21 August 2014

This notice is important and requires your immediate attention.

EDCON HOLDINGS LIMITED ("EDCON")

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AND QUARTERLY REPORT

FOR THE THREE-MONTH PERIOD ENDED 28 JUNE 2014

SUMMARY OF FINANCIAL AND OTHER DATA

The following Summary of Financial and Other Data should be read in conjunction with the Condensed Consolidated Financial Statements and related notes thereto in the second half of this notice.

The unaudited historical financial data in the Summary of Financial and Other Data and the Condensed Consolidated Financial Statements of Edcon Holdings Limited and its subsidiaries (the “Group”) attached hereto, relates to the three-month period ended 29 June 2013 and the three-month period ended 28 June 2014. Unless the context requires otherwise, references in this notice to “first quarter 2014” and “first quarter 2015” shall mean the 13-week period ended 29 June 2013 and the 13-week period ended 28 June 2014, respectively and (ii) “fiscal 2014” and “fiscal 2015” shall mean the 52-week period ended 29 March 2014 and the 52-week period ending 28 March 2015, respectively.

Throughout these reports Edgars refers to the Edgars division, which comprises Edgars, Red Square, Boardmans, Edgars Active, Edgars Shoe Gallery and our Mono-branded stores while Discount refers to the Discount division, which comprises Jet, Jet Mart and Legit stores.

The statements in this section regarding industry outlook, our expectation regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward looking statements. These forward looking statements are subject to numerous risks and uncertainties. Our actual results may differ materially from these contained in or implied by any forward looking statements.

Management discussion and analysis of financial consolidated condition

Key features

Pertaining to the first quarter 2015 compared to first quarter 2014:

- ❖ Retail sales up 5.7% to R6.6 billion
- ❖ Retail cash sales up 15.1%
- ❖ Retail credit sales down 3.3%
- ❖ Retail sales from operations outside South Africa up 17.6%
- ❖ Pro forma adjusted EBITDA down 6.6% to R679 million
- ❖ Increase in average space of 5.1%
- ❖ Working capital improvements

Introduction

Edcon believes the base for change has now been built and is satisfied that total performance has stabilised. Despite a tougher economic environment, growth opportunities are evident. Early customer satisfaction indicators show that customers are responding positively to the changes made across all our store formats. Our Thank U loyalty programme continues to build momentum with over 70% of sales attracting loyalty points. During the first quarter 2015 retail sales increased 5.7% to R6,561 million supported by a strong 15.1% growth in cash sales, another sign of customer approval.

Credit is tight across the market. With credit sales declining 3.3% in the first quarter 2015 we remain less competitive in our offering than our peers. Credit sales made up 46.5% of sales in the first quarter 2015, down from 50.8% in the first quarter 2014. Edcon and Absa continue to work to ensure a competitive offering and have identified new products for implementation in the current financial year. The confidence in the new Absa score card implemented in May 2014 is growing, however acceptance rates have only marginally improved thus far. We remain committed to implementing a second look programme.

During the quarter, better stock management together with improved payment terms with suppliers resulted in an improved cashflow. Gross profit margins remained under pressure reducing 140 basis points due to the high level of clearance activity, an overhang from previous credit sales expectations, combined with an increased contribution from lower margin handsets sales. Going forward lower stock levels should facilitate a reduction in the extent of clearance across the chains.

Pro forma adjusted EBITDA declined 6.6% mainly due to lower gross profit margins and higher store costs. Other operating costs remained well managed increasing below the rate of inflation.

During the period Bain Capital changed their non-executive representative director to Roanne Daniels, following the resignation of Mark Valentiny.

Trading review

Key operational data

	(unaudited) Retail sales growth (%)				(unaudited) Gross profit margin (%)		
	Q1:FY14 Actual	*Q1:FY15 Actual*	*Q1:FY14 LFL[1]*	*Q1:FY15 LFL[1]*	*Q1:FY14 Actual*	*Q1:FY15 Actual*	*pts change*
Edgars	1.2	6.3	(3.0)	2.8	42.0	40.3	(1.7)
Discount	4.7	5.8	1.7	2.2	35.7	34.8	(0.9)
CNA	4.5	0.9	3.6	2.3	32.1	29.0	(3.1)
Edgars Zimbabwe	25.3	7.9	27.1	6.5	49.1	49.6	0.5
Total	3.2	5.7	(0.3)	2.6	38.9	37.5	(1.4)

	Q1:FY14 Actual	*Q1:FY15 Actual*	*% change*
Total number of stores	1 301	1 430	9.9
Average retail space ('000 sqm)	1 459	1 534	5.1
Customer credit accounts ('000s)[2]	3 765	3 598	(4.4)

(1) Like-for-like sales (same store sales)
(2) Excludes Edgars Zimbabwe customer credit accounts 1Q:FY15 of 138 977 and 1Q:FY14 of 136 374

Edgars

The Edgars division grew retail sales 6.3% for the first quarter 2015 when compared to the first quarter 2014. Same store sales increased 2.8% for the quarter. The strong cash sales growth across most categories continued with total cash sales increasing 19.7%. Credit sales declined 3.3% which compounds the 6.2% decline experienced in first quarter 2014. Ongoing smaller refinements following the refurbishment in the prior year continued, but did not materially affect trading. The previously announced staff restructuring was also completed during the quarter with minimum operational impact.

During the first quarter 2015 four new Edgars' stores (one closure), ten Edgars Active stores (two closures), one Boardmans store (two closures), and four mono-branded stores were opened. This brings the total number of stores in the Edgars division to 492. Rollout of mono-branded stores will pick up in the remainder of the year as new brands such as River Island launch their flagship stores. Net average space increased 5.9% when compared to the first quarter 2014. Gross margin declined 170 basis points to 40.3% for the first quarter 2015 from 42.0% for the first quarter 2014.

Discount

The Discount division's retail sales increased 5.8% and same store sales were 2.2% higher for the first quarter 2015 compared to the first quarter 2014. The growth in retail sales was supported by cash sales, up 13.3%, as credit sales reduced 3.5% compared to a 4.1% decline in the prior comparative period. The Discount division's performance was impacted by strong performing categories such as ladieswear and footwear not able to offset weaker categories. Positively, childrenswear has started to show an improvement.

During the quarter Discount division opened 15 new Jet stores (four closures), six Legit stores (four closures) and one new Jet Mart (two closures). The last Jet Shoes store was also closed during the first quarter 2015. This brings the total number of stores in the Discount division to 696. Net average space increased 5.2% when compared to the first quarter of 2014. There was a 90 basis point decrease in the gross profit margin from 35.7% in the first quarter of 2014 to 34.8% in the first quarter of 2015.

CNA

CNA retail sales increased a marginal 0.9% and same store sales were 2.3% higher for the first quarter 2015 compared to the first quarter 2014. During the quarter the total number of CNA stores increased by 1 to 192. Average space decreased 5.6% when compared to the first quarter of 2014 as right-sizing of stores continued. Gross margin decreased to 29.0% in the first quarter 2015 due to the ongoing merchandise mix changes which were exacerbated by strong handset sales in the quarter.

African expansion and inclusion of Zimbabwe

The performance of stores outside of South Africa are included in the segmental reporting and continues to deliver sound results. Retail sales grew 17.6% in the first quarter 2015 compared to the first quarter 2014. These sales contributed 11.0% (9.3% excluding Zimbabwe) of retail sales for the first quarter 2015, up from 9.9% (8.2% excluding Zimbabwe) in the prior comparative period. Edcon now has 183 stores outside of South Africa (including 50 stores in Zimbabwe), up from 145 in the prior comparative period (including 40 stores in Zimbabwe). Also included in the segmental results are the 14 new stores opened during the first quarter 2015, including one Edgars store in Zimbabwe. The other stores opened were five new Edgars Active stores, five new Jet stores and three Legit stores. The first three stores in Ghana are still planned to open in the current financial year, further extending Edcon's country footprint.

Credit and financial services

Currently R665 million of the net trade receivables book is classified as held-for-sale as it is still in the process of being sold. On 1 July 2014, R314 million of this amount, relating to the Namibian book, was sold to Absa. The held-for-sale trade receivables relate only to non-South African jurisdictions and we have a high level of confidence that they will be sold or collected. The R263 million in trade accounts receivable, separately classified, relates primarily to the Zimbabwean book, which was never part of the sale to Absa and is separately managed and funded.

Income from the insurance joint operation increased 1.7% over the prior comparative quarter to R177 million for the first quarter 2015. The pace of insurance growth was impacted by the tougher economic conditions and a lower number of credit customers as a store credit facility is a prerequisite for a policy.

Financial review

Summary financial information

Rm	First quarter (unaudited) 2014	2015	% change
Total revenues[1]	6 615	7 003	5.9
Retail sales	6 205	6 561	5.7
Gross profit	2 412	2 458	1.9
Gross profit margin (%)	38.9	37.5	(1.4)pnt
Pro forma adjusted EBITDA[2]	727	679	(6.6)
Capital expenditure	315	267	(15.2)
Net debt including cash and derivatives	19 553	22 666	15.9
LTM pro forma adjusted EBITDA (reported)	2 819	2 639	(6.4)
Permanent adjustments[3]	226	248	9.7
LTM pro forma adjusted EBITDA (inc. cost savings)	3 045	2 887	(5.2)
Net debt[4]/LTM pro forma adjusted EBITDA (inc. cost savings)	6.2x	7.6x	1.4x

(1) Excludes discontinued operations.
(2) See notes on pro forma adjusted EBITDA below.
(3) Full year impact of permanent cost savings not included in Q1: FY15 LTM pro forma adjusted EBITDA made up of corporate and operational overhead reductions of R151m (R85m in Q1:FY14) and renegotiation of contracts of R97m (R141m in Q1:FY14).
(4) Net debt has been adjusted by trade receivable still to be sold of R665 million in Q1:FY15 and R803 million in Q1 FY14.

Revenues

Total revenues increased 5.9% due mainly to the growth in retail sales as same store sales were up 2.6% in the first quarter 2015. The weaker credit environment continued to weigh on performance resulting in credit sales contributing 46.5% of sales in the first quarter 2015, down from 50.8% in the first quarter 2014.

Retail gross profit

Retail gross profit growth remained positive albeit at a modest 1.9% due to increased clearance activity and a higher contribution from handset sales, which have a lower margin. This resulted in a 140 basis point lower gross margin for the group.

Pro forma adjusted EBITDA

The following table reconciles trading profit to adjusted EBITDA and pro forma adjusted EBITDA:

	First quarter (unaudited)		
Rm	*2014*	*2015*	*% change*
Trading profit	396	363	(8.3)
Depreciation and amortisation	268	263	
Net asset write off(1)	-	3	
Loss from discontinued operations(2)	(15)	(2)	
Non-recurring costs(3)	66	33	
Adjusted EBITDA	715	660	(7.7)
Net income from previous card programme(4)	3	11	
Net income from new card programme(5)	9	8	
Pro forma adjusted EBITDA(6)	727	679	(6.6)

(1) Relates to assets written off in connection with store conversions, net of related proceeds.
(2) The results of discontinued operations are included before tax.
(3) Relates to costs associated with the sale of the trade receivables book in Q1:FY15 of R15m (Q1:FY14 of R41m) and costs associated with corporate and operational overhead reductions in Q1:FY15 of R18m (Q1:FY14 of R25m).
(4) Pro forma income "lost" to Absa for the portion of the book sold including finance charges revenue, bad debts and provisions.
(5) Pro forma fee earned by Edcon under the new arrangement with Absa.
(6) The pro forma adjustments have been made as though 100% of the book was sold through the entire period.

Costs

	First quarter (unaudited)		
Rm	*2014*	*2015*	*% change*
Store costs	1 295	1 467	13.3
Other operating costs(1)	935	898	(4.0)
Store card credit administration costs(2)	137	135	(1.5)
Non-recurring costs(3)	66	33	(50.0)

(1) Other operating costs as per consolidated financial statements, before costs in notes (2) and (3) below.
(2) Relates to costs associated with the administration of the store credit card funded by Absa or Edcon and not in discontinued operations.
(3) Relates to costs associated with the sale of the trade receivables book in Q1:FY15 of R15m (Q1:FY14 of R41m) and costs associated with corporate and operational overhead reductions in Q1:FY15 of R18m (Q1:FY14 of R25m).

Total store costs increased by R172 million, or 13.3%, from R1,295 million in the first quarter 2014 to R1,467 million in the first quarter 2015. The increase is mainly due to a 15.3% increase in rental costs as a result of standard escalation clauses combined with a growth in space. A higher depreciation charge, due to the increased investment in the prior year, as well as higher utility bills and repairs and maintenance added to the total store costs. Positively, total manpower costs increased only 4.3% following the restructure completed during the period. Rental and manpower costs constitute 60.8% of total costs.

Other operating costs, excluding non-recurring and store card credit administration costs, decreased by R37 million, or 4.0%, from R935 million in the first quarter 2014 to R898 million in the first quarter 2015 as overhead costs remained well controlled. Store card credit administration costs relate to the administration costs of the portion of the book sold. More than 90% of the book had been sold in both the first quarter 2014 and the first quarter 2015 making these numbers comparable. The reduction of 1.5% in these costs is due to a lower number of store cards as well as process improvements and new technologies driving efficiencies. The fee from Absa for administering the book of R73 million is included in other income. Non-recurring costs are less of a feature.

Depreciation and amortisation

The amortisation charge for the first quarter 2015 decreased by R11 million, or 14.1% to R67 million as a result of certain intangible assets now being fully amortised. The majority of the intangible assets were raised following the acquisition by Bain in 2007. The depreciation charge increased by 3.2% to R196 million when compared to the prior comparative period.

Net financing costs

	First quarter (unaudited)		
Rm	*2014*	*2015*	*% change*
Interest received	6	4	
Financing costs	(619)	(842)	
Net financing costs	(613)	(838)	36.7

Net financing costs increased by R225 million, or 36.7%, from R613 million in the first quarter 2014 to R838 million in the first quarter 2015. This increase is primarily as a result of higher overall net debt costs due to higher debt levels and higher effective interest rates.

Foreign exchange management

Edcon applies a strategy of hedging all committed foreign denominated orders, the impact of which appears above the trading profit line. These forward contracts absorb some of the impact of currency volatility on input prices.

	First quarter (unaudited)		
Rm	*2014*	*2015*	*% change*
Derivative (losses)/gains(1)	323	(198)	
Foreign exchange gains/(losses)	(999)	48	
Fair value adjustment for put option		(6)	
Net movement	(676)	(156)	(76.9)

(1) Q1:FY14 includes R269 million of deferred option premium.

Edcon manages its foreign exchange risk on liabilities on an ongoing basis. At the end of the first quarter 2015, 76% of the total gross debt was hedged by virtue of it being denominated in ZAR or through hedging with foreign currency call options. The 24% unhedged portion relates only to the €425 million of fixed rate senior notes raised in November 2013 and maturing in 2019. During the quarter the ZAR appreciated marginally against the EUR from EUR:R14.54 to EUR:R14.45, which was more favourable compared to the prior year when the ZAR depreciated 9.2% against the EUR from EUR:R11.78 to EUR:R12.86.

Cash flow

Operating cash inflow before changes in working capital decreased by R83 million from R698 million in the first quarter 2014 to R615 million in the first quarter 2015 mainly due to higher operating costs.

Working capital improved meaningfully during the quarter increasing R298 million in the first quarter 2015, compared to an increase of R497 million in the first quarter 2014 due mainly to a focused project which yielded improvements in inventory and trade payables management. During the first quarter 2015 there was:

(i) a decrease in total trade receivables of R15 million compared to a decrease of R518 million in the first quarter 2014, of which R461 million related to the sale of the trade receivables on 30 April 2013;

(ii) a decrease in other receivables and prepayments of R2 million compared to an increase of R2 million in the first quarter 2014;

(iii) a decrease in inventory of R268 million compared to an increase of R94 million in the first quarter 2014 mainly due to an increased focus on inventory levels; and

(iv) an increase in trade and other payables of R8 million compared to an increase of R75 million in the first quarter 2014, as trade payables continued to be used effectively as part of the working capital project, despite lower stock levels.

Consequently, operating activities generated cash of R908 million which is higher than the R734 million in the prior comparative period, when the one-off receipt of R461 million from the sale of the trade receivables book is excluded. On the same basis, net cashflow from operating activities generated R532 million of cash compared to R530 million in the first quarter of 2014 notwithstanding higher financing costs and the impact of currency changes.

Capital expenditure

	First quarter (unaudited)		
Rm	*2014*	*2015*	*% change*
Edgars	181	147	
Expansion	*54*	*94*	
Refurbishment[(1)]	*127*	*53*	
Discount	85	60	
Expansion	*36*	*41*	
Refurbishment[(1)]	*49*	*19*	
CNA	6	1	
Edgars Zimbabwe	-	3	
IT	33	49	
Other corporate capex[(1)]	10	7	
	315	267	(15.2)

(1) R17 million that was incorrectly allocated to 'Other corporate capex' in Q1:FY14 was re-allocated to Edgars refurbishment (R9 million) and Discount refurbishment (R8 million).

Capital expenditure decreased by R48 million, or 15.2%, to R267 million in the first quarter 2015, from R315 million in the first quarter 2014. In the first quarter 2015 forty-three new stores were opened which, combined with store refurbishments, resulted in investments in stores of R211 million, compared to the first quarter 2014 where we opened 38 new stores (excluding one conversion) resulting in an investment in store fixtures of R272 million. Edcon invested R49 million in information systems infrastructure in the first quarter 2015 from R33 million in the first quarter 2014.

The company is still planning to spend approximately R1,051 million on capital expenditure in fiscal year 2015.

Net debt, liquidity and capital resources

The primary source of short-term liquidity is cash on hand and the revolving credit facility. The amount of cash on hand and the outstanding balance on the revolving credit facility are influenced by a number of factors, including retail sales, working capital levels, supplier payment terms, timing of payment for capital expenditure projects and tax payment requirements. Working capital requirements fluctuate during each month, depending on when suppliers are paid and when sales are generated, and throughout the year depending on the seasonal build-up of net working capital. Edcon funds peaks in the working capital cycle with cash flows from operations and drawings under our revolving credit facility.

As at 28 June 2014, 76% of gross debt (at closing rates) and 100% of the interest rate and currency risk of all future interest payments on the foreign notes are hedged to between 15 March 2015 and 31 December 2015.

		First quarter (unaudited)	
Rm[3]		*2014*	*2015*
Super senior secured			
ZAR Revolving credit facility[1]		510	888
ZAR Floating rate notes due 4 April 2016	J+625bps	1 010	1 010
Senior secured			
ZAR term loan due 16 May 2017	*J+700bps*	*3 986*	*4 016*
EUR fixed rate note due 1 March 2018	*9.5%*	*7 615*	*8 654*
USD fixed rate note due 1 March 2018	*9.5%*	*2 423*	*2 612*
Deferred option premium		*583*	*1 127*
Lease liabilities		*304*	*390*
Senior			
EUR floating rate notes due 15 June 2015	E+550bps	4 820	
EUR fixed rate notes due 30 June 2019	13.375%		5 920
Other loans[2]		176	200
Gross debt		**21 427**	**24 817**
Derivatives		(1 394)	(1 655)
Cash on hand		(480)	(496)
Net debt		**19 553**	**22 666**

(1) The total limit under the super senior revolving credit facility is R3,717 million which matures on 31 December 2016. The maximum utilisation of the revolving credit facility during the first quarter 2015 was R2,340 million.
(2) The portion of this debt relating to Zimbabwe was R180m in Q1:FY15 and R176 million in Q1:FY14.
(3) FX rates at end Q1:FY14 were R9.87:$ and R12.86:€ and at end Q1:FY15 were R10.59:$ and R14.45:€.

Edcon believes that operating cash flows, amounts available under the super senior revolving credit facility and proceeds from the sale of our accounts and trade receivables will be sufficient to fund debt service obligations and operations, including capital expenditure and contractual commitments, for the foreseeable future.

Events after the reporting period

On 1 July 2014, R314 million, approximately 96% of the Namibian private label store card portfolio was sold to Absa and the proceeds received.

Consolidated Financial Statements

Edcon Holdings Limited (“Edcon”)

Consolidated Statement of Financial Position (unaudited)

	2014 28 June Rm	2014 29 March Rm	2013 29 June Rm
ASSETS			
Non-current assets			
Properties, fixtures, equipment and vehicles	**3 228**	3 157	2 745
Intangible assets	**16 322**	16 388	16 622
Employee benefit asset	**178**	178	129
Derivative financial instruments	**580**	724	734
Deferred taxation	**541**	387	11
Total non-current assets	**20 849**	20 834	20 241
Current assets			
Inventories	**4 170**	4 436	3 852
Trade receivables	**263**	323	215
Sundry receivables and prepayments	**688**	774	458
Derivative financial instruments	**1 171**	1 297	800
Cash and cash equivalents	**496**	410	480
	6 788	7 240	5 805
Assets classified as held-for-sale	**703**	651	803
Total current assets	**7 491**	7 891	6 608
Total assets	**28 340**	28 725	26 849
EQUITY AND LIABILITIES			
Share capital and premium	**2 155**	2 155	2 153
Other reserves	**72**	117	74
Retained loss	**(14 811)**	(14 314)	(12 578)
Shareholder's loan – equity	**8 290**	8 290	8 290
	(4 294)	(3 752)	(2 061)
Non-controlling interests	**91**	93	70
Total equity	**(4 203)**	(3 659)	(1 991)
Non-current liabilities – shareholder's loan			
Shareholder's loan	**818**	797	822
Total equity and shareholder's loan	**(3 385)**	(2 862)	(1 169)
Non-current liabilities – third parties			
Interest-bearing debt	**22 399**	22 373	19 990
Deferred option premium	**830**	811	274
Finance lease liability	**352**	262	270
Lease equalisation	**476**	402	446
Employee benefit liability	**178**	176	187
Option liability	**73**	67	
Deferred taxation	**45**	74	345
Deferred revenue	**69**	64	86
	24 422	24 229	21 598
Total non-current liabilities	**25 240**	25 026	22 420
Current liabilities			
Interest-bearing debt	**901**	1 270	550
Deferred option premium	**297**	291	309
Finance lease liability	**38**	11	34
Current taxation	**69**	37	34
Deferred revenue	**104**	114	108
Derivative financial instruments	**23**	24	140
Trade and other payables	**5 871**	5 611	5 245
Total current liabilities	**7 303**	7 358	6 420
Total equity and liabilities	**28 340**	28 725	26 849
Total managed capital per IAS 1	**20 305**	21 054	19 675

Consolidated Statement of Comprehensive Income (unaudited)

	Note	2014 13 weeks to 28 June Rm	2013 13 weeks to 29 June Rm
Continuing operations			
Total revenues	3	**7 003**	6 615
Revenue - retail sales		**6 561**	6 205
Cost of sales		**(4 103)**	(3 793)
Gross profit		**2 458**	2 412
Other income		**261**	243
Store costs		**(1 467)**	(1 295)
Other operating costs		**(1 066)**	(1 138)
Share of profits from insurance business		**177**	174
Trading profit		**363**	396
Derivative (losses)/gains		**(198)**	323
Foreign exchange gains/(losses)		**48**	(999)
Fair value adjustment for put option		**(6)**	
Profit/(loss) before net financing costs		**207**	(280)
Finance income		**4**	6
Profit/(loss) before financing costs		**211**	(274)
Financing costs		**(842)**	(619)
Loss before taxation from continuing operations		**(631)**	(893)
Taxation		**133**	192
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(498)**	(701)
Discontinued operations			
Loss after tax for the period from discontinued operations	4	**(1)**	(11)
LOSS FOR THE PERIOD		**(499)**	(712)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**2**	21
(Loss)/gain on cash flow hedges		**(47)**	113
Other comprehensive income for the period after tax		**(45)**	134
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(544)**	(578)
(Loss)/profit attributable to:			
Owners of the parent		**(497)**	(714)
Non-controlling interests		**(2)**	2
		(499)	(712)
Total comprehensive income attributable to:			
Owners of the parent		**(542)**	(580)
Non-controlling interests		**(2)**	2
		(544)	(578)

Consolidated Statement of Changes in Equity (unaudited)

	Share capital and premium Rm	Foreign currency translation reserve Rm	Cash flow hedging reserve Rm	Revaluation surplus Rm	Retained loss Rm	Shareholder's loan Rm	Non-controlling interests Rm	Total equity Rm
Balance at 30 March 2013	2 153	(31)	(37)	8	(11 864)	8 290	68	(1 413)
(Loss)/profit for the period					(714)		2	(712)
Other comprehensive income for the period		21	113					134
Total comprehensive income		21	113		(714)		2	(578)
Balance at 29 June 2013	2 153	(10)	76	8	(12 578)	8 290	70	(1 991)
Balance at 29 March 2014	**2 155**	**10**	**99**	**8**	**(14 314)**	**8 290**	**93**	**(3 659)**
(Loss)/profit for the period					**(497)**		**(2)**	**(499)**
Other comprehensive income for the period		**2**	**(47)**					**(45)**
Total comprehensive income		**2**	**(47)**		**(497)**		**(2)**	**(544)**
Balance at 28 June 2014	**2 155**	**12**	**52**	**8**	**(14 811)**	**8 290**	**91**	**(4 203)**

Consolidated Statement of Cash Flows (unaudited)

	2014 13 weeks to 28 June Rm	2013 13 weeks to 29 June Rm
Cash retained from operating activities		
Loss before taxation from continuing operations	**(631)**	(893)
Loss before taxation from discontinued operations	**(2)**	(15)
Finance income	**(4)**	(6)
Finance costs	**842**	619
Derivative losses/(gains)	**198**	(323)
Deferred revenue	**(23)**	2
Foreign exchange (gains)/losses	**(61)**	999
Fair value adjustment for put option	**6**	
Amortisation of intangible assets	**67**	78
Depreciation	**196**	190
Net loss on disposal of properties, fixtures, equipment and vehicles	**3**	-
Other non-cash items	**24**	47
Operating cash inflow before changes in working capital	**615**	698
Working capital movement	**293**	497
Inventories	**268**	(94)
Trade accounts receivable	**15**	57
Proceeds from sale of trade accounts receivable		461
Sundry receivables and prepayments	**2**	(2)
Trade and other payables	**8**	75
Cash inflow from operating activities	**908**	1 195
Finance income received	**2**	6
Financing costs paid	**(362)**	(209)
Taxation paid	**(16)**	(1)
Net cash inflow from operating activities	**532**	991
Cash utilised in investing activities		
Investment in property, plant and equipment	**(245)**	(246)
Proceeds on disposal of property, fixtures, equipment and vehicles	**116**	
Other investing activities		(2)
Net cash outflow from investing activities	**(129)**	(248)
Cash effects of financing activities		
Settlement of derivatives		654
Decrease in interest-bearing debt	**(299)**	(1 622)
Decrease in finance lease liability	**(3)**	(10)
Net cash outflow from financing activities	**(302)**	(978)
Increase/(decrease) in cash and cash equivalents	**101**	(235)
Cash and cash equivalents at the beginning of the period	**410**	710
Currency adjustments	**(15)**	5
Cash and cash equivalents at the end of the period	**496**	480

Condensed notes to the Consolidated Financial Statements (unaudited)

1. Basis of preparation

Basis of accounting

Edcon Holdings Limited's Consolidated Financial Statements ("Financial Statements") are prepared in accordance with International Financial Reporting Standards ("IFRS") and stated in Rands ("R").

These Financial Statements are presented in accordance with IAS 34 *Interim Financial Reporting*. Accordingly, note disclosures normally included in the annual financial statements have been condensed or omitted.

These Financial Statements have not been audited or reviewed by an auditor. In the opinion of management, all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods have been made.

In preparing these Financial Statements, the same accounting principles and methods of computation are applied as in the Audited Group Consolidated Financial Statements of Edcon Holdings Limited on 29 March 2014 and for the period then ended except those relating to new and amended standards and interpretations where applicable.

These Financial Statements should be read in conjunction with the audited Consolidated Financial Statements as at and for the period ended 29 March 2014 as included in the 2014 Audited Consolidated Annual Financial Statements of Edcon Holdings Limited.

Comparability

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial period, except for the following new and amended IFRS standards and IFRIC interpretations effective as of 30 March 2014.

- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
- IFRIC Interpretation 21, Levies
- Recoverable Amount Disclosures from Non-Financial Assets – Amendments to IAS 36

These new and amended IFRS's and IFRIC's have had no material impact on the Financial Statements.

Significant movements on the Consolidated Statement of Financial Position

Inventories
Inventories reduced by R266 million from R4 436 million at 29 March 2014 to R4 170 million at 28 June 2014. This decrease is attributable to managements intention to reduce excess inventory levels through markdowns and promotions. Compared to 29 June 2013, inventory levels have increased by R 318 million. This increase is predominantly in the Edgars division as a result of introducing brands into the division.

Current interest-bearing debt
The current interest-bearing debt decreased by R369 million from R1 270 million at 29 March 2014 to R 901 million at 28 June 2014 mainly due to improved working capital in the period and the completion of a sale and leaseback transaction on 2 April 2014 to the value of R116 million.

Derivative financial instruments
The Group's net derivative financial instruments at 28 June 2014 were an asset of R1 728 million compared to an asset of R1 997 million at 29 March 2014. The decrease is mainly attributable to the realisation of these derivatives.

1. Basis of preparation *(continued)*

Significant movements on the Consolidated Statement of Financial Position *(continued)*

Trade and other payables

Trade and other payables increased by R260 million from R5 611 million at 29 March 2014 to R5 871 million at 28 June 2014. This increase is mainly due to improved working capital management with suppliers. Compared to 29 June 2013, trade and other payables have increased by R626 million. This increase is attributable to improved credit terms with suppliers as well as the introduction of brands into the Edgars division.

Going concern

The Consolidated Statement of Financial Position at 28 June 2014 reports share capital and premium of R2 155 million in equity attributable to shareholders and a shareholder's loan recognised in equity of R 8 290 million offset by an accumulated retained loss of R14 811 million and a net credit of R72 million in other reserves, resulting in negative equity attributable to shareholders at 28 June 2014 of R4 294 million. After considering non-controlling interests of R91 million, total equity of the Group is a deficit of R4 203 million. The shareholder's loan of R9 108 million has been subordinated to the claims of all the creditors of the Group and the total negative equity and shareholder's loan is R3 385 million.

Notwithstanding the fact that the Group's liabilities exceed its assets in accordance with IFRS, the Consolidated Financial Statements have been prepared on the going-concern basis as the Group's assets at fair value exceed the liabilities. The directors have every reason to believe that the Group has adequate resources to continue in operation for the foreseeable future and is considered both solvent and liquid. Further, the directors have considered the headroom under the loan covenants and believe that the headroom is adequate.

		2014 28 June Rm	2013 29 June Rm
2.	**SEGMENTAL RESULTS**		
2.1	**Revenues**		
	Edgars	**3 399**	3 198
	CNA	**449**	445
	Discount	**2 729**	2 584
	Edgars Zimbabwe	**132**	120
	Manufacturing	**31**	23
	Credit and Financial Services	**259**	239
	Group Services	**4**	6
		7 003	6 615
2.2	**Retail sales**		
	Edgars	**3 316**	3 119
	CNA	**449**	445
	Discount	**2 673**	2 527
	Edgars Zimbabwe	**123**	114
		6 561	6 205
2.3	**Number of stores**		
	Edgars	**492**	408
	CNA	**192**	195
	Discount	**696**	658
	Edgars Zimbabwe	**50**	40
		1 430	1 301
2.4	**Operating profit/(loss) from continuing operations**		
	Edgars	**381**	483
	CNA	**(9)**	-
	Discount	**318**	337
	Edgars Zimbabwe	**3**	7
	Manufacturing	**(20)**	(3)
	Credit and Financial Services	**238**	229
	Group Services[1]	**(704)**	(1 333)
		207	(280)

[1] Included in the allocation to the Group Services segment is corporate overheads, derivative gains or losses, foreign exchange gains or losses and amortisation of intangible assets and additional depreciation as a result of the private equity transaction in 2007 and any transitional projects related expenditure.

	2014 28 June Rm	2013 29 June Rm
3. REVENUES		
Retail sales	**6 561**	6 205
Club fees	**139**	136
Finance charges on trade receivables	**18**	17
Share of profits from insurance business	**177**	161
Finance income	**4**	6
Administration fee	**73**	67
Manufacturing sales to third parties	**31**	23
	7 003	6 615

4. DISCONTINUED OPERATIONS

On 6 June 2012, the Group announced the intended sale of its private label store card to Absa as well as the implementation of a long-term strategic agreement. In the prior period, on 30 April 2013, all conditions required for the second closing of the South African trade accounts receivable sale was satisfied and R461 million of the South African private label store card portfolio was sold to Absa.

The card portfolio in Lesotho, Botswana and Swaziland is still expected to be sold. These trade receivables have been classified as held-for-sale on the Consolidated Statement of Financial Position. A significant portion of the Namibian card portfolio was sold on 1 July 2014 and disclosed in Note 6. These trade receivables have been classified as held-for-sale at 28 June 2014.

The results of the discontinued operation are as follows:

	2014 28 June Rm	2013 29 June Rm
Total revenues	**42**	38
Income from credit	**42**	38
Expenses from credit	**(44)**	(53)
Trading loss before taxation	**(2)**	(15)
Taxation	**1**	4
Loss for the period	**(1)**	(11)

5. FINANCIAL INSTRUMENTS

The Group uses a three-level hierarchy to prioritise the inputs used in measuring fair value. Level 1 has the highest priority and level 3 has 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 June 2014, aggregated by the level in the fair value hierarchy within which these measurements fall.

The following table presents the Group's assets and liabilities that are measured at fair value at the period end:

	Total – level 2 Rm
28 June 2014	
Financial assets	
Cross currency swaps	**698**
Foreign currency call options	**1 053**
Total financial assets	**1 751**
Financial liabilities	
Option liability	**73**
Cross currency swaps	**23**
Total financial liabilities	**96**
29 March 2014	
Financial assets	
Cross currency swaps	769
Foreign currency call options	1 252
Total financial assets	2 021
Financial liabilities	
Option liability	67
Cross currency swaps	24
Total financial liabilities	91
29 June 2013	
Financial assets	
Cross currency swaps	653
Foreign currency call options	858
Foreign currency forward contracts	23
Total financial assets	1 534
Financial liabilities	
Interest rate swaps	55
Cross currency swaps	85
Total financial liabilities	140

The above are classified as level 2 inputs. No financial instruments at 28 June 2014, 29 March 2014 and 29 June 2013 have been classified as either level 1 or level 3 inputs in the hierarchy. The fair value under level 2 is based on observable inputs 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.

5. FINANCIAL INSTRUMENTS *(continued)*

All financial instruments have been recognised in the Consolidated Statement of Financial Position and there is no material difference between their fair values and carrying values, except for the notes issued.

The following methods and assumptions were used by the Group in establishing fair values:

Liquid resources, trade accounts receivable 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 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 at 28 June 2014 was R17 427 million (29 March 2014 R16 869 million and 29 June 2013 R13 890 million) and have been determined based on the closing prices of the relevant stock exchange.

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 June 2014. 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 June 2014.

6. EVENTS AFTER THE REPORTING DATE

On 1 July 2014, R314 million of the Namibian private label store card portfolio was sold to Absa.

Corporate Information

Edcon Holdings Limited
Incorporated in the Republic of South Africa
Registration number 2006/036903/06

Non-executive directors
DM Poler* (Chairman), EB Berk*, MS Levin*, ZB Ebrahim₸, DH Brown₸, TF Mosololi₸, LL von Zeuner₸, RB Daniels* (appointed 7 June 2014).

Executive directors
J Schreiber *** (Managing Director and Chief Executive Officer), T Clerckx** (Chief Financial Officer), Dr U Ferndale (Chief Operations Officer).

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₸ Independent Non – Executive Director

Group Secretary
CM Vikisi

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