reduced in line with expected demand. In the second quarter of fiscal year 2010, the effect of the recession coincided with the cumulative impact of these key control measures.

Gross margin recovery began in the second half of fiscal year 2010, further contributing to improvements in cash flow generation. The proportion of full-price sales increased as the pressure of seasonal stock liability diminished and inventories closed below prior year levels. Margins and same store sales continued to improve, while expense controls remained tight and the pace of expansion returned to pre-recession levels in the fourth quarter. Additionally, the successful refinancing of the receivables facilities in fiscal year 2010 improved our liquidity.

Retail sales

Retail sales in fiscal year 2010 decreased by 0.8% from R22,075 million in fiscal year 2009 to R21,888 million in fiscal year 2010 principally due to the global economic downturn, the adverse impact of the new mobile regulatory legislation and continuing poor performance from ladieswear and home textiles. The tightening of credit sales also had an estimated negative 3.0% impact on retail sales, but this was partially offset by the additional trading week in fiscal year 2010 which had a positive 2.2% impact on retail sales in fiscal year 2010.

Same store sales (sales from stores open for the full period in the current fiscal year and in the prior fiscal year) were down 4.7% from fiscal year 2009. Credit sales accounted for 50% of total retail sales in fiscal year 2010, down from 52% in fiscal year 2009, due to our tightened credit standards. In the department store division, retail sales in fiscal year 2010 decreased by 0.3% from fiscal year 2009 primarily due to a decrease in sales in product lines such as mobile phones, ladieswear and home products. *CNA's* retail sales in fiscal year 2010 increased 0.8% from fiscal year 2009, driven by in increase in sales of adult fiction and children's books. Retail sales in the discount division decreased by 1.8% from fiscal year 2009 to fiscal year 2010 due mainly to a decrease in sales in ladieswear, cosmetics, cellular products and food.

Gross profit

Gross profit decreased by R261 million, or 3.1%, from R8,301 million in fiscal year 2009 to R8,040 million in fiscal year 2010. The additional trading week in fiscal year 2010 had a positive 2.3% impact on gross profit. Gross profit as a percentage of retail sales decreased from 37.6% in fiscal year 2009 to 36.7% in fiscal year 2010 due to increased markdown activity in the first half of fiscal year 2010.

In our department stores division, gross profit as a percentage of retail sales decreased from 42.2% in fiscal year 2009 to 41.2% in fiscal year 2010, primarily as a result of increased markdowns in ladieswear and homeware products in the first half of fiscal year 2010. In *CNA*, gross profit as a percentage of retail sales remained stable at 32.8% in fiscal year 2010 compared to fiscal year 2009. In the discount division, gross profit as a percentage of retail sales decreased from 32.8% in fiscal year 2009 to 31.9% in fiscal year 2010 mainly due to higher markdowns in ladieswear and menswear.

Store costs

Store costs increased by R231 million or 6.0%, from R3,847 million in fiscal year 2009 to R4,078 million in fiscal year 2010 principally as a result of (i) the addition of 5.2% to average retail space in fiscal year 2010 and (ii) increases in wages, rent and utilities, partially offset by productivity improvements in stores.

Other operating costs

Other operating costs decreased by R262 million, or 9.3%, from R2,817 million in fiscal year 2009 to R2,555 million in fiscal year 2010. This decrease was principally a result of lower fuel costs in logistics and distribution and cost saving initiatives undertaken in corporate departments such as information technology.

Credit and financial services operating profit

Credit and financial services operating profit decreased by R135 million (R31 million excluding OtC) from R848 million (R565 million excluding OtC) in fiscal year 2009 to R713 million (R534 million excluding OtC) in fiscal year 2010. This decrease was primarily due to lower interest income associated with a reduction in the interest rate charged to customers and increased net bad debts. Consolidated annualised bad debts as a percentage of average debtors was 12.9% for fiscal year 2010 compared with 11.8% in fiscal year 2009. Equity accounted earnings of joint ventures after taxation increased by R86 million, or 24.6%, from R349 million in fiscal year 2009 to R435 million in fiscal year 2010. The number of active accounts decreased from 4.3 million in fiscal year 2009 to 4.0 million in fiscal year 2010 due to our tightened credit standards in fiscal year 2010.

Depreciation and amortisation

Depreciation and amortisation increased by R126 million from R1,099 million in fiscal year 2009 to R1,225 million in fiscal year 2010, primarily due to higher capital expenditure in fiscal year 2010 and prior years.

Net financing costs before tax

Net financing costs decreased to R2,915 million (R2,588 million excluding OtC) in fiscal year 2010 from R3,255 million (R2,899 million excluding OtC) in fiscal year 2009. This decrease is primarily a result of lower interest rates and lower average drawings under our no longer existing receivables based facility and the Existing Super Senior Revolving Credit Facility during fiscal year 2010.

Taxation

Taxation income decreased by R102 million, from R472 million in fiscal year 2009 to R370 million in fiscal year 2010. The reduction was primarily due to lower taxable losses in fiscal year 2010 compared to fiscal year 2009, offset by the impact of the buy-back of the senior floating rate notes in fiscal year 2009.

Liquidity and capital resources

Our operations are principally financed by cash on hand, the securitisation of receivables (as and when necessary) and the Existing Super Senior Revolving Credit Facility. In addition we have long-term debt due to the issuance of the 2007 Senior Secured Notes and the 2007 Senior Notes.

Historical cash flows

The table below summarises our historical cash flows for fiscal year 2009, 2010, 39-week 2010 and 39-week 2011.

	52 weeks ended 28 March 2009	53 weeks ended 3 April 2010	39 weeks ended 2 January 2010(2)	39 weeks ended 1 January 2011
		(in millions)		
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash retained from operating activities(1)				
EBITDA	R 3,187	R 2,716	R 2,574	R 1,569
Non-cash items	528	636	93	1,449
Working capital movement	(1,553)	952	300	(421)
Cash generated from operating activities	2,162	4,304	2,967	2,597
Interest received	15	31	15	37
Financing costs paid	(2,280)	(2,190)	(1,666)	(1,634)
Taxation paid	(235)	(368)	(320)	(72)
Net cash retained	(338)	1,777	996	928
Cash utilised in investment activities				
Net cash invested	(568)	(353)	(345)	(355)
Cash effect of financing activities				
Net cash inflow from financing activities	793	(650)	(649)	(350)
Increase in cash and cash equivalents before currency adjustments	(113)	774	2	223

(1) All figures presented in the historical cash flow information above consolidate OtC.

(2) Comprises the unaudited financial information for the 39-week period ended 26 December 2009, net of the unaudited adjustments required to reflect performance for the 39-week period ended 2 January 2010, to be comparable with the weeks in the unaudited financial information for the 39-week period ended 1 January 2011.

39-week 2011 compared to 39-week 2010

EBITDA decreased by R1,005 million, or 39.0% from R2,574 million in the 39-week 2010 to R1,569 million, in the 39-week 2011.

Working capital increased by R421 million in the 39-week 2011 compared with a decrease of R300 million for 39-week 2010. This was principally due to (i) an increase in receivables of R916 million in the 39-week 2011 compared with a decrease in receivables of R34 million in the 39-week 2010 following the credit tightening implemented in fiscal year 2010, (ii) an increase in inventory of R326 million in the 39-week 2011 compared to an increase of R136 million in the 39-week 2010 due to increased inventory requirements to meet the higher sales demand partially offset by (iii) an increase in payables of R821 million in the 39-week 2011 compared to an increase of R402 million in the 39-week 2010 due to higher purchases in the 39-week 2011.

Cash generated by operating activities decreased by R370 million, from R2,967 million in the 39-week 2010 to R2,597 million in the 39-week 2011 primarily because of the higher working capital investment.

Capital expenditure was R355 million in the 39-week 2011, up from R345 million in the 39-week 2010 due to an accelerated store refurbishment program in *Edgars* and *Jet* stores partially offset by lower new space growth. The store refurbishment program combined with the opening of 32 new stores resulted in an investment of R281 million. In addition, in the 39-week 2011 we invested R74 million in information technology infrastructure compared with R131 million in the 39-week 2010.

Fiscal year 2010 compared to fiscal year 2009

EBITDA decreased by R471 million, or 14.7% from R3,187 million in fiscal year 2009 to R2,716 million in fiscal year 2010.

Working capital decreased by R952 million in fiscal year 2010 compared to an increase of R1,553 million for fiscal year 2009. This was principally due to (i) a decrease in trade and other receivables of R695 million in fiscal year 2010 compared to an increase in trade and other receivables of R999 million in fiscal year 2009 due to the tightening of credit granting for higher risk customers as well as the suspension of sales of certain product categories on credit in fiscal year 2010, (ii) decrease in inventory of R138 million in fiscal year 2010 compared to an increase of R397 million in fiscal year 2009 as a result of improved inventory management, and (iii) an increase in payables of R119 million in fiscal year 2010 compared to a decrease of R157 million in fiscal year 2009.

Cash generated from operating activities rose by R2,142 million, or 99%, from R2,162 million in fiscal year 2009 to R4,304 million in fiscal year 2010.

Capital expenditure in fiscal year 2010 was R353 million compared with R568 million in fiscal year 2009 due to a slowdown in the opening of new stores and the sale of the last remaining store property we owned for R107 million. During fiscal year 2010, we opened 51 stores which, combined with store refurbishments, resulted in investments in store fixtures of R297 million. In addition, we invested R174 million in IT infrastructure compared to R265 million in fiscal year 2009.

Future liquidity and capital resources

Our primary source of short-term liquidity is cash on hand, our Existing Super Senior Revolving Credit Facility and Amended Super Senior Revolving Credit Facility and the OtC Securitisation Programme. The amount of cash on hand and the outstanding balance of our Existing Super Senior Revolving Credit Facility and Amended Super Senior Revolving Credit Facility are influenced by a number of factors, including retail sales, working capital levels, supplier payment terms, timing of payment for capital expenditure projects, and tax payment requirements.

Our working capital requirements fluctuate during the month, depending on when we pay our suppliers and collect receivables, and throughout the year depending on the seasonal build-up of inventory and accounts receivable. We fund peaks in the working capital cycle with cash flows from operations and drawings under our Existing Super Senior Revolving Credit Facility and Amended Super Senior Revolving Credit Facility.

HoldCo has no operations, and it depends on the Issuer, pursuant to the Subordinated Proceeds Loan, to provide it with funds adequate to meet HoldCo's obligations under the 2007 Senior Notes and its other obligations. See Annexure "E" (*Related Party Transactions –Proceeds Loan*), for a description of the Subordinated Proceeds Loan.

Scheduled repayments of our obligations (as adjusted)

The following table summarises as of 1 January 2011, on a *pro forma* basis, giving effect to the Transactions, the offering of the Notes and the application of the proceeds there from, (i) the contractual obligations, commercial commitments and interest payments we are committed to make under our debt obligations, leases and other agreements and (ii) their maturities. See Annexure "D" (*Description of Certain Other Indebtedness*).

	Payments due by period (in millions)[1] (unaudited)				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
	R	**R**	**R**	**R**	**R**
Amended Super Senior Revolving Credit Facility[1]	—	—	—	—	—
2007 Senior Secured Notes	11,623	—	—	11,623	—
2007 Senior Notes	3,723	—	—	3,723	—
Notes offered hereby	1,000	—	—		1,000
2011 Senior Secured Notes	4,925	—	—	—	4,925
Leases[2, 3]	7,502	1,305	2,351	1,072	2,774
Medical aid[4]	120	—	—	—	120
Net Interest expense	11,887	2,478	5,514	2,381	1,513

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in millions)[1] (unaudited)				
	R	R	R	R	R
Total long-term debt obligations	**40,779**	**3,783**	**7,865**	**18,799**	**10,332**

(1) Balances under the Amended Senior Revolving Credit Facility will vary depending on the level of our working capital requirements. See Annexure "D" (*Description of Certain Other Indebtedness—The Amended Super Senior Revolving Credit Facility*).
(2) Our financial statements present our lease obligations in categories different from the categories we use in this table. Therefore, we have straight-lined our lease obligations to present them for the periods we use in this table.
(3) Leases includes property operating lease commitments and computer equipment operating lease commitments.
(4) We assume that there are no medical aid obligations that will become due and payable prior to five years.

Our leases have an average initial lease term of ten years for our *Edgars* chains and five years for our other chains, with lease terms typically including four options to extend the lease for periods of five years each. These leases generally give us the right to sublet the leased premises and assign our rights under the lease to our affiliate companies. Rental payments are generally made on a monthly basis and rent is increased at an agreed percentage rate (typically 7%) compounded annually. As at 1 January 2011, the future minimum property operating lease commitments due within one year amounted to R1,168 million.

Market risk

Foreign currency risk

We are exposed to the exchange rate movement of the rand, our operating currency, against other currencies in respect of merchandise we import. A substantial portion of our indebtedness is denominated in euro. Foreign exchange rate fluctuations in the future may affect our ability to service our foreign-currency denominated indebtedness, including payments in euro on the 2007 Senior Secured Notes, the 2007 Senior Notes and the 2011 Senior Secured Notes. Historically, our policy has been to cover all foreign-denominated import liabilities using forward exchange contracts. We hedge our exposure to the rate movement of the rand against the euro in relation to the 2007 Senior Secured Notes, the 2007 Senior Notes and the 2011 Senior Secured Notes, both the principal and interest coupons. See Annexure "D" (*Description of Certain Other Indebtedness—Hedging*).

Interest rate risk

As a result of the significant inter-seasonal and intra-month swings in working capital in our business, our short term net debt can fluctuate significantly. Therefore, our treasury actively monitors our interest rate exposure. We use swaps to manage our interest rate risk against any unexpected fluctuations in the interest rate. We also actively manage our fixed and floating rate interest-bearing debt, and cash and cash equivalents mix as part of this exposure management process.

In order to hedge specific interest rate exposure of existing borrowings and anticipated peak additional borrowings, we make use of interest rate derivatives, only as approved in terms of policy limits which requires approval of the chief executive officer and, in some cases, the board of directors, depending on the size of the derivative. We have fixed the interest payments on the 2007 Senior Secured Notes 2007 Senior Notes until June 2011.

Counterparty risk

Counterparty risk for deposits with financial institutions is managed by clearly defined bank mandates and delegation of authority. We carefully assess on an ongoing basis the creditworthiness of financial counterparties. Exposure limits are managed by our treasury, and monitored by our Treasury Risk Workgroup.

Inflation

Consumer price inflation in South Africa was 11.5%, 7.1% and 4.3% in the years 2008, 2009 and 2010 respectively. Inflation impacts, among other things, the costs we incur, in particular for labour.

Critical accounting policies and use of estimates

In preparing our Group financial statements, our management has historically been required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Actual results in the future could differ from these estimates, and this may be material to our financial statements. Significant estimates and judgments made relate to an allowance for doubtful debts, allowances for slow-moving inventory, residual values, useful lives and depreciation methods, classification of leases, estimating of the fair value of derivatives including credit valuation adjustments to reflect non-performance risk, pension fund and employee obligations and asset impairment tests.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Edcon and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty.

Revenue comprises retail sales of merchandise, manufacturing sales, club fees, financial services income, equity accounted earnings of joint ventures, dividends, and interest and finance charges accrued to Edcon. 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 are accrued on a time proportion basis, recognising the effective yield on the underlying assets. 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 as incurred.

Trade and other receivables

Trade and other receivables are initially recognised at fair value. Subsequent to initial measurement, receivables are recognised at amortised cost less an allowance for doubtful debts. A provision for impairment is made when there is objective evidence (such as default or delinquency of interest and the principal) that Edcon will not be able to collect all amounts due under the original terms of the trade receivable transactions. Bad debts incurred are recognised in profit or loss as incurred.

Delinquent accounts are impaired by applying Edcon’s impairment policy recognising both contractual and ages of accounts. Age refers to the number of months since a qualifying payment was received. The process for estimating impairment considers all credit exposures, not only those of low credit quality and estimated on the basis of historical loss experience, adjusted on the basis of current observable data, to reflect the effects of current conditions. Edcon assesses whether objective evidence of impairment exists individually for receivables that are individually significant, and individually or collectively for receivables that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, the receivable is included in a group of receivables with similar credit risk characteristics and that group of receivables is collectively assessed for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised, are not included in a collective assessment of impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent the carrying value of the receivable does not exceed its cost at the reversal date.

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 Edcon as lessee. The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Assets subject to finance leases are capitalised at the lower of the fair value of the asset, and the present value of the minimum lease payments, with the related lease obligation recognised at the same value. Capitalised leased assets are depreciated over the shorter of the lease term and the estimated useful life if Edcon does not obtain ownership thereof. 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 with fixed escalation clauses are charged against trading profit on a straight-line basis over the term of the lease.

In the event of a sub-lease, lease rentals received are included in profit or loss on a straight-line basis.

Inventory

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 provided for in full as it is not readily disposable.

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 subject to more frequent inventory counts. An allowance is made, based on historical trends of inventory losses, for losses incurred between the last physical count and the reporting date.

Financial instruments

Financial instruments are initially measured at fair value, including transaction costs, except those at fair value directly through profit or loss, when Edcon becomes party to contractual arrangements. Where Edcon can legally do so, and Edcon intends to settle on a net basis, or simultaneously, related positive and negative values of financial instruments are offset.

Financial instruments recognised on the Statement of Financial Position include derivative instruments, held-to-maturity investments, trade and other receivables, cash and cash equivalents, trade and other payables and financial liabilities.

Edcon uses derivative financial instruments such as foreign currency contracts and interest rate swaps to manage the financial risks associated with their underlying business activities and the financing of those activities. Edcon does not undertake any trading activity in derivative financial instruments.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

We incorporate credit risk valuation adjustments to appropriately reflect both our own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements.

The significant inputs to the overall valuations are based on market observable data or information derived from or corroborated by market observable data, including transactions, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Where models are used, the selection of a particular model to value a derivative depends upon the contractual terms of, and specific risks inherent in the instrument as well as the ability of pricing information in the market. Edcon uses similar models to value similar instruments. Valuation models require a variety of inputs including contractual terms, market prices, yield curves and credit curves.

The credit risk valuation adjustments are calculated by determining the current net exposure of each derivative (excluding potential future exposure) and then discounting the estimated cash flows at a rate, adjusted with each counterparty's credit spread to the applicable exposure.

The inputs utilised by Edcon for its own credit spread are based on estimated fair market spreads for entities with similar credit ratings. For counterparties with publicly available credit information, the credit spreads over the benchmark rate used in the calculations represent implied credit default swap spreads obtained from a third party credit data provider.

In adjusting the fair value of derivative contracts for the effect of non-performance risk, Edcon has not considered the impact of netting and any applicable credit enhancements such as, collateral postings, thresholds, mutual puts and guarantees. Edcon additionally actively monitors counterparty credit ratings for any significant changes.

For the purposes of hedge accounting, hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

In relation to cash flow hedges which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in comprehensive income and the ineffective portion is recognised in profit or loss.

For cash flow hedges, the gains or losses that are recognised in comprehensive income are transferred to profit or loss in the same period in which the hedged item affects the profit or loss, for example when interest payments are made.

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for special hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in comprehensive income is kept in comprehensive income until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in comprehensive income is transferred to profit or loss for the period.

Goodwill

Goodwill is initially measured at cost and represents the excess of the purchase consideration over the fair value of Edcon’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 is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impaired losses relating to goodwill are not reversed in future periods.

If, on acquiring an entity, Edcon’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity exceeds the purchase consideration, this excess/discount, is recognised in profit or loss immediately.

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.

Other intangible assets

Where payments are made for the acquisition of intangible assets with a finite useful life, the amounts are capitalised at cost and amortised on a straight-line basis over their anticipated useful lives. Intangible assets acquired through the acquisition of an entity are recognised at fair value. The useful life of intangible assets with a finite life is estimated to be between five and fifteen years. Amortisation is charged on those assets with finite lives and the expense is taken to profit or loss and included in other operating costs. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial period-end and assessed for indicators of impairment. Annually, intangible assets with an indefinite useful life are reviewed for impairment or changes in estimated future benefits, either individually or at the cash-generating unit level. Such intangible assets are not amortised and the useful life is reviewed annually to determine whether indefinite life assessment continues to be appropriate. If not, the change from indefinite to finite will be made on a prospective basis. If such indications exist, an analysis is performed to assess whether the carrying amount of intangible assets 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.

Intangible assets are derecognised on disposal or when no future economic benefits are expected through use of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognised in profit or loss when the intangible asset is derecognised. No valuation is made of internally developed and maintained intangible assets. Expenditure incurred to maintain brand names is charged in full to profit or loss as incurred.