

**Audited Consolidated and Company Annual Financial  
Statements**

**Edcon Limited**

*For the period ended 28 March 2015*

# Consolidated and Company Financial Statements of Edcon Limited

(Registration number 2007/003525/06)

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These annual financial statements were prepared by the finance department of Edcon Limited Group, acting under the supervision of Mr. T Clerckx, who is the Chief Financial Officer of the Group, and holds a Master's degree in Applied Economics.

These Annual Financial Statements should be read in conjunction with the Annual Report of Edcon Holdings Limited which can be located on the website at [www.edcon.co.za](http://www.edcon.co.za).

# Consolidated and Company Financial Statements of Edcon Limited

(Registration number 2007/003525/06)

## **Certificate by the Company Secretary**

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In my capacity as Company Secretary, I hereby confirm, in terms of the Companies Act, No. 71 of 2008 (the "Act") of South Africa, that for the period ended 28 March 2015, the Company has filed with the Commission for Intellectual Property and Companies (CIPC) all such returns and notices as are required of a public company in terms of the Act and that all such returns and notices are true, correct and up to date.

*Charles M. Vikisi*

**CM Vikisi**  
**Group Secretary**

Johannesburg  
24 June 2015

## Approval of Consolidated and Company Financial Statements of Edcon Limited

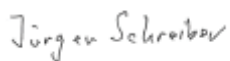
(Registration number 2007/003525/06)

### For the period ended 28 March 2015

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The directors' responsibility for the Consolidated and Company Financial Statements is set out on page 10 of the directors' report.

The Consolidated and Company Financial Statements, which appear on pages 14 to 109 were approved by the board of directors on 24 June 2015 and are signed on its behalf by:



**J Schreiber, Group Chief Executive Officer**



**T Clerckx, Chief Financial Officer**

Johannesburg  
24 June 2015

## **INDEPENDENT AUDITOR'S REPORT**

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### **TO THE SHAREHOLDERS OF EDCON LIMITED**

We have audited the consolidated and separate financial statements of Edcon Limited set out on pages 14 to 109, which comprise the statements of financial position as at 28 March 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the 52 week period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Directors' Responsibility for the Financial Statements*

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Edcon Limited as at 28 March 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the 52 week period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

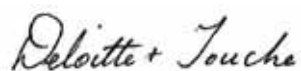
## Independent Auditor's Report (continued)

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### *Other reports required by the Companies Act*

As part of our audit of the consolidated and separate financial statements for the period ended 28 March 2015, we have read the Directors' Report, the Audit & Risk Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements, however, we have not audited these reports and accordingly do not express an opinion on these reports.



**Deloitte & Touche**  
Registered Auditor

Per: AJ Dennis  
Partner  
24 June 2015

National Executive: \*LL Bam Chief Executive \*AE Swiegers Chief Operating Officer \*GM Pinnock Audit  
DL Kennedy Risk Advisory \*NB Kader Tax TP Pillay Consulting \*K Black Clients & Industries  
\*JK Mazzocco Talent & Transformation \*MJ Jarvis Finance \*M Jordan Strategy S Gwala Managed Services  
\*TJ Brown Chairman of the Board \*MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request. \* Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

# Consolidated and Company Financial Statements of Edcon Limited

(Registration number 2007/003525/06)

## DIRECTORS' REPORT

### For the period ended 28 March 2015

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The directors submit their report on the state of affairs, the business and profit or loss of Edcon Limited (the "Company") and the Edcon Limited Group (the "Group") together with the Consolidated and Company financial statements for the 52-week period ended 28 March 2015.

#### Nature of business

The Company is incorporated and domiciled in the Republic of South Africa.

The Company's product lines include clothing, footwear, mobile phones, cosmetics, homeware, furniture, stationery and books. These product lines are traded through a range of retail formats including Edgars, Edgars Active, Edgars Shoe Gallery, Red Square, Monobrand, CNA, Boardmans, Jet, Jet Mart and Legit.

#### Non-current interest-bearing debt

On 20 May 2014, the Company agreed to beneficial amendments to the level of the financial maintenance covenants under the ZAR term loan of R4 120 million and agreed to test those revised covenant levels on a quarterly basis which created a more flexible arrangement for the Company.

#### Current interest-bearing debt

A portion of the revolving credit facility reached maturity on 31 March 2014 resulting in a R250 million reduction in credit limit. The deferred option premium (note 20) of R1 076 million matures during the 2016 financial period.

#### Derivative financial instruments

In September and November 2014, the Company restructured certain derivative contracts by early terminating a series of cross currency swaps and foreign currency call options with notional values of €230 million and €237 million, respectively, which were due to mature in March 2015. On termination, the Company realised net proceeds of R227 million being, R826 million (note 34.9) gross proceeds received, net of a R310 million (note 34.11) settlement relating to the option premiums which had been deferred on the early terminated foreign currency call options.

New derivative contracts were entered into as follows:

- Foreign currency call options to partially hedge interest on the €317 million and €300 million senior secured fixed rate notes with a notional value of €44 million and principal with a notional value of €385 million. These new foreign currency call options extend the hedge cover to March 2016;
- Foreign currency forward contracts with a notional value of €7 million each, maturing in September 2015 and March 2016, respectively, to partially hedge the interest payments on the €300 million senior secured fixed rate notes; and
- Foreign currency call options with a notional value of \$24 million to partially hedge interest on the \$250 million senior secured fixed rate notes, extending hedge cover to March 2016.

In respect of these new derivative contracts, a premium of R204 million was deferred and R289 million was settled in cash. Only the foreign currency forward contracts in respect of the €300 million senior secured fixed rate notes have been designated as cash flow hedges. Refer to note 20 for the deferred option premium and note 37.2 for the Group's hedging strategy.

#### Sale and leaseback transaction

On 2 April 2014, the Company completed a sale and leaseback transaction to the value of R132 million relating to fixtures and fittings. These fixtures and fittings were disposed of at their carrying values and the lease classified as a finance lease obligation.

#### Results of operations

The results for the period are detailed in the Consolidated and Company financial statements that follow.

# Consolidated and Company Financial Statements of Edcon Limited

(Registration number 2007/003525/06)

## DIRECTORS' REPORT (continued)

### For the period ended 28 March 2015

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#### Company results

Company retail sales during the period increased by 0.4%. Gross profit margin increased from 35.5% in 2014 to 36.4% in 2015 as a result of reduced markdown activity. Profit before net financing costs increasing by R780 million to R439 million compared to a loss of R341 million in the prior financial period mainly due to foreign exchange gains of R398 million this period compared to losses of R1 542 million reported in the prior financial period, partially offset by derivative losses incurred of R601 million this period compared to derivative gains of R607 million in the prior financial period. Net financing costs decreased by R640 million mainly due to a reduced interest charge of R1 107 million by Edcon Holdings Limited offset by increased finance costs relating to the notes in issue and current interest-bearing debt while the tax charge increased by R993 million as a result of foreign exchange gains and the tax treatment relating to derivative financial contracts which gave rise to the recognition of deferred tax liabilities. Net loss for the period reported was R2 443 million compared to a net loss of R2 938 million in the prior period.

#### Group results

Group retail sales during the period increased by 2%. Gross profit margin increased from the prior financial period from 36.5% in 2014 to 37.2% in 2015 due to a reduction in markdown activity as well as increased gross margin generated through our Africa expansion. Profit before net financing costs increased by R751 million to R769 million from R18 million in the prior financial period, mainly due to foreign exchange gains of R397 million this period compared to losses of R1 530 million reported in the prior financial period, partially offset by derivative losses incurred of R601 million this period compared to derivative gains of R607 million in the prior financial period. Net financing costs decreased by R643 million mainly due to a reduced interest charge of R1 107 million by Edcon Holdings Limited offset by increased finance costs relating to the notes in issue and current interest-bearing debt while the tax charge increased by R1 027 million as a result of foreign exchange gains and the tax treatment relating to derivative financial contracts which gave rise to the recognition of deferred tax liabilities. Net loss for the period reported was R2 289 million compared to a net loss of R2 733 million in the prior period.

#### Property, fixtures, equipment and vehicles

There were no major changes in the nature of the Group's and the Company's property, fixtures, equipment and vehicles during the period. Fixtures, equipment and vehicles acquired during the period are detailed in note 3.

#### Business combination

On 3 August 2014, the Company acquired a 75.5% interest in each of Rowmoor Investments 582 Proprietary Limited and Kamnandi Retail Proprietary Limited for R2 million (note 34.6). These companies form part of the ALI group of companies that was acquired by the Company in the prior year (note 34.7)

#### Share capital

Details of the authorised and issued share capital of the Company and Group and any movements during the period are disclosed in note 15.

#### Dividends

No dividends were paid by the Company for the period ended 28 March 2015 (2014: RNil).

#### Shareholding

Edcon Limited is wholly owned by Edgars Consolidated Stores Proprietary Limited and its ultimate shareholder is Edcon Holdings Limited, incorporated in the Republic of South Africa.

#### Subsidiaries

A list of significant subsidiaries is reflected in Annexure 1 on page 109.



# Consolidated and Company Financial Statements of Edcon Limited

(Registration number 2007/003525/06)

## DIRECTORS' REPORT *(continued)*

### For the period ended 28 March 2015

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#### Directors

J Schreiber	Managing director and chief executive officer
MR Bower	Deputy chief executive officer and chief financial officer – retired 31 March 2014
T Clerckx	Chief financial officer – appointed on 17 February 2014
Dr. U Ferndale	Chief operating officer

#### Prescribed officers

G Napier	Chief Executive Discount Division – appointed on 17 February 2014
B Gebauer	Chief Executive Edgars Division – appointed on 19 November 2013

The directors' and prescribed officers' emoluments are included in the Consolidated Financial Statements in note 31.2.1 on page 74.

#### Auditors

Deloitte & Touche

#### Going concern

The Group and Company at 28 March 2015 reports share premium of R5 429 million (2014: R5 429 million) in equity attributable to shareholders and an amount owing to a Group company recognised in equity of R6 398 million (2014: R6 382 million) offset by an accumulated retained loss of R22 068 million (2014: R19 758 million) for the Group and R22 081 million (2014: R19 649 million) for the Company and other reserves of R8 million (2014: R117 million) for the Group and a net debit of R16 million (2014: net credit of R103 million) for the Company, resulting in negative equity at 28 March 2015 of R10 233 million (2014: R7 830 million) for the Group and R10 270 million (2014: R7 735 million) for the Company. After considering non-controlling interests of R146 million (2014: R93 million), total equity of the Group is a deficit of R10 087 million (2014: R7 737 million). After considering the amount owing to a Group company of R8 449 million (2014: R9 013 million) which has been subordinated to the claims of all the creditors of the Group and Company the total negative equity is R1 638million (2014: positive equity of R1 276 million) for the Group and R1 821 million (2014: positive equity of R1 278 million) for the Company.

The directors have considered the solvency and liquidity of the business in accordance with the Act and in doing so, have focused on the fair value of the assets and liabilities of the business ("solvency") and the ability of the business to meet its financial obligations for the 12 months following approval of the Consolidated and Company Financial Statements ("liquidity"). The analysis considered planned future sales growth, margin growth, expected operating costs, refinancing of debt, the tax settlement of the Company, inter-group loan terms, all guarantors and cross guarantors, the fair values of the Group's and Company's assets and liabilities and all maturities relating to liabilities for the following 12 months. In particular the analysis took into consideration the R1 154 million in deferred option premium liabilities maturing in July 2015, December 2015 and March 2016; and the R1 010 million in super senior secured notes maturing April 2016, which given their seniority in the capital structure and based on advice provided by international investment banks, the directors believe should be refinanceable. The directors have assessed these and all other maturities which fall due over the 12 months following the approval of the Consolidated and Company Financial Statements, believe that the Group and Company will have adequate facilities, and that the assets at fair value exceed the liabilities of the Group and Company.

We have entered into discussions with our lenders regarding potential debt exchanges, new debt raises and/or amendments to improve our capital structure. These discussions are proceeding constructively, but there can be no assurance at this time that they will be successful.

Notwithstanding the fact that the Group's and Company's liabilities exceed its assets in accordance with International Financial Reporting Standards, the Consolidated and Company Financial Statements set out on pages 14 to 109 have been prepared on the going-concern basis (note 1.3) as the Group's and Company's assets at fair value exceed the liabilities. The directors believe that the Group and Company will have adequate resources to continue in operation and is considered both solvent and liquid.

# Consolidated and Company Financial Statements of Edcon Limited

(Registration number 2007/003525/06)

## DIRECTORS' REPORT (continued)

### For the period ended 28 March 2015

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#### Events after the reporting period

In terms of the Consolidated and Company Financial Statements, the following events have occurred after the reporting period:

#### **Super Senior Liquidity Facility**

On 19 June 2015, Edcon Limited signed a Commitment Letter for a Term loan facility with Goldman Sachs Lending Partners LLC for R1 billion available to be utilised in EUR or ZAR currency for general corporate and working capital purposes including the exchange, repurchase or redemption of any indebtedness. The Super Senior Liquidity Facility ("the SSLF") will rank *pari passu* with the Revolving Credit facility (note 21 and 37.7) and the Super Senior Secured notes due 4 April 2016 (note 19.1). The SSLF has an initial termination date of 30 September 2016 subject to the exercise of the Extension Option which allows the Company to extend the termination date by a period of up to and including the earlier of:

- (i) six months following the initial termination date and;
- (ii) the termination date in respect of the revolving credit facility (note 21 and 37.7).

The SSLF shall accrue PIK interest monthly at the applicable JIBAR/EURIBOR with a 0% floor plus a margin of 9% and is secured by substantially all the assets of Edcon Holdings Limited and its subsidiaries. The SSLF is subject to the preparation, execution and delivery of the Facility Documents by no later than 17 August 2015.

#### **Directors' responsibilities for financial reporting**

The directors are ultimately responsible for the preparation of the Consolidated and Company Financial Statements and related financial information that fairly present the state of affairs and the results of the Group and Company. The external auditors are responsible for independently auditing and reporting on the Consolidated and Company Financial Statements in conformity with International Standards on Auditing.

The Consolidated and Company Financial Statements set out in this report have been prepared by management in accordance with International Financial Reporting Standards and the Companies Act of South Africa, No. 71 of 2008. They incorporate full and reasonable disclosure and are based on appropriate accounting policies, which have been consistently applied and which are supported by reasonable and prudent judgments and estimates.

Adequate accounting records have been maintained throughout the period under review.

# Consolidated and Company Financial Statements of Edcon Limited

(Registration number 2007/003525/06)

## AUDIT COMMITTEE REPORT

### For the period ended 28 March 2015

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The Company has relied on section 94(2) of the Companies Act; hence accordingly, the Audit Committee of Edcon Holdings Limited fulfils the functions of the Audit Committee of Edcon Limited. This report is provided by the Audit and Risk Committee (the "Committee"), in respect of the 2015 financial period of Edcon Limited (the "Group") in compliance with section 94 of the Companies Act No. 71 of 2008 (the "Act"), as amended from time to time. The Committee's operation is guided by a detailed charter that is informed by the Act and the King Code of Good Corporate Governance. In this regard, the board of directors (the "board") continues to undertake the Institute of Directors endorsed Governance Assessment Instrument to assess the extent to which the Group applies best practice recommendations contained in the King Code of Good Corporate Governance. The Group complies with all aspects of the King III Code of Corporate Governance except for certain differences noted which are described and explained on our website [www.edcon.co.za](http://www.edcon.co.za).

#### Charter

The Committee is appointed by the board and the shareholders of Edcon Holdings Limited annually and has adopted a comprehensive and formal Charter which has been approved by the board and reviewed on an annual basis.

#### Execution of functions

The Committee has executed its duties and responsibilities during the financial period in accordance with its terms of reference as they relate to the Group's accounting, internal auditing, internal controls and financial reporting practices.

During the period under review the Committee, amongst other matters, considered the following:

- In respect of the **external auditors** and the **external audit**:
  - approved the external auditors' terms of engagement, the audit plan and budgeted audit fees payable;
  - reviewed the audit process and audit reports and evaluated the effectiveness of the audit; and
  - obtained assurance from the external auditors that their independence was not impaired.
- In respect of the financial statements:
  - confirmed the going concern concept as the basis of preparation of the annual financial statements;
  - examined and reviewed the annual financial statements prior to submission and approval by the board;
  - reviewed any significant legal and tax matters that could have a material impact on the financial statements;
  - reviewed and discussed the external auditors' audit report; and
  - ensured that the financial statements fairly present the financial position of the Company and of the Group as at the reporting dates and the results of operations and cash flows for the reporting period and, based on the above, the Committee was satisfied that at the date of this report, the financial statements complied with the accounting practices of the Group.
- In respect of **internal financial controls** and **internal audit**:
  - reviewed and approved the internal audit charter and audit plan and evaluated the independence, effectiveness and performance of the internal audit department;
  - considered reports of the internal auditors on the Group's systems of internal control, including internal financial controls and maintenance of effective internal control systems;
  - assessed the adequacy of the performance of the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory;
  - reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to such findings; and
  - noted that there were no significant differences of opinion between the internal audit function and management; and based on the above, the Committee was satisfied that at the date of this report there were no material breakdowns in internal control, including internal financial controls, resulting in any material loss to the Group.
- In respect of **legal, regulatory** and **compliance** requirements:
  - reviewed with management matters that could have a material impact on the Group;
  - monitored compliance with the Act, JSE debt listings requirements and all other applicable legislation and governance codes as well as financial covenants; and

# Consolidated and Company Financial Statements of Edcon Limited

(Registration number 2007/003525/06)

## AUDIT COMMITTEE REPORT (continued)

### For the period ended 28 March 2015

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- noted that no complaints were received through the Group's ethics and fraud hotline concerning accounting matters, internal audit, internal financial controls, contents of financial statements, potential violations of the law and questionable accounting or auditing matters.
- In respect of **risk management** and **information technology**
  - considered and reviewed reports from management on risk management, including fraud risks and information technology risks as they pertain to financial reporting, internal controls and the going concern assessment.

#### Solvency and liquidity review

The Committee considered the solvency and liquidity tests as stipulated in section 4 and 46 of the Act. The Committee is satisfied that the board has performed a solvency and liquidity test and that the Group met all the requirements.

#### Going concern

The Committee considered the going concern status of the Company and the Group on the basis of a review of the annual financial statements and the budgeted and forecast earnings and cash flow information as well as liquidity forecasts available to the Committee and recommended such going concern status for adoption by the board. The board statement on the going concern status of the Group and Company is contained on page 9 in the directors' report.

#### Independence of the external auditors

The Committee is satisfied that Deloitte & Touche are independent of the Group. This conclusion was arrived at, inter alia, after taking into account the following factors:

- the representations made by Deloitte & Touche to the Committee;
- the auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the Group;
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditors;
- the auditors' independence was not prejudiced as a result of any previous appointment as auditor; and
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies were met.

The Committee has reviewed the Consolidated and Company Financial Statements of Edcon Limited and recommended them to the board for approval.

On behalf of the Committee

DAVID H BROWN

**David H Brown**  
**Chairman of the Audit & Risk Committee**  
**24 June 2015**

## Currency of the Consolidated and Company Financial Statements of Edcon Limited

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The presentation currency of the Consolidated and Company Financial Statements is South African Rand (R). The approximate Rand cost of a unit of the following currencies at each reporting period end was:

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	<b>28 March</b>	29 March
	<b>2015</b>	2014
US Dollar	<b>12,04</b>	10,56
Sterling	<b>17,81</b>	17,66
Botswana Pula	<b>1,21</b>	1,2
Euro	<b>13,12</b>	14,54
Zambian Kwacha - ZMW	<b>1,57</b>	1,65
Mozambican Metical	<b>0,34</b>	0,34
Singapore Dollar	<b>8,76</b>	8,41
Bangladeshi Taka	<b>0,15</b>	0,14
Chinese Yuan Renminbi	<b>1,93</b>	1,71
Hong Kong Dollar	<b>1,55</b>	1,37
Ghanaian Cedi	<b>3,15</b>	

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## Consolidated and Company Statements of Financial Position Edcon Limited

	Note	Consolidated 2015 28 March Rm	Consolidated 2014 29 March Rm	Company 2015 28 March Rm	Company 2014 29 March Rm
<b>ASSETS</b>					
<b>Non-current assets</b>					
Properties, fixtures, equipment and vehicles	3	3 337	3 157	2 843	2 813
Intangible assets	4	16 146	16 388	16 118	16 357
Investment in subsidiaries	6			998	984
Derivative financial instruments	8.1		701		701
Deferred taxation	9	328	387	313	340
Employee benefit asset	31.3	110	178	110	178
<b>Total non-current assets</b>		<b>19 921</b>	<b>20 811</b>	<b>20 382</b>	<b>21 373</b>
<b>Current assets</b>					
Amounts owing by group companies and related parties	7.1	986	966	1 678	1 891
Inventories	10	4 373	4 436	3 664	3 831
Trade receivables	11	473	323	76	
Sundry receivables and prepayments	12	755	744	629	655
Derivative financial instruments	8.2	816	1 297	816	1 297
Cash and cash equivalents	13	1 288	410	1 188	245
		<b>8 691</b>	<b>8 176</b>	<b>8 051</b>	<b>7 919</b>
Assets classified as held-for-sale	14	393	651		
<b>Total current assets</b>		<b>9 084</b>	<b>8 827</b>	<b>8 051</b>	<b>7 919</b>
<b>Total assets</b>		<b>29 005</b>	<b>29 638</b>	<b>28 433</b>	<b>29 292</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to shareholders</b>					
Share capital	15.4	-	-	-	-
Share premium	15.4	5 429	5 429	5 429	5 429
Other reserves	16	8	117	(16)	103
Retained loss	17	(22 068)	(19 758)	(22 081)	(19 649)
Amounts owing to group company - equity	7.3	6 398	6 382	6 398	6 382
<b>Total equity</b>		<b>(10 233)</b>	<b>(7 830)</b>	<b>(10 270)</b>	<b>(7 735)</b>
Non-controlling interest		146	93		
<b>Total equity – attributable to shareholders</b>		<b>(10 087)</b>	<b>(7 737)</b>	<b>(10 270)</b>	<b>(7 735)</b>
<b>Non-current liabilities – group company</b>					
Amounts owing to group company	7.2	8 449	9 013	8 449	9 013
<b>Total equity and group company loans</b>		<b>(1 638)</b>	<b>1 276</b>	<b>(1 821)</b>	<b>1 278</b>
<b>Non-current liabilities – third parties</b>					
Interest-bearing debt	19	16 105	16 425	15 950	16 312
Deferred option premium	20		811		811
Finance lease liability	22.2	331	262	331	262
Lease equalisation		578	402	535	370
Onerous leases	22.3	129		104	
Deferred taxation	9	67	76		
Employee benefit liability	31.5	155	176	155	176
Option liability	23	73	67	64	58
Deferred revenue	25	52	64	27	64
		<b>17 490</b>	<b>18 283</b>	<b>17 166</b>	<b>18 053</b>
<b>Total non-current liabilities</b>		<b>25 939</b>	<b>27 296</b>	<b>25 615</b>	<b>27 066</b>
<b>Current liabilities</b>					
Amounts owing to group companies and related parties	7.4	3 336	3 105	3 604	3 244
Derivative financial instruments	8.3	24	-	24	-
Interest-bearing debt	21	2 964	1 270	2 865	1 210
Deferred option premium	20	1 076	291	1 076	291
Finance lease liability	22.2	33	11	33	11
Current taxation		19	6		
Deferred revenue	25	77	114	69	103
Trade and other payables	24	5 624	5 282	5 417	5 102
<b>Total current liabilities</b>		<b>13 153</b>	<b>10 079</b>	<b>13 088</b>	<b>9 961</b>
<b>Total equity and liabilities</b>		<b>29 005</b>	<b>29 638</b>	<b>28 433</b>	<b>29 292</b>
<b>Total managed capital per IAS 1</b>	36	<b>17 795</b>	<b>19 244</b>	<b>17 358</b>	<b>19 073</b>

## Consolidated and Company Statements of Comprehensive Income of Edcon Limited

	Note	Consolidated 2015 28 March Rm	Consolidated 2014 29 March Rm	Company 2015 28 March Rm	Company 2014 29 March Rm
<b>Continuing operations</b>					
<b>Total revenues</b>	27	<b>29 159</b>	28 495	<b>25 601</b>	25 502
<b>Revenue - retail sales</b>		<b>27 510</b>	26 974	<b>23 882</b>	23 794
Cost of sales		<b>(17 265)</b>	(17 132)	<b>(15 199)</b>	(15 342)
<b>Gross profit</b>		<b>10 245</b>	9 842	<b>8 683</b>	8 452
Other income	28	<b>1 616</b>	1 486	<b>1 636</b>	1 613
Store costs		<b>(6 277)</b>	(5 700)	<b>(5 541)</b>	(5 063)
Other operating costs	29	<b>(4 605)</b>	(4 612)	<b>(4 130)</b>	(4 317)
<b>Trading profit</b>		<b>979</b>	1 016	<b>648</b>	685
Derivative (loss)/gain	8.5	<b>(601)</b>	607	<b>(601)</b>	607
Foreign exchange gain/(loss)	30	<b>397</b>	(1 530)	<b>398</b>	(1 542)
Fair value adjustment for put option		<b>(6)</b>	(42)	<b>(6)</b>	(58)
Impairment indefinite life brands and goodwill	4		(33)		(33)
<b>Profit/(loss) before net financing costs</b>		<b>769</b>	18	<b>439</b>	(341)
Finance income	32.1	<b>33</b>	35	<b>83</b>	95
<b>Profit/(loss) before financing costs</b>		<b>802</b>	53	<b>522</b>	(246)
Financing costs	32.2	<b>(2 893)</b>	(3 538)	<b>(2 867)</b>	(3 519)
<b>Loss before taxation</b>		<b>(2 091)</b>	(3 485)	<b>(2 345)</b>	(3 765)
Taxation	33	<b>(212)</b>	814	<b>(98)</b>	895
<b>Loss for the period from continuing operations</b>		<b>(2 303)</b>	(2 671)	<b>(2 443)</b>	(2 870)
<b>Discontinued operations</b>					
Profit/(loss) for the period from discontinued operations, net of tax	14.1.3	<b>14</b>	(62)		(68)
<b>LOSS FOR THE PERIOD</b>		<b>(2 289)</b>	(2 733)	<b>(2 443)</b>	(2 938)
<b>Other comprehensive income after tax:</b>					
<b>Items that may be reclassified subsequently to profit or loss:</b>					
(Loss)/gain on cash flow hedges		<b>(119)</b>	64	<b>(119)</b>	64
Exchange difference on translating foreign operations		<b>31</b>	40		
		<b>(88)</b>	104	<b>(119)</b>	64
<b>Items that will not be reclassified to profit or loss:</b>					
Actuarial gains on employee benefits		<b>11</b>	86	<b>11</b>	86
		<b>11</b>	86	<b>11</b>	86
<b>Other comprehensive (loss)/income for the period after tax</b>		<b>(77)</b>	190	<b>(108)</b>	150
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(2 366)</b>	(2 543)	<b>(2 551)</b>	(2 788)
<b>Loss attributable to:</b>					
Owners of the parent		<b>(2 321)</b>	(2 758)	<b>(2 443)</b>	(2 938)
Non-controlling interest		<b>32</b>	25		
<b>Total comprehensive income attributable to:</b>		<b>(2 419)</b>	(2 568)	<b>(2 551)</b>	(2 788)
Owner of the parent		<b>(2 419)</b>	(2 568)	<b>(2 551)</b>	(2 788)
Non-controlling interest		<b>53</b>	25		

## Consolidated and Company Statements of Changes in Equity of Edcon Limited

	Share capital Rm	Share premium Rm	Foreign currency translation reserve Rm	Cash flow hedging reserve Rm	Revaluation surplus Rm	Retained loss Rm	Shareholders loan Rm	Total attributable to owners of the parent Rm	Non-controlling interest Rm	Total equity Rm
<b>Consolidated</b>										
<b>Balance at</b>										
<b>30 March 2013</b>	-	5 429	(31)	36	8	(17 086)	6 382	(5 262)	68	(5 194)
Loss for the period						(2 758)		(2 758)	25	(2 733)
Other comprehensive income for the period			40	64		86		190		190
Total comprehensive (loss)/income			40	64		(2 672)		(2 568)	25	(2 543)
<b>Balance at</b>										
<b>29 March 2014</b>	-	5 429	9	100	8	(19 758)	6 382	(7 830)	93	(7 737)
Loss for the period						(2 321)		(2 321)	32	(2 289)
Other comprehensive (loss)/income for the period			10	(119)		11		(98)	21	(77)
Total comprehensive (loss)/income			10	(119)		(2 310)		(2 419)	53	(2 366)
Reclassification in shareholder loan							16	16		16
<b>Balance at</b>										
<b>28 March 2015</b>	-	5 429	19	(19)	8	(22 068)	6 398	(10 233)	146	(10 087)
Note	15.4	15.4	16	16	16	17	7.3			
<b>Company</b>										
<b>Balance at</b>										
<b>30 March 2013</b>	-	5 429		36	3	(16 797)	6 382	(4 947)		(4 947)
Loss for the period						(2 938)		(2 938)		(2 938)
Other comprehensive income for the period				64		86		150		150
Total comprehensive (loss)/income				64		(2 852)		(2 788)		(2 788)
<b>Balance at</b>										
<b>29 March 2014</b>	-	5 429		100	3	(19 649)	6 382	(7 735)		(7 735)
Loss for the period						(2 443)		(2 443)		(2 443)
Other comprehensive (loss)/income for the period				(119)		11		(108)		(108)
Total comprehensive loss				(119)		(2 432)		(2 551)		(2 551)
Reclassification in shareholder loan							16	16		16
<b>Balance at</b>										
<b>28 March 2015</b>	-	5 429		(19)	3	(22 081)	6 398	(10 270)		(10 270)
Note	15.4	15.4		16	16	17	7.3			



## Consolidated and Company Disclosure of Tax Effects on Other Comprehensive Income of Edcon Limited

	<b>Consolidated 2015 52 weeks to 28 March Rm</b>	Consolidated 2014 52 weeks to 29 March Rm	<b>Company 2015 52 weeks to 28 March Rm</b>	Company 2014 52 weeks to 29 March Rm
<b>Disclosure of tax effects relating to each component of other comprehensive (loss)/income:</b>				
<b>Before tax amount</b>				
Cash flow hedges	(145)	72	(145)	72
Exchange differences on translating foreign operations	31	40		
Employee benefits	15	119	15	119
<b>Other comprehensive (loss)/income for the period before tax</b>	<b>(99)</b>	231	<b>(130)</b>	191
<b>Tax income/(expense)</b>				
Cash flow hedges	26	(8)	26	(8)
Employee benefits	(4)	(33)	(4)	(33)
<b>Tax income/(expense)</b>	<b>22</b>	(41)	<b>22</b>	(41)
<b>After tax amount</b>				
Cash flow hedges	(119)	64	(119)	64
Exchange differences on translating foreign operations	31	40		
Employee benefits	11	86	11	86
<b>Other comprehensive (loss)/income for the period after tax</b>	<b>(77)</b>	190	<b>(108)</b>	150

## Consolidated and Company Statements of Cash Flows of Edcon Limited

		Consolidated 2015 52 weeks to 28 March Rm	Consolidated 2014 52 weeks to 29 March Rm	Company 2015 52 weeks to 28 March Rm	Company 2014 52 weeks to 29 March Rm
	Note				
<b>Cash retained from operating activities</b>					
Loss before taxation from continuing operations		(2 091)	(3 485)	(2 345)	(3 765)
Profit/(loss) before taxation of discontinued operations	14.1.3	15	(86)		(96)
Financing income	32.1	(33)	(35)	(83)	(95)
Financing costs	32.2	2 893	3 538	2 867	3 519
Impairment of intangibles	4		33		33
Derivative loss/(gain)	8.5	601	(607)	601	(607)
Deferred revenue – loyalty programme	25	(71)	(14)	(68)	(20)
Foreign exchange (gain)/loss <sup>1</sup>	30	(428)	1 530	(428)	1 542
Fair value adjustment on put option		6	42	6	58
Amortisation of intangible assets	29.1	247	345	243	343
Depreciation	29.2	832	792	758	739
Net loss on disposal of properties, fixtures, equipment, and vehicles	29.5	37	11	37	10
Onerous leases		137		109	
Other non-cash items	34.1	100	193	108	187
<b>Operating cash inflow before changes in working capital</b>		<b>2 245</b>	<b>2 257</b>	<b>1 805</b>	<b>1 848</b>
Working capital movement	34.2	823	277	1 007	378
<b>Cash inflow from operating activities</b>		<b>3 068</b>	<b>2 534</b>	<b>2 812</b>	<b>2 226</b>
Finance income received		9	22	7	18
Financing costs paid		(3 112)	(2 056)	(3 088)	(2 043)
Taxation paid	34.3	(121)	(114)	(49)	(32)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(156)</b>	<b>386</b>	<b>(318)</b>	<b>169</b>
<b>Cash utilised in investing activities</b>					
Investment to maintain operations	34.4	(454)	(882)	(330)	(866)
Investment to expand operations	34.5	(398)	(388)	(225)	(272)
Investment in other intangibles	4	(1)	(36)	(1)	(36)
Business combination	34.6 & 34.7	(2)	(25)	(2)	(27)
<b>Net cash outflow from investing activities</b>		<b>(855)</b>	<b>(1 331)</b>	<b>(558)</b>	<b>(1 201)</b>
<b>Cash effects of financing activities</b>					
Increase/(decrease) in shareholder loan		(12)	709	(12)	709
Increase/(decrease) in non-current interest-bearing debt	34.8	35	(683)		(646)
Settlement of derivatives	34.9	826	1 339	826	1 339
Increase in short-term debt	34.10	1 679	(260)	1 644	(246)
Settlement of option premium	34.11	(599)	(312)	(599)	(312)
Decrease in capitalised finance leases	34.12	(40)	(40)	(40)	(40)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>1 889</b>	<b>753</b>	<b>1 819</b>	<b>804</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	34.13	<b>878</b>	<b>(192)</b>	<b>943</b>	<b>(228)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>410</b>	<b>599</b>	<b>245</b>	<b>473</b>
Currency adjustments			3		
<b>Cash and cash equivalents at the end of the period</b>		<b>1 288</b>	<b>410</b>	<b>1 188</b>	<b>245</b>

<sup>1</sup> Includes realised foreign exchange gains of R30 million in 2015.

# Notes to the Consolidated and Company Financial Statements of Edcon Limited

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## 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

### 1.1 Corporate information

Edcon Limited (the "Company") is a limited liability company which is incorporated and domiciled in South Africa. The address of the Company's registered office is Edgardale, Press Avenue, Crown Mines, Johannesburg, 2092. The consolidated financial statements of the Company for the year ended 28 March 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

### 1.2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and the Companies Act of South Africa (No. 71 of 2008). The financial statements are presented in Rand (ZAR), the currency of South Africa where Edcon Limited is incorporated.

On 24 June 2015, the financial statements were authorised for issue by the Board of Directors.

The financial statements have been prepared on a historical cost basis except for land and buildings and certain financial instruments that have been measured at fair value. The 2015 and 2014 financial periods consisted of 52 weeks respectively.

The Consolidated and Company Financial Statements incorporate the following accounting policies which remain consistent with the prior period, except for IAS 20 Government grants (note 1.25), as well as the application of breakage rates to the gift card liability (note 24), which were adopted in the current period:

#### ***Fair value measurements and valuation processes***

The Group measures financial instruments, such as derivatives (note 37.8) and non-financial assets (land and buildings), at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.2 Basis of preparation *(continued)*

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Group's treasury department is responsible for the fair value measurements of financial instruments, required for financial reporting purposes, including level 3 fair values, where applicable. This department reports directly to the chief financial officer (CFO) and the Audit and Risk Committee. Discussions of valuation processes and the results thereof are discussed at least once every quarter, in line with the Group's quarterly reporting dates.

The Group regularly engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings. The Group's property management team decides upon the involvement of external valuers annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The property management team decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 3 and 37.8.

#### 1.3 Going concern basis of accounting

The Consolidated and Company financial statements have been prepared on the going concern basis.

The Group and Company has recognised a loss after tax of R2 289 million and R2 443 million respectively for the period ended 28 March 2015 (2014: R2 733 million and R2 938 million respectively) and as at that date, total liabilities exceeded its total assets by R1 638 million and R1 821 million respectively after considering the loan due to a Group company. These conditions, along with other matters as set forth in this note, indicate the existence of material uncertainty which may cast doubt on the Group's and Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management takes note of the upcoming maturities in the next 12 months which include the super senior secured notes of R1 010 million (note 19.1) maturing on 4 April 2016 and the deferred option premiums of R1 076 million (note 20), due largely in December 2015 and March 2016.

In assessing the refinancing and repayment of obligations, management has considered future sales growth, margin growth, expected operating costs, refinancing of debt, the tax settlement of the Group, the terms of the loans owing to a Group company, all guarantors and cross guarantors, the fair values of the Group's and Company's assets and liabilities and all maturities relating to liabilities for the following 12 months in assessing its ability to trade against operating budgets. Management monitors cash requirements on an ongoing basis for uncertainties which may arise and takes appropriate action where necessary. For example, economic uncertainties may arise which may affect the business' ability to meet its objectives in terms of sales growth, credit sales, improvement in gross margins, performance of our own credit book introduced during the current financial period, various working capital initiatives and the timing thereof.

Management anticipates repayments required will be met out of operating cash flows or from alternative forms of capital raising such as further asset sales or borrowings. In reaching its conclusion, and in mitigation of the uncertainties outlined above, management has taken into consideration the facility available under the revolving credit facility (note 20 and 36.7); the available funding capacity under the super senior borrowing basket, the securitisation basket and general debt basket; the ability to sell non-core assets of the Group including but not limited to trade receivables held-for-sale (note 12.2.2) and various working capital initiatives although there can be no certainty that such risks will arise or that such mitigants will be successful, nor the timing thereof. Refer to note 40, Events after the reporting period.

Further, management has obtained advice provided by international investment banks on the ability to refinance upcoming maturities in light of the available capacity in the senior part of the capital structure. We have entered into discussions with our lenders regarding potential debt exchanges, new debt raises and/or amendments to improve our capital structure. These discussions are proceeding constructively, but there can be no assurance at this time that they will be successful.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.3 Going concern basis of accounting *(continued)*

We also refer the users of the financial statements to pages 17 to 30 "Risk Factors" in the Annual Report of Edcon Holdings Limited which can be located on the website at [www.edcon.co.za](http://www.edcon.co.za).

Management acknowledge that uncertainty remains over the ability of the Group and Company to meet its funding requirements and to refinance or repay its obligations as they fall due. However, as described above, management has a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group and Company is unable to continue as a going concern, it would have an impact on the Group's and Company's ability to realise assets at their recognised values, in particular goodwill and other intangible assets and to extinguish liabilities in the normal course of business at the amount stated in these consolidated financial statements.

#### 1.4 Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the parent company, Edcon Limited, its subsidiaries and Edgars Stores Limited Zimbabwe, presented as a single economic entity and, consolidated at the same reporting date of Edcon Limited. The Consolidated Financial Statements are prepared using uniform accounting policies for similar transactions and other events. The Consolidated Financial Statements provide comparative information in respect of the two previous reporting periods. As the Group presents two additional statements of financial position (in addition to the current financial period), when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements the restated amounts are presented in the comparative period, as well as the additional third statement of financial position similar to an opening statement of financial position, where applicable.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expense and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.4 Basis of consolidation *(continued)*

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

#### **Business combinations**

Business combinations are accounted for using the acquisition method. As of the acquisition date, the Group recognises the identifiable assets acquired and the liabilities assumed at their acquisition date fair values. For each business combination, the Group measures the non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets.

The cost of an acquisition, is the aggregate of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity instruments issued, measured at acquisition-date fair values. Acquisition related costs are expensed as incurred. Any contingent consideration that may be transferred by the Group is recognised at fair value at the acquisition date. If the contingent consideration is classified as an asset or a liability, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. If the contingent consideration is classified as equity, it is not re-measured until it is finally settled.

Any excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed is considered to be goodwill and the goodwill is recognised as a separate asset on the Statement of Financial Position, initially measured at cost. If the fair value of the net assets of the subsidiary acquired exceeds the aggregate of the consideration transferred and the amount recognised for non-controlling interests, the difference is recognised in profit or loss on the acquisition date.

If the business combination is achieved in stages any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

#### **Goodwill**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised; it is tested annually for impairment and, additionally, when an indication of impairment exists at the end of each reporting period. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generation units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.4 Basis of consolidation *(continued)*

##### **Goodwill** *(continued)*

For goodwill impairment testing purposes, the segments reported in note 2 are separate cash-generating units, since this is the level at which the performance of investments is reviewed and assessed by management. The recoverable amount of a segment is determined on the basis of its value in use. Refer to note 5 for details.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured base on the relative values of the disposed operation and the cash-generating unit retained.

#### 1.5 Use of estimates and judgments and assumptions made in the preparation of the Financial Statements

In preparing the financial statements in accordance with IFRS, management is required to make estimates, assumptions and judgements that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Assessing available information and the application of judgement are necessary elements in making estimates. Actual results in the future could differ from such estimates, and such differences may be material to the financial statements. Estimates and their underlying assumptions are reviewed on an on-going basis. Any revisions to estimates resulting from these reviews are recognised in the period in which such estimates are revised.

Significant estimates, assumptions and judgements made at the reporting date relate to:

- assumptions around going concern (note 1.3);
- credit risk valuation adjustments in determining the fair value of derivative instruments to reflect non-performance risk (note 1.11.4);
- fair value measurements and valuation processes of financial instruments (note 1.2, 1.11 and 37.8);
- provision for impairment of receivables (note 1.11.1);
- derecognition of financial instruments (note 1.11.1 and 1.11.2);
- allowances for slow-moving inventory (note 1.12);
- residual values, useful lives and depreciation methods for property, fixtures, equipment and vehicles (note 1.15);
- fair value measurements and valuation processes in respect of land and buildings (note 1.2, 1.15.2 and 3);
- impairment of all non-financial assets including goodwill and intangibles with indefinite lives (note 1.4, 1.15.5, 1.26 and 5);
- measurement of pension fund and medical aid obligations i.e. key actuarial assumptions (note 1.20, 31.3.6 and 31.5.4);
- operating leases (note 1.13);
- current and deferred tax (note 1.17);
- discontinued operations (note 1.16 and note 14);
- loyalty points deferred revenue (note 1.24.2);
- classification of financial assets and financial liabilities into categories (note 1.11.1 and 1.11.2);
- put option obligation (note 1.11.2 and 23); and
- onerous leases (note 1.24.3 and 22.3).

#### 1.6 Foreign currency transactions and balances – Group companies

The presentation currency of the Consolidated Financial Statements is the South African Rand, which is also the functional currency of Edcon Holdings Limited. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Subsequent to initial recognition, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.



### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.6 Foreign currency transactions and balances – Group companies *(continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

#### 1.7 Foreign currency translations – Group companies

On consolidation, the assets and liabilities of entities with a functional currency other than the Rand are translated into Rand at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at the weighted average exchange rates for the period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income (foreign currency translation reserve). On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income (foreign currency translation reserve) relating to that particular foreign operation is recognised in profit or loss.

#### 1.8 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decision of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in associates and joint ventures is at cost plus post-acquisition changes in the Group's share of net assets of the associates and joint ventures in the Consolidated Statement of Financial Position. Goodwill relating to the associates and joint ventures are included in the carrying amount of the investment and is not amortised or separately tested for impairment.

The Consolidated Statement of Comprehensive Income reflects the Group's share of the results of operations of the associates and joint ventures. The Group's share of profit or loss from an associate and joint venture is shown on the face of the Consolidated Statement of Comprehensive Income within operating profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates and joint ventures.

When there has been a change recognised directly in other comprehensive income or equity of the associates and joint ventures, the Group recognises its share of any changes, when applicable, in the Consolidated Statement of other Comprehensive Income or Consolidated Statement of Changes in Equity respectively. Where the Group transacts with an associate or joint venture, unrealised profits or losses are eliminated to the extent of the Group's interest in the associates and joint ventures. Losses on transactions are recognised immediately if there is evidence of a reduction in the net realisable value of current assets or an impairment loss.

The reporting period for associates and joint ventures is the same as the Group's. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The investment in associates and joint ventures are considered for impairment on an annual basis. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates and joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount and its carrying value, and then recognises the loss in the Consolidated Statement of Comprehensive Income.



### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.9 Interests in joint operations

The associate and joint venture is equity accounted until the date on which the Group ceases to have significant influence or joint control over the associate or joint venture. Upon loss of significant influence or joint control, the Group measures and recognises its remaining investment in the associate or joint venture at its fair value. The difference between the carrying amount of the investment upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's Consolidated Financial Statements only to the extent of the other parties interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

The Group currently has interests in joint operations. As at 28 March 2015, these joint operations were neither material or significant to the Group's operations.

#### 1.10 Intangible assets

Intangible assets comprise separately identifiable intangible items arising from business combinations and certain purchased intangibles. Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is measured at their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised using the straight-line method over their estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level (refer to note 5 for details on how impairment testing is performed for indefinite life intangible assets). The assessment of the indefinite life is reviewed annually to determine whether the indefinite life basis continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited (continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### 1.10 Intangible assets (continued)

The Group's intangible assets and their associated useful lives are as follows:

	<b>Estimated useful life</b>
Edgars brand	Indefinite
Jet brand	Indefinite
CNA brand	Indefinite
Boardmans brand	Indefinite
Red Square brand	10 years
Legit brand	10 years
La Senza	5 years
Inglot	5 years
Accessorize	5 years
Customer relationships	5 – 10 years
Trademarks	5 – 15 years
Customer lists	5 – 10 years
Technology	7 years

Intangible assets are derecognised on disposal or when no future economic benefits are expected through use of the intangible asset. 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. Expenditure on internally developed and maintained intangible assets are expensed through profit or loss. Expenditure incurred to maintain brand names is charged in full to profit or loss as incurred.

#### 1.11 Financial instruments

The Group recognises financial instruments on the statement of financial position when the Group becomes party to the contractual provisions of the instruments.

##### 1.11.1 Financial assets

###### Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value, including transaction costs except those at fair value directly through profit or loss, when the Group becomes a party to contractual arrangements.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include trade and other receivables, derivatives and cash and cash equivalents which are classified as either loans and receivables or as derivatives at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge as appropriate.

###### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

###### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group does not undertake any trading activity in financial assets.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.11 Financial instruments *(continued)*

##### 1.11.1 Financial assets *(continued)*

The Group does not have any financial assets, other than derivative financial instruments, designated at fair value through profit or loss. Derivatives are discussed in note 1.11.4.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

Financial assets designated at fair value through profit or loss upon initial recognition cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Any gains and losses realised are recognised in profit or loss.

#### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, not classified as held-for-trading, not designated as at fair value through profit or loss or available-for-sale. Financial assets classified as loans and receivables include originated loans where funding is provided directly to the borrower. Loans and receivables are recognised when the Group becomes a party to the contractual provisions of the instrument, which is when funding is advanced to borrowers. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognised in the Consolidated Statement of Comprehensive Income in other operating expenses.

#### ***Cash and cash equivalents***

Cash and cash equivalents are measured at amortised cost and comprise cash on hand and demand deposits together with any highly liquid investments readily convertible to known amounts of cash.

#### ***Held-to-maturity investments***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The Group did not have any held-to-maturity investments for the 2015 and 2014 financial periods.

#### ***Available-for-sale financial investments***

Investments classified as available-for-sale are those that are neither classified as held-for-trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from other comprehensive income to the statement of comprehensive income.

The Group did not have any available-for-sale investments for the 2015 and 2014 financial periods.

# Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

## 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

### 1.11 Financial instruments *(continued)*

#### 1.11.1 Financial assets *(continued)*

##### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### **Impairment of financial assets**

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

##### ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets 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 there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account, to the extent the carrying value of the receivable does not exceed its cost at any reversal date.

If a write-off is later recovered, the recovery is credited to other income in the statement of comprehensive income.

For trade receivables, evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.11 Financial instruments *(continued)*

##### 1.11.1 Financial assets *(continued)*

A provision for impairment is made when there is objective evidence that the Group will not be able to collect all amounts due under the original terms of the trade receivable transactions. The process for estimating impairment considers all credit exposures, not only those of low credit quality and is estimated on the basis of historical loss experience, adjusted on the basis of current observable data, to reflect the effects of current conditions.

##### 1.11.2 Financial liabilities

###### Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, deferred option premiums, put option liability and derivative financial instruments and are classified as loans and borrowings, derivatives at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge, as appropriate.

###### Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

###### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. The Group has not designated any financial liabilities as held for trading in the 2015 and 2014 financial period.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied.

Any gains and losses realised are recognised in profit or loss.

###### ***Loans and borrowings***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of comprehensive income.

###### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the extinguishment of the original liability or part of it and the recognition of a new financial liability. The difference in the respective carrying amounts is recognised in profit or loss.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.11 Financial instruments *(continued)*

##### 1.11.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis.

##### 1.11.4 Derivative financial instruments and hedge accounting

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

Derivative financial instruments are initially measured at their fair value on the date on which a derivative portfolio contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

The fair value of foreign currency forward contracts, foreign currency call options and the cross currency swaps 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 interest rates for similar instruments. The fair value of cross currency swaps is determined by reference to market interest rates and forward exchange rates for similar instruments. A credit risk valuation adjustment is incorporated to appropriately reflect the Group's own non-performance risk and the respective counterparty's non-performance risk in the fair value measurement. 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 the derivative depends upon the contractual terms of, and specific risks inherent in the instrument as well as the availability of pricing information in the market. The Group 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 net exposure of each derivative portfolio (including current and potential future exposure) and then applying the Group's credit spread, and each counterparty's credit spread to the applicable exposure.

The inputs utilised for the Group's own credit spread are based on estimated fair market spreads for entities with similar credit ratings as the Group. 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 provider.



## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.11 Financial instruments *(continued)*

##### 1.11.4 Derivative financial instruments and hedge accounting *(continued)*

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

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; and
- Hedges of a net investment in a foreign operation.

The Group does not have any hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

For cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to profit or loss in the same period in which the hedged item affects the profit or loss.

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

#### ***Current versus non-current classification***

Derivative instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

When the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.12 Inventories

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 deemed to be readily disposable.

#### 1.13 Leases

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, even if that right is not explicitly specified in an arrangement.

##### **Group as a lessee**

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 the Group as lessee. 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 the Group 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. The resulting difference between the lease expenses arising from the application of the straight-line basis and the contractual amounts actually paid or accrued is recognised as a lease equilisation obligation or asset.

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

##### **Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rentals are recognised as revenue in the period in which they are earned.

#### 1.14 Borrowing costs

Borrowing costs directly attributed to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds. Currently the Group does not capitalise any borrowing costs as it does not have any qualifying assets.

#### 1.15 Properties, fixtures, equipment and vehicles

##### 1.15 1 Fixtures, equipment and vehicles

Fixtures, equipment and vehicles are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the fixtures, equipment and vehicles and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying



## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.15 Properties, fixtures, equipment and vehicles *(continued)*

##### 1.15.1 Fixtures, equipment and vehicles *(continued)*

amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

##### 1.15.2 Properties (Land and buildings)

Land is initially measured at cost and subsequently revalued by recognised professional valuers every three years and annually by internal valuers, to net realisable open-market value using the alternative or existing-use basis as appropriate, (which is considered a level 3 valuation under IFRS 13) ensuring carrying amounts do not differ materially from those which would be determined using fair value at the reporting date. Buildings are also measured at fair value (as per above) less accumulated depreciation and impairment losses at the date of revaluation. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the revaluation surplus reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

The amount in the revaluation surplus reserve is transferred to retained earnings/loss upon disposal of a particular asset. Additionally, accumulated depreciation, for buildings, as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

##### 1.15.3 Lease premiums and leasehold improvements

Expenditure relating to leased premises is capitalised as appropriate and depreciated to expected residual value over the remaining period of the lease on a straight-line basis.

Leasehold improvements for leasehold land and buildings are depreciated over the lease periods which range from 5 to 10 years, or such shorter periods as may be appropriate.

##### 1.15.4 Depreciation rates

Fixtures, equipment and vehicles are depreciated on a straight-line basis to their expected residual values over the estimated useful lives as follows:

Fixtures and fittings	7 – 8 years
Leased assets	5 – 50 years
Computer equipment	3 – 5 years
Computer software	2 – 3 years
Machinery	9 – 10 years
Vehicles	4 – 5 years
Buildings	48 – 50 years

##### 1.15.5 Impairment of properties, fixtures, equipment and vehicles

Property, fixtures, equipment and vehicles are reviewed at each reporting date, to determine whether there is any indication of impairment. When impairment indicators are present, the impairment recognised in the profit or loss (or other comprehensive income for revalued property limited to the extent of the revaluation surplus) is the excess of the carrying value over the recoverable amount (the greater of fair value less costs to sell and value in use).

Recoverable amounts are estimated for individual assets or, when an individual asset does not generate cash flows independently, the recoverable amount is determined for the larger cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.15 Properties, fixtures, equipment and vehicles *(continued)*

##### 1.15.5 Impairment of properties, fixtures, equipment and vehicles *(continued)*

appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's cash generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets or the cash generating units recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount in which case, the reversal is treated as a revaluation increase.

##### 1.15.6 Derecognition of properties, fixtures, equipment and vehicles

An item of property, fixtures, equipment and vehicles is derecognised on disposal or when no future economic benefits are expected through its continued use. Gains or losses which arise on derecognition, are included in profit or loss in the year of derecognition. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the property, fixtures, equipment or vehicles at the date of sale.

##### 1.15.7. Asset lives and residual values

Buildings, fixtures, equipment and vehicles are depreciated over their useful life taking into account any residual values where appropriate. The estimated useful life of these assets and depreciation methods are assessed at each reporting date and could vary as a result of technological innovations and maintenance programs. In addition, residual values are reviewed at each reporting date after considering future market conditions, the remaining life of the asset and projected disposal values. Changes in asset lives and residual values are accounted for on a prospective basis as a change in estimate.

##### 1.15.8. Software costs

Packaged software and the direct costs associated with the development and installation thereof are capitalised as computer software and are an integral part of computer hardware. The total cost is capitalised and depreciated in accordance with note 1.15.1 and 1.15.4.

#### 1.16 Non-current assets held-for-sale and discontinued operations

Non-current assets (or a disposal group) are classified as held-for-sale if the carrying amount will be recovered through a highly probable sale transaction, rather than through continuing use. The sale is considered to be highly probable where the assets (or a disposal group) are available for immediate sale, management is committed to the sale and the sale is expected to be completed within a period of one year from the date of classification. Assets classified as held-for-sale are measured at the lower of the asset's carrying amount and fair value less costs to sell.

Where the sale is more than one year into the future due to circumstances beyond the Group's control, the costs to sell are measured at the present value. Any increase in the present value of costs to sell is recognised in the Group statement of comprehensive income as a financing cost.

An impairment loss is recognised in profit or loss for any initial or subsequent write-down of the asset or disposal group to fair value less costs to sell. A gain, for any subsequent increase in fair value less costs to sell, is recognised in profit or loss to the extent that it does not exceed the cumulative impairment loss previously recognised.

Non-current assets classified as held-for-sale are not depreciated or amortised.

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.16 Non-current assets held-for-sale and discontinued operations *(continued)*

Where a component of the Group, being either a separate major line of business, a geographical area of operations or a subsidiary is acquired exclusively with a view to resell and management is committed to the sale and it is expected to be completed within a period of one year or has been sold, that component is classified as a discontinued operation.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

#### 1.17 Taxation

##### ***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

##### ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable deductible differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, which will result in deductible amounts in future periods, but only to the extent that it is probable that sufficient taxable profits will be available against which these deductible temporary differences, and carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.17 Taxation *(continued)*

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled, based on enacted or substantively enacted rates at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity, and relate to the same tax authority, and when the legal right to offset exists. Where applicable; non-resident shareholders' taxation is provided for in respect of foreign dividends receivable.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Refer to notes 33 and 9 for further details around current and deferred tax.

#### 1.18 Financing costs

Finance costs comprises interest paid and payable on borrowings, calculated using the effective interest rate method, and foreign currency gains and losses in respect of borrowings. Financing costs are recognised in profit or loss in the period in which they are incurred.

#### 1.19 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received net of returns and customer loyalty points excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue comprises retail sales of merchandise, manufacturing sales, club fees, revenue from insurance business, dividends, finance charges and administration fees accrued to the Group.

The specific recognition criteria described below must also be met before revenue is recognised.

##### ***Sales of merchandise***

Revenue from sale of merchandise is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of goods. Such income represents the net invoice value of merchandise provided to such third parties – excluding discounts, value-added and general sales tax. The Group chains that contribute to the revenue from sale of merchandise are the Edgars division, CNA division, Discount division and the Edgars Zimbabwe division.

##### ***Loyalty points program***

The Group operates a loyalty points program that allows customers to accumulate points when they purchase merchandise, subject to certain criteria, in the Group's retail stores. The points can then be redeemed as discount against merchandise purchases. The fair value which includes the expected redemption rate, attributed to the credits awarded, is deferred as a provision and recognised as revenue on redemption of the points by customers.

##### ***Manufacturing sales***

Revenue from manufacturing and other operations is recognised when the sale transactions giving rise to such revenue are concluded.

##### ***Club fees***

Club fees are recognised as revenue as incurred.

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.19 Revenue recognition *(continued)*

##### ***Finance charges***

Finance charges on arrear account balances are accrued on a time proportion basis, recognising the effective yield on the underlying assets.

##### ***Share of profits from insurance business***

Group customers are offered Edgars and Jet branded insurance products, in pursuance of a business arrangement formed with Hollard Insurance (Hollard). Hollard underwrites all insurance products and further provides the joint venture with actuarial and compliance support. The Group provides product distribution, marketing and billing and premium collection services. The business sells to both credit customers and cash customers and is managed by a dedicated team of people from both Hollard and the Group. Under the provisions of the agreement, the Group charges a fee for the continued management of the debtors and maintenance of systems. The Group also charges a fee for the use of the Group's brands in the marketing of the insurance products. This fee income is recognised by the Group as and when it is accrued.

The profit share is done on a product by product basis with the profit share percentage as agreed between the parties from time to time.

The Group has a closed book for the *Edgars* and *Jet* Legal Plan underwritten by Zurich Insurance Ltd. Europ Assistance provides risk management and policy fulfillment services. Under the provisions of the agreement, if the policy premiums exceed the claims and expenses, the net profit is distributed as a fee.

##### ***Dividends***

Dividends are recognised when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.

##### ***Interest received***

Interest received is recognised using the effective interest rate method.

##### ***Administration fees***

Administration fees are recognised as they are accrued based on the services provided.

#### 1.20 Employee benefits

##### ***Short-term employee benefits***

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The accruals for employee entitlements to wages, salaries, annual and sick leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the reporting date. The short-term employee benefits have been calculated at undiscounted amounts based on current wage and salary rates.

##### ***Post-employment benefits***

The Group operates a number of retirement benefit plans for its employees. These plans include both defined benefit and defined contribution provident funds and other retirement benefits such as medical aid benefit plans.

##### ***Defined contribution plans – Provident fund benefits***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension, provident and retirement funds are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

##### ***Defined benefit plans – Pension and Post-retirement Medical Aid benefits***

The Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related current service cost and, where applicable, past service costs. Contribution rates to defined benefit plans are adjusted for any unfavourable experience adjustments. Favourable experience adjustments are retained within the funds. Net benefit assets are only brought into account in the Group's Financial Statements when it is certain that economic benefits will be available to the Group. Actuarial gains or losses are recognised in full the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.20 Employee benefits *(continued)*

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The Group presents service costs and net interest expense or income in profit or loss in other operating costs and financing costs in the Statement of Comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less the fair value of any plan assets out of which the obligations are to be settled i.e. the net obligation represents the actual deficit or surplus in the Group's defined benefit plans. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognised is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

#### 1.21 Share capitalisation awards and cash dividends

The full cash equivalent of capitalisation share awards and cash dividends paid by the Group are recorded and disclosed as dividends declared in the statement of changes in equity. Dividends declared subsequent to the period-end are not charged against shareholders' equity at the reporting date as no liability exists. Upon allotment of shares in terms of a capitalisation award, the election amounts are transferred to the share capital and share premium account; cash dividend election amounts are paid and the amount deducted from equity.

#### 1.22 Treasury shares

Shares held by the Staff Empowerment Trust are classified in the Group's shareholders' equity as treasury shares. These shares are treated as a deduction from the issued number of shares, and the cost price of the shares is deducted from share capital and premium in the Group's Statement of Financial Position. Any dividends received on treasury shares are eliminated on consolidation.

#### 1.23 Operating Segment Report

The Group is organised into business units based on their target markets and product offering, and the business is structured under seven reportable operating segments. The segments were selected on the basis of internal reports in order to allocate resources to the segment and assess its performance. Sales of merchandise in four main operating divisions gives rise to the Edgars, Discount, CNA and Zimbabwe division which targets different domains of income, age and products. Manufacturing Sales gives rise to the Manufacturing division which is an apparel manufacturer, focusing on mid to high-end garments of mostly woven construction. This operating segment, manufactures ladies and men's outerwear for the Edgars and Discount divisions and the outside market. The Credit and Financial division focuses on the management of the Group's trade debtors and administration of trade accounts receivable sold to Absa Limited and offers consumer credit and insurance products. The Credit and Financial division incorporates revenue from the arrangement between Edcon and Hollard and administration fees earned on the administration of the Absa Limited trade accounts receivable sold to Absa Limited.

#### 1.24 Provisions

##### 1.24.1 General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision will be reassessed at each statement of financial position date taking into account the latest estimates of expenditure required and the probability of the outflows. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability except those that have been taken into account in the estimate of future cash flows. Where discounting is used, the increase in a provision due to the passage of time is recognised as an interest expense in profit or loss. A provision is used only for the expenditures for which the provision was originally recognised.



## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.24 Provisions *(continued)*

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of Comprehensive Income net of any reimbursement.

##### 1.24.2 Loyalty points deferred revenue

The Group operates a loyalty points program which allows customers to accumulate points when they purchase merchandise, subject to certain criteria, in the Groups retail stores. The points can then be redeemed as discount against merchandise purchases. The Group accounts for award credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to award credits at their fair value and is accounted for as a provision (deferred revenue) in the statement of financial position.

The fair value of an individual award credit is determined using estimation techniques reflecting the weighted average of a number of factors. A rolling 12-month historical trend forms the basis of the calculations. The number of points not expected to be redeemed by members are also factored into the estimation of fair value. Historical redemption trends are also used to determine the long and short-term portion of the deferred revenue liability. A level of judgment is exercised by management in determining the fair value of the points (note 25).

##### 1.24.3 Onerous leases

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and net cost of continuing with the contract. The straight-line operating lease accrual is adjusted accordingly for any onerous leases. Before a provision is established the Group recognises any impairment loss on the asset associated with that contract.

#### 1.25 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

#### 1.26 Investments in subsidiaries (Company only)

Investments in subsidiaries are equity interests which are held for the purposes of Edcon Holdings Limited business activities or for strategic reasons. They include all directly held subsidiaries through which Edcon Holdings Limited conducts its business. The investments are carried at cost less impairment. The carrying value is tested for impairment when indicators for a decrease in value exist, which include incurrence of significant operating losses. If an investment in a subsidiary is impaired, its value is generally written down to the net asset value. Subsequent recoveries in value are recognised up to the original cost value based on the increased net asset value.

#### 1.27 New and amended standards and interpretations adopted by the Group

The Group applied for the first time, in the current year, certain standards, amendments and interpretations.

The nature and the impact of each new standard and amendment is described below:

##### ***Investment entities - Amendments to IFRS 10, IFRS 12 and IAS 27***

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transitional relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.27 New and amended standards and interpretations adopted by the Group *(continued)*

##### ***Offsetting financial assets and financial liabilities - Amendments to IAS 32***

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

The Group has assessed these requirements and does not expect any material impact to its financial statements as a result of this amendment.

##### ***Recoverable amount disclosures for non-financial assets - Amendments to IAS 36***

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36 by clarifying the disclosure requirements in respect of fair value less costs of disposal. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period.

The Group does not expect any material impact on its financial statements as a result of the amendments to IAS 36.

##### ***Novation of derivatives and continuation of hedge accounting – Amendments to IAS 39***

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

##### ***IFRIC 21 Levies***

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

#### 1.28 New and revised standards and interpretations in issue but not yet effective

The IASB and IFRS Interpretations Committee issued the following standards, with an effective date after the date of these financial statements, which management believes could impact the Group in future periods. The Group has not elected to early adopt any of these standards.

##### ***IFRS 9 Financial instruments***

IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase.

The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted. For a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before 1 February 2015.

The Group is in the process of quantifying the effect of any possible impact of IFRS 9 on its financial statements.

##### ***IFRS 15 Revenue from contracts with customers***

IFRS 15 replaces all existing revenue requirements (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from



## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

#### 1.28 New and revised standards and interpretations in issue but not yet effective *(continued)*

Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) in IFRS and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of sales of some non-financial assets including disposals of property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract;
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

For each step of the model, the standard requires entities to exercise judgement and to consider all relevant facts and circumstances when applying the model to contracts with their customers.

In addition to the five-step model, the standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Application guidance is provided in the standard to assist entities in applying its requirements to common arrangements, including licences, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

The standard is effective for annual periods beginning on or after 1 January 2018. The Group will quantify the effect of any possible impact.

The following standards, amendments and interpretations, that have been issued but are not yet effective, have been assessed for applicability to the Group. Management has concluded that they are not expected to have a significant impact on future financial statements.

- Employee contributions - Amendments to IAS 19 Employee benefits
- Acceptable methods of depreciation and amortisation - Amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets
- Accounting for acquisitions of interests in joint operations - Amendments to IFRS 11 Joint arrangements
- IFRS 14 Regulatory deferral accounts
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures
- Equity method in separate financial statements – Amendments to IAS 27 Separate financial statements
- Annual improvements to IFRS

### 2. OPERATING SEGMENT REPORT

For management purposes, the Group is organised into business units based on their target markets and product offering, and the business is structured under seven reportable operating segments. Management monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. The reportable segments are as follows:

#### **Edgars division**

The division is targeted at middle to upper income consumers. The speciality store chains included in this division are Edgars, Boardmans, Red Square, Edgars Active, Edgars Shoe Gallery, Inglot, La Senza, Accessorize, Topshop, Tom Tailor, Mac, Lipsy, Bobbi Brown, Lucky Brands, Dune, TM Lewin, Salsa, Jigsaw, Calvin Klein, Khiels, Victoria's Secret Beauty and Accessories, Vince Camuto, River Island, Dr. Martens and Jo Malone. The products within this operating segment include mainly clothing, footwear, cosmetics, mobile phones, homewares and accessories.

#### **CNA division**

The CNA division is targeted at middle to upper income consumers and its product offering includes stationery, books, magazines, greeting cards, mobile phones, music, toys, photographic and digital equipment.

#### **Discount division**

The discount division sells value merchandise targeted at lower to middle income consumers. The largest brand in discount division is Jet, with associated brands that include Jet Mart, Jet Shoes and Legit. The product offering within this operating segment includes mainly clothing, footwear, mobile phones, cosmetics, homewares and accessories.

#### **Edgars Zimbabwe division**

This division incorporates both the Edgars and Jet formats and is targeted at the lower to middle income consumers for Jet and middle to upper consumers for Edgars and includes both retail and manufacturing operations. The products within this operating segment include mainly clothing, footwear, cosmetics, mobile phones and accessories.

#### **Manufacturing division**

The manufacturing division is an apparel manufacturer, focusing on mid to high-end garments of mostly woven construction. This operating segment, manufactures ladies and men's outerwear for the Edgars and Discount divisions and the outside market.

#### **Credit and Financial Services**

Credit and financial services focuses on the management of the Group's trade debtors and offers consumer credit and insurance products. For the Group's trade debtors, this operating segment issues private label credit cards to qualifying customers who can use these credit cards in all the Group's chains. Credit and financial services performs all aspects of the credit management process in-house including credit scoring activation, servicing and collection.

For the third party's debtors, the third party extends credit to our private label store card customers while this operating segment remains responsible for all customer-facing activities, including the distribution of the store cards and credit collection. A net fee is paid by the third party for the administration of the accounts.

In addition, all private label store card customers are offered insurance products in partnership with insurance providers. The operating segment does not bear underwriting risk with respect to these insurance products.

#### **Group Services**

Group Services performs the Group's shared services functions which include mainly; human resources, treasury, tax, finance, internal audit, property management, logistics, loyalty, business intelligence and secretarial. Additionally, the trade accounts payable function for the Group is managed centrally by Group Services, as well as the accounting for trademarks and goodwill.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Operating segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Consolidated Financial Statements.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited (continued)

### 2. OPERATING SEGMENT REPORT (continued)

Group financing (including all treasury functions such as finance costs and income and related borrowings), income taxes, trade accounts payable, trademarks and goodwill are managed on a group basis and are not allocated to operating segments.

	REVENUE		REVENUE-RETAIL SALES		(LOSS) OR PROFIT BEFORE FINANCING <sup>3</sup>	
	Consolidated 2015 Rm	Consolidated 2014 Rm	Consolidated 2015 Rm	Consolidated 2014 Rm	Consolidated 2015 Rm	Consolidated 2014 Rm
Edgars division	14 257	14 011	13 929	13 684	1 305	1 538
CNA division	2 011	2 131	2 011	2 131	35	69
Discount division	10 986	10 735	10 771	10 513	1 220	1 212
Edgars Zimbabwe division	861	673	799	646	101	76
Manufacturing division	162 <sup>1</sup>	133 <sup>1</sup>			(8)	19
Credit	849	777			850 <sup>4</sup>	690 <sup>4</sup>
Group Services <sup>2</sup>	33	35			(2 734) <sup>7</sup>	(3 586) <sup>7</sup>
<b>Group</b>	<b>29 159</b>	<b>28 495</b>	<b>27 510</b>	<b>26 974</b>	<b>769<sup>7</sup></b>	<b>18<sup>7</sup></b>
South Africa	25 787	25 555	24 255	24 039	435	(353)
Other <sup>6</sup>	3 372	2 940	3 255	2 935	333	371

	DEPRECIATION AND AMORTISATION		IMPAIRMENT OF INTANGIBLES <sup>5</sup>		EXPENDITURE FOR ASSETS	
	Consolidated 2015 Rm	Consolidated 2014 Rm	Consolidated 2015 Rm	Consolidated 2014 Rm	Consolidated 2015 Rm	Consolidated 2014 Rm
Edgars division	331	266			577	873
CNA division	24	26		33	14	16
Discount division	150	155			180	212
Edgars Zimbabwe division	11	9			33	32
Manufacturing division	7	5			2	15
Credit	4	6			1	2
Group Services <sup>2</sup>	552	670			230	199
<b>Group</b>	<b>1 079</b>	<b>1 137</b>		<b>33</b>	<b>1 037</b>	<b>1 349</b>
South Africa	1 028	1 097		33	840	1 267
Other <sup>6</sup>	51	40			197	82

#### Notes

- 1 Represents manufacturing sales to third parties. In deriving the revenue, inter-group manufacturing sales of R198 million (52 weeks to 28 March 2014: R224 million) have been eliminated.
- 2 Incorporating corporate divisions and consolidation adjustments, including additional depreciation and amortisation, which arose on formation of the Group and Company.
- 3 The segmental result is stated after impairment of intangibles.
- 4 Includes profit share from insurance business of R491 million (2014: R455 million).
- 5 Impairment of intangibles is accounted for by Group Services and included in Group Services operating profit but, the split of these impairments in relation to each operating segment has been disclosed here.
- 6 Comprising Botswana, Lesotho, Swaziland, Namibia, Zambia, Mozambique, Ghana and Zimbabwe.
- 7 Net financing costs of R2 860 million (52 weeks to 29 March 2014: R3 538 million) are reported in Group Services. The loss before taxation as reflected in the Consolidated Statement of Comprehensive Income is reconciled by including these costs.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited (continued)

### 2. OPERATING SEGMENT REPORT (continued)

The following is an analysis of the Group's revenue from continuing operations by reportable segment:

	Edgars Rm	CNA Rm	Discount Division Rm	Edgars Zimbabwe Rm	Manufac- -turing Rm	Credit and Financial Services Rm	Group Services Rm	Total Rm
<b>52 weeks to 28 March 2015</b>								
<b>Consolidated</b>								
Retail sales	13 929	2 011	10 771	799				27 510
Club revenue	328		215	7				550
Manufacturing sales <sup>1</sup>					162			162
Finance charges on trade receivables				55		42		97
Finance income							33	33
Administrative fees						807		807
<b>Total revenue</b>	<b>14 257</b>	<b>2 011</b>	<b>10 986</b>	<b>861</b>	<b>162</b>	<b>849</b>	<b>33</b>	<b>29 159</b>
<b>52 weeks to 29 March 2014</b>								
<b>Consolidated</b>								
Retail sales	13 684	2 131	10 513	646				26 974
Club revenue	327		222					549
Manufacturing sales <sup>1</sup>					133			133
Finance charges on trade receivables				27		42		69
Finance income							35	35
Administrative Fees						735		735
<b>Total revenue</b>	<b>14 011</b>	<b>2 131</b>	<b>10 735</b>	<b>673</b>	<b>133</b>	<b>777</b>	<b>35</b>	<b>28 495</b>

#### Note

<sup>1</sup> Represents manufacturing sales to third parties. In deriving the revenue, inter-group manufacturing sales of R198 million (2014: R224 million) has been eliminated.

#### 2.1 Information on products

The following is an analysis of the Group's retail sales from continuing operations by product line:

	Consolidated 2015 28 March Rm	Consolidated 2014 29 March Rm
Clothing	12 673	12 383
Footwear	4 034	3 929
Cosmetics	2 830	2 633
Homeware	1 060	1 056
Cellular	2 966	2 715
Stationery, books, magazines etc.	1 116	1 728
Hardlines and FMCG	2 902	2 516
Loyalty points programme	(71)	14
<b>Total retail sales</b>	<b>27 510</b>	<b>26 974</b>

## Notes to the Consolidated and Company Financial Statements of Edcon Limited (continued)

### 2. OPERATING SEGMENT REPORT (continued)

#### 2.2 Information about major customers

Revenues arise from direct sales to a broad base of public customers. The following is an analysis of the number of stores in the Group through which the product offering is distributed:

	<b>Consolidated 2015 28 March Number</b>	Consolidated 2014 29 March Number
Edgars division	533	478
CNA division	195	191
Discount division	719	685
Edgars Zimbabwe division	53	49
	<b>1 500</b>	1 403

#### 2.3 Reportable operating segment assets and liabilities

The following is an analysis of the operating segments assets and liabilities:

	<b>TOTAL ASSETS<sup>3</sup></b>		<b>TOTAL LIABILITIES</b>	
	<b>Consolidated 2015 Rm</b>	Consolidated 2014 Rm	<b>Consolidated 2015 Rm</b>	Consolidated 2014 Rm
Edgars division	3 944	3 908	1 360	332
CNA division	375	487	59	25
Discount division	2 543	2 166	827	6
Edgars Zimbabwe division	658	437	395	260
Manufacturing division	101	84	51	23
Credit and Financial Services	147	119	220	96
Group Services <sup>1</sup>	20 844	21 786	36 180	36 633
Assets classified as held for sale	393	651		
<b>Group</b>	<b>29 005</b>	29 638	<b>39 092</b>	37 375
<b>South Africa – continuing operations</b>	<b>27 161</b>	27 816	<b>38 558</b>	37 071
<b>South Africa - discontinued operations</b>				
<b>Other<sup>2</sup> – continued operations</b>	<b>1 451</b>	1 171	<b>534</b>	304
<b>Other<sup>2</sup> – discontinued operations</b>	<b>393</b>	651		

#### Notes

<sup>1</sup> Incorporating corporate divisions and consolidation adjustments, including additional depreciation and amortisation.

<sup>2</sup> Comprising Botswana, Lesotho, Swaziland, Namibia, Zambia, Ghana and Mozambique.

<sup>3</sup> Included in total assets are non-current assets of Group: R17 298 million (2014: R18 417 million) which are part of group services. 99% of non-current assets are domiciled in South Africa.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	Consolidated 2015 28 March Rm	Consolidated 2014 29 March Rm	Company 2015 28 March Rm	Company 2014 29 March Rm
<b>3. PROPERTIES, FIXTURES, EQUIPMENT AND VEHICLES</b>				
<b>Historic cost except for revalued land and buildings</b>				
Land and buildings				
Historic cost <sup>1</sup>	-	-	-	-
Revaluation surplus <sup>1</sup>	20	20	5	5
Leased assets	322	228	322	228
Leasehold improvements	863	912	757	832
Fixtures and fittings	4 272	4 476	3 771	4 125
Computer equipment and software	2 245	2 092	2 242	2 072
Machinery and vehicles	245	246	160	172
	<b>7 967</b>	<b>7 974</b>	<b>7 257</b>	<b>7 434</b>
<b>Accumulated depreciation</b>				
Buildings	4	4	3	3
Leased assets	33	11	33	11
Leasehold improvements	448	518	414	497
Fixtures and fittings	2 171	2 504	2 017	2 367
Computer equipment and software	1 791	1 610	1 802	1 600
Machinery and vehicles	183	170	145	143
	<b>4 630</b>	<b>4 817</b>	<b>4 414</b>	<b>4 621</b>
<b>Net carrying value</b>	<b>3 337</b>	<b>3 157</b>	<b>2 843</b>	<b>2 813</b>
Comprising:				
Land and buildings	16	16	2	2
Leased assets	289	217	289	217
Leasehold improvements	415	394	343	335
Fixtures and fittings	2 101	1 972	1 754	1 758
Computer equipment and software	454	482	440	472
Machinery and vehicles	62	76	15	29
	<b>3 337</b>	<b>3 157</b>	<b>2 843</b>	<b>2 813</b>
<b>Opening net carrying value</b>	<b>3 157</b>	<b>2 606</b>	<b>2 813</b>	<b>2 371</b>
<b>Movements for the period</b>				
Land and buildings – revaluation, cost less accumulated depreciation	-	-	-	-
<b>Additions</b>				
Leased assets				
Leasehold improvements	169	192	146	174
Fixtures and fittings	657	938	477	848
Computer equipment and software	204	194	201	178
Machinery and vehicles	7	25	1	2
	<b>1 037</b>	<b>1 349</b>	<b>825</b>	<b>1 202</b>
<b>Transfers between asset categories</b>				
Leased assets	108		108	
Leasehold improvements	(32)		(32)	
Fixtures and fittings	(81)		(81)	
Computer equipment and software	5		5	
<b>Assets acquired through business combination (note 34.6 &amp; 34.7)</b>				
Fixtures and fittings	1	17		
Computer equipment and software		1		
Machinery and vehicles		1		
	<b>1</b>	<b>19</b>		
<b>Other</b>				
Currency adjustments	11	(3)		
	<b>1 049</b>	<b>1 365</b>	<b>825</b>	<b>1 202</b>

<sup>1</sup>Relates to land and buildings of the Group and Company.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	Consolidated 2015 28 March Rm	Consolidated 2014 29 March Rm	Company 2015 28 March Rm	Company 2014 29 March Rm
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### 3. PROPERTIES, FIXTURES, EQUIPMENT AND VEHICLES *(continued)*

#### Disposals (net carrying value)

Leasehold improvements	20	2	20	2
Fixtures and fittings	16	18	16	18
Computer equipment and software	1	-	1	-
Machinery and vehicles		2		1
	<b>37</b>	22	<b>37</b>	21
Depreciation (note 29.2)	<b>832</b>	792	<b>758</b>	739
<b>Closing net carrying value</b>	<b>3 337</b>	3 157	<b>2 843</b>	2 813

Land and buildings were revalued at 29 March 2014 to open market value based on the open market net rentals and current replacement cost of each property. Deferred taxation has been raised on the revaluation surplus. The independent valuations were carried out by professional valuers. No other categories of assets were revalued.

A register of the Group's land and buildings is available for inspection at the Company's registered office. If the land and buildings were measured using the cost model the cost would have been R4 million (2014: R4 million) and the accumulated depreciation R1 million (2014: R1 million).

At 28 March 2015 the properties, fixtures, equipment and vehicles have an estimated replacement cost and insurance value of R9 billion (2014: R8 billion) which excludes input value added–tax where appropriate.

These assets are security in terms of the floating rate notes, fixed rate notes, the super senior secured notes and the revolving credit facility (note 19 and 21).

The leased assets are secured by the lease liabilities (note 22.2).

### 4. INTANGIBLE ASSETS

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable assets at the date of acquisition purchased as part of a business combination. Other intangible assets represent registered rights to the exclusive use of certain trademarks and brand names.

<b>Balance at the beginning of the period</b>	<b>16 388</b>	16 697	<b>16 357</b>	16 697
<b>Movement of intangible assets:</b>				
Additions of finite life brands		20		
Additions of other intangibles	4	36	4	36
Goodwill acquired (note 34.6 & 34.7)	1	13		
Charge for the period (note 29.1)	<b>(247)</b>	(345)	<b>(243)</b>	(343)
Derecognition/impairment of goodwill (note 5)				
Impairment of indefinite life brands (note 5)		(33)		(33)
<b>Balance at the end of the period</b>	<b>16 146</b>	16 388	<b>16 118</b>	16 357
<b>Comprising:</b>				
Goodwill at cost	<b>8 527</b>	8 526	<b>8 434</b>	8 434
Intangible assets at cost	<b>12 005</b>	12 001	<b>11 985</b>	11 981
Impairment of intangibles, including goodwill	<b>(1 458)</b>	(1 458)	<b>(1 379)</b>	(1 379)
Accumulated amortisation of intangible assets	<b>(2 928)</b>	(2 681)	<b>(2 922)</b>	(2 679)
	<b>16 146</b>	16 388	<b>16 118</b>	16 357

## Notes to the Consolidated and Company Financial Statements of Edcon Limited (continued)

	<b>Consolidated 2015 28 March Rm</b>	Consolidated 2014 29 March Rm	<b>Company 2015 28 March Rm</b>	Company 2014 29 March Rm
<b>4. INTANGIBLE ASSETS (continued)</b>				
<b>Intangible assets (excluding goodwill)</b>				
<b>Intangible assets at cost:</b>				
Indefinite life brands	8 492	8 492	8 492	8 492
Finite life brands	248	248	228	228
Customer relationships	1 955	1 955	1 955	1 955
Trademarks recognised	204	204	204	204
Customer lists	555	555	555	555
Technology	511	511	511	511
Other intangibles	40	36	40	36
	<b>12 005</b>	12 001	<b>11 985</b>	11 981
<b>Accumulated impairment of intangibles:</b>				
Indefinite life brands	(1 170)	(1 170)	(1 170)	(1 170)
Finite life brands	(40)	(40)	(40)	(40)
	<b>(1 210)</b>	(1 210)	<b>(1 210)</b>	(1 210)
<b>Accumulated amortisation of intangible assets:</b>				
Finite life brands	(162)	(143)	(156)	(141)
Customer relationships	(1 603)	(1 435)	(1 603)	(1 435)
Trademarks recognised	(139)	(126)	(139)	(126)
Customer lists	(476)	(439)	(476)	(439)
Technology	(511)	(505)	(511)	(505)
Other intangibles	(37)	(33)	(37)	(33)
	<b>(2 928)</b>	(2 681)	<b>(2 922)</b>	(2 679)
<b>Carrying value of intangible assets:</b>				
Indefinite life brands	7 322	7 322	7 322	7 322
Finite life brands	46	65	32	47
Customer relationships	352	520	352	520
Trademarks recognised	65	78	65	78
Customer lists	79	116	79	116
Technology		6		6
Other intangibles	3	3	3	3
	<b>7 867</b>	8 110	<b>7 853</b>	8 092
<b>Remaining useful lives (in years):</b>				
Indefinite life brands				
Finite life brands	2 – 4	3 – 5	2 – 4	3 – 5
Customer relationships	2	3	3	4
Trademarks recognised	2 – 7	3 – 8	3 – 8	4 – 9
Customer lists	2	3	3	4
Technology		Less than 1		Less than 1

Indefinite life brands principally comprise those brands for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

The Edgars, Jet, CNA and Boardmans brands are considered to have an indefinite life as each has been in existence for a significant period, have strength and durability and require a low level of marketing support.

Goodwill and indefinite life brands are tested annually for impairment (note 5).



5. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated to individual cash-generating units for impairment testing as follows:

- Edgars Division – includes Edgars, Boardmans, Red Square, Edgars Active, Edgars Shoe Gallery, Inglot, La Senza, Accessorize, Topshop, Tom Tailor, Mac, Lipsy, Bobbi Brown, Lucky Brands, Dune, TM Lewin, Salsa, Jigsaw, Calvin Klein, Khiels, Victoria’s Secret Beauty and Accessories, Vince Camuto, River Island, Dr. Martens and Jo Malone offering, clothing, footwear and homeware products.
- CNA – offers stationery and electronic products.
- Discount – includes Jet, JetMart, Legit and Jet Shoes chains offering clothing, footwear, beauty and homeware products.
- Credit and Financial Services.

Impairment testing of this goodwill and intangibles with indefinite lives was undertaken on the following basis:

The recoverable amount of cash-generating units has been determined based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by the board covering a five-year period. The discount rate applied to the cash flow projections for the Edgars and the Discount division is 12% (2014: 13%), for CNA, 14% (2014: 15%) and for the Credit and Financial Services division, 13% (2014: 13%). The average growth rates used to extrapolate the cash flow projection of each cash-generating unit beyond the periods covered by the financial forecasts for Edgars is 6% (2014: 5%), the Discount division is 7% (2014: 8%), the Credit and Financial Services division is 5% (2014: 5%) and for CNA, 2% (2014: 5%) as future benefits are expected beyond the periods of the financial forecasts.

As a result, forecast sales assumptions were based on estimated growths over the short-term, and the growth rates beyond the forecasted period is 5% (2014: 6%) for Edgars and the Discount division, 5% (2014: 6%) for the Credit and Financial Services division and for CNA, 5% (2014: 6%).

2015

Group:

Carrying amount of goodwill and intangibles with indefinite lives (Rm)

Carrying amount of goodwill  
Carrying amount of indefinite life intangibles

	Edgars	CNA	Discount	Credit and Financial Services	Total
Carrying amount of goodwill	1 767		2 922	3 590	8 279
Carrying amount of indefinite life intangibles	4 535	127	2 660		7 322

Company:

Carrying amount of goodwill and intangibles with indefinite lives (Rm)

Carrying amount of goodwill  
Carrying amount of indefinite life intangibles

	Edgars	CNA	Discount	Credit and Financial Services	Total
Carrying amount of goodwill	1 753		2 922	3 590	8 265
Carrying amount of indefinite life intangibles	4 535	127	2 660		7 322

2014

Group:

Carrying amount of goodwill and intangibles with indefinite lives (Rm)

Carrying amount of goodwill  
Carrying amount of indefinite life intangibles

	Edgars	CNA	Discount	Credit and Financial Services	Total
Carrying amount of goodwill	1 766		2 922	3 590	8 278
Carrying amount of indefinite life intangibles	4 535	127	2 660		7 322

Company:

Carrying amount of goodwill and intangibles with indefinite lives (Rm)

Carrying amount of goodwill  
Carrying amount of indefinite life intangibles

	Edgars	CNA	Discount	Credit and Financial Services	Total
Carrying amount of goodwill	1 753		2 922	3 590	8 265
Carrying amount of indefinite life intangibles	4 535	127	2 660		7 322

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 5. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES *(continued)*

In the prior period an impairment of R33 million was recognised on the indefinite life brand for CNA due to economic trading conditions and a change in the mix of products sold by CNA stores.

#### Key assumptions applied in value-in-use calculation of the cash generating units

The calculation of value-in-use is sensitive to changes in the following assumptions, listed in order from most sensitive to least sensitive: gross margin, revenue growth, discount rates, growth rates (used to extrapolate cash flows beyond the financial forecast period), store expenses and market share.

Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvement and therefore based on financial forecasts for the Edgars, CNA and the Discount divisions.

Store expenses are applied as a percentage of sales to the forecast based on historic performance, adjusted for any future impacts. Discount rates reflect management's estimate of the risks specific to each unit. Market share assumptions (based on external market information) are important as management considers how the unit's position relative to its competitors might change over the forecast period.

Growth rate estimates are conservatively applied to each unit having considered industry expected growth rates and internal targets. The Group is not expected to exceed the long-term average growth rates of the industry.

#### Sensitivity analysis

If the estimated pre-tax discount rates, terminal growth rates, gross margins and revenue growth rates applied to the discounted cash flows for each cash-generating unit had been 1% less favourable than management's estimates, this would not cause the carrying amount of any of the cash-generating units to exceed the recoverable amount. Accordingly, management believe that a reasonable possible change in any of the key assumptions on which the recoverable amount is based would not result in the carrying amount of any of the cash generating units exceeding their recoverable amount.

<b>Company 2015 28 March Rm</b>	<b>Company 2014 29 March Rm</b>
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### 6. INVESTMENT IN SUBSIDIARIES AND JOINT OPERATIONS

National Security Corporation Proprietary Limited	7	7
Rapid Dawn Proprietary Limited	94	94
Celrose Proprietary Limited	51	51
Jet Supermarkets Botswana Proprietary Limited	405	405
Edgars Stores (Namibia) Limited	264	264
Edgars Stores Swaziland Limited	136	136
Quinmatro Retail Proprietary Limited <sup>1</sup>	15	15
Rosyco Retail Proprietary Limited <sup>1</sup>	9	9
Cosyro Retail Proprietary Limited <sup>1</sup>	3	3
Jetcon Mart Ghana Limited	12	
Rowmoor Investments 582 Proprietary Limited <sup>1</sup>	1	
Kamnandi Retail Proprietary Limited <sup>1</sup>	1	
Edgars Stores Lesotho Proprietary Limited	-	-
Edcon Limitada	-	-
Jet Supermarkets Zambia Limited	-	-
Edcon International Hong Kong Limited	-	-
Edcon International (Singapore) Proprietary Limited	-	-
	<b>998</b>	<b>984</b>

<sup>1</sup> Combined, referred to as the ALI Group of companies (note 34.6 & 34.7)

**Notes to the Consolidated and Company Financial Statements of Edcon Limited (continued)**

	<b>Consolidated 2015 28 March Rm</b>	<b>Consolidated 2014 29 March Rm</b>	<b>Company 2015 28 March Rm</b>	<b>Company 2014 29 March Rm</b>
<b>7. AMOUNTS OWING BY AND TO GROUP COMPANIES AND RELATED PARTIES</b>				
<b>7.1 Current Assets – Amounts owing by group companies and related parties</b>				
National Security Corporation			<b>16</b>	8
Securex Security Services Proprietary Limited <sup>1</sup>			<b>1</b>	-
Edgars Stores Swaziland Limited <sup>1</sup>			<b>145</b>	156
Edgars Stores (Lesotho) Proprietary Limited <sup>1</sup>			<b>65</b>	72
Edgars Stores (Namibia) Limited <sup>1</sup>			<b>3</b>	252
Edgars Consolidated Stores Proprietary Limited <sup>2</sup>	<b>79</b>	63	<b>79</b>	63
Celrose Proprietary Limited <sup>1</sup>			<b>72</b>	70
Jet Supermarkets Botswana Proprietary Limited <sup>2</sup>			<b>5</b>	40
Edcon Acquisition Proprietary Limited <sup>2</sup>	<b>892</b>	892	<b>892</b>	892
Staff Empowerment Trust <sup>2</sup>	<b>1</b>	1	<b>1</b>	1
Jet Supermarkets Zambia Limited <sup>1</sup>			<b>93</b>	92
Msisis Partnership <sup>2</sup>			<b>30</b>	31
Edcon Limitada <sup>1</sup>			<b>64</b>	89
Bessie Proprietary Limited <sup>1</sup>			<b>23</b>	23
TSSA Partnership <sup>2</sup>			<b>25</b>	5
TSTM Proprietary Limited <sup>1</sup>			<b>44</b>	44
Edcon (Shanghai) Co. Limited <sup>2</sup>			<b>4</b>	4
ALI Group of Companies <sup>1,3</sup>			<b>22</b>	31
Bangladesh Liaison Office <sup>2</sup>			<b>6</b>	6
Edgars Stores Limited <sup>2</sup>			<b>4</b>	2
Jetcon Mart Ghana Limited <sup>1</sup>			<b>77</b>	
Other <sup>2</sup>	<b>14</b>	10	<b>7</b>	10
	<b>986</b>	966	<b>1 678</b>	1 891

<sup>1</sup> Interest is payable monthly at the prime rate and the loans are repayable on demand.

<sup>2</sup> The loans are interest free and repayable on demand.

<sup>3</sup> Loans owing from ALI group of companies.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	Consolidated 2015 28 March Rm	Consolidated 2014 29 March Rm	Company 2015 28 March Rm	Company 2014 29 March Rm
<b>7. AMOUNTS OWING BY AND TO GROUP COMPANIES AND RELATED PARTIES <i>(continued)</i></b>				
<b>7.2 Non-current liabilities – Amounts owing to group company</b>				
Interest-free loan owing to Edcon Holdings Limited	614	581	614	580
Interest-bearing loan owing to Edcon Holdings Limited	7 835	8 432	7 835	8 432
	<b>8 449</b>	9 013	<b>8 449</b>	9 013
<b>Interest-free loan owing to Edcon Holdings comprises:</b>				
Principal	461	477	461	477
Cumulative notional interest charged	153	104	153	104
Interest free loan owing to Edcon Holdings Limited (principal and notional interest)	614	581	614	581
<b>Reconciliation of interest-free loan owing to Edcon Holdings Limited:</b>				
Principal and notional interest at the beginning of the period	581	581	581	581
Notional interest charged	49	-	49	-
Reclassification to equity (note 7.3)	(16)		(16)	
Principal and notional interest at the end of the period	614	581	614	581
Loan recognised in equity (note 7.3)	6 398	6 382	6 398	6 382
Total principal loan recognised in equity and non-current liabilities, including notional interest at the end of the period	7 012	6 963	7 012	6 963
<b>Total principal loan recognised in equity and non-current liabilities, excluding notional interest at the end of the period</b>	<b>6 859</b>	6 859	<b>6 859</b>	6 859
<b>The interest-bearing loan with Edcon Holdings Limited comprises:</b>				
Principal and interest at the beginning of the period	8 432	6 476	8 432	6 476
Loan raised during the period		794		794
Interest capitalised during the period (note 32.2)	420	1 528	420	1 528
Settlement during the period	(1 017)	(366)	(1 017)	(366)
Principal and interest at the end of the period	7 835	8 432	7 835	8 432
<b>Total principal loans interest-free and interest-bearing owing to Edcon Holdings Limited</b>	<b>14 694</b>	15 291	<b>14 694</b>	15 291

**7. AMOUNTS OWING BY AND TO GROUP COMPANIES AND RELATED PARTIES** *(continued)*

**7.2 Non-current liabilities – Amounts owing to group company** *(continued)*

**Interest-free loan owing to Edcon Holdings Limited**

In June 2007, Edcon Holdings Limited advanced R5 057 million to Edcon Limited. Interest accrued daily at prime plus 2.25% p.a. up to and including 7 February 2012. From 8 February 2012, the terms of the loan were changed and the loan accrued interest of 0% as from that date up to and including the date of repayment. The loan is repayable by no later than 25 May 2037. As a result of the change to the terms of the loan, R6 859 million was derecognised on 8 February 2012, R6 382 million recognised in equity and R477 million in non-current liabilities in accordance with the principles of IAS 39.

During the current financial period, R16 million was reclassified to equity (note 7.3) from the principal of the interest-free loan owing to Edcon Holdings Limited due to a misclassification between the equity (note 7.3) and the principal portion of the interest-free loan at 8 February 2012. As a result, R6 398 million should have been recognised in equity (note 7.3) and a R461 million (note 7.2) loan recognised in non-current liabilities at that date.

**Interest-bearing loan owing to Edcon Holdings Limited**

Edcon Holdings Limited advanced the proceeds of its senior floating rate notes to the Company (the borrower) on 1 June 2007. In November and December 2013, Edcon Holdings Limited advanced a further R794 million from the proceeds on termination of the derivatives (R488 million), proceeds from the over-raise on the senior fixed rate notes (R303 million) and cash proceeds advanced of R3 million. Interest accrues on the outstanding amount as agreed between the parties from time to time but shall at least be equal to the aggregate of the following:

- a) interest incurred by the borrower;
- b) foreign exchange differences incurred by or accrued to the borrower;
- c) any amounts incurred by or accrued to the borrower in respect of an interest rate agreement or option contracts that are taken out by the borrower as hedging arrangements in relation to the debt; and
- d) a 25 point basis premium to the amounts in a) to c) above.

The interest as set out in a) to c), is payable 5 business days prior to the date that the corresponding amounts fall due by the borrower. The interest as set out in d) above is payable 5 business days after payment by the borrower. The borrower pays interest quarterly in arrears. The principal amount becomes due on the day it becomes payable by the borrower, i.e. the notes mature on 30 June 2019. This loan of R14 694 million (2014: R15 291 million) is regarded as capital for IAS1 purposes (note 36). The directors', having considered the going concern assumption, have included the loan of R14 694 million in the assessment.

To the extent required to maintain the solvency of the Group and the Company, these loans have been subordinated to the claims of all creditors of the Group and Company.

<b>Consolidated 2015 28 March Rm</b>	Consolidated 2014 29 March Rm	<b>Company 2015 28 March Rm</b>	Company 2014 29 March Rm
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**7.3 Equity – Amounts owing to group company**

Shareholder loan recognised in equity (note 7.2)

<b>6 398</b>	6 382	<b>6 398</b>	6 382
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During the current financial period, R16 million was reclassified from the interest-free loan owing to Edcon Holdings Limited. Details of the reclassification are contained in note 7.2.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	Consolidated 2015 28 March Rm	Consolidated 2014 29 March Rm	Company 2015 28 March Rm	Company 2014 29 March Rm
<b>7. AMOUNTS OWING BY AND TO GROUP COMPANIES AND RELATED PARTIES <i>(continued)</i></b>				
<b>7.4 Current liabilities – Amounts owing to group companies and related parties</b>				
National Security Corporation Proprietary Limited <sup>1,2</sup>			4	4
Edcon Acquisition Proprietary Limited <sup>2</sup>	2 187	2 187	2 187	2 187
Topics Proprietary Limited <sup>2</sup>			131	131
Edgars Consolidated Stores Proprietary Limited <sup>2</sup>	98	98	98	98
Edcon Holdings Limited <sup>2</sup>	1 051	820	1 051	820
Edgars Stores (Namibia) Limited <sup>1</sup>			105	
Jet Supermarkets Botswana Proprietary Limited <sup>1</sup>			21	
Other <sup>2</sup>			7	4
	<b>3 336</b>	<b>3 105</b>	<b>3 604</b>	<b>3 244</b>
<sup>1</sup> Interest is payable monthly at the prime rate and the loans are repayable on demand.				
<sup>2</sup> The loans are interest free and repayable on demand.				
<b>8. DERIVATIVE FINANCIAL INSTRUMENTS</b>				
<b>8.1 Non-current derivative assets</b>				
Cross currency swaps		-		-
Foreign currency call options		701		701
		701		701
<b>8.2 Current derivative assets</b>				
Cross currency swaps		747		747
Foreign currency call option	527	550	527	550
Call option premium <sup>2</sup>	289		289	
	<b>816</b>	<b>1 297</b>	<b>816</b>	<b>1 297</b>
<b>8.3 Current derivative liabilities</b>				
Foreign currency forward contracts	24		24	
Cross currency swaps		-		-
	<b>24</b>	<b>-</b>	<b>24</b>	<b>-</b>
<b>8.4 Total derivatives</b>				
Foreign currency forward contracts	(24)		(24)	
Cross currency swaps		747		747
Foreign currency call option	527	1 251	527	1 251
Call option premium <sup>2</sup> (note 34.11)	289		289	
	<b>792</b>	<b>1 998</b>	<b>792</b>	<b>1 998</b>
<b>Credit risk valuation adjustments<sup>1</sup></b>				
Foreign currency forward contracts	(1)		(1)	
Cross currency swaps		1		1
Foreign currency call options	1	6	1	6
	<b>-</b>	<b>7</b>	<b>-</b>	<b>7</b>
<b>Total derivatives before credit risk valuation adjustments</b>				
Foreign currency forward contracts liability	(25)		(25)	
Cross currency swaps asset		748		748
Foreign currency call option asset	528	1 257	528	1 257
Call option premium <sup>2</sup>	289		289	
	<b>792</b>	<b>2 005</b>	<b>792</b>	<b>2 005</b>

<sup>1</sup> Credit risk valuation adjustments are included in the total fair value of derivatives above (Refer to note 37.2 for details of hedging activities).

<sup>2</sup> Represents the premium settled in November 2014 on the new foreign currency call options.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited (continued)

### 8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

In September and November 2014, Edcon Limited restructured certain derivative contracts by early terminating a series of cross currency swaps and foreign currency call options with a gross notional value of €230 million and €237 million respectively which were due to mature in March 2015. On termination, the Company and Group realised net proceeds of R227 million being, R826 million (note 34.9) gross proceeds received, net of a R310 million (note 34.11) settlement relating to the option premiums which had been deferred on the early terminated foreign currency call options. The balance of R289 million relates to premiums settled on the new foreign currency call options (refer to paragraph below).

New foreign currency call options were entered which partially hedge both interest and principal with a notional value of €44 million and €385 million respectively on the senior secured fixed rate notes. These new foreign currency call options extend the hedge cover to March 2016. Premiums payable on these foreign currency call options of R50 million and R154 million has been deferred to July 2015 and March 2016 respectively and R289 million settled in November 2014 (note 34.11). These foreign currency call options have not been designated as cash flow hedges.

Additionally, the Company entered two foreign currency forward contracts with a notional value of €7 million each, maturing in September 2015 and March 2016 respectively and these contracts have been designated as cash flow hedges. These forward contracts partially hedge the interest payments on the €300 million senior secured fixed rate notes.

On 17 May 2013, Edcon Limited terminated cross currency swaps as a consequence of the repurchase of the senior secured floating rate notes with a nominal value of €387 million and received proceeds of R654 million which were applied to the redemption of the senior secured floating rate notes.

<b>Consolidated</b>	Consolidated	<b>Company</b>	Company
<b>2015</b>	2014	<b>2015</b>	2014
<b>28 March</b>	29 March	<b>28 March</b>	29 March
<b>Rm</b>	Rm	<b>Rm</b>	Rm

#### 8.5. Derivative (loss)/gain

Derivative (loss)/gain recognised in profit or loss	<b>(601)</b>	607	<b>(601)</b>	607
	<b>(601)</b>	607	<b>(601)</b>	607

### 9. DEFERRED TAXATION

Balance at the beginning of the period – asset/(liability)	<b>344</b>	(587)	<b>340</b>	(572)
Recognised in profit or loss (note 33.1)	<b>168</b>	860	<b>183</b>	861
Recognised in profit or loss – prior year (note 33.1)	<b>(235)</b>	106	<b>(232)</b>	106
Deferred tax in profit or loss – discontinued operation (note 14)	<b>(9)</b>	7		(13)
Deferred tax in other comprehensive income – cash flow hedges (note 33.2)	<b>26</b>	(8)	<b>26</b>	(8)
Other deferred tax movements	<b>(5)</b>	(1)		(1)
Deferred tax in other comprehensive income –employee benefits	<b>(4)</b>	(33)	<b>(4)</b>	(33)
Balance at the end of the period – asset	<b>285</b>	344	<b>313</b>	340

#### Comprising:

Section 24C allowance	<b>40</b>	14	<b>7</b>	14
Intangible assets	<b>1 335</b>	1 408	<b>1 329</b>	1 396
Property, fixtures, equipment and vehicles	<b>239</b>	217	<b>200</b>	200
Prepayments	<b>42</b>	21	<b>42</b>	21
Employee benefits asset	<b>31</b>	50	<b>31</b>	50
Forward exchange contracts – application of Section 24I	<b>3</b>		<b>3</b>	
Call option premium	<b>76</b>		<b>76</b>	
Foreign currency call options – application of Section 24I	<b>320</b>		<b>320</b>	
Cross currency swaps		22		22
Other	<b>3</b>	-		
<b>Deferred tax liability</b>	<b>2 089</b>	1 732	<b>2 008</b>	1 703

Provision for impairment of receivables	<b>31</b>	41	<b>6</b>	4
Provision for stock losses	<b>10</b>	7	<b>7</b>	6
Other payables	<b>166</b>	118	<b>163</b>	141
Leave pay accrual	<b>42</b>	44	<b>40</b>	41
Operating lease adjustment	<b>166</b>	134	<b>155</b>	127
Onerous lease liability	<b>31</b>		<b>30</b>	
Income received in advance	<b>25</b>	28	<b>24</b>	28
Finance leases	<b>90</b>	77	<b>90</b>	77
Employee benefits liability	<b>43</b>	49	<b>43</b>	49
Assessed loss	<b>1 463</b>	1 269	<b>1 456</b>	1 261
Deferred option premium	<b>301</b>	309	<b>301</b>	309
Cash flow hedges	<b>3</b>		<b>3</b>	
Restraint of trade payments	<b>3</b>	-	<b>3</b>	-
<b>Deferred tax asset</b>	<b>2 374</b>	2 076	<b>2 321</b>	2 043
<b>Net deferred tax asset/(liability)</b>	<b>285</b>	344	<b>313</b>	340



## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated 2015 28 March Rm</b>	Consolidated 2014 29 March Rm	<b>Company 2015 28 March Rm</b>	Company 2014 29 March Rm
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### 9. DEFERRED TAXATION *(continued)*

#### Reflected in the Statement of Financial Position as follows:

Deferred tax assets - continuing operations	328	387	313	340
Deferred tax liabilities - continuing operations	(67)	(76)		
Deferred tax asset - discontinued operations	24	33		
<b>Net deferred tax asset</b>	<b>285</b>	<b>344</b>	<b>313</b>	<b>340</b>

The deferred tax asset relating to the assessed loss will be realised through the normal course of trading or through tax planning strategies under the control of management.

### 10. INVENTORIES

Merchandise	4 276	4 360	3 664	3 831
Raw materials	79	57		
Work in progress	18	19		
Total inventories on hand	<b>4 373</b>	<b>4 436</b>	<b>3 664</b>	<b>3 831</b>
Inventory write-downs included above	<b>140</b>	100	<b>117</b>	82
Cost of inventories expensed	<b>17 153</b>	16 939	<b>15 074</b>	15 136

### 11. TRADE RECEIVABLES

Trade accounts receivable – retail	505	369	100	27
Provision for impairment of receivables	(32)	(46)	(24)	(27)
Total trade receivables	<b>473</b>	<b>323</b>	<b>76</b>	-

R6 million (2014: R16 million) of the balances are covered by an account protection policy whereby the Group is the beneficiary in the event of the customer's death, the customer being retrenched or becoming permanently disabled. The policy does not provide cover for insolvency or inability to pay.

On 6 June 2012, the Group announced the intended sale of its private label store cards to Absa, as well as the implementation of a long-term strategic agreement. On 1 November 2012, all conditions required for the first closing of the South African trade accounts receivable sale were satisfied and R8 667 million of the South African private label store and portfolio was sold to Absa. On 30 April 2013 and 30 June 2013, all condition required for the second and third closing of the South African trade accounts receivable sale were satisfied and R461 million and R114 million, respectively, was sold to Absa. On 1 July 2014, R314 million of the Namibian private label store card portfolio was sold to Absa. In terms of the strategic agreement with Absa, Absa will provide retail credit to these Group customers who were sold to Absa, while the Group continues to be responsible for all customer-facing activities for these trade receivables which were sold to Absa, including sales and marketing, customer services and collections.

The balance of the Group's trade receivables of R473 million in the consolidated financials consists mainly of net trade receivables in Edgars Stores Limited Zimbabwe of R397 million whilst, R76 million relates to South African trade receivables not considered as "held-for-sale". The remainder of the trade receivables balance of R369 million, has been disclosed as "assets classified as held-for-sale" (note 14). This portion of the card portfolio (Lesotho, Botswana, Swaziland and the remaining Namibian trade receivables portfolio not sold to Absa) of R369 million is still expected to be sold as soon as compliance screening processes and valuation calculations in respect of these accounts have been completed, as well as the relevant regulatory approvals have been obtained.

On 1 February 2015, a portion of the continuing written down trade receivables book was sold for R42 million.

The Edgars Stores Limited Zimbabwe trade receivables have an average credit period on sale of goods of 390 days (2014: 210 days). Interest is charged on accounts with payment terms in excess of 6 months to pay. Additional late payment interest is charged at 4% per month on the outstanding balance for customers who default on their repayments.



## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated 2015 28 March Rm</b>	Consolidated 2014 29 March Rm	<b>Company 2015 28 March Rm</b>	Company 2014 29 March Rm
<b>11.1 Analysis of trade receivables past due but not impaired</b>				
Overdue 30 days – 60 days	15	20	10	-
Overdue 60 days – 90 days	2	1	1	-
Overdue 90 days – 120 days		1		-
Greater than 120 days		3		-
	<b>17</b>	<b>25</b>	<b>11</b>	<b>-</b>
<b>11.2 Interest on impaired receivables</b>				
Interest recognised on impaired receivables	2	6	2	-
Total interest recognised on impaired receivables	<b>2</b>	<b>6</b>	<b>2</b>	<b>-</b>
<b>11.3 Provision for impairment of receivables</b>				
Balance at the beginning of the period	46	22	27	19
(Decrease)/increase in impairment provision	(1)	40	(3)	36
Decrease in impairment provision – discontinued operation (note 14)	(13)	(16)		(28)
Balance at the end of the period	<b>32</b>	<b>46</b>	<b>24</b>	<b>27</b>
<b>12. SUNDRY RECEIVABLES AND PREPAYMENTS</b>				
Sundry receivables	470	576	394	499
Staff loans	4	5	4	4
Prepayments	153	96	139	89
Value added taxation	128	67	92	63
	<b>755</b>	<b>744</b>	<b>629</b>	<b>655</b>
<b>13. CASH AND CASH EQUIVALENTS</b>				
Cash on hand	257	251	231	213
Cash on deposit	1 031	159	957	32
	<b>1 288</b>	<b>410</b>	<b>1 188</b>	<b>245</b>
<b>14. DISCONTINUED OPERATIONS</b>				

On 6 June 2012, the Group announced the intended sale of its private label store card portfolio to Absa as well as the proposed implementation of a long-term strategic agreement. On 1 November 2012, all conditions required for the first closing of the South African trade accounts receivable were satisfied and R8 667 million of the South African private label store card portfolio was sold to Absa. On 30 April 2013 and 30 June 2013, all conditions required for the second and third closing of the South African trade accounts receivable were satisfied and a further R461 million and R114 million respectively was sold to Absa. On 1 July 2014, R314 million of the Namibian private label store card portfolio was sold to Absa. In terms of the strategic agreement Absa will provide retail credit to the Group's customers which were sold to Absa, while the Group continues to be responsible for all customer-facing activities for these trade receivables which were sold to Absa, including sales, marketing, customer services and collections.

The remainder of the trade receivables balance not sold of R369 million is still expected to be sold and has been disclosed as "assets classified as held-for-sale".

The card portfolio in Lesotho, Namibia, Botswana and Swaziland classified as held-for-sale, is still expected to be sold as soon as compliance screening processes and valuation calculations in respect of these accounts have been completed, as well as the relevant regulatory approvals have been obtained. Accordingly, the provision of credit relating to the portion of the trade account receivables not yet sold has been disclosed as a discontinued operation and trade receivables classified as assets held-for-sale.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated 2015 28 March Rm</b>	Consolidated 2014 29 March Rm	<b>Company 2015 28 March Rm</b>	Company 2014 29 March Rm
<b>14. DISCONTINUED OPERATIONS <i>(continued)</i></b>				
The results of the discontinued operation are as follows:				
<b>14.1 Statement of Comprehensive Income</b>				
<b>14.1.1 Trade receivables disposed of</b>				
Revenues	<u>12</u>	<u>14</u>		<u>14</u>
Other income	12	14		14
Other operating costs	(12)	(110)		(110)
(Loss)/profit before taxation	-	(96)		(96)
Taxation	-	27		28
(Loss)/profit of the period	-	(69)		(68)
<b>14.1.2 Trade receivable held-for-sale</b>				
Revenues	<u>119</u>	<u>144</u>		
Other income	119	144		
Other operating costs	(104)	(134)		
Profit before taxation	15	10		
Taxation	(1)	(3)		
Profit for the period	<u>14</u>	<u>7</u>		
<b>14.1.3 Total discontinued operations</b>				
Revenues	<u>131</u>	<u>158</u>		<u>14</u>
Other income	131	158		14
Other operating costs	(116)	(244)		(110)
<b>Profit/(loss) before taxation</b>	<b>15</b>	<b>(86)</b>		<b>(96)</b>
Taxation	<b>(1)</b>	<b>24</b>		<b>28</b>
<b>Profit/(loss) for the period</b>	<b>14</b>	<b>(62)</b>		<b>(68)</b>
<b>14.2 Statement of Financial Position</b>				
The major classes of assets sold are as follows:				
<b>14.2.1 Trade receivables disposed of Assets</b>				
Trade receivables	<u>314</u>	<u>575</u>		<u>575</u>
Total assets disposed of	<u>314</u>	<u>575</u>		<u>575</u>
<b>14.2.2 Trade receivables held-for-sale Assets</b>				
Trade receivables	369	618		
Deferred tax asset	24	33		
Total assets held-for-sale	<u>393</u>	<u>651</u>		
<b>14.3 Statement of Cash Flows<sup>1</sup></b>				
The net cash flows incurred by the discontinued operations are as follows:				
<b>14.3.1 Trade receivables disposed of<sup>1</sup></b>				
Operating	314	479		479
Investing				
Financing				
Net cash inflow	<u>314</u>	<u>479</u>		<u>479</u>

<sup>1</sup>For the 52 weeks to 28 March 2015 and 29 March 2014.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated 2015 28 March Rm</b>	Consolidated 2014 29 March Rm	<b>Company 2015 28 March Rm</b>	Company 2014 29 March Rm
<b>14. DISCONTINUED OPERATIONS <i>(continued)</i></b>				
<b>14.3 Statement of Cash Flows <i>(continued)</i></b>				
<b>14.3.2 Trade receivables held-for-sale<sup>1</sup></b>				
Operating	265	524		
Investing				
Financing				
Net cash inflow	<u>265</u>	<u>524</u>		
<b>14.3.3 Total discontinued operations<sup>1</sup></b>				
Operating	579	1 003		479
Investing				
Financing				
Net cash inflow	<u>579</u>	<u>1 003</u>		<u>479</u>
<sup>1</sup> For the 52 weeks to 28 March 2015 and 29 March 2014.				
<b>15. SHARE CAPITAL AND PREMIUM</b>				
<b>15.1 Authorised ordinary share capital</b>				
1000 ordinary shares with par value of R1 each				
<b>15.2 Number of ordinary shares in issue</b>				
Number of shares at the beginning of the period	<u>897</u>	897	<u>897</u>	897
Number of shares at the end of the period	<u>897</u>	897	<u>897</u>	897
<b>Number of ordinary shares in issue comprise:</b>	<u>897</u>	897	<u>897</u>	897
Ordinary shares issued	<u>897</u>	897	<u>897</u>	897
<b>15.3 Voting rights of ordinary shares</b>				
Each ordinary share of Edcon Limited shall entitle the holder who is present in person, and if the person is a body corporate its representative, on a show of hands have the vote only, but on a poll every person entitled to vote and present in person or by proxy, and if the person is a body corporate, its representative shall have one vote for every share held or represented by him.				
Subject to the Act, the Company in a general meeting or the directors may from time to time declare a dividend to be paid to the members in proportion to the number of shares held by them in each class or in such other proportion as the directors may determine. Dividends shall be declared payable to members registered as such on a date subsequent to the date of declaration of the dividend. No larger dividend shall be declared by the Company in a general meeting than is declared by the directors, but the Company in a general meeting may declare a smaller dividend.				
<b>15.4 Issued ordinary shares and premium</b>				
Balance at the beginning of the period	<u>5 429</u>	5 429	<u>5 429</u>	5 429
Balance at the end of the period	<u>5 429</u>	5 429	<u>5 429</u>	5 429
<b>Comprising:</b>				
Share capital	-	-	-	-
Share premium	<u>5 429</u>	5 429	<u>5 429</u>	5 429
Total	<u>5 429</u>	5 429	<u>5 429</u>	5 429

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated 2015 28 March Rm</b>	Consolidated 2014 29 March Rm	<b>Company 2015 28 March Rm</b>	Company 2014 29 March Rm
<b>16. OTHER RESERVES</b>				
Balance at the beginning of the period comprising:				
Revaluation reserve net of deferred taxation	8	8	3	3
Foreign currency translation reserve	9	(31)		
Cash flow hedges net of tax	<b>100</b>	36	<b>100</b>	36
Balance at the beginning of the period	<b>117</b>	13	<b>103</b>	39
 Movements				
Net decrease in revaluation reserve	-	-	-	-
Foreign currency translation reserve	10	40		
Cash flow hedges recognised in other comprehensive income	<b>(350)</b>	712	<b>(350)</b>	712
Cash flow hedges released to derivative losses as hedge ineffectiveness	-	-	-	-
Cash flow hedges released to financing costs	<b>109</b>	(16)	<b>109</b>	(16)
Cash flow hedges released to foreign exchange loss	<b>96</b>	(624)	<b>96</b>	(624)
Cash flow hedges released due to discontinued hedge accounting		-		-
Tax impact of cash flow hedges (note 33.2)	<b>26</b>	(8)	<b>26</b>	(8)
<b>Balance at the end of the period</b>	<b>8</b>	117	<b>(16)</b>	103
 <b>Comprising:</b>				
Revaluation reserve net of deferred taxation	8	8	3	3
Foreign currency translation reserve	19	9		
Cash flow hedges, net of tax	<b>(19)</b>	100	<b>(19)</b>	100
	<b>8</b>	117	<b>(16)</b>	103
The foreign denominated floating and fixed rate notes expose the Group and Company to both interest rate risk and foreign exchange risk. Derivative instruments have been executed to limit the exposure to both interest rate and/or foreign exchange risk. Certain derivative instruments have been designated as a cash flow hedge. Refer to note 37.2 for details of the hedging strategy.				
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.				
<b>17. RETAINED LOSS</b>				
<b>Comprising:</b>				
Holding company - Edcon Limited	<b>(22 081)</b>	(19 649)	<b>(22 081)</b>	(19 649)
Consolidated subsidiaries	13	(109)		
	<b>(22 068)</b>	(19 758)	<b>(22 081)</b>	(19 649)
<b>18. FOREIGN SUBSIDIARY DISTRIBUTIONS</b>				
Distributions by certain foreign subsidiaries will give rise to withholding taxes of R57 million (2014: R44 million) in the consolidated accounts. No deferred tax is raised until dividends are declared as the Group controls the timing of the reversal and it is probable that there will be no reversal in the foreseeable future. Deferred tax not raised in the Group was R145 million (2014: R113 million).				

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated 2015 28 March Rm</b>	Consolidated 2014 29 March Rm	<b>Company 2015 28 March Rm</b>	Company 2014 29 March Rm
<b>19. NON-CURRENT INTEREST-BEARING DEBT</b>				
Super senior secured notes (note 19.1)	<b>1 005</b>	1 010	<b>1 005</b>	1 010
Senior secured fixed rate notes – USD 250 million (note 19.3)	<b>2 981</b>	2 603	<b>2 981</b>	2 603
Senior secured fixed rates notes – EUR 317 million (note 19.4)	<b>4 108</b>	4 542	<b>4 108</b>	4 542
Senior secured fixed rate notes EUR 300 million (note 19.5)	<b>3 773</b>	4 149	<b>3 773</b>	4 149
Senior secured term loan – R 4 120 million (note 19.6)	<b>4 083</b>	4 008	<b>4 083</b>	4 008
Other interest-bearing debt (note 19.7)	<b>155</b>	113		
	<b>16 105</b>	16 425	<b>15 950</b>	16 312
<b>19.1 Super senior secured notes</b>				
Notes issued	<b>1 010</b>	1 010	<b>1 010</b>	1 010
Fees capitalised	<b>(5)</b>		<b>(5)</b>	
	<b>1 005</b>	1 010	<b>1 005</b>	1 010
Balance at the beginning of the period	<b>1 010</b>	1 010	<b>1 010</b>	1 010
Fees capitalised	<b>(8)</b>		<b>(8)</b>	
Fees amortised	<b>3</b>		<b>3</b>	
Balance at the end of the period	<b>1 005</b>	1 010	<b>1 005</b>	1 010

The super senior secured notes of R1 010 million were issued during the 2012 financial period, by Edcon Limited and guaranteed on a super senior secured basis. These notes are secured along with the revolving credit facility, the super senior secured term loan and the senior secured fixed rate notes by security interests over the assets of Edcon Holdings Limited and its subsidiaries. Interest is payable quarterly in arrears at a rate of three-month JIBAR, plus 6.25%. The notes mature on 4 April 2016, subject to a springing maturity structure.

There have been no defaults or breaches of the principal or interest during the period.

### 19.2 Senior secured floating rate notes

Notes issued	3 698	3 698
Foreign currency	1 014	1 014
Repurchased	(4 712)	(4 712)
Balance at the beginning of the period	4 543	4 543
Foreign currency movement	146	146
Fees amortised	23	23
Repurchased	(4 712)	(4 712)
Balance at end of period		

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated 2015 28 March Rm</b>	Consolidated 2014 29 March Rm	<b>Company 2015 28 March Rm</b>	Company 2014 29 March Rm
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### 19. NON-CURRENT INTEREST-BEARING DEBT *(continued)*

#### 19.2 Senior secured floating rate notes *(continued)*

On 20 May 2013, the Company completed the repurchase of all its senior secured floating rate notes at the face value of €387 million. The repurchase was funded from the proceeds from the senior secured term loan (note 19.6) and the net proceeds on termination of the derivative contracts which hedge the exchange risk on these notes.

On 14 February 2013, the Company completed a note repurchase of the senior secured floating rate notes with a nominal value of €754 million being 100.1% of the face value. The notes were redeemed out of the combined proceeds raised from the issuance of new senior secured fixed rate notes (note 19.5), a portion of the proceeds from the sale of the private label store card receivables portfolio to Absa and through proceeds received on termination of certain in-the-money derivative contracts over the related notes being repurchased.

Interest was payable quarterly in arrears at a rate of three month EURIBOR, reset quarterly, plus 3.25%. The notes matured on 15 June 2014. There have been no defaults or breaches of the principal or interest during the period. The market value of the senior secured floating rate notes at 28 March 2015 was RNil million (2014: RNil million).

#### 19.3 Senior secured fixed rate notes – US\$ 250 million

Notes issued	1 737	1 737	1 737	1 737
Foreign currency	1 273	904	1 273	904
Fees capitalised	(29)	(38)	(29)	(38)
	<b>2 981</b>	2 603	<b>2 981</b>	2 603
Balance of beginning of period	2 603	2 245	2 603	2 245
Foreign currency movement	369	350	369	350
Fees amortised	9	8	9	8
Balance at end of period	<b>2 981</b>	2 603	<b>2 981</b>	2 603

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated</b>	Consolidated	<b>Company</b>	Company
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>28 March</b>	29 March	<b>28 March</b>	29 March
	<b>Rm</b>	Rm	<b>Rm</b>	Rm

### 19. NON-CURRENT INTEREST-BEARING DEBT *(continued)*

#### 19.3 Senior secured fixed rate notes – US\$ 250 million *(continued)*

The senior secured fixed rate notes of US\$250 million were issued by Edcon Limited in March 2011 and guaranteed on a senior secured basis and are secured, along with the revolving credit facility, the super senior secured notes, the senior secured floating rate notes and the senior secured term loan, by security interests over substantially all the assets of Edcon Holdings Limited and its subsidiaries.

Interest is payable semi-annually in arrears at a rate of 9.5% per annum and they mature in March 2018.

The market value of the senior secured fixed rate notes at 28 March 2015 was R2 300 million (2014: R2 564 million). There have been no defaults or breaches of the principal or interest during the period.

#### 19.4 Senior secured fixed rate notes – EUR 317 million

Notes issued	<b>3 044</b>	3 044	<b>3 044</b>	3 044
Foreign currency	<b>1 115</b>	1 563	<b>1 115</b>	1 563
Fees capitalised	<b>(51)</b>	(65)	<b>(51)</b>	(65)
	<b>4 108</b>	4 542	<b>4 108</b>	4 542
Balance of beginning of period	<b>4 542</b>	3 654	<b>4 542</b>	3 654
Foreign currency movement	<b>(448)</b>	874	<b>(448)</b>	874
Fees amortised	<b>14</b>	14	<b>14</b>	14
Balance at end of period	<b>4 108</b>	4 542	<b>4 108</b>	4 542

The senior secured fixed rate notes of €317 million were issued by Edcon Limited in March 2011 and guaranteed on a senior secured basis and are secured, along with the revolving credit facility, the super senior secured notes, the senior secured floating rate notes and the senior secured term loan, by security interests over substantially all the assets of Edcon Holdings Limited and its subsidiaries.

Interest is payable semi-annually in arrears at a rate of 9.5% per annum and they mature in March 2018.

The market value of the senior secured fixed rate notes at 28 March 2015 was R3 202 million (2014: R4 493 million). There have been no defaults or breaches of the principal or interest during the period.



## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Consolidated 2014 29 March Rm	<b>Company</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Company 2014 29 March Rm
<b>19. NON-CURRENT INTEREST BEARING DEBT <i>(continued)</i></b>				
<b>19.5 Senior secured fixed rate notes – EUR 300 million</b>				
Notes issued	<b>3 598</b>	3 598	<b>3 598</b>	3 598
Foreign currency	<b>339</b>	763	<b>339</b>	763
Discount on notes issued	<b>(79)</b>	(102)	<b>(79)</b>	(102)
Fees capitalised	<b>(85)</b>	(110)	<b>(85)</b>	(110)
	<b>3 773</b>	4 149	<b>3 773</b>	4 149
Balance of beginning of period	<b>4 149</b>	3 279	<b>4 149</b>	3 279
Notes issued				
Discount on notes issued				
Foreign currency	<b>(424)</b>	827	<b>(424)</b>	827
Fees capitalised		(2)		(2)
Discount amortised	<b>23</b>	22	<b>23</b>	22
Fees amortised	<b>25</b>	23	<b>25</b>	23
Balance at end of period	<b>3 773</b>	4 149	<b>3 773</b>	4 149

On 13 February 2013, Edcon Limited issued new senior secured fixed rate notes which mature in March 2018, with a face value of €300 million. The notes were issued at 96.5% of the face value, are guaranteed on a senior secured basis and are secured, along with the revolving credit facility, the super senior secured notes, the senior floating rate notes and the super senior secured term loan, by security interests over substantially all the assets of Edcon Holdings Limited and its subsidiaries.

Interest is payable semi-annually in arrears at a rate of 9.5% per annum and they mature in March 2018.

The market value of the senior secured fixed rate notes at 28 March 2015 was R3 030 million (2014: R4 252 million). There have been no defaults or breaches of the principal or interest during the period.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	Consolidated 2015 28 March Rm	Consolidated 2014 29 March Rm	Company 2015 28 March Rm	Company 2014 29 March Rm
<b>19. NON-CURRENT INTEREST BEARING DEBT <i>(continued)</i></b>				
<b>19.6 Senior secured term loan ZAR 4 120 million</b>				
Loan raised	4 120	4 120	4 120	4 120
Fees capitalised	(79)	(140)	(79)	(140)
Interest capitalised	42	28	42	28
	<b>4 083</b>	4 008	<b>4 083</b>	4 008
Balance of beginning of period				
Loan capitalised	4 008	4 120	4 008	4 120
Fees capitalised		(140)		(140)
Fees amortised	33	28	33	28
Interest capitalised <sup>1</sup>	42		42	
Balance at end of period	<b>4 083</b>	4 008	<b>4 083</b>	4 008

<sup>1</sup> Interest capitalised as per the original loan agreement.

On 28 March 2013, the Company concluded an agreement with certain financial institutions to provide a R4 120 million term loan, guaranteed on a senior secured basis and secured, along with the revolving credit facility, the super senior secured notes, the senior secured floating rate notes and the senior secured fixed rate notes, by security interests over substantially all the assets of Edcon Holdings Limited and its subsidiaries. The proceeds from the senior secured term loan were used to repurchase all outstanding senior secured floating rate notes. The loan is repayable four years from drawdown (May 2013), while interest is payable quarterly at an initial rate of three-month JIBAR, plus 7.0%.

### 19.7 Other interest-bearing debt

Edgars Stores Limited Zimbabwe loans	138	110
Other interest-bearing loans	17	3
	<b>155</b>	113

The borrowing arrangements for Edgars Stores Limited Zimbabwe are secured with a Notarial General covering bond and negative pledge over assets and cession of trade accounts receivable. The weighted average effective interest rate on all the borrowings is 11.08% (2014: 9.79%) per annum and maturities of the interest-bearing debt range between 90 days and 3 years. The Company has guaranteed this facility in favour of Edgars Stores Limited Zimbabwe.

Other interest-bearing loans relate to the borrowing arrangements for the ALI group of companies (note 34.6 & 34.7) and are secured with a general notarial bond over all inventory and moveable assets and cession of trade accounts receivable. The loan bears interest at prime plus 1% p.a. and is repayable in monthly instalments over 4 years.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated 2015 28 March Rm</b>	Consolidated 2014 29 March Rm	<b>Company 2015 28 March Rm</b>	Company 2014 29 March Rm
<b>20. DEFERRED OPTION PREMIUM</b>				
Current	<b>1 076</b>	291	<b>1 076</b>	291
Non-current		811		811
	<b>1 076</b>	1 102	<b>1 076</b>	1 102
Balance at the beginning of the period	<b>1 102</b>	305	<b>1 102</b>	305
Deferred option premium raised during the period	<b>175</b>	1 069	<b>175</b>	1 069
Deferred option premium settled during the period (note 34.11)	<b>(310)</b>	(312)	<b>(310)</b>	(312)
Effective interest (note 32.2)	<b>109</b>	40	<b>109</b>	40
Balance at the end of the period	<b>1 076</b>	1 102	<b>1 076</b>	1 102

In September and November 2014, foreign currency call options with a notional value of €237 million were restructured by early terminating these derivative contracts that were due to mature in March 2015 and the Company entered into new foreign currency call options to partially hedge both interest, with a notional value of €44 million and \$24 million, and principal with a notional value of €385 million on the senior secured fixed rate notes; extending hedge cover to March 2016. Of these new options, a premium of R175 million was deferred and R289 million was settled in cash. Deferred option premiums of R310 million including early termination costs were settled in November 2014. Refer to note 8.4 for more information.

In December 2013 and January 2014, Edcon Limited restructured foreign currency call options with notional values of €150 and US\$250 million by early terminating these derivative contracts that were due to mature in March 2014 and entered new foreign currency call options to extend the tenor of hedge cover to 15 December 2015 on the principal debt of the senior secured fixed rate notes. A deferred option premium with a face value of R321 million was also settled. Edcon Limited received net proceeds of R377 million on settlement. New deferred option premiums with a face value of R950 million arose on the restrike and extension of foreign currency call options. These premiums are payable on 31 December 2015 and were interest free.

In April 2013 foreign currency call options were entered into which hedge the repayment of €237 million in principal on the senior secured fixed rate notes to 12 March 2015. The premiums payable on the foreign currency call options of R317 million were deferred to 13 March 2015 and are interest free.

In December 2012, a series of foreign currency call options were entered into, with notional values of €150 million and US\$250 million, to buy foreign currency and sell Rand. These foreign currency call options hedge a portion of our principal obligations on the senior secured fixed rate notes. The premiums payable on the foreign currency call options have been deferred to between March 2014 and April 2014 and are interest-free. These premiums have been settled in prior periods.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated 2015 28 March Rm</b>	Consolidated 2014 29 March Rm	<b>Company 2015 28 March Rm</b>	Company 2014 29 March Rm
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### 21. CURRENT INTEREST-BEARING DEBT

Revolving credit facility (note 37.7)	<b>2 865</b>	1 210	<b>2 865</b>	1 210
Other interest-bearing debt	<b>99</b>	60	<b>2 865</b>	1 210
	<b>2 964</b>	1 270	<b>2 865</b>	1 210

The revolving credit facility provides senior secured financing of up to R3 717 million (2014: R3 967 million) for general corporate and working capital purposes. All obligations under the facility is secured by substantially all the assets of Edcon Holdings Limited and its subsidiaries. The revolving credit facility accrues interest at applicable JIBAR plus a margin of 4% (2014: 4%) payable monthly in arrears. The facility includes R2 550 million (2014: R2 550 million) borrowing capacity available for bank guarantees, letters of credit, forward exchange contracts and for borrowings under bilateral ancillary facilities. These ancillary facilities accrue interest at ruling over-night market related lending rates.

Other interest-bearing debt consists of:

- A loan of R60 million (2014: R39 million), bank overdraft of R25 million (2014: R5 million) and treasury bills of R11 million (2014: R16 million) in Edgars Stores Limited Zimbabwe. This debt in Zimbabwe is secured with an external guarantee, Notional General Covering Bond and negative pledge over the Zimbabwe assets and trade accounts receivable. The weighted average effective interest rate on all the borrowings is 11.08% (2014: 9.79% per annum and maturities of the interest-bearing debt range between 90 days and 3 years; and
- A bank overdraft of R3 million in Celrose Proprietary Limited. The facility bears interest at prime plus 2.37% p.a. and is unsecured.

There have been no defaults or breaches of principal, interest or redemption terms during the current or prior periods.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	Consolidated 2015 28 March Rm	Consolidated 2014 29 March Rm	Company 2015 28 March Rm	Company 2014 29 March Rm
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### 22. LEASE OBLIGATIONS

#### 22.1 Operating lease obligations

The Group and Company leases the majority of its properties and computer equipment under operating leases whereas other operating assets are generally owned. The lease agreements of certain of the Group's store premises provide for a minimum annual rental payment and additional payments determined on the basis of turnover. Lease agreements have an option of renewal in terms of the lease agreement ranging between 5 to 10 years.

The future minimum property operating lease commitments are due as follows:

	<b>11 443</b>	12 346	<b>11 264</b>	10 840
Within one year	<b>2 015</b>	1 879	<b>1 949</b>	1 732
Between two to five years	<b>6 317</b>	6 860	<b>6 230</b>	5 950
In more than five years	<b>3 111</b>	3 607	<b>3 085</b>	3 158

The future revenue expected from sub-leases is estimated to be R32 million (2014: R30 million) and for the company R29 million (2014: R29 million).

The Group and Company also leases certain computer equipment. The agreements provide for minimum annual rental payments and additional payments depending on usage.

The future minimum computer equipment operating lease commitments are due as follows:

	<b>218</b>	455	<b>218</b>	455
Within one year	<b>197</b>	265	<b>197</b>	265
Between two and five years	<b>21</b>	190	<b>21</b>	190

#### 22.2 Finance lease liability

The finance lease relating to leased assets (note 3) is recognised in respect of a building and furniture and fittings for which the present value of the minimum lease payments due in terms of the lease agreements amounted substantially to the fair value of the building and furniture and fittings at the time the agreement was entered into. The average borrowing rate on the lease of the building is 11.0% (2014: 11.0%) and the average borrowing rate on the furniture and fittings is 13.7% (2014: 8.5%).

Minimum lease payments	<b>562</b>	464	<b>562</b>	464
Within one year	<b>78</b>	40	<b>78</b>	40
Between two and five years	<b>277</b>	167	<b>277</b>	167
In more than five years	<b>207</b>	257	<b>207</b>	257

The present value of the lease obligation is due as follows:

	<b>364</b>	273	<b>364</b>	273
Within one year	<b>33</b>	11	<b>33</b>	11
Between two and five years	<b>161</b>	63	<b>161</b>	63
In more than five years	<b>170</b>	199	<b>170</b>	199

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Consolidated 2014 29 March Rm	<b>Company</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Company 2014 29 March Rm
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### 22. LEASE OBLIGATIONS *(continued)*

#### 22.2 Finance lease liability *(continued)*

The present value of the interest payments is due as follows:

	<b>198</b>	191	<b>198</b>	191
Within one year	<b>45</b>	29	<b>45</b>	29
Between two and five years	<b>116</b>	104	<b>116</b>	104
In more than five years	<b>37</b>	58	<b>37</b>	58

#### 22.3 Onerous lease

Non-current liabilities	<b>129</b>		<b>104</b>	
Current liabilities (note 24)	<b>5</b>		<b>4</b>	
	<b>134</b>		<b>108</b>	

Balance at the beginning of the period				
Raised during the period (note 29.6)	<b>137</b>		<b>109</b>	
Utilised during the period	<b>(3)</b>		<b>(1)</b>	
Balance at the end of the period	<b>134</b>		<b>108</b>	

### 23. PUT OPTION LIABILITY

Put option liability	<b>73</b>	67	<b>64</b>	58
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Comprises:

Balance at the beginning of the period	<b>67</b>		<b>58</b>	
Put option liability raised		25		
Fair value adjustment for the period	<b>6</b>	42	<b>6</b>	58
Balance at the end of the period	<b>73</b>	67	<b>64</b>	58

On 1 September 2013, the Group acquired the following companies, collectively referred to as the ALI group of companies (note 34.7):

- Rosyco Retail Proprietary Limited (Lingerie retailer)
- Cosyro Retail Proprietary Limited (Cosmetic retailer)
- Quinmatro Retail Proprietary Limited (Accessory retailer)

Under the sale agreement the minority shareholders have a put option exercisable no sooner than 4 April 2016. The put option in respect of the shares in the ALI group of companies arises from an arrangement whereby the non-controlling shareholders of each company have the right to put their interest of 49.9% in each company to Edcon Limited. The fair value of the put option is determined based on an EBITDA multiple, as determined in accordance with the terms and conditions of the contractual arrangement. As such, the amount that may become payable under the option on exercise by the non-controlling shareholders is initially recognised at fair value within non-current liabilities at the date of acquisition with subsequent fair value adjustments recognised through profit or loss.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Consolidated 2014 29 March Rm	<b>Company</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Company 2014 29 March Rm
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### 24. TRADE AND OTHER PAYABLES

Trade accounts payable	<b>3 662</b>	3 554	<b>3 588</b>	3 452
Sundry accounts payable and accrued expenses	<b>1 567</b>	1 349	<b>1 486</b>	1 290
Provisions	<b>38</b>	51	<b>38</b>	51
Lease equalisation	<b>21</b>	73	<b>19</b>	74
Leave pay accrual	<b>164</b>	166	<b>141</b>	146
Value added taxation	<b>27</b>			
Interest accrued	<b>140</b>	89	<b>140</b>	89
Onerous leases (note 22.3)	<b>5</b>		<b>5</b>	
	<b>5 624</b>	5 282	<b>5 417</b>	5 102

The trade and sundry payables amounts are interest-free and mature no later than 30 to 60 days. Other payables mature no later than one year.

Provisions include amounts relating to the restructuring, customer returns and supplier-related claims.

Included within sundry payables is a liability relating to gift cards purchased by customers. In the current period, R69 million was released to the Statement of Comprehensive Income as a result of breakage rates being applied for the first time to this liability based on historic trends of the expected usage of these gift cards. There is no effect on future periods as a result of this initial application of breakage rates.

### 25. DEFERRED REVENUE

#### Deferred revenue has been classified as:

Non-current liabilities	<b>52</b>	64	<b>27</b>	64
Current liabilities	<b>77</b>	114	<b>69</b>	103
Total deferred revenue	<b>129</b>	178	<b>96</b>	167

#### Deferred revenue comprises:

Loyalty programme deferred revenue	<b>103</b>	178	<b>96</b>	167
Government grants deferred	<b>26</b>			
Total deferred revenue	<b>129</b>	178	<b>96</b>	167

#### Loyalty programme deferred revenue

Non-current liability	<b>29</b>	64	<b>27</b>	64
Current liability	<b>74</b>	114	<b>69</b>	103
Total	<b>103</b>	178	<b>96</b>	167

#### Reconciliation of loyalty programme deferred revenue:

Balance at the beginning of the period	<b>178</b>	192	<b>167</b>	187
Loyalty points earned	<b>207</b>	265	<b>199</b>	256
Loyalty points redeemed	<b>(282)</b>	(279)	<b>(270)</b>	(276)
Balance at the end of the period	<b>103</b>	178	<b>96</b>	167

The deferred revenue in respect of loyalty arises from the Thank U rewards program launched during February 2012.



## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Consolidated 2014 29 March Rm	<b>Company</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Company 2014 29 March Rm
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### 25. DEFERRED REVENUE *(continued)*

#### Government grants deferred

Non-current liability	<b>23</b>			
Current liability	<b>3</b>			
Total	<b>26</b>			
Balance at the beginning of the period				
Grants received	<b>26<sup>1</sup></b>			
Balance at the end of the period	<b>26</b>			

<sup>1</sup>Includes government grants amortised of R18 million.

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

### 26. FUTURE CAPITAL EXPENDITURE

#### Contracted:

Properties, fixtures, equipment and vehicles	<b>241</b>	382	<b>184</b>	378
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#### Authorised by the directors but not yet contracted:

Properties, fixtures, equipment and vehicles	<b>256</b>	669	<b>207</b>	639
	<b>497</b>	1 051	<b>391</b>	1 017

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated 52 weeks to 2015 28 March Rm</b>	Consolidated 52 weeks to 2014 29 March Rm	<b>Company 52 weeks to 2015 28 March Rm</b>	Company 52 weeks to 2014 29 March Rm
<b>27. REVENUES</b>				
Retail sales	27 510	26 974	23 882	23 794
Club fees	550	549	494	547
Administration fee	316	280	1 101	1 024
Finance charges on trade receivables	97	69	41	42
Share of profits from insurance business	491	455		
Finance income (note 32.1)	33	35	25	31
Interest received from subsidiaries			58	64
Manufacturing sales to third parties	162	133		
	<b>29 159</b>	28 495	<b>25 601</b>	25 502
<b>28. OTHER INCOME</b>				
Club fees	550	549	494	547
Finance charges on trade receivables	97	69	41	42
Administration fee	807	735	1 101	1 024
Manufacturing sales to third parties	162	133		
	<b>1 616</b>	1 486	<b>1 636</b>	1 613
<b>29. OTHER OPERATING COSTS</b>				
Trading profit is stated after taking account inter alia the following items:				
<b>29.1 Amortisation of intangible assets</b>				
Charge for the period (note 4)	<b>247</b>	345	<b>243</b>	343
<b>29.2 Depreciation of properties, fixtures, equipment and vehicles</b>				
Buildings	-	-	-	-
Leased assets	35	20	35	20
Leasehold improvements	97	86	85	78
Fixtures and fittings	449	442	399	408
Computer equipment and software	229	219	225	217
Machinery and vehicles	22	25	14	16
Total charge for the period (note 3)	<b>832</b>	792	<b>758</b>	739
<b>29.3 Fees payable</b>				
Managerial, technical, administrative and secretarial fees paid outside the Group	199	219	195	215
Outsourcing of IT function	380	397	380	397
	<b>579</b>	616	<b>575</b>	612

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	Consolidated 52 weeks to 2015 28 March Rm	Consolidated 52 weeks to 2014 29 March Rm	Company 52 weeks to 2015 28 March Rm	Company 52 weeks to 2014 29 March Rm
<b>29. OTHER OPERATING COSTS</b> <i>(continued)</i>				
<b>29.4 Operating lease expenses</b>				
Properties:				
Minimum lease payments	2 045	1 806	1 804	1 627
Turnover clause payments	9	10	6	8
Operating lease adjustment	124	38	110	32
Sublease rental income	(42)	(38)	(39)	(36)
Equipment	198	205	196	203
	<b>2 334</b>	<b>2 021</b>	<b>2 077</b>	<b>1 834</b>
<b>29.5 Net loss on disposal of properties, fixtures, equipment and vehicles</b>	<b>37</b>	<b>11</b>	<b>37</b>	<b>10</b>
<b>29.6 Onerous lease expense</b>	<b>137</b>		<b>109</b>	
<b>30. Foreign exchange gain/(loss) and fees amortised</b>				
Foreign exchange gain/(loss)	502	(2 197)	502	(2 197)
Released from other comprehensive income (note 16)	(96)	624	(96)	624
Foreign exchange loss on notes	406	(1 573)	406	(1 573)
Other foreign exchange (loss)/gain	(9)	43	(8)	31
Total foreign exchange gain/(loss)	<b>397</b>	<b>(1 530)</b>	<b>398</b>	<b>(1 542)</b>
Fees and discount amortised recognised in financing costs (note 32.2)	<b>104</b>	<b>116</b>	<b>104</b>	<b>116</b>
<b>31. DIRECTORS AND EMPLOYEES</b>				
<b>31.1 Employees</b>				
The aggregate remuneration and associated cost of permanent and casual employees including directors was:				
Salaries and wages	3 331	3 313	2 819	2 847
Retirement benefit costs	317	313	281	281
Medical aid contributions:				
Current	66	67	55	57
Post-retirement	8	8	8	8
	<b>3 722</b>	<b>3 701</b>	<b>3 163</b>	<b>3 193</b>
	<b>Consolidated 2015 52 weeks to 28 March R'000</b>	<b>Consolidated 2014<sup>2</sup> 52 weeks to 29 March R'000</b>	<b>Company 2015 52 weeks to 28 March R'000</b>	<b>Company 2014<sup>2</sup> 52 weeks to 29 March R'000</b>
<b>31.2 Directors' and prescribed officers remuneration</b>				
Executive directors and prescribed officers <sup>1</sup> :				
Remuneration	29 592	25 016	29 592	25 016
Retirement, medical, accidental and death benefits	2 056	2 457	2 056	2 457
Relocation payment	649		649	
Performance bonuses	9 102		9 102	
Other bonuses <sup>3</sup>	36 900	26 050	36 900	26 050
Other benefits	128	79	128	79
	<b>78 427</b>	<b>53 602</b>	<b>78 427</b>	<b>53 602</b>
Retired ex-directors	97	89	97	89
Total	<b>78 524</b>	<b>53 691</b>	<b>78 524</b>	<b>53 691</b>

<sup>1</sup>Prescribed officers are members of the executive committee.

<sup>2</sup>The comparatives have been restated to include bonuses receivable in the period.

<sup>3</sup>Includes retention, loyalty, sign-on and other bonuses.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 31. DIRECTORS AND EMPLOYEES *(continued)*

#### 31.2.1 Directors emoluments *(continued)*

2015

Consolidated and Company									
Name		Fees R000	Remun- eration R000	Retire- ment, medical, accident and death benefits R000	Relocat- ion R000	Perfor- mance bonus R000	Other Bonuses <sup>1</sup> R000	Other benefits R000	Total R000
Executive directors and prescribed officers	Months paid								
J Schreiber	12		12 545	80		7 500			20 125
T Clerckx	12		4 354	146	649		12 700		17 849
MR Bower	2		1 315	172			700		2 187
Dr U Ferndale <sup>2</sup>	12		3 392	723			7 500	64	11 679
G Napier	12		2 839	661		402	5 000	64	8 966
B Gebauer	12		4 029	134		1 200	11 000		16 363
C Claassen	3		1 118	140					1 258
									78 427
<b>Pension for past managerial services – retired ex directors</b>									97
<b>Total emoluments</b>									<b>78 524</b>

<sup>1</sup>Includes retention, loyalty, sign-on and other bonuses.

<sup>2</sup>An amount of R7.5 million is receivable in 2016.

#### Executive Directors

The executive board members at 28 March 2015 are the Group Chief Executive Officer (CEO), the Chief Financial Officer and the Chief Operations Officer. The remuneration committee has set their remuneration with due consideration to their performance, experience and responsibility after conducting extensive benchmarking of similar roles in companies comparable to the Group's size, industry and risk profile.

**Jurgen Schreiber**, the CEO, entered into a five year employment contract with the Group to 1 April 2016. In terms of his contract, he is entitled to a basic annual remuneration, payment in lieu of benefits and annual performance bonus. The employment of the CEO can be terminated by either party upon 6 months prior notice.

**Toon Clerckx**, the CFO, entered into a contract with the Group to 15 February 2019. In terms of his contract, he is entitled to a basic annual remuneration, loyalty bonus and annual performance bonus. His employment can be terminated by either party upon 6 month prior notice.

**Mark R. Bower**, the Deputy CEO and CFO, entered into a contract with the Group to 1 July 2017. In terms of his contract, he is entitled to a basic annual remuneration, loyalty bonus and annual performance bonus. Mark retired from Edcon with effect from 6 June 2014 and stepped down from the various boards of the Edcon Group on 31 March 2014.

**Dr Urin Ferndale**, the COO, entered into a five year contract with the Group to 1 July 2017. In terms of his contract, he is entitled to a basic annual remuneration, loyalty bonus and annual performance bonus. The employment of the COO can be terminated by either party upon 6 months prior notice.

#### Executive Management

**Garth Napier**, the Chief Executive of the Discount division was appointed into his new role in February 2014. In terms of his contract, he is entitled to a basic annual remuneration and annual performance bonus. His employment can be terminated by either party upon 6 months prior notice.

**Birgitt Gebauer**, the Chief Executive of Edgars division entered into a five year employment contract with the Group to 19 November 2018. In terms of her contract, she is entitled to a basic annual remuneration and annual performance bonus. Her employment can be terminated by either party upon 6 months prior notice.

**Christo Claassen**, the previous Chief Executive of the Discount division, resigned from the employment of Edcon in February 2014, and was bound by a restraint of trade agreement until June 2014. He entered into a non-fixed term contract with the Group effective 1 December 2011. In terms of his contract, he was entitled to a basic annual remuneration and annual performance bonus.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 31. DIRECTORS AND EMPLOYEES *(continued)*

#### 31.2.2 Directors emoluments *(continued)*

2014

Consolidated and Company								
Name		Fees R000	Remun- eration R000	Retire- ment, medical, accident and death benefits R000	Reloca- tion R000	Other Bonuses <sup>1</sup> R000	Other benefits R000	Total R000
Executive directors and prescribed officers	Months paid							
J Schreiber	12		11 801	74				11 875
T Clerckx <sup>2</sup>	2		634	4		10 000		10 683
MR Bower	12		4 670	1 023		700		6 393
Dr U Ferndale	12		3 077	656		2 350	79	6 162
G Napier <sup>3</sup>	2		448	106				554
B Gebauer <sup>4</sup>	5		1 556	52		11 000		12 608
C Claassen	12		2 830	542		2 000		5 372
								53 602
<b>Pension for past managerial services – retired ex directors</b>								89
<b>Total emoluments</b>								53 691

<sup>1</sup>Includes retention, loyalty, sign-on and other bonuses.

<sup>2</sup>An amount of R12.7 million was receivable in 2015.

<sup>3</sup>An amount of R5 million was receivable in 2015.

<sup>4</sup>An amount of R11 million was receivable in 2015.

#### 31.3 Employee benefit asset

The Edcon Pension fund is a defined benefit fund that offers, amongst other benefits, a pension of 2% of final pensionable salary per year of service at retirement for 10 active members. A statutory valuation of the Fund as of 31 December 2002 was carried out by Alexander Forbes Financial Services, using the projected unit method of valuation. The actuarial value of liabilities for all pensioners and members was R328 million and the contingency reserves were determined at R60 million. The fair value of assets calculated by reference to the market value was R644 million. The fund was accordingly fully funded and showed a surplus of R256 million. The Company is required to contribute at a rate of 19.1% of salaries.

In the current period an actuarial estimate was performed using the projected unit credit method, and the fair value of the assets and liabilities is reflected below. The actuarial estimate was based on the principle assumptions as set out in note 31.3.6.

The main risks associated with the Fund are as follows:

- Risk of underfunding. The Fund is currently in a significant surplus position.
- Longevity risk: The Fund has purchased annuities from a registered insurer to provide monthly pensions to pensioners.
- Risk of insurer default on pension payments: Should the insurer default on the pension payments, the Fund would still be liable for the monthly pensions.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited (continued)

	<b>Consolidated 52 weeks to 2015 28 March Rm</b>	Consolidated 52 weeks to 2014 29 March Rm	<b>Company 52 weeks to 2015 28 March Rm</b>	Company 52 weeks to 2014 29 March Rm
<b>31. DIRECTORS AND EMPLOYEES (continued)</b>				
<b>31.3 Employee benefit asset (continued)</b>				
<b>Edcon Pension Fund</b>				
<b>Actuarially determined amounts recognised in profit and loss</b>				
Current Service cost	(3)	(3)	(3)	(3)
Finance income (note 32.1)	14	11	14	11
Net gain recognised in profit or loss	<u>11</u>	<u>8</u>	<u>11</u>	<u>8</u>
The contribution for the 2015 financial period is estimated to be approximately R1 million.				
<b>Actuarially determined amounts recognised in other comprehensive income</b>				
Actuarial gain/(loss) on plan assets	3	(10)	3	(10)
Actuarial (loss)/gain on defined benefit obligation	(19)	112	(19)	112
Change in the effect of limiting the net benefit to the asset ceiling		-		-
Net amount recognised in other comprehensive income for the period	<u>(16)</u>	<u>102</u>	<u>(16)</u>	<u>102</u>
<b>Total cumulative gain recognised in other comprehensive income</b>	<u>248</u>	<u>264</u>	<u>248</u>	<u>264</u>
<b>31.3.1 Analysis of net benefit asset – pension fund</b>				
Defined benefit obligation	(651)	(633)	(651)	(633)
Fair value of plan assets	764	815	764	815
Effect of the asset ceiling	(3)	(4)	(3)	(4)
Net asset	<u>110</u>	<u>178</u>	<u>110</u>	<u>178</u>
	<b>Consolidated 2015 28 March Rm</b>	Consolidated 2014 29 March Rm	<b>Company 2015 28 March Rm</b>	Company 2014 29 March Rm
<b>31.3.2 Reconciliation of defined benefit obligation</b>				
Balance at the beginning of the period	633	739	633	739
Current service cost	3	3	3	3
Finance cost	59	67	59	67
Actuarial (loss)/gain in other comprehensive income - financial adjustments	19	(112)	19	(112)
Benefits paid	(63)	(64)	(63)	(64)
Balance at the end of the period	<u>651</u>	<u>633</u>	<u>651</u>	<u>633</u>
<b>31.3.3 Reconciliation of fair value plan assets</b>				
Balance at the beginning of the period	815	915	815	915
Finance income	73	79	73	79
Employer contributions	(64)	(103)	(64)	(103)
Benefits paid	(61)	(64)	(61)	(64)
Actuarial gain/(loss) in other comprehensive income – financial adjustments	3	(10)	3	(10)
Expenses and premiums	(2)	(2)	(2)	(2)
Balance at the end of the period	<u>764</u>	<u>815</u>	<u>764</u>	<u>815</u>

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Consolidated 2014 29 March Rm	<b>Company</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Company 2014 29 March Rm
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### 31. DIRECTORS AND EMPLOYEES *(continued)*

#### 31.3 Employee benefit asset *(continued)*

##### 31.3.3 Reconciliation of fair value plan assets *(continued)*

The assets of the Edcon Pension Fund were invested as follows:

Cash	143	229	143	229
Equity	43	21	43	21
Bonds	56	65	56	65
Property and other	522	500	522	500
	<b>764</b>	815	<b>764</b>	815

##### 31.3.4 Reconciliation of the effect of the asset ceiling – pension fund

Balance at the beginning of the period	4	4	4	4
Interest on asset ceiling		-		-
Change in the effect of limiting the net defined benefit asset to the asset ceiling	(1)	-	(1)	-
Balance at the end of the period	<b>3</b>	4	<b>3</b>	4

##### 31.3.5 Surplus apportionment

As reported in the previous period, proposals were submitted to the Financial Services Board (“FSB”) in 2002 to offer pensioners an enhanced pension in exchange for assuming all their medical aid liabilities. Similarly, a portion of the surplus was to be utilised to pay the lump sum to medical aid members’ provident fund accounts to meet the existing post-retirement medical aid liability for service rendered to date.

The FSB did not accept the proposal and therefore a formal surplus apportionment scheme was prepared in accordance with Section 15B of the Pension Fund Act. The aim of the scheme was to distribute the surplus as at 31 December 2002 between the various stakeholders of the fund. This surplus scheme was submitted to the FSB for consideration in January 2011 and it was approved in February 2012. On completion of the surplus apportionment the statutory valuations subsequent to 31 December 2002 have been prepared and are in the process of approval.

The surplus scheme showed a total surplus of R256 million as at 31 December 2002, which corresponds with the statutory valuation of the fund at the same date. Of this surplus, the Company was apportioned R100 million and members and former members were apportioned R156 million.

The funds rules were amended to allow all future surpluses to go to the employer. The member surplus of the Edcon Pension Fund amounted to R97 million as at 28 March 2015.

##### 31.3.6 Valuation assumptions used

The valuation is based on assumptions which include a discount rate of 7.9% (2014: 9.5%) per annum, an inflation rate and pension increase rate of 5.7% (2014: 7.1%) per annum, a salary increase rate (including age-related merit increases) of 6.7% (2014: 8.1%) per annum. The discount rate is determined at the reporting date with reference to the yield curve for South African government bonds. The inflation rate assumes an underlying future rate of consumer price inflation of 5.7% per annum based on the relationship between current conventional bond yields and current index-linked bond yields. The inflation assumption was calculated as the difference between the discount rate and a real bond yield and adjusted for an inflation risk premium which was assumed to be 0.5%. The salary increase is based on the assumption that the increase will be 1% above inflation. The Fund has adopted a pension increase policy that targets 100% of inflation and, as a result, a pension increase of 5.7% is used in the valuation.



## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 31. DIRECTORS AND EMPLOYEES *(continued)*

#### 31.3 Employee benefit asset *(continued)*

##### 31.3.7 Sensitivity analysis

The defined benefit obligation is largely insensitive to changes in the assumptions as the majority of the liabilities are in respect of outsourced pensioners, where the liabilities have been set equal to the annuity values provided by the insurer.

The sensitivity results below were calculated using an approximate formula to estimate the impact of a change in the assumptions:

	Central assumption					
	2015	2014	2015	2014	2015	2014
<b>Inflation rate sensitivity</b>	<b>5.7%</b>	7.1%	<b>Decrease 1%</b>		<b>Increase 1%</b>	
Defined benefit obligation Rm	<b>651</b>	633	<b>646</b>	628	<b>659</b>	640
	Central assumption					
	2015	2014	2015	2014	2015	2014
<b>Discount rate sensitivity</b>	<b>7.9%</b>	9.5%	<b>Decrease 1%</b>		<b>Increase 1%</b>	
Defined benefit obligation Rm	<b>651</b>	633	<b>659</b>	639	<b>646</b>	628

#### 31.4 Defined contribution plan

Contributions to the Group and Company's significant defined contribution funds are at a rate of 17.3% of benefit salary and where funds are contributory, members pay a maximum of 7.5%. The employer's portion is charged against profit or loss.

Separate funds, independent of the Group and Company, provide retirement and other benefits for all permanent employees and their dependents. During the period there were three defined contribution funds of significance, namely Edcon Provident Fund, SACCAWU National Provident Fund and FEDCRAW Provident Fund. A defined contribution fund is available to employees in Namibia, Botswana, Swaziland and Zambia, and namely Edcon Namibia Retirement Fund, Edcon Botswana Retirement Fund, Swaziland Provident Fund and Zambia Provident Fund.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 31. DIRECTORS AND EMPLOYEES *(continued)*

#### 31.4 Defined contribution plan *(continued)*

	Consolidated			Company		
	Pensioners Number	Members Number	Contri- butions Rm	Pensioners Number	Members Number	Contri- butions Rm
Membership of, and employer contributions to each of the funds were:						
<b>2015 at 28 March</b>						
Edcon Pension Fund	967	10	1	967	10	1
Edcon Provident Fund		12 323	272		12 323	272
Edcon Namibia Retirement Fund		1 573	3			
Botswana Retirement Fund		564	1			
SACCAWU National Provident Fund		622	5		622	5
FEDCRAW Provident Fund		125	1		125	1
Swaziland Provident Fund		514	-			
Zambia Provident Fund		220	-			
	<b>967</b>	<b>15 951</b>	<b>283</b>	<b>967</b>	<b>13 080</b>	<b>279</b>
<b>2014 at 29 March</b>						
Edcon Pension Fund	1 003	14	1	1 003	14	1
Edcon Provident Fund		14 488	277		14 488	277
Edcon Namibia Retirement Fund		829	3			
Botswana Retirement Fund		542	1			
SACCAWU National Provident Fund		952	6		952	6
FEDCRAW Provident Fund		177	2		177	2
Swaziland Provident Fund		601	-			
Zambia Provident Fund		118	-			
	<b>1 003</b>	<b>17 721</b>	<b>290</b>	<b>1 003</b>	<b>15 631</b>	<b>286</b>

All funds are subject to the Pension Funds Acts of the various countries and, where required by law, actuarial valuations are conducted every three years. The market value of investments of the various Edcon funds as at 28 March 2015 was R3 626 million (2014: R3 798 million).

#### 31.5 Employee benefit liability

The Group operates a defined benefit medical aid scheme for the benefit of permanent employees. Effective 1 January 2012 the scheme was amalgamated with Discovery Health. The contributions of the short-term benefit for current employees amounted to R71 million for the period ending 28 March 2015 (2014: R67 million). Membership of the medical aid scheme is voluntary for all employees. Total membership currently stands at 3 598 principal members.

In terms of employment contracts and the rules of the schemes, certain post-retirement medical benefits are provided to 885 current and past employees by subsidising a portion of the medical aid contribution of members, after retirement. The medical aid payments for 2015 are estimated to be approximately R9 million. The actuarial valuation was based on the main assumptions set out in note 31.5.4.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	Consolidated 52 Weeks to 2015 28 March Rm	Consolidated 52 Weeks to 2014 29 March Rm	Company 52 Weeks to 2015 28 March Rm	Company 52 Weeks to 2014 29 March Rm
<b>31. DIRECTORS AND EMPLOYEES <i>(continued)</i></b>				
<b>31.5 Employee benefit liability <i>(continued)</i></b>				
<b>31.5.1 Actuarially determined amounts recognised in profit or loss:</b>				
Current service cost	3	4	3	4
Financing cost (note 32.2)	16	15	16	15
	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>
<b>31.5.2 Actuarially determined amounts recognised in other comprehensive income:</b>				
Actuarial gain recognised in other comprehensive income for the period	31	19	31	4
<b>Total cumulative loss recognised in other comprehensive income</b>	<b>14</b>	<b>(17)</b>	<b>(1)</b>	<b>(32)</b>
<b>31.5.3 The status of the Edcon Medical Aid Fund determined in terms of IAS19 is as follows:</b>				
<b>Reconciliation of employee benefit liability:</b>				
Balance at the beginning of the period	176	184	176	184
Current service cost	3	4	3	4
Financing cost	16	15	16	15
Actuarial gain in other comprehensive income - demographic changes	(41)	(12)	(14)	(12)
Actuarial loss/(gain) in other comprehensive income –financial adjustments	10	(7)	10	(7)
Employee benefit payments	(9)	(8)	(9)	(8)
Recognised employee benefit liability	<b>155</b>	<b>176</b>	<b>155</b>	<b>176</b>
<b>31.5.4 Employee benefit liability valuation assumptions and sensitivity</b>				

The valuation is based on assumptions which include a discount rate of 8.5% (2014: 9.4%) per annum, inflation rate of 6.3% (2014: 6.8%) per annum, income at retirement would increase by 7.8% (2014: 8.3%) per annum, demographic assumptions based on a standard set of best estimate demographic assumptions, membership continuation and an expected retirement age of 63. The discount rate is based on current bond yields with an average term of 15 years, gross of tax and is primarily determined by reference to current market yields on government bonds in South Africa. The inflation rate is based on the relationship between current conventional bond yields and current index-linked bond yields. The inflation risk premium is assumed to be 0.5% and the future rate of the consumer price index inflation will be 6.3%. It was assumed that health care cost inflation would be the same as CPI inflation and that remuneration increases, including promotional increases would exceed inflation by 1.5% over the long-term and that income at retirement would be 60% of final salary. It was further assumed that no current in-service members eligible for benefits would discontinue membership upon reaching retirement with the Group and that they would retire on their current medical scheme option and no changes would occur on retirement.

**Notes to the Consolidated and Company Financial Statements of Edcon Limited (continued)**

**31. DIRECTORS AND EMPLOYEES (continued)**

**31.5 Employee benefit liability (continued)**

**31.5.5 Sensitivity analysis**

The valuation results are extremely sensitive to the assumptions used. The value of the liability could turn out to be overstated or understated depending on the extent to which actuarial experience differs from the above assumptions.

The effect of a 1% increase or decrease would have the following effects:

	<b>Central assumption</b>		<b>Decrease 1%</b>		<b>Increase 1%</b>	
	<b>2015</b>	2014	<b>2015</b>	2014	<b>2015</b>	2014
<b>Inflation (CPI and health care costs) sensitivity</b>	<b>6.3%</b>	6.3%				
Accrued liability – Rm	<b>155</b>	176	<b>137</b>	155	<b>177</b>	202
Current service and interest cost - Rm	<b>15</b>	19	<b>13</b>	17	<b>17</b>	22
<b>Retirement age sensitivity</b>	<b>63 Years</b>		<b>One year younger</b>		<b>One year older</b>	
Accrued liability – Rm	<b>155</b>	176	<b>159</b>	<b>181</b>	<b>152</b>	171
<b>Discount rate - sensitivity</b>	<b>8.5%</b>	9.4%	<b>Decrease 1%</b>		<b>Increase 1%</b>	
Accrued liability – Rm	<b>155</b>	176	<b>177</b>	202	<b>138</b>	155
<b>Post-employment mortality tables - sensitivity</b>	<b>PA (90) ult rated down 1 year to 0.75% improvement p.a. from 2006</b>		<b>PA (90) ult rated down 2 years with 1% improvement p.a. from 2006</b>			
Accrued liability – Rm	<b>155</b>	176	<b>165</b>	186		



**Notes to the Consolidated and Company Financial Statements of Edcon Limited (continued)**

	<b>Consolidated</b> <b>52 weeks to</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Consolidated 52 weeks to 2014 29 March Rm	<b>Company</b> <b>52 weeks to</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Company 52 weeks to 2014 29 March Rm
<b>33. TAXATION (continued)</b>				
<b>33.2 Taxation charge to other comprehensive income</b>				
<b>Current income tax related to items charged or credited directly to other comprehensive income:</b>				
Unrealised gain on cash flow hedges		(8)		(8)
<b>Deferred income tax related to items charged or credited directly to other comprehensive income:</b>				
Unrealised loss on cash flow hedges	<b>26</b>		<b>26</b>	
Employee benefits tax expense	<b>(4)</b>	(33)	<b>(4)</b>	(33)
Income tax credit/(expense) reported in other comprehensive income	<b>22</b>	(41)	<b>22</b>	(41)
<b>33.3 Deferred income tax comprises:</b>				
<b>Arising on deferred tax assets (note 9)</b>				
Provision for impairment of receivables	<b>(1)</b>	39	<b>2</b>	8
Provision for stock losses	<b>3</b>	7	<b>1</b>	6
Other payables	<b>48</b>	(74)	<b>22</b>	(51)
Leave pay accrual	<b>(2)</b>	5	<b>(1)</b>	2
Operating lease adjustment	<b>32</b>	19	<b>28</b>	12
Onerous lease liability	<b>31</b>		<b>30</b>	
Income received in advance	<b>(3)</b>	28	<b>(4)</b>	28
Finance leases	<b>13</b>	(11)	<b>13</b>	(11)
Employee benefits liability	<b>3</b>	44	<b>3</b>	44
Assessed loss	<b>194</b>	607	<b>195</b>	598
Deferred option premium	<b>(8)</b>	232	<b>(8)</b>	232
Cash flow hedges	<b>3</b>		<b>3</b>	
Restraint of trade	<b>3</b>		<b>3</b>	
Other	<b>5</b>	(13)		(13)
<b>Arising on deferred tax liabilities (note 9)</b>				
Section 24C allowance	<b>(26)</b>	(14)	<b>7</b>	(14)
Intangible assets	<b>73</b>	92	<b>67</b>	104
Property, fixtures, equipment and vehicles	<b>(22)</b>	8	<b>-</b>	25
Prepayments	<b>(21)</b>	(18)	<b>(21)</b>	(18)
Employee benefits asset	<b>14</b>	23	<b>14</b>	23
Forward exchange contracts – application of Section 24I	<b>(29)</b>	(22)	<b>(29)</b>	(22)
Call option premium	<b>(76)</b>		<b>(76)</b>	
Foreign currency call options – application of Section 24I	<b>(320)</b>		<b>(320)</b>	
Cross currency swaps	<b>22</b>		<b>22</b>	
Fair value gain on interest rate hedges		14		14
Other	<b>(3)</b>	-		-
<b>Net deferred tax (expense)/income</b>	<b>(67)</b>	966	<b>(49)</b>	967

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated</b> <b>52 weeks to</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Consolidated 52 weeks to 2014 29 March Rm	<b>Company</b> <b>52 weeks to</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Company 52 weeks to 2014 29 March Rm
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### 33. TAXATION *(continued)*

#### 33.4 Reconciliation of rate of taxation (%)

Standard rate – South Africa	<b>28</b>	28	<b>28</b>	28
Adjusted for:				
Disallowable expenditure	<b>(19)</b>	(4)	<b>(20)</b>	(6)
Exempt income		(3)		
Adjustments relating to prior periods	<b>(12)</b>	3	<b>(10)</b>	3
Foreign withholding taxes	<b>(7)</b>	(1)	<b>(2)</b>	(1)
Effective tax rate	<b>(10)</b>	23	<b>(4)</b>	24

#### 33.5 Section 24I application

In terms of section 24I of the Income Tax Act, the ruling exchange rate to be used in determining the foreign exchange gains/losses on currency swaps, foreign currency forward contracts and forward exchange contracts (“forward exchange contracts”) on translation, is the market related forward rate for the remaining period of the forward exchange contract. Refer to tax settlement note below.

#### 33.6 Tax settlement

On 31 August 2012, the South African Revenue Service (“SARS”) notified the Group that it was considering the issuance of an income tax assessment primarily in connection with the our tax treatment of interest payable on the financing of the acquisition of Edcon Holdings Limited, (Edcon Limited’s ultimate holding company) by Bain Capital. We challenged SARS’s position and we believe that we were in compliance with applicable South African tax laws and regulations. Nevertheless, we perceived it to be beneficial to engage in settlement discussions and we entered into a settlement agreement with SARS in relation to the matters in dispute on 14 December 2012 in order to avoid protracted litigation with SARS.

The agreement addresses the tax treatment of the issues in dispute for financial periods since the acquisition of the Edcon Holdings Limited by Bain Capital, being financial periods 2008 through 2013, as well as future financial periods and in relation to both Edcon Holdings Limited and Edcon Limited. The terms of the agreement cannot be bifurcated between the companies and needs to be viewed holistically. Pursuant to the settlement, no cash outflow in relation to tax payments due will be required until September 2014. However, as a result of the settlement, the Group is likely to pay income tax earlier than what was anticipated prior to entering into the settlement. We believe that our cash flows should allow us to satisfy the additional tax payments that may result from the settlement.

The main terms of the settlement agreement, covering both Edcon Holdings Limited and Edcon Limited (“the Group”) are as follows:

- for financial period 2008 through to financial period 2013, we agreed to reduce Edcon Limited’s tax losses carry forward by approximately R9 billion.
- for the period from the beginning of 2014, until an initial public offering or an issuance of securities representing 20% or more of the Group’s equity (if any), we agreed to limit the deduction for tax purposes of interest payable on the 2014 senior secured floating rate notes and the senior floating rate notes or any refinancing (the “acquisition indebtedness”) to 50% of such interest, on an aggregate principal amount of indebtedness of approximately €1.3 billion or the equivalent thereof in rand or U.S. dollars, subject to certain adjustments. Interest on the portion, if any, of the acquisition indebtedness exceeding such cap will not be deductible for tax purposes. As at 28 March 2015, acquisition indebtedness amounted to €1 billion and therefore was in compliance with this cap;
- for the period following an initial public offering or an issuance of securities representing 20% or more of the Group’s equity (if any), we agreed that interest payable on the acquisition indebtedness would be fully deductible for tax purposes, up to an aggregate principal amount of indebtedness of approximately €711.1 million in the equivalent in rand or U.S dollars. Interest on the portion, if any, of the acquisition indebtedness exceeding approximately €711.1 million or the equivalent thereof in rand or U.S. dollars will not be deductible for tax purposes; and
- for the period from and following the 2014 financial period, interest payable on the shareholder’s loan, if any, will not be deductible for tax purposes.

The settlement is without prejudice to the future changes in applicable South African tax legislation and does not relate to any matter other than those in connection with the acquisition of Edcon Holdings Limited by Bain Capital. SARS has notified the Group that it is reviewing certain other tax matters.



## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	Consolidated 2015 52 weeks to 28 March Rm	Consolidated 2014 52 weeks to 29 March Rm	Company 2015 52 weeks to 28 March Rm	Company 2014 52 weeks to 29 March Rm
<b>34. CASH FLOW</b>				
<b>34.1 Other non-cash items</b>				
Operating lease adjustment	124	38	110	32
Medical aid buy-out	(23)	57	(23)	57
Provident fund holiday	65	102	65	102
Gain on sale of trade receivables	(42)		(38)	
Government grants amortised – deferred revenue	(18)			
Other non-cash items	(6)	(4)	(6)	(4)
	<b>100</b>	193	<b>108</b>	187
<b>34.2 Working capital movement</b>				
Decrease/(increase) in inventories	81	(635)	167	(519)
(Increase)/decrease in trade accounts receivable	(179)	39	(76)	93
Proceeds from sale of trade accounts receivable <sup>1</sup>	356	575	38	575
Decrease/(increase) in other receivables	(14)	(278)	5	(232)
Increase in trade and other payables	342	228	260	211
Employee benefit payments		(7)		(7)
Decrease in amounts owing by Group companies	237	355	613	257
	<b>823</b>	277	<b>1 007</b>	378
<sup>1</sup> The consolidated proceeds in 2015 of R356 million includes R42 million from continuing operations and R314 million from discontinued operations. The proceeds of R38 million in the Company is all attributable to continued operations.				
<b>34.3 Taxation paid</b>				
Taxation (liability)/asset at the beginning of the period	(6)	18		
Current taxation recognised in profit or loss from continuing operations (note 33.1)	(145)	(152)	(49)	(72)
Current taxation recognised in profit or loss from discontinued operations (note 14.1.3)	8	17		40
Current tax recognised in other comprehensive income (note 33.2)		(8)		(8)
Other non-cash items	3	5		8
Taxation liability at the end of the period	19	6		
	<b>(121)</b>	(114)	<b>(49)</b>	(32)
<b>34.4 Investment to maintain operations</b>				
Replacement of properties, fixtures, equipment and vehicles	(586)	(892)	(462)	(876)
Proceeds on disposal of properties, fixtures, equipment and vehicles	132	10	132	10
	<b>(454)</b>	(882)	<b>(330)</b>	(866)
<b>34.5 Investment to expand operations</b>				
Additions to leased premises	(137)	(192)	(114)	(174)
Additions to properties, fixtures, equipment and vehicles	(261)	(196)	(111)	(98)
	<b>(398)</b>	(388)	<b>(225)</b>	(272)

**34. CASH FLOW** *(continued)*

**34.6 Business combination**

The Group acquired the following companies, effective 3 August 2014:

- Rowmoor Investments 583 Proprietary Limited (Lingerie retailer)
- Kamnandi Retail Proprietary Limited (Accessory retailer)

These companies form part of the ALI group of companies that was acquired by the Group in the prior year (note 34.7).

The Group effectively owns 75.5% of each of the acquired companies. Based on the contractual arrangements between the Group and the other investors, the Group has the power to appoint and remove the majority of the board of directors. The relevant activities of each company are determined by the board of directors based on simple majority votes. Therefore the directors of the Edcon Holdings Group concluded that the Group has control over these companies and as such have been consolidated.

The fair value of the net assets acquired at effective date of acquisition was as follows:

	<b>Consolidated Fair value<sup>1</sup> 2015 Rm</b>
<b>Non-current assets</b>	
Properties, fixtures, equipment and vehicles	1
Deferred tax	-
	<b>1</b>
<b>Current assets</b>	
Inventories	1
Trade and other receivables	1
Current taxation	-
	<b>2</b>
<b>Current liabilities</b>	
Trade and other payables	2
	<b>2</b>
<b>Total identifiable assets acquired and liabilities assumed</b>	
Intangible assets recognised on acquisition	1
Goodwill on acquisition	1
	<b>2</b>
<b>Cost of business combination</b>	<b>2</b>
<b>Settled by way of:</b>	
Cash	<b>(2)</b>

<sup>1</sup> The carrying value at the acquisition date approximated fair value.

***Impact of the acquisitions on the results of the Group***

The goodwill recognised of R1 million is attributable to the benefits expected to be derived from combining the assets and activities of the businesses with those of the Group including expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising cannot be reliably measured.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 34. CASH FLOW *(continued)*

#### 34.7 Business combination and put option liability

The Group acquired the following effective 1 September 2013, collectively being the ALI group of companies:

- Rosyco Retail Proprietary Limited (Lingerie retailer)
- Cosyro Retail Proprietary Limited (Cosmetic retailer)
- Quinmatro Retail Proprietary Limited (Accessory retailer)

The Group owns 50.1% of each of the acquired companies. Based on the contractual arrangements between the Group and the other investors, the Group has the power to appoint and remove the majority of the board of directors of the ALI group of companies. The relevant activities of each company is determined by the board of directors based on simple majority votes. Therefore the directors of the Edcon Holdings Group concluded that the Group has control over these companies and as such have been consolidated.

Under the sale agreement the minority shareholders have a put option (note 23) exercisable no sooner than 2 April 2016.

The fair value of the net assets acquired at effective date of acquisition of the ALI Group of companies was as follows:

	Consolidated Fair value <sup>1</sup> 29 March 2014 Rm
<b>Non-current assets</b>	
Properties, fixtures, equipment and vehicles	19
Deferred tax	4
	<u>23</u>
<b>Current assets</b>	
Inventories	37
Current taxation	1
	<u>38</u>
<b>Non-current liabilities</b>	
Interest-bearing debt	(3)
	<u>(3)</u>
<b>Current liabilities</b>	
Interest-bearing debt	(7)
Trade and other payables	(33)
	<u>(40)</u>
<b>Total identifiable assets acquired and liabilities assumed</b>	18
Intangible assets recognised on acquisition	20
Goodwill on acquisition	12
Share issue	
<b>Cost of business combination</b>	<u>50</u>
<b>Settled by way of:</b>	
Cash	(25)
<b>Put option liability at acquisition date</b>	<u>25</u>
<b>Total cost of business combination comprised of the following:</b>	
Cash	25
Put option liability at acquisition date	25
<b>Total cost of acquisition</b>	<u>50</u>

<sup>1</sup> The carrying value at the acquisition date approximated fair value.

<sup>2</sup> The Company paid an additional R2m for A shares issued by the companies for a total cash consideration of R27 million.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	2015 Consolidated 28 March Rm	2014 Consolidated 29 March Rm	2015 Company 28 March Rm	2014 Company 29 March Rm
<b>34. CASH FLOW <i>(continued)</i></b>				
<b>34.7 Business combination and put option liability <i>(continued)</i></b>				
<b><i>Impact of the acquisitions on the results of the Group</i></b>				
The acquired businesses collectively contributed to revenues and net profits as presented for the 7 months in the financial period to 29 March 2014. Had this business combination been effected on 31 March 2013, the Group revenues would have been R27 million higher and the net loss reported would have been increased by R1 million.				
The goodwill recognised of R12 million is attributable to the benefits expected to be derived from combining the assets and activities of the businesses with those of the Group including expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising cannot be reliably measured.				
<b>34.8 Non-current interest bearing debt</b>				
Senior secured term loan – ZAR 4 120 million (note 19.6)		4 120		4 120
Fees paid for senior secured term loan (note 19.6)		(140)		(140)
Other interest-bearing loans (note 19.7)	14			
Senior secured floating rate notes repurchased (note 19.2)		(4 626)		(4 626)
Edgars Stores Limited Zimbabwe debt (note 19.7)	21	(37)		
Increase/(decrease) in non-current interest bearing debt	<b>35</b>	<b>(683)</b>		<b>(646)</b>
<b>34.9 Settlement of derivatives</b>				
Settlement of derivatives	<b>826</b>	1 339	<b>826</b>	1 339
<b>34.10 Current interest-bearing debt – increase/(decrease)</b>				
Current interest-bearing debt (note 21)	<b>1 679</b>	(260)	<b>1 644</b>	(246)
<b>34.11 Settlement of option premium</b>				
Deferred option premium paid (note 20)	<b>(310)</b>	(312)	<b>(310)</b>	(312)
Call option premium paid (note 8.2)	<b>(289)</b>		<b>(289)</b>	
	<b>(599)</b>	(312)	<b>(599)</b>	(312)
<b>34.12 Capitalised finance lease - decrease</b>				
Capitalised finance lease	<b>(40)</b>	(40)	<b>(40)</b>	(40)
<b>34.13 Cash and cash equivalents – increase/(decrease)</b>				
Cash on hand	6	(176)	18	(134)
Cash on deposit	872	(13)	925	(94)
Currency adjustments		(3)		
	<b>878</b>	<b>(192)</b>	<b>943</b>	<b>(228)</b>

35. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

35.1 Financial assets by category

	Loans and receivables Rm	Fair value through Other compre- hensive income Rm	Fair value through profit or loss Rm	Held-to- -maturity invest- ments Rm	Total Rm
<b>Consolidated at 28 March 2015</b>					
Derivative financial instruments (note 37.8)			816		816
Trade receivables (note 11)	473				473
Sundry receivables (note 12)	474				474
Cash and equivalents (note 13)	1 288				1 288
Amounts owing by group companies (note 7.1)	986				986
	<b>3 221</b>		<b>816</b>		<b>4 037</b>
<b>Consolidated at 29 March 2014</b>					
Derivative financial instruments (note 37.8)		747	1 251		1 998
Trade receivables (note 11)	323				323
Sundry receivables (note 12)	581				581
Cash and cash equivalents (note 13)	410				410
Amounts owing by group companies (note 7.1)	966				966
	<b>2 280</b>	<b>747</b>	<b>1 251</b>		<b>4 278</b>
<b>Company at 28 March 2015</b>					
Derivative financial instruments (note 37.8)			816		816
Trade receivables (note 11)	76				76
Sundry receivables (note 12)	398				398
Cash and equivalents (note 13)	1 188				1 188
Amounts owing by group companies (note 7.1)	1 678				1 678
	<b>3 340</b>		<b>816</b>		<b>4 156</b>
<b>Company at 29 March 2014</b>					
Derivative financial instruments (note 37.8)		747	1 251		1 998
Trade receivables (note 11)					
Sundry receivables (note 12)	503				503
Cash and equivalents (note 13)	245				245
Amounts owing by group companies (note 7.1)	1 891				1 891
	<b>2 639</b>	<b>747</b>	<b>1 251</b>		<b>4 637</b>

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

35.2 Financial liabilities by category

	Financial liabilities at amortised cost Rm	Fair value Through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
<b>Consolidated at 28 March 2015</b>				
Amounts owing to group company (note 7.2)	8 449			8 449
Amounts owing to group companies (note 7.4)	3 336			3 336
Interest-bearing debt (notes 19 and 21)	19 069			19 069
Derivative financial instruments (note 37.8)		24		24
Trade and other payables (note 24)	5 369			5 369
Deferred option premium (note 20)	1 076			1 076
Option liability (note 23 & 37.8)		73		73
Finance lease (note 22.2)	364			364
	<b>37 663</b>	<b>97</b>		<b>37 760</b>
Consolidated at 29 March 2014				
Amounts owing to group company (note 7.2)	9 013			9 013
Amounts owing to group companies (note 7.4)	3 105			3 105
Interest-bearing debt (notes 19 and 21)	17 695			17 695
Trade and other payables (note 24)	4 992			4 992
Deferred option premium (note 20)	1 102			1 102
Option liability (note 23 & 37.8)		67		67
Finance lease (note 22.2)	273			273
	<b>36 180</b>	<b>67</b>		<b>36 247</b>
<b>Company at 28 March 2015</b>				
Amounts owing to group company (note 7.2)	8 449			8 449
Amounts owing to group companies (note 7.4)	3 604			3 604
Interest-bearing debt (notes 19 and 21)	18 815			18 815
Derivative financial instruments (note 37.8)		24		24
Trade and other payables (note 24)	5 214			5 214
Deferred option premium (note 20)	1 076			1 076
Option liability (note 23 & 37.8)		64		64
Finance lease (note 22.2)	364			364
	<b>37 522</b>	<b>88</b>		<b>37 610</b>
Company at 29 March 2014				
Amounts owing to group company (note 7.2)	9 013			9 013
Amounts owing to group companies (note 7.4)	3 244			3 244
Interest-bearing debt (notes 19 and 21)	17 522			17 522
Trade and other payables (note 24)	4 831			4 831
Deferred option premium (note 20)	1 102			1 102
Option liability (note 23 & 37.8)		58		58
Finance lease (note 22.2)	273			273
	<b>35 985</b>	<b>58</b>		<b>36 043</b>

**36. MANAGEMENT OF CAPITAL**

The Group and Company considers share capital, share premium, the shareholder's loan, reserves and interest-bearing debt as capital.

The shareholder's loan is considered to be capital as the amount is repayable in May 2037 and all interest is capitalised. The long-term interest-bearing debt primarily consists of:

- Super senior secured notes, maturing April 2016;
- Senior secured terms loan maturing May 2017; and
- Senior secured fixed rate notes maturing March 2018.

The senior secured floating rate notes were issued to finance the purchase of the assets from Edgars Consolidated Stores Proprietary Limited. These notes were refinanced through the issue of the senior secured fixed rate notes maturing March 2018 (note 19.5) and the senior secured term loan (note 19.6) maturing May 2017.

The senior secured fixed rate notes (note 19.3 and 19.4) issued during the 2011 financial period and the super senior secured notes were issued to finance the settlement of the negative mark-to-market positions on the foreign currency swap contracts, which hedged the foreign currency exposure on the principal of the senior secured and the senior floating rate notes in issue at that time.

The objectives in managing this capital are to:

- Ensure appropriate access to equity debt markets.
- Ensure sufficient resilience against economic turmoil.
- Safeguard the Group's ability to continue as a going concern, be flexible and take advantage of opportunities that are expected to provide an adequate return to shareholders.
- Optimise weighted average cost of capital, given inherent constraints.

The Group manages its capital and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the current period.

The notes and banking facilities contain substantially the same covenants and events of default, other than the senior secured term loan which contains its own specific maintenance covenants. These are set out in the Offering Memorandum for the floating rate notes dated 8 June 2007, the Offering Memoranda for the senior secured fixed rate notes dated 22 February 2011 and 8 February 2013 and the Programme Memorandum for the super senior secured notes dated 31 March 2011. During the period there have been no defaults.

The Group and Company takes cognisance of select rating agency ratios that evaluate the ability of the capital to absorb losses and the flexibility that a combination of capital instruments provide. The value placed on the corporate rating is important as the Group has issued notes on the Irish Stock Exchange and the Johannesburg Securities Exchange.

**37. FINANCIAL RISK MANAGEMENT**

**37.1 Treasury risk management**

The Group and Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group and Company uses derivative financial instruments to moderate certain risk exposures.

A treasury workgroup consisting of senior executives meets on a regular basis to update treasury policies and objectives, analyse currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts. Compliance with Group Treasury policies and objectives of the Board and exposure limits is reviewed at meetings of the Risk Management Workgroup.

**37. FINANCIAL RISK MANAGEMENT (continued)**

**37.2 Hedging Strategy**

The foreign denominated floating and fixed rate notes expose the Group and Company to both interest rate risk and/or foreign exchange risk. The Group and Company has executed the following hedging strategy:

**Euro Denominated Senior Secured Floating Rate Notes due 2014**

In February 2011, cross currency swaps were entered into which, (i) protect against interest rate variability in future interest cash flows on liabilities, (ii) protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedges the repayment of €963 million in principal on the notes to 15 March 2014 and €178 million to 15 June 2014. The hedges create an effective annual average fixed interest rate of 13.96% over the period of cover. The cross currency swaps have been designated as a cash flow hedge up to 2 February 2013, when hedge accounting was discontinued on the basis that it became highly probable that the underlying hedge transaction would not occur. On 13 February 2013 cross currency swaps with a notional value of €754 million were terminated immediately prior to the repurchase of the related amount of senior secured floating rate notes (note 19.2). The remaining cross currency swap with a notional value of €387 million is hedging the outstanding principal at an effective annual interest rate of 12.86% until 17 May 2013 when the cross currency swaps were terminated as a consequence of the repurchase of the senior secured floating rate notes.

**Euro Denominated Senior Secured Fixed Rate Notes due 2018**

In February 2011, a series of cross currency swaps were entered into which protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is €317 million and provides cover on the coupon of the notes up to 15 March 2014. The hedges create an effective annual average fixed interest rate of 10.86% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

In December 2012 a series of foreign currency call options were entered into which hedge the repayment of €150 million in principal on the notes to 31 March 2014. The premiums payable on the option contracts have been deferred to between March and April 2014 (note 20). The foreign currency call options have not been designated as cash flow hedges.

At 30 March 2013, the Group had entered into a foreign currency forward contract for €347 million to partially protect against the variability in foreign exchange rate exposure on the uncovered principal on the euro denominated notes. The forward contract matured 5 April 2013 and has not been designated for hedge accounting.

In April 2013, a cross currency was entered into which protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge was €70 million and provides cover on the coupon of the notes up to 15 March 2015. The hedge creates an effective annual average fixed interest rate of 10.2% over the period of the cover. The cross currency swap has been designated as a cash flow hedge.

In April 2013, cross currency swaps were entered into which, (i) protect against interest rate variability in future interest cash flows on liabilities, (ii) protect against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates, and (iii) hedge the repayment of €230 million in principal and interest on the notes to 15 March 2015. The hedges create an effective annual average fixed interest rate of 15.55% over the period of cover. The cross currency swaps have been designated as a cash flow hedge.

In April 2013, foreign currency call options were entered into which hedge the repayment of €237 million in principal on the notes to 12 March 2015. The premiums payable on the foreign currency call options of R317 million have been deferred to 13 March 2015. These options have not been designated as cash flow hedges.

In October 2013, a series of derivative contracts were entered into to extend, by a further twelve months, the maturity of hedge cover on the coupon payments relating to the senior secured fixed rate notes. Cross currency swaps were entered into, which protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional values of the hedges are €317 million, and provide cover on the coupons of these notes up to 15 March 2015. The hedges created an effective annual average fixed interest rate of 10.2% over the period of cover. The cross currency swaps were designated as cash flow hedges.

In December 2013, Edcon Limited restructured foreign currency call options with notional values of €150 million by early terminating these derivative contracts that were due to mature in March 2014 and entered new foreign currency call options to extend the tenor of hedge cover to 15 December 2015 on the principal debt of the senior secured fixed rate notes. The premiums payable on the option contracts have been deferred to 31 December 2015 (note 20). The foreign currency call options have not been designated as cash flow hedges.

In September and November 2014, the Group restructured a series of cross currency swaps and foreign currency call options with notional values of €230 million and €237 million, respectively, by early terminating these derivative contracts that were due to mature in March 2015 and entered new foreign currency call options to partially hedge both interest with a notional value of €44 million and principal with a notional value of €385 million on the senior secured fixed rate notes, extending hedge cover to March 2016. R204 million of the premiums payable on the option contracts have been deferred



**37. FINANCIAL RISK MANAGEMENT (continued)**

**37.2 Hedging Strategy (continued)**

to July 2015 (R50 million) and March 2016 (R154 million) (note 20), respectively. These foreign currency call options have not been designated as cash flow hedges.

Additionally, the Group entered into foreign currency forward contracts maturing 15 September 2015 and 15 March 2016, respectively, each for a notional value of €7 million to partially hedge the coupon payments due under the €300 million senior secured fixed rate notes. These foreign currency forward contracts have been designated as cash flow hedges.

**US Dollar Denominated Senior Secured Fixed Rate Notes due 2018**

In February 2011, a cross currency swap was entered into which protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional value of the hedge is US\$190 million and provides cover on the coupon of the notes up to 15 March 2014. The hedges create an effective annual average fixed interest rate of 10.99% over the period of cover. The cross currency swap has been designated as a cash flow hedge.

In February 2011, a series of foreign currency forward contracts were entered into, with a notional value of \$60 million, to buy USD and sell ZAR corresponding to the USD scheduled fixed rate interest payments on the senior secured 9.5% fixed rate notes at each payment date. These foreign currency forward contracts have been designated as a cash flow hedge.

In October 2013, a series of derivative contracts were entered into to extend, by a further twelve months, the maturity of hedge cover on the coupon payments relating to the senior secured fixed rates notes. Cross currency swaps were entered into, which protects against variability in future interest cash flows that are subject to fluctuations based on foreign exchange rates. The notional values for the hedges are US\$250 million, and provide cover on the coupons of these notes up to 15 March 2015. The hedges created an effective annual average fixed interest rate of 10.2% over the period of cover. The cross currency swaps were designated as cash flow hedges.

In December 2012, a series of foreign currency call options were entered into which hedge the repayment of US\$250 million in principal on the notes to 31 March 2014. The premiums payable on the option contracts have been deferred to between March and April 2014 (note 20). The foreign currency call options have not been designated as cash flow hedges.

In December 2013 and January 2014, Edcon Limited restructured foreign currency call options with notional values of US\$250 million by early terminating these derivative contracts that were due to mature in March 2014 and entered new foreign currency call options to extend the tenor of hedge cover to 15 December 2015 on the principal debt of the senior secured fixed rate notes. The premiums payable on the option contracts have been deferred to 18 December 2015 (note 20). The foreign currency call options have not been designated as cash flow hedges.

In November 2014, the Group entered into new foreign currency call options with a notional value of \$24 million to partially hedge interest on the senior secured fixed rate notes, extending hedge cover to March 2016 (note 8). The foreign currency call options have not been designated as cash flow hedges.

**37.3 Sensitivity analysis**

**37.3.1 Sensitivity analysis of non-derivative liabilities**

The Group and Company recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might impact the value of its variable rate financial liabilities and also the amounts recorded in its other comprehensive income and its profit or loss for the period. Therefore the Group and Company has assessed:

- (a) what would be reasonably possible changes in the risk variables at the reporting date and
- (b) the effects on profit or loss and other comprehensive income if such changes in the risk variables were to occur.

The sensitivity analysis takes into account the incremental change in value arising from a parallel fall or rise in the interest rate and the exchange rate. The following table shows the approximate interest rate and exchange rate sensitivities of non-derivative financial liabilities and the resulting impact on profit or loss, and other comprehensive income for financial liabilities held at the reporting date:

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 37. FINANCIAL RISK MANAGEMENT *(continued)*

#### 37.3 Sensitivity analysis *(continued)*

##### 37.3.1 Sensitivity analysis of non-derivative liabilities *(continued)*

###### 2015 Consolidated and Company:

Non-derivative financial liabilities	Index	Sensitivity	Other comprehensive income Rm	Profit or loss effect Rm
ZAR denominated	JIBAR	-50bps		40
	JIBAR	+50bps		(40)
EUR denominated	EUR-ZAR	-10%		810
	EUR-ZAR	-5%		405
	EUR-ZAR	5%		(405)
	EUR-ZAR	10%		(810)
USD denominated	USD-ZAR	-10%		301
	USD-ZAR	-5%		151
	USD-ZAR	5%		(151)
	USD-ZAR	10%		(301)

###### 2014 Consolidated and Company:

Non-derivative financial liabilities	Index	Sensitivity	Other Comprehensive income Rm	Profit or loss effect Rm
ZAR denominated	JIBAR	-50bps		31
	JIBAR	+50bps		(31)
EUR denominated	EUR-ZAR	-10%		897
	EUR-ZAR	-5%		448
	EUR-ZAR	5%		(448)
	EUR-ZAR	10%		(897)
USD denominated	USD-ZAR	-10%		264
	USD-ZAR	-5%		132
	USE-ZAR	5%		(132)
	USD-ZAR	10%		(264)

##### 37.3.2 Sensitivity analysis of derivatives

The Group and Company recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might impact the value of its derivatives and also the amounts recorded in its other comprehensive income and its profit or loss for the period. Therefore the Group and Company has assessed:

- what would be reasonably possible changes in the risk variables at the reporting date and
- the effects on profit or loss and other comprehensive income if such changes in the risk variables were to occur.

The sensitivity analysis takes into account the incremental change in value arising from a parallel fall or rise in the yield curve and the exchange rate.

The table consider sensitivities to forward rate curves, of +/- 50 and +/-100 basis points respectively. If these sensitivities were to occur, the impact on the profit or loss, and other comprehensive income for each category of financial instrument held at the reporting date is shown on the following page:

**Notes to the Consolidated and Company Financial Statements of Edcon Limited (continued)**

**37. FINANCIAL RISK MANAGEMENT (continued)**

**37.3 Sensitivity analysis (continued)**

**37.3.2 Sensitivity analysis of derivatives (continued)**

**2015 Consolidated and Company:**

	Index	Sensitivity	Derivative asset / (liability) Rm	Other comprehensive income Rm	Profit or loss effect Rm
Forward exchange contracts	EUR-ZAR	-10%	(18)	18	
	EUR-ZAR	-5%	(9)	9	
	EUR-ZAR	5%	9	(9)	
	EUR-ZAR	10%	18	(18)	
Foreign currency call options	EUR-ZAR	-10%	(190)		190
	EUR-ZAR	-5%	(113)		113
	EUR-ZAR	5%	154		(154)
	EUR-ZAR	10%	350		(350)
Foreign currency call options	USD-ZAR	-10%	(269)		269
	USD-ZAR	-5%	(142)		142
	USD-ZAR	5%	151		(151)
	USD-ZAR	10%	306		(306)

**2014 Consolidated and Company:**

	Index	Sensitivity	Derivative asset / (liability) Rm	Other comprehensive income Rm	Profit or loss effect Rm
Cross currency swaps	EURIBOR	-100bps	(23)	23	
	EURIBOR	-50bps	(5)	5	
	EURIBOR	+50bps	(4)	4	
	EURIBOR	+100bps	(8)	8	
Cross currency swaps	EUR-ZAR	-10%	(459)	459	
	EUR-ZAR	-5%	(229)	229	
	EUR-ZAR	5%	229	(229)	
	EUR-ZAR	10%	459	(459)	
Cross currency swaps	USD-ZAR	-10%	(25)	25	
	USD-ZAR	-5%	(13)	13	
	USD-ZAR	5%	13	(13)	
	USD-ZAR	10%	25	(25)	
Foreign currency call options	EUR-ZAR	-10%	(415)		415
	EUR-ZAR	-5%	(220)		220
	EUR-ZAR	5%	237		(237)
	EUR-ZAR	10%	486		(486)
Foreign currency call options	USD-ZAR	-10%	(164)		164
	USD-ZAR	-5%	(88)		88
	USD-ZAR	5%	97		(97)
	USD-ZAR	10%	201		(201)

<sup>1</sup> The above table assumes all designated hedges will change in fair value through other comprehensive income.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited (continued)

### 37. FINANCIAL RISK MANAGEMENT (continued)

#### 37.4 Foreign currency management

Material foreign currency forward contracts cross currency swaps and foreign currency call options at 28 March 2015 are summarised below. The writing of option contracts is restricted, thus currency options are only purchased as a cost-effective alternative to forward exchange contracts.

Foreign currency	Derivative fair value Rm	Contract equivalent Rm	Average rate
<b>Foreign currency exposure against Rand hedged import forward orders</b>			
<b>2015 US dollar</b>	<b>8</b>	<b>3</b>	<b>87</b>
2014 US dollar	35	22	387
<b>Foreign currency exposure against Rand hedged notes</b>			
<b>2015 Euro</b>	<b>594</b>	<b>257</b>	<b>8 875</b>
2014 Euro	1 004	1 612	13 013
<b>2015 US dollar</b>	<b>274</b>	<b>535</b>	<b>2 899</b>
2014 US dollar	500	386	5 062

The Group and Company, in terms of approved policy limits, manages short-term foreign currency exposures relating to trade imports and exports. Net uncovered Rand transaction exposures to the US dollar at 28 March 2015 amounted to RNil million (2014: RNil million). The Group and Company policy is to restrict the net aggregate cover to between 100% and 145% of total foreign order exposure.

At 28 March 2015, in respect of future import commitments, if the South African Rand had weakened 5% against the US dollar, with all other variables held constant, profit or loss for the period would have increased by R4 million (2014: R19 million). Conversely at 28 March 2015, in respect of future import commitments, if the South African Rand had strengthened by 5% against the US dollar, with all other variables held constant, profit or loss for the period would have decreased by R4 million (2014: R19 million). Changes in the Rand/US dollar exchange rates of foreign currency creditors are largely offset by fair value changes on the forward exchange contracts.

Approximately 90% of the principal on the fixed rate notes (nominal value of €617 million and US\$250 million), have been hedged through foreign currency call options (note 8.2) The interest cash flows payable semi-annually for the €317 million, US\$250 million and €300 million of senior secured fixed notes maturing in 2018, have been hedged (note 19.4, 19.3 and 19.5).

At 28 March 2015, in respect of the notes exposures, if the South African Rand had weakened 5% against the Euro and US dollar, with all other variables held constant, profit or loss for the period would have decreased by R556 million (2014: R580 million). Conversely, at 28 March 2015, in respect of the notes exposures, if the South African Rand had strengthened 5% against other currencies, with all other variables held constant, profit or loss for the period would have increased by R556 million (2014: R580 million). Gains and losses on translation of the floating and fixed rate notes will be offset by foreign exchange gains and losses on the cross currency swaps, foreign currency forward contracts and all foreign currency call options to the extent hedges are in place.

#### 37.5 Interest rate management

As part of the process of managing the fixed and floating rate interest bearing debt and cash and cash equivalents mix, the interest rate characteristics of new and the refinancing of existing loans are positioned according to expected movements in interest rates. The maximum interest rate exposure and the repricing profile at 28 March 2015 is summarised as follows:

## Notes to the Consolidated and Company Financial Statements of Edcon Limited (continued)

### 37. FINANCIAL RISK MANAGEMENT (continued)

#### 37.5 Interest rate management (continued)

##### Consolidated:

	Fixed Rate		Floating Rate	
	Short-term Rm	Long-term Rm	Short-term Rm	Long-term Rm
<b>2015</b>				
Interest-bearing debt		8 379	2 964	5 285
Rate %		Refer to note 19	Refer to note 21	Refer to note 19
<b>2014</b>				
Interest-bearing debt		8 379	1 270	5 130
Rate %		Refer to note 19	Refer to note 21	Refer to note 19

##### Company:

	Fixed Rate		Floating Rate	
	Short-term Rm	Long-term Rm	Short-term Rm	Long-term Rm
<b>2015</b>				
Interest-bearing debt		8 379	2 865	5 285
Rate %		Refer to note 19	Refer to note 21	Refer to note 19
<b>2014</b>				
Interest-bearing debt		8 379	1 214	5 130
Rate %		Refer to note 19	Refer to note 21	Refer to note 19

At 28 March 2015 if all interest rates on local borrowings had been 100 basis points lower, with all other variables held constant, profit or loss would have been R80 million (2014: R63 million) higher. Conversely, at 28 March 2015, if all interest rates on local borrowings had been 100 basis points higher with all other variables held constant, profit or loss would have been R80 million (2014: R63 million) lower.

At 28 March 2015, if all interest rates on interest-bearing trade receivables and short-term cash investments at that date had been 100 basis points lower, with all other variables held constant, profit or loss would have been R22 million (2014: R14 million) lower. Conversely, at 28 March 2015, if all interest rates at that date had been 100 basis points higher, with all other variables held constant, the profit or loss would have been R22 million (2014: R14 million) higher. This sensitivity is due to the high value of trade receivables attracting the Usury rate interest income.

As at 28 March 2015 the cash held on deposit and investments is as follows:

	Consolidated Total Rm	Consolidated Floating rate Rm	Company Total Rm	Company Floating rate Rm
<b>2015</b>				
Cash and cash equivalents by currency				
US dollar	1	1		
Chinese Yuan Renmindi	10	10		
Mozambican Metical	13	13		
Bangladeshi Taka	1	1		
Botswana Pula	8	8		
Zambian Kwacha	6	6		
Swazi Lilangeni	6	6		
Namibian dollar	17	17		
Lesotho Loti	4	4		
Ghanaian Cedi	4	4		
South African Rand	1 218	1 218	1 188	1 188
<b>2014</b>				
Cash and cash equivalents by currency				
US dollar	5	5		
Mozambican Metical	7	7		
Chinese Yuan Renmindi	42	42		
Bangladeshi Taka	1	1		
Botswana Pula	15	15		
Zambian Kwacha	52	52		
South African Rand	288	288	249	249

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 37. FINANCIAL RISK MANAGEMENT *(continued)*

#### 37.5 Interest rate management *(continued)*

The following cross currency swaps, forward exchange contracts and call option contracts are in place to hedge against interest payment exposures:

##### Group and Company:

Interest rate hedges	Notes notional amount hedged Rm		Notes fixed interest % payable		Fair value of the interest rate hedges Rm	
	2015	2014	2015	2014	2015	2014
<b>Coupon hedges - Senior secured fixed rate notes</b>						
Foreign currency call options (EUR 317m)	<b>3 044</b>	3 044	<b>15.05</b>	10.19	<b>10</b>	24
Foreign currency call options (US\$250m)	<b>1 737</b>	1 737	<b>11.99</b>	10.17	<b>21</b>	12
Forward exchange contracts and foreign currency call options (EUR 300m)	<b>3 598</b>	3 598	<b>15.35</b>	14.30	<b>(19)</b>	711

*Refer to note 37.2 for details of hedging strategy.*

#### 37.6 Credit risk management

Maximum exposure to credit risk is represented by the carrying amounts of derivative assets, trade accounts receivable assets held-for-sale and short-term cash investments in the statement of financial position. The Group and Company only deposits short-term cash surpluses with financial institutions of high-quality credit standing. Credit limits per financial institution are established within the Group's treasury policies approved by the Risk Management Workgroup. Trade accounts receivable and the assets held-for-sale comprise a large, widespread customer base and risk exists on delinquent accounts and possible defaults by customers. The Group and Company performs ongoing credit evaluations of the financial condition of customers. The granting of credit is controlled by application and behavioural scoring models, and the assumptions therein are reviewed and updated on an ongoing basis.

At 28 March 2015, the Group and Company did not consider there to be any material concentration of credit risk.

The derivatives are held with seven counterparties of high credit worthiness. The credit worthiness is assessed on a regular basis. At period end all counterparties were classified as investment grade.

**Notes to the Consolidated and Company Financial Statements of Edcon Limited (continued)**

**37. FINANCIAL RISK MANAGEMENT (continued)**

**37.7 Liquidity risk**

The risk of working capital liquidity has been minimised as shown by its substantial banking facilities and reserve borrowing capacity

Total banking and loan facilities

Actual borrowings (note 21)

Unutilised borrowing facilities

Total banking and loan facilities:

Revolving credit facility – Tranche B1

Revolving credit facility – Tranche B2

Revolving credit facility – Tranche B3

<b>Consolidated 2015 28 March Rm</b>	Consolidated 2014 29 March Rm	<b>Company 2015 28 March Rm</b>	Company 2014 29 March Rm
<b>3 717</b>	3 967	<b>3 717</b>	3 967
<b>(2 865)</b>	(1 210)	<b>(2 865)</b>	(1 210)
<b>852</b>	2 757	<b>852</b>	2 757
	250		250
<b>3 717<sup>1</sup></b>	3 717 <sup>1</sup>	<b>3 717<sup>1</sup></b>	3 717 <sup>1</sup>
<b>3 717</b>	3 967	<b>3 717</b>	3 967

<sup>1</sup> Includes R2 550 million ancillary facilities.

The maturity dates of the facilities are:

- Revolving credit facility - Tranche B1
  - Tranche B2
  - Tranche B3
- Revolving credit ancillary facilities

December 2013	December 2013	December 2013	December 2013
March 2014	March 2014	March 2014	March 2014
December 2016	December 2016	December 2016	December 2016
Reviewed annually	Reviewed annually	Reviewed Annually	Reviewed annually

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	<b>Consolidated</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Consolidated 2014 29 March Rm	<b>Company</b> <b>2015</b> <b>28 March</b> <b>Rm</b>	Company 2014 29 March Rm
<b>37. FINANCIAL RISK MANAGEMENT</b> <i>(continued)</i>				
<b>37.7 Liquidity risk</b> <i>(continued)</i>				
<b>37.7.1 Maturity analysis of derivative financial instruments' cash flows</b>				
<b>Cash outflows</b>				
Due within one year	<b>223</b>	6 999	<b>223</b>	6 999
Total due within one year	<b>223</b>	6 999	<b>223</b>	6 999
After one year but within two years		4 745		4 745
Total due after one year		4 745		4 745
Total	<b>223</b>	11 744	<b>223</b>	11 744
<b>Cash inflows</b>				
Due within one year	<b>196</b>	8 362	<b>196</b>	8 362
Total due within one year	<b>196</b>	8 362	<b>196</b>	8 362
After one year but within two years		5 405		5 405
Total due after one year		5 405		5 405
Total	<b>196</b>	13 767	<b>196</b>	13 767
<b>Net cash (outflows)/inflows</b>				
Due within one year	<b>(27)</b>	1 363	<b>(27)</b>	1 363
Total due within one year	<b>(27)</b>	1 363	<b>(27)</b>	1 363
After one year but within two years		660		660
Total due after one year		660		660
Total	<b>(27)</b>	2 023	<b>(27)</b>	2 023

The maturity analysis of derivative financial instruments' cash flows reflects the expected cash outflows and inflows of the Group and Company using undiscounted cash flows, settlement terms and expected movements in floating rates.



## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	Consolidated 2015 28 March Rm	Consolidated 2014 29 March Rm	Company 2015 28 March Rm	Company 2014 29 March Rm
<b>37. FINANCIAL RISK MANAGEMENT <i>(continued)</i></b>				
<b>37.7 Liquidity risk <i>(continued)</i></b>				
<b>37.7.2 Maturity analysis of non-derivative financial liabilities (including interest payments)</b>				
Amounts owing to group companies (note 7.4)	3 336	3 105	3 604	3 244
Trade and other payables (note 24)	5 369	5 043	5 214	4 882
Deferred option premium (note 20)	1 154	317	1 154	317
Short-term interest bearing debt (note 21)	2 319	2 907	2 143	2 851
Total due within one year	<b>12 178</b>	11 372	<b>12 115</b>	11 294
After one year but within two years	5 867	3 756	5 817	3 710
After two years but within three years	16 857	4 897	16 811	4 855
After three years but within four years	79	16 768	79	16 738
After four years but within five years	58	864	58	864
After five years	8 656	14 586	8 656	14 586
Total due after one year	<b>31 517</b>	40 871	<b>31 421</b>	40 753
Total debt	<b>43 695</b>	52 243	<b>43 536</b>	52 047

The maturity analysis of non-derivative financial liabilities are prepared on an undiscounted cash flow basis. The contractual maturity of the hedged coupon cash flows of the foreign denominated notes are calculated using forward Euribor rates (where applicable) and the exchange of principal at the derivative hedged rate. In respect of the cash flows that are not hedged; and subsequent to the hedge maturing, the period end floating interest rates and foreign exchange rates are used to calculate the cash flows of the foreign denominated notes.

### 37.8 Fair value of financial instruments

The Group and Company uses a three-level hierarchy to prioritise the inputs used in measuring fair value. The levels within the hierarchy are described below with level 1 having the highest priority and level 3 having the lowest. Fair value is principally applied to financial assets and financial liabilities. These are measured at fair value on a recurring basis as of 28 March 2015, aggregated by the level in the fair value hierarchy within which these measurements fall.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 37. FINANCIAL RISK MANAGEMENT *(continued)*

#### 37.8 Fair value of financial instruments *(continued)*

The following table presents the assets and liabilities that are measured at fair value at the period end:

##### Consolidated and Company:

	Total Rm	Fair value measurement using		
		Level 1 (a) Rm	Level 2 (b) Rm	Level 3 (c) Rm
<b>28 March 2015</b>				
<b>Financial assets</b>				
Foreign currency options	816		816	
<b>Total financial assets</b>	<b>816</b>		<b>816</b>	
<b>Financial liabilities</b>				
Option liability (note 23)	73 <sup>1</sup>			73 <sup>1</sup>
Foreign currency forward contracts	24		24	
<b>Total financial liabilities</b>	<b>97</b>		<b>24</b>	<b>73</b>
<b>29 March 2014</b>				
<b>Financial assets</b>				
Cross currency swaps	747		747	
Foreign currency options	1 251		1 251	
<b>Total financial assets</b>	<b>1 998</b>		<b>1 998</b>	
<b>Financial liabilities</b>				
Option liability (note 23)	67 <sup>1</sup>			67 <sup>1</sup>
<b>Total financial liabilities</b>	<b>67</b>			<b>67</b>

<sup>1</sup> In the Company the value is R64 million (2014: R58 million).

- a) Level 1 – Based on quoted market prices in active markets.
- b) Level 2 – Based on observable inputs other than Level 1 prices, such as quoted prices for similar financial assets or financial liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial assets or financial liabilities.
- c) Level 3 – Based on unobservable inputs that are supported by little or no market activity and are financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgement or estimation.

All financial instruments have been recognised in the statement of financial position and there is no material difference between their fair values and carrying values, except for the notes issued. There have been no transfers between levels during the current and prior periods.

The following methods and assumptions were used by the Group and Company in establishing fair values:

**Liquid resources, trade accounts receivable, investments and loans:** the carrying amounts reported in the statement of financial position approximate fair values due to the short period to maturity of these instruments.

**Short-term interest-bearing debt:** the fair values of the Group's and Company's loans are estimated using discounted cash flow analyses applying the RSA yield curve. The carrying amount of short-term borrowings approximates their fair value, due to the short period to maturity of these instruments.

**Notes issued:** the notes issued are fair valued based on the exchange rate ruling at the reporting date. The market values are disclosed in note 19 and have been determined based on the closing trade prices on the relevant stock exchanges.

**Derivative Financial Instruments:** foreign currency forward exchange contracts are entered into to cover import orders and fair values are determined using foreign exchange market rates at 28 March 2015. Foreign currency forward contracts, foreign currency call options and cross currency swaps are entered into to hedge interest rate and foreign exchange rate exposure of interest-bearing debt and fair values are determined using market related rates at 28 March 2015.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 38. RELATED PARTY TRANSACTIONS

#### 38.1 Related party transactions

During the period all purchasing and selling transactions were concluded at arm's length. Edgars Consolidated Stores Proprietary Limited is the parent company, Edcon Holdings Limited is the ultimate South African parent entity and the ultimate parent of the Company is Edcon (BC) S.A.R.L. ("Bain Capital"). The following table provides the total amount of transactions, which have been entered into the related parties (Edcon Holdings Limited subsidiaries) not disclosed elsewhere.

	2015				
	Interest received from related parties Rm	Interest paid to related parties Rm	Fee received from related parties Rm	Fee paid to related parties Rm	Dividends received from related parties Rm
<b>Consolidated and Company</b>					
PCA (South Africa) Ltd (Bain Capital affiliate) for consulting fees				39	
<b>Company</b>					
National Security Corporation (Pty) Ltd	3	1		83	
Edcon Holdings Ltd		469			
Edgars Stores Swaziland Ltd	15		27		
Edgars Stores Lesotho (Pty) Ltd	7		15		
Jet Supermarkets Botswana (Pty) Ltd	3		92		
Edgars Stores Namibia Ltd	6	6	134		
Celrose (Pty) Ltd	4				
Hollard Insurance			479		
Jet Supermarkets Zambia Ltd	10		19		
Edcon Limitada	8		-		
Edcon (Shanghai) Co. Ltd				38	
Securex Security Services (Pty) Ltd	-		1		
Bangladesh Liaison Office				4	
Jetcon Mart Ghana Ltd	2				

	2014				
	Interest received from related parties Rm	Interest paid to related parties Rm	Fee received from related parties Rm	Fee paid to related parties Rm	Dividends received from related parties Rm
<b>Consolidated and Company</b>					
PCA (South Africa) Ltd (Bain Capital affiliate) for consulting fees				41	
<b>Company</b>					
National Security Corporation (Pty) Ltd	-	1		90	
Edcon Holdings Ltd		1 528			
Edgars Stores Swaziland Ltd	13		9		
Edgars Stores Lesotho (Pty) Ltd	6		7		
Jet Supermarkets Botswana (Pty) Ltd	7		89		
Edgars Stores Namibia Ltd	26		149		
Celrose (Pty) Ltd					
Hollard Insurance			438		
Jet Supermarkets Zambia Ltd	10		16		
Edcon Limitada	2		4		
Edcon (Shanghai) Co. Ltd				33	
Securex Security Services (Pty) Ltd	-				
Bangladesh Liaison Office				6	

Refer to note 7 for the balances due to and from related parties at period end.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

### 38. RELATED PARTY TRANSACTIONS *(continued)*

#### 38.2 Compensation relating to key management personnel<sup>2</sup>

##### Consolidated and Company:

Remuneration  
Retirement, medical, accident and death benefits  
Relocation  
Performance bonus  
Other bonuses<sup>1</sup>  
Other benefits

##### Comprising:

Short-term employee benefits  
Post-employment benefits

	<b>28 March 2015</b>	29 March 2014 <sup>3</sup>
Total including directors and prescribed officers	Rm	Rm
	<b>55</b>	42
	<b>6</b>	5
	<b>1</b>	
	<b>12</b>	
	<b>52</b>	40
	<b>1</b>	-
	<b>127</b>	87
	<b>121</b>	82
	<b>6</b>	5

<sup>1</sup>Includes retention, loyalty, sign-on and other bonuses.

<sup>2</sup>Key management personnel includes directors and prescribed officers (refer to note 31.2) and members of the Chief Executive's Forum.

<sup>3</sup>The comparatives have been restated to include bonuses receivable in the period.

#### 38.3 Compensation relating to non-executive directors

##### Consolidated and Company:

Fees

	<b>28 March 2015</b>	29 March 2014
	<b>R000</b>	R000
	<b>1 955</b>	1 880
	<b>1 955</b>	1 880

### 39. CONSOLIDATION OF EDGARS STORES LIMITED

Edgars Stores Limited is listed on the stock exchange in Zimbabwe. Edgars Stores Limited is separately managed and has a December period end. Although the Group has only a 38% ownership in Edgars Stores Limited, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Edgars Stores Limited on the basis of the Group's absolute size of and dispersion of the shareholdings owned by other shareholders, as well as voting patterns at previous shareholders' meetings. Non-controlling interest in the Consolidated Statement of Financial Position relates to the minority shareholding in Edgars Stores Limited.

The effect on the 2015 and 2014 Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income and Consolidated Cash Flows by line are detailed below.

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	2015 28 March Rm	2014 29 March Rm
<b>39. CONSOLIDATION OF EDGARS STORES LIMITED <i>(continued)</i></b>		
Included in the Consolidated Statement of Financial Position by line are the following balances relating to the consolidation of Edgars Zimbabwe:		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, fixtures, equipment and vehicles	109	75
Intangible asset	1	2
<b>Total non-current assets</b>	<b>110</b>	<b>77</b>
<b>Current assets</b>		
Inventories	138	116
Trade receivables	397	244
Sundry receivables and prepayments	13	6
Cash and cash equivalents	1	5
<b>Total current assets</b>	<b>549</b>	<b>371</b>
<b>Total assets</b>	<b>659</b>	<b>448</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to shareholders</b>		
Other reserves	31	19
Retained profit	86	63
	<b>117</b>	<b>82</b>
Non-controlling interest	146	93
<b>Total equity</b>	<b>263</b>	<b>175</b>
<b>Non-current liabilities</b>		
Interest-bearing debt	139	110
Deferred tax	46	29
<b>Total non-current liabilities</b>	<b>185</b>	<b>139</b>
<b>Current liabilities</b>		
Interest-bearing debt	96	60
Current taxation	4	
Trade and other payables	111	74
<b>Total current liabilities</b>	<b>211</b>	<b>134</b>
<b>Total equity and liabilities</b>	<b>659</b>	<b>448</b>
<b>Total managed capital per IAS 1</b>	<b>498</b>	<b>345</b>

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	2015 52 weeks to 28 March Rm	2014 52 weeks to 29 March Rm
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### 39. CONSOLIDATION OF EDGARS STORES LIMITED *(continued)*

Included in the Consolidated Statement of Comprehensive Income by line are the following amounts relating to the consolidation of Edgars Zimbabwe:

<b>Total revenues</b>	<b>861</b>	<b>673</b>
<b>Revenue – retail sales</b>	<b>799</b>	<b>646</b>
Cost of sales	<b>(432)</b>	<b>(332)</b>
<b>Gross profit</b>	<b>367</b>	<b>314</b>
Other income	<b>62</b>	<b>29</b>
Store costs	<b>(143)</b>	<b>(138)</b>
Other operating costs	<b>(185)</b>	<b>(127)</b>
<b>Trading profit</b>	<b>101</b>	<b>78</b>
Finance income		
<b>Profit before financing costs</b>	<b>101</b>	<b>78</b>
Financing costs	<b>(21)</b>	<b>(17)</b>
<b>Profit before taxation</b>	<b>80</b>	<b>61</b>
Taxation	<b>(24)</b>	<b>(17)</b>
<b>Profit for the period</b>	<b>56</b>	<b>44</b>

## Notes to the Consolidated and Company Financial Statements of Edcon Limited *(continued)*

	2015 52 weeks to 28 March Rm	2014 52 weeks to 29 March Rm
<b>39. CONSOLIDATION OF EDGARS STORES LIMITED <i>(continued)</i></b>		
Included in the Consolidated Statement of Cash Flows by line are the following amounts relating to the consolidation of Edgars Zimbabwe:		
<b>Cash retained from operating activities</b>		
Profit before taxation from continuing operations	80	61
Financing costs	21	17
Depreciation	11	9
Amortisation	1	-
<b>Operating cash inflow before changes in working capital</b>	<b>113</b>	<b>87</b>
Working capital movement	(89)	(44)
Increase in inventories	(5)	(18)
Increase in trade accounts receivables	(106)	(13)
(Increase)/decrease in other receivables and prepayments	(5)	4
Increase/(decrease) trade and other payables	27	(17)
<b>Cash inflow from operating activities</b>	<b>24</b>	<b>43</b>
Financing costs paid	(21)	(17)
Taxation paid	(10)	(10)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(7)</b>	<b>16</b>
<b>Cash utilised in investing activities</b>		
Investment to maintain operation	(34)	(13)
<b>Net cash outflow from investing activities</b>	<b>(34)</b>	<b>(13)</b>
<b>Cash effects of financing activities</b>		
Non-current interest-bearing debt	12	(30)
Current interest-bearing debt	25	(10)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>37</b>	<b>(40)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(4)</b>	<b>(37)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5</b>	<b>41</b>
<b>Currency adjustments</b>		<b>1</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1</b>	<b>5</b>

**40. EVENTS AFTER THE REPORTING PERIOD**

**Super Senior Liquidity Facility**

On 19 June 2015, Edcon Limited signed a Commitment Letter for a Term loan facility with Goldman Sachs Lending Partners LLC for R1 billion available to be utilised in EUR or ZAR currency for general corporate and working capital purposes including the exchange, repurchase or redemption of any indebtedness. The Super Senior Liquidity Facility (“the SSLF”) will rank *pari passu* with the Revolving Credit facility (note 21 and 37.7) and the Super Senior Secured notes due 4 April 2016 (note 19.1). The SSLF has an initial termination date of 30 September 2016 subject to the exercise of the Extension Option which allows the Company to extend the termination date by a period of up to and including the earlier of:

- (iii) six months following the initial termination date and;
- (iv) the termination date in respect of the revolving credit facility (note 21 and 37.7).

The SSLF shall accrue PIK interest monthly at the applicable JIBAR/EURIBOR with a 0% floor plus a margin of 9% and is secured by substantially all the assets of Edcon Holdings Limited and its subsidiaries. The SSLF is subject to the preparation, execution and delivery of the Facility Documents by no later than 17 August 2015.



## ANNEXURE 1 – INTERESTS IN SIGNIFICANT SUBSIDIARIES

	Nature of business*	Issued ordinary capital		% interest in capital		Book value-shares	
		2015 R	2014 R	2015 %	2014 %	2015 Rm	2014 Rm
Celrose Proprietary Limited	M	100	100	49	49	51	51
National Security Corporation Proprietary Limited	G	2 000	2 000	100	100	7	7
Quinmatro Proprietary Limited	R	521	521	50	50	15	15
<b>Incorporated in Botswana</b>		<b>P</b>	<b>P</b>				
Jet Supermarkets Botswana Proprietary Limited	R	300 000	300 000	100	100	405	405
<b>Incorporated in Namibia</b>		<b>N\$</b>	<b>N\$</b>				
Edgars Stores (Namibia) Limited	R	1 050 000	1 050 000	100	100	264	264
<b>Incorporated in Swaziland</b>		<b>L</b>	<b>L</b>				
Edgars Stores Swaziland Limited	R	1 500 000	1 500 000	100	100	136	136
<b>Incorporated in Lesotho</b>		<b>M</b>	<b>M</b>				
Edgars Stores Lesotho (Pty) Limited	R	200 000	200 000	100	100	-	-
<b>Incorporated in Zambia</b>		<b>ZMW</b>	<b>ZMW</b>				
Jet Supermarkets Zambia Limited	R	5 000	5 000	100	100	-	-
<b>Incorporated in Mozambique</b>		<b>MZM</b>	<b>MZM</b>				
Edcon Limitada	R	50 000	50 000	100	100	-	-
<b>Incorporated in Ghana</b>		<b>GHS</b>	<b>GHS</b>				
Jetcon Mart Ghana Limited	R	2 033 130		100		11	
<b>Incorporated in Zimbabwe</b>		<b>USD</b>	<b>USD</b>				
Edgars Stores Limited <sup>1</sup>	R	29 310	29 310	38	38	2	1
<b>Interest in subsidiaries</b>						<b>8 300</b>	<b>8 288</b>

<sup>1</sup> The Group has consolidated the financial statements of Edgars Stores Limited based on a 44% equity interest derived by excluding the 12% equity interest of the Zim D Trust.

\* Nature of business A: Acquisition company, M: Manufacturing, R: Retailing, G: Group Services, D: Dormant

## Corporate Information

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### Edcon Limited

Incorporated in the Republic of South Africa  
Registration number 2007/003525/06

### Executive directors

J Schreiber \* (Managing Director and Chief Executive Officer), T Clerckx\*\* ( Chief Financial Officer)  
Dr. U Ferndale (Chief Operations Officer), MR Bower (Deputy Chief Executive Officer) (retired 31 March 2014)

\*German

\*\*Belgium

### Group Secretary

CM Vikisi

### Registered office

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Fax: +27 11 837-5019  
Web site : [www.edcon.co.za](http://www.edcon.co.za)

### Postal address

PO Box 100, Crown Mines, 2025

### Auditors

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20 Woodlands Drive, Woodmead, 2052  
Private Bag X6, Gallo Manor, 2052  
Telephone: +27 11 806-5000  
Fax: +27 11 806-5111

### Trustee, Transfer Agent and Principal Paying Agent

The Bank of New York Mellon Limited  
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London E14 5AL  
United Kingdom

### Listing Agent & Irish Paying Agent

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Hanover Building,  
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Republic of Ireland  
Telephone: + 353 1 900 6991

### JSE Debt Sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)  
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Sandton  
Republic of South Africa  
Telephone: +27 11 862-8118