20 February 2015

This notice is important and requires your immediate attention.

EDCON HOLDINGS LIMITED ("EDCON")

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

AND QUARTERLY REPORT

FOR THE NINE-MONTH PERIOD ENDED 27 DECEMBER 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 nine-month period ended 28 December 2013 and the nine-month period ended 27 December 2014. Unless the context requires otherwise, references in this notice to "third quarter 2014" and "third quarter 2015" shall mean the 13-week period ended 28 December 2013 and the 13-week period ended 27 December 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.

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

Highlights

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

- Pro forma adjusted EBITDA up 4.2% to R1.3 billion
- Gross margin improved by 170 bps
- Cash sales up 11.7%
- Retail sales up 0.5% to R8.8 billion
- Retail sales from operations outside South Africa up 7.6%
- Increase in average space of 6.1%
- Ongoing working capital improvements

Introduction

On a consecutive basis Edcon again improved its profitability growth at both a gross profit and EBITDA level despite a decline in credit sales. Total retail sales increased 0.5% while gross profit increased 5.2%, mainly due to a 170 bps improvement in gross margin to 38.0% from 36.3% in the prior comparative period. This resulted in a continued positive trajectory for pro forma adjusted EBITDA, which increased 4.2% in the quarter, better than the 1.0% increase in the previous quarter.

The cash sales growth of 11.7% reflects that the various store chain propositions are resonating with customers. The new brands are generating footfall in the Edgars' stores while also differentiating the overall offering. Stand-alone stores such as River Island, Top Shop and T.M. Lewin, amongst others, are exceeding expectations. However, consumer sentiment is subdued and demand remains constrained, exacerbated by the challenging credit environment and the negative impact of power outages. During the period, credit sales declined a further 12.1% and now contribute 41.0% of total sales, down from 46.9% in the third quarter 2014.

Working capital initiatives continue to deliver results and improve financial performance. Trade payables closed 8.9% or R640 million higher than the end of the third quarter 2014 while inventories closed 3.7% higher, well below inflation and space growth.

Trading review

Key operational data

	(unaudited) Retail sales growth (%)				(unaudited) Gross profit margin (%)		
	Q3:FY14 Actual	*Q3:FY15 Actual*	*Q3:FY14 LFL(1)*	*Q3:FY15 LFL(1)*	*Q3:FY14 Actual*	*Q3:FY15 Actual*	*pts change(2)*
Edgars	0.6	(0.8)	(4.8)	(5.1)	37.8	40.1	2.3
Discount	7.8	2.5	2.8	0.0	35.0	36.3	1.3
CNA	0.3	(7.3)	0.8	(5.3)	29.7	29.5	(0.2)
Edgars Zimbabwe(3)	2.0	28.6	(0.7)	29.9	49.4	47.5	(1.9)
Total	3.3	0.5	(1.5)	(2.6)	36.3	38.0	1.7

	Q3:FY14 Actual	*Q3:FY15 Actual*	*% change*
Total number of stores	1 402	1 505	7.3
Average retail space ('000 sqm)	1 494	1 585	6.1
Customer credit accounts ('000s)(4)	3 735	3 449	(7.7)

(1) Like-for-like sales (same store sales).
(2) Q3:FY15 % change on Q3:FY14.
(3) On a constant currency basis retail sales growth is 17.5% and LFL growth is 15.8% in Q3:FY15.
(4) Excludes Edgars Zimbabwe customer credit accounts Q3:FY15 of 216 000 and Q3:FY14 of 193 000.

Edgars

Retail sales in the Edgars division decreased by 0.8% for the third quarter 2015 when compared to the third quarter 2014. Total cash sales growth remained strong, increasing 11.4%, however credit sales growth declined by 11.1%. Same-store sales were 5.1% lower compared to the third quarter 2014.

Average space increased 8.9% when compared to the third quarter 2014. Nine Edgars stores, three Edgars Active stores, one Boardmans store, one Red Square store, one Cosmetics Emporium store and 13 mono-branded stores were opened over the period. There were also three closures (two Edgars Active and one Edgars store), bringing the total number of stores in the Edgars division to 535.

Gross margin was 40.1% for the third quarter 2015 up from 37.8% for the third quarter 2014 as a result of good margin management.

Discount

The Discount division's sales increased by 2.5% and same store sales were flat for the third quarter 2015 compared to the third quarter 2014. Total cash sales growth of 11.1% remains sound, while credit sales declined by 10.6%.

Average space increased by 3.9% when compared to the third quarter 2014. During the period 13 Jet stores and eight Legit stores were opened while three stores were closed (one Jet and two Jet Mart) bringing the total number of stores in the Discount division to 720.

In the third quarter of 2015, gross profit margin sustained its positive trajectory, increasing from 35.0% in the third quarter of 2014 to 36.3% in the third quarter of 2015.

CNA

CNA sales decreased 7.3% and same store sales were 5.3% lower for the third quarter 2015 compared to the third quarter 2014 primarily due to the performance of digital merchandise and the decrease in average space. The total number of stores at the end of the period was 197 compared to 196 at the end of the prior comparative period while average space decreased by 5.7% due to the continued right-sizing of stores. Gross margin declined marginally to 29.5% for the third quarter 2015 from 29.7% in the third quarter 2014.

African expansion

Sales from countries other than South Africa grew 7.6% over the third quarter 2015, and contributed 10.6% (8.6% excluding Zimbabwe) of retail sales for the third quarter 2015, up from 9.9% (8.3% excluding Zimbabwe) in the prior comparative period. Edcon now has 198 stores outside of South Africa (including 53 in Zimbabwe), which is an increase of 10 stores over the quarter. In November 2014, Edcon opened three stores in Accra, Ghana, including an Edgars store and two Jet stores, which have exceeded expectations. Edcon will continue to grow its presence in the region mainly through its Jet, Jet Mart, Legit, Edgars Active, and to a lesser extent Edgars store chains.

Credit and financial services

R363 million of the net trade receivables book, excluding deferred tax, is classified as held-for-sale. The held-for-sale receivables relate only to non-South African jurisdictions which we remain confident will be sold or collected. The separately classified R386 million in trade accounts receivable relates primarily to the Zimbabwean book. On a twelve month rolling basis, credit sales (excluding Zimbabwe) decreased from 47.2% in the prior comparative period to 43.2% of total retail sales. Edcon is testing an in-house, National Credit Act compliant credit solution to customers and continues to explore further second-look options.

Edcon’s share of the profit from the insurance joint operation decreased by 4.0% from the prior comparative quarter to R169 million for the third quarter 2015, largely due to the decline in credit customers. A store credit facility is a prerequisite for a policy.

Financial review

Summary financial information

	Third quarter (unaudited)		
Rm	*2014*	*2015*	*% change*
Total revenues[1]	9 209	9 275	0.7
Retail sales	8 787	8 834	0.5
Gross profit	3 193	3 360	5.2
Gross profit margin (%)	36.3	38.0	1.7pnt
Pro forma adjusted EBITDA[2]	1 200	1 250	4.2
Capital expenditure	372	301	(19.1)
Net debt including cash and derivatives	19 773	21 733	9.9
LTM pro forma adjusted EBITDA (reported)	2 775	2 694	(2.9)
Permanent adjustments[3]	79	318	
LTM pro forma adjusted EBITDA (inc. cost savings)	2 854	3 012	5.5
Net debt/LTM pro forma adjusted EBITDA (inc. cost savings) [4]	6.7	7.1	0.4x

(1) Excludes discontinued operations.
(2) See notes on pro forma adjusted EBITDA below.
(3) Full year impact of remaining permanent cost savings not included in Q3:FY15 LTM pro forma adjusted EBITDA: Corporate and operational overhead reductions of R272m and renegotiation of contracts of R46m.
(4) Pro forma net debt is R19,026m at Q3:FY14 and R21,370m at Q3:FY15.

Revenues

Total revenues increased by 0.7%, impacted mainly by the weaker retail sales and income from the insurance joint operation. Same store sales decreased 2.6%. Cash sales for the Group continued to grow strongly, increasing 11.7%, while credit sales decreased 12.1%.

Retail gross profit

Gross profit growth increased by 5.2% as clearance activity started to normalise and the Group was less impacted by product mix variances. Gross profit margin improved by 1.7 percentage points to 38.0%.

Pro forma adjusted EBITDA

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

	Third quarter (unaudited)		
Rm	*2014*	*2015*	*% change*
Trading profit	906	919	
Depreciation and amortisation	294	257	
Net asset write off[1]	2	21	
Loss from discontinued operations[2]	(22)	(20)	
Non-recurring costs[3]	15	67	
Adjusted EBITDA	1 195	1 244	4.1
Net income from previous card programme[4]	2	4	
Net income/ from new card programme[5]	3	2	
Pro forma adjusted EBITDA[6]	1 200	1 250	4.2

(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 Q3:FY14 of R1m and Q3:FY15 of R16m, costs associated with corporate and operational overhead reductions of R14m in Q3:FY14, once-off lease adjustment of R49m in Q3:FY15, as well as onerous lease charges of R2m in Q3:FY15.
(4) Net income derived from 100% of the trade receivables 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

Rm	Third quarter (unaudited) 2014	2015	% change
Store costs	1 578	1 735	9.9
Other operating costs(1)	974	980	0.6
Store card credit administration costs(2)	137	96	(29.9)
Non-recurring costs(3)	15	67	346.7

(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 Q3:FY14 of R1m and Q3:FY15 of R16m, costs associated with corporate and operational overhead reductions of R14m in Q3:FY14, once-off lease adjustment of R49m in Q3:FY15, as well as onerous lease charges of R2m in Q3:FY15.

Total store costs increased by R157 million, or 9.9%, from R1,578 million in the third quarter 2014 to R1,735 million in the third quarter 2015, mainly due to higher rental costs that increased by 11.2%. Manpower costs were well managed following last year’s staff restructuring programme in stores decreasing by 5.6%. Rental and manpower constituted 58.9% of total costs for the third quarter of 2015.

Other operating costs, excluding non-recurring and store card credit administration costs, increased by R6 million, or 0.6%, from R974 million in the third quarter 2014 to R980 million in the third quarter 2015. Income of R50 million from Absa for administering the trade receivables book sold is included in other income.

Depreciation and amortisation

The depreciation and amortisation charge for the third quarter 2015 decreased by 12.6% to R257 million due to certain intangible assets, which were raised following the acquisition by Bain in 2007, now being fully amortised.

Net financing costs

Rm	Third quarter (unaudited) 2014	2015	% change
Interest received	5	4	
Financing costs	(715)	(860)	
Net financing costs	(710)	(856)	20.6

Net financing costs increased by R146 million, or 20.6%, from R710 million in the third quarter 2014 to R856 million in the third quarter 2015. This increase is primarily as a result of 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 below the trading profit line. These forward contracts and some inflation in selling prices have absorbed the impact of a weaker Rand when compared to the same period in the prior year.

	Third quarter (unaudited)		
Rm	*2014*	*2015*	% change
Derivative (losses)/gains	160	(129)	
Foreign exchange losses	(765)	(47)	
Fair value adjustment for put option		36	
Net movement	(605)	(140)	(76.9)

Edcon manages its foreign exchange risk on liabilities on an ongoing basis. During the quarter certain cross currency swaps and foreign currency call options used to provide cover on all coupons and ninety percent of the principal of the senior secured fixed rate notes due 2018, were restructured and extended until March 2016. Therefore, at the end of the third quarter 2015, 73% of the total gross debt is hedged by virtue of it being denominated in ZAR or through hedging with foreign currency call options, whilst 27%, relating to the fixed rate senior notes maturing in 2019 and 10% of the fixed rate senior secured notes maturing in 2018, is unhedged. During the quarter, the ZAR appreciated marginally against the EUR from EUR:R14.24 to EUR:R14.12. The net movement decrease of R465 million was mainly due to a smaller amount of closing price movement.

Cash flow

Operating cash inflow before changes in working capital increased by R56 million from R1,221 million in the third quarter 2014 to R1,277 million in the third quarter 2015 mainly due to improved trading performance.

Cash inflow from working capital amounted to R1,413 million in the third quarter 2015, compared to an inflow of R1,468 million in the third quarter 2014, attributable to:

(i) A net increase in trade receivables of R84 million in the third quarter 2015 compared to an increase of R37 million in the third quarter 2014;

(ii) A decrease in other receivables and prepayments of R43 million in the third quarter 2015 compared to an increase of R73 million in the third quarter 2014;

(iii) An increase in inventory of R197 million in the third quarter 2015 compared to an increase of R234 million in the third quarter 2014; and

(iv) An increase in trade and other payables of R1,651 million in the third quarter 2015 compared to an increase of R1,812 million in the third quarter 2014.

Operating activities generated cash of R2,690 million, compared to R2,689 million in the prior comparative period. This is prior to the utilisation of cash for financing costs and investment activities.

Capital expenditure

Rm	Third quarter (unaudited) 2014	2015	% change
Edgars	254	186	
Expansion	*155*	*112*	
Refurbishment	*99*	*74*	
Discount	58	55	
Expansion	*41*	*33*	
Refurbishment	*17*	*22*	
CNA	6	7	
Edgars Zimbabwe	-	2	
IT	47	52	
Other corporate capex	7	-	
	372	302	(18.8)

Capital expenditure decreased by R70 million to R302 million in the third quarter 2015, from R372 million in the third quarter 2014. In the third quarter 2015, 55 new stores were opened which, combined with store refurbishments, resulted in investments in stores of R250 million, compared to the third quarter 2014 where 55 new stores were opened resulting in an investment in stores of R318 million. Edcon invested R52 million in information systems infrastructure in the third quarter 2015 compared to R47 million in the third quarter 2014.

The Group had planned to spend R1,051 million on capital expenditure for fiscal year 2015 and of that R839 million has been spent year-to-date. Capex spend is expected to normalise in fiscal year 2016.

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 and debt service payment terms, timing of payments 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 its working capital cycle, which is typically in October and March, with cash flows from operations, drawings under the revolving credit facility and other initiatives.

Rm[1]		Third quarter (unaudited) 2014	2015
Super senior secured			
ZAR Revolving credit facility[2]		86	313
ZAR Floating rate notes due 4 April 2016	*J+625bps*	1 010	1 003
Senior secured			
ZAR term loan due 16 May 2017	*J+700bps*	4 001	4 064
EUR fixed rate note due 1 March 2018	*9.5%*	8 619	8 482
USD fixed rate note due 1 March 2018	*9.5%*	2 585	2 868
Deferred option premium		1 034	1 045
Lease liabilities		284	375
Senior			
EUR fixed rate notes due 30 June 2019	*13.375%*	5 903	5 797
Other loans[3]		163	226
Gross debt		**23 685**	**24 173**
Derivatives		(2 020)	(923)
Cash and cash equivalents		(1 892)	(1 517)
Net debt		**19 773**	**21 733**

(1) FX rates at end Q3:FY14 were R10.50:$ and R14.44:€ and at end Q3:FY15 were R11.60:$ and R14.12:€.
(2) The total limit under the super senior revolving credit facility is R3,717m which matures on 31 December 2016. The maximum utilisation of the revolving credit facility during Q3:FY15 was R2,783m. At the end of the period R281m of the facilities were utilised for guarantees and LC's.
(3) The portion of this debt relating to Zimbabwe was R208m in Q3:FY15 and R160m in Q3:FY14.

The total net debt decreased R1,822 million from the end of the second quarter 2015, mainly due to the working capital cycle which sees cash and trade accounts payable peak at the end of the third quarter each year.

At the end of the quarter cash and cash equivalents were R1,517 million and there was R3,123 million available for borrowing under the revolving credit facility. We continue to actively monitor our future liquidity needs, which are significant. We plan to fund our liquidity needs through cash on hand, revolving credit borrowings, sale of our remaining international trade receivables book, cash flows from operating activities and the potential sale of various non-core assets as required. In addition, Edcon continues to assess ways to improve the capital structure.

Events after the reporting period

Edcon has initiated a process to eliminate operational inefficiencies. This includes the streamlining of roles and responsibilities, the consolidation of certain functions, the elimination of duplications and the leveraging of technological opportunities. This process will result in a reduction of headcount within Edcon’s head office.

Consolidated Financial Statements

Edcon Holdings Limited (“Edcon”)

Consolidated Statement of Financial Position (unaudited)

	2014 27 December Rm	2014 29 March Rm	2013 28 December Rm
ASSETS			
Non-current assets			
Properties, fixtures, equipment and vehicles	**3 388**	3 157	3 210
Intangible assets	**16 206**	16 388	16 492
Employee benefit asset	**113**	178	66
Derivative financial instruments	**374**	724	1 973
Deferred taxation	**714**	387	30
Total non-current assets	**20 795**	20 834	21 771
Current assets			
Inventories	**4 507**	4 436	4 348
Trade receivables	**386**	323	205
Other receivables and prepayments	**672**	774	630
Derivative financial instruments	**645**	1 297	128
Cash and cash equivalents	**1 517**	410	1 892
	7 727	7 240	7 203
Assets classified as held-for-sale	**390**	651	747
Total current assets	**8 117**	7 891	7 950
Total assets	**28 912**	28 725	29 721
EQUITY AND LIABILITIES			
Share capital and premium	**2 155**	2 155	2 153
Other reserves	**55**	117	132
Retained loss	**(15 626)**	(14 314)	(13 717)
Shareholder’s loan – equity	**8 311**	8 290	8 290
Equity attributable to shareholders	**(5 105)**	(3 752)	(3 142)
Non-controlling interests	**110**	93	94
Total equity	**(4 955)**	(3 659)	(3 048)
Non-current liabilities – shareholder’s loan			
Shareholder’s loan	**819**	797	863
Total equity and shareholder’s loan	**(4 176)**	(2 862)	(2 185)
Non-current liabilities – third parties			
Interest-bearing debt	**22 365**	22 373	22 252
Deferred option premium	**1 002**	811	997
Finance lease liability	**338**	262	264
Lease equalisation	**617**	402	467
Employee benefit liability	**183**	176	191
Option liability	**27**	67	
Derivative financial instruments	**17**	-	-
Deferred taxation	**76**	74	83
Deferred revenue	**48**	64	67
	24 673	24 229	24 321
Total non-current liabilities	**25 492**	25 026	25 184
Current liabilities			
Interest-bearing debt	**388**	1 270	115
Deferred option premium	**43**	291	37
Finance lease liability	**37**	11	20
Current taxation	**11**	37	82
Deferred revenue	**91**	114	97
Derivative financial instruments	**52**	24	81
Trade and other payables	**7 793**	5 611	7 153
Total current liabilities	**8 415**	7 358	7 585
Total equity and liabilities	**28 912**	28 725	29 721
Total managed capital per IAS 1	**18 952**	21 054	22 651

Consolidated Quarterly Statement of Comprehensive Income (unaudited)

	Note	**2014** **13 weeks to** **27 December** **Rm**	2013 13 weeks to 28 December Rm
Continuing operations			
Total revenues		**9 275**	9 209
Revenue - retail sales		**8 834**	8 787
Cost of sales		**(5 474)**	(5 594)
Gross profit		**3 360**	3 193
Other income		**268**	241
Store costs		**(1 735)**	(1 578)
Other operating costs		**(1 143)**	(1 126)
Share of profits from insurance business		**169**	176
Trading profit		**919**	906
Derivative (losses)/gains		**(129)**	160
Foreign exchange losses		**(47)**	(765)
Fair value adjustment for put option		**36**	
Profit before net financing costs		**779**	301
Finance income		**4**	5
Profit before financing costs		**783**	306
Financing costs		**(860)**	(715)
Loss before taxation from continuing operations		**(77)**	(409)
Taxation		**(85)**	19
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(162)**	(390)
Discontinued operations			
Loss after tax for the period from discontinued operations	4	**(15)**	(16)
LOSS FOR THE PERIOD		**(177)**	(406)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**12**	6
(Loss)/gain on cash flow hedges		**(15)**	31
Other comprehensive income for the period after tax		**(3)**	37
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(180)**	(369)
(Loss)/profit attributable to:			
Owners of the parent		**(188)**	(415)
Non-controlling interests		**11**	9
		(177)	(406)
Total comprehensive income attributable to:			
Owners of the parent		**(191)**	378
Non-controlling interests		**11**	9
		(180)	(369)

Consolidated Year-to-date Statement of Comprehensive Income (unaudited)

	Note	**2014 39 weeks to 27 December Rm**	2013 39 weeks to 28 December Rm
Continuing operations			
Total revenues	**3**	**22 917**	22 300
Revenue - retail sales		**21 585**	21 009
Cost of sales		**(13 552)**	(13 250)
Gross profit		**8 033**	7 759
Other income		**806**	743
Store costs		**(4 708)**	(4 193)
Other operating costs		**(3 228)**	(3 380)
Share of profits from insurance business		**514**	534
Trading profit		**1 417**	1 463
Derivative (losses)/gains		**(414)**	624
Foreign exchange gains/(losses)		**38**	(2 352)
Fair value adjustment for put option		**40**	
Profit/(loss) before net financing costs		**1 081**	(265)
Finance income		**12**	14
Profit/(loss) before financing costs		**1 093**	(251)
Financing costs		**(2 555)**	(1 991)
Loss before taxation from continuing operations		**(1 462)**	(2 242)
Taxation		**165**	432
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(1 297)**	(1 810)
Discontinued operations			
Profit/(loss) after tax for the period from discontinued operations	4	**2**	(26)
LOSS FOR THE PERIOD		**(1 295)**	(1 836)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**26**	34
(Loss)/gain on cash flow hedges		**(88)**	158
Other comprehensive income for the period after tax		**(62)**	192
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(1 357)**	(1 644)
(Loss)/profit attributable to:			
Owners of the parent		**(1 312)**	(1 853)
Non-controlling interests		**17**	17
		(1 295)	(1 836)
Total comprehensive income attributable to:			
Owners of the parent		**(1 374)**	(1 661)
Non-controlling interests		**17**	17
		(1 357)	(1 644)

Consolidated Statement of Changes in Equity (unaudited)

	Share capital and premium Rm	Foreign currency transla-tion reserve Rm	Cash flow hedging reserve Rm	Revalu-ation surplus Rm	Retained loss Rm	Shareho-lder's loan Rm	Non-controll-ing 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					(1 853)		17	(1 836)
Other comprehensive income for the period		34	158					192
Total comprehensive income		34	158		(1 853)		17	(1 644)
Acquisition of subsidiaries							9	9
Balance at 28 December 2013	2 153	3	121	8	(13 717)	8 290	94	(3 048)
Balance at 29 March 2014	2 155	10	99	8	(14 314)	8 290	93	(3 659)
(Loss)/profit for the period					(1 312)		17	(1 295)
Other comprehensive income for the period		26	(88)					(62)
Total comprehensive income		26	(88)		(1 312)		17	(1 357)
Reclassification in shareholder loan						21		21
Balance at 27 December 2014	**2 155**	**36**	**11**	**8**	**(15 626)**	**8 311**	**110**	**(4 995)**

Consolidated Quarterly Statement of Cash Flows (unaudited)

	2014 13 weeks to 27 December Rm	2013 13 weeks to 28 December Rm
Cash retained from operating activities		
Loss before taxation from continuing operations	**(77)**	(409)
Loss before taxation from discontinued operations	**(20)**	(22)
Finance income	**(4)**	(5)
Finance costs	**860**	715
Derivative losses/(gains)	**129**	(160)
Deferred revenue	**(7)**	(2)
Foreign exchange losses	**40**	765
Fair value adjustment for put option	**(36)**	
Amortisation of intangible assets	**59**	94
Depreciation	**198**	200
Net loss on disposal of properties, fixtures, equipment and vehicles	**21**	2
Onerous leases	**2**	
Other non-cash items	**112**	43
Operating cash inflow before changes in working capital	**1 277**	1 221
Working capital movement	**1 413**	1 468
Increase in inventories	**(197)**	(234)
Increase trade accounts receivable	**(84)**	(37)
Decrease/(increase) in other receivables and prepayments	**43**	(73)
Increase in trade and other payables	**1 651**	1 812
Cash inflow from operating activities	**2 690**	2 689
Finance income received	**-**	5
Financing costs paid	**(188)**	(421)
Taxation paid	**(46)**	(42)
Net cash inflow from operating activities	**2 456**	2 231
Cash utilised in investing activities		
Investment in property, plant and equipment and vehicles	**(370)**	(431)
Other investing activities	**(1)**	(2)
Net cash outflow from investing activities	**(371)**	(433)
Cash effects of financing activities		
Settlement of derivatives	**826**	635
Settlement of deferred option premium	**(599)**	
Decrease in interest-bearing debt	**(1 273)**	(916)
Decrease in finance lease liability	**(8)**	(10)
Net cash outflow from financing activities	**(1 054)**	(291)
Increase in cash and cash equivalents	**1 031**	1 507
Cash and cash equivalents at the beginning of the period	**492**	386
Currency adjustments	**(6)**	(1)
Cash and cash equivalents at the end of the period	**1 517**	1 892

Consolidated Year-to-date Statement of Cash Flows (unaudited)

	2014 39 weeks to 27 December Rm	2013 39 weeks to 28 December Rm
Cash retained from operating activities		
Loss before taxation from continuing operations	**(1 462)**	(2 242)
Profit/(loss) before taxation from discontinued operations	**3**	(36)
Finance income	**(12)**	(14)
Finance costs	**2 555**	1 991
Derivative losses/(gains)	**414**	(624)
Deferred revenue	**(52)**	(28)
Foreign exchange (gains)/losses	**(60)**	2 352
Fair value adjustment for put option	**(40)**	
Amortisation of intangible assets	**185**	261
Depreciation	**598**	587
Net loss on disposal of properties, fixtures, equipment and vehicles	**27**	4
Onerous leases	**55**	
Other non-cash items	**174**	94
Operating cash inflow before changes in working capital	**2 385**	2 345
Working capital movement	**2 016**	1 900
Increase in inventories	**(69)**	(546)
(Increase)/decrease in trade accounts receivable	**(97)**	16
Proceeds from sale of trade accounts receivable	**314**	575
Decrease/(increase) in other receivables and prepayments	**6**	(126)
Increase in trade and other payables	**1 862**	1 981
Cash inflow from operating activities	**4 401**	4 245
Finance income received	**6**	14
Financing costs paid	**(1 827)**	(1 460)
Taxation paid	**(114)**	(52)
Net cash inflow from operating activities	**2 466**	2 747
Cash utilised in investing activities		
Investment in property, plant and equipment and vehicles	**(813)**	(1 106)
Proceeds on disposal of property, fixtures, equipment and vehicles	**132**	2
Acquisition of subsidiaries	**(2)**	(25)
Other investing activities	**(1)**	(40)
Net cash outflow from investing activities	**(684)**	(1 169)
Cash effects of financing activities		
Settlement of derivatives	**826**	1 286
Settlement of deferred option premium	**(599)**	
Decrease in interest-bearing debt	**(858)**	(1 657)
Decrease in finance lease liability	**(34)**	(29)
Net cash outflow from financing activities	**(665)**	(400)
Increase in cash and cash equivalents	**1 117**	1 178
Cash and cash equivalents at the beginning of the period	**410**	710
Currency adjustments	**(10)**	4
Cash and cash equivalents at the end of the period	**1 517**	1 892

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.

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 29 March 2014.

- 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

Derivative financial instruments and deferred option premium

The Group's net derivative financial instruments at 27 December 2014 were an asset of R950 million compared to an asset of R1 997 million at 29 March 2014. The decrease is as a result of the Group restructuring certain cross currency swaps and foreign currency call options, during November 2014, to provide cover on all coupons and ninety percent of the principle of the senior secured fixed rate notes due 2018, until March 2016.

In terms of the restructure, the following derivative contracts were entered:

- Foreign currency call options which hedge the repayment of €335 million on the principle relating to the Euro senior secured fixed rate notes due 2018 and coupons to March 2016. Of the premiums payable on the foreign currency call options a total of R204 million has been deferred to March 2016.
- Foreign currency forward contracts, with a nominal value of €14 million, were entered into to hedge the future repayment of interest in September 2015 and March 2016. These foreign currency forward contracts have been designated as cash flow hedges.

As a result of the restructuring, the Group realised net proceeds of R227 million through early termination of cross currency swaps and foreign currency call options which were due to mature in March 2015.

1. Basis of preparation *(continued)*

Going concern

The Consolidated Statement of Financial Position at 27 December 2014 reports share capital and premium of R2 155 million in equity attributable to shareholders and a shareholder's loan recognised in equity of R8 311 million offset by an accumulated retained loss of R15 626 million and a net credit of R55 million in other reserves, resulting in negative equity attributable to shareholders at 27 December 2014 of R5 105 million. After considering non-controlling interests of R110 million, total equity of the Group is a deficit of R4 955 million. The shareholder's loan of R9 130 million has been subordinated to the claims of all the creditors of the Group and the total negative equity and shareholder's loan is R4 176 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.

Future liquidity needs, which are significant, continue to be monitored. These will be funded through cash on hand, revolving credit borrowings, sale of our remaining international trade receivables book, cashflows from operating activities and the potential sale of various non-core assets as required. In addition, ways to improve the capital structure are being assessed.

		2014 39 weeks 27 December Rm	2013 39 weeks 28 December Rm
2.	**SEGMENTAL RESULTS**		
2.1	**Revenues**		
	Edgars	**11 263**	11 007
	CNA	**1 488**	1 547
	Discount	**8 718**	8 446
	Edgars Zimbabwe[1]	**555**	438
	Manufacturing	**123**	99
	Credit and Financial Services	**758**	750
	Group Services	**12**	13
		22 917	22 300
2.2	**Retail sales**		
	Edgars	**11 020**	10 765
	CNA	**1 487**	1 547
	Discount	**8 557**	8 279
	Edgars Zimbabwe[1]	**521**	418
		21 585	21 009
2.3	**Number of stores**		
	Edgars	**535**	476
	CNA	**197**	196
	Discount	**720**	685
	Edgars Zimbabwe[1]	**53**	45
		1 505	1 402
2.4	**Operating profit/(loss) from continuing operations**		
	Edgars	**1 166**	1 467
	CNA	**5**	32
	Discount	**1 029**	1 044
	Edgars Zimbabwe[1]	**58**	40
	Manufacturing	**(9)**	8
	Credit and Financial Services	**771**	723
	Group Services[2]	**(1 939)**	(3 579)
		1 081	(265)

[1] Edgars Zimbabwe has been disclosed as a separate segment as the business activities are monitored separately.

[2] 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 transitional projects related expenditure.

	2014 39 weeks 27 December Rm	2013 39 weeks 28 December Rm
3. REVENUES		
Retail sales	**21 585**	21 009
Club fees	**403**	408
Finance charges on trade receivables	**70**	53
Share of profits from insurance business	**514**	534
Finance income	**12**	14
Administration fee	**210**	183
Manufacturing sales to third parties	**123**	99
	22 917	22 300

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. 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 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 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.

The card portfolio in Lesotho, Botswana, Swaziland and the remaining portfolio in Namibia, is still expected to be sold or collected. These trade receivables have been classified as held-for-sale in the Consolidated Statement of Financial Position.

The results of the discontinued operation are as follows:

	2014 13 weeks 27 December Rm	2013 13 weeks 28 December Rm	**2014 39 weeks 27 December Rm**	2013 39 weeks 28 December Rm
Total revenues	**24**	37	**97**	116
Income from credit	**24**	37	**97**	116
Expenses from credit	**(44)**	(59)	**(94)**	(152)
Trading profit/(loss) before taxation	**(20)**	(22)	**3**	(36)
Taxation	**5**	6	**(1)**	10
Profit/(loss) for the period	**(15)**	(16)	**2**	(26)

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, 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
27 December 2014	
Financial assets	
Cross currency swaps	**13**
Foreign currency call options	**1 006**
Total financial assets	**1 019**
Financial liabilities	
Cross currency swaps	**62**
Foreign currency forward contracts	**7**
Option liability	**27**
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
28 December 2013	
Financial assets	
Cross currency swaps	834
Foreign currency call options	1 263
Foreign currency forward contracts	4
Total financial assets	2 101
Financial liabilities	
Cross currency swaps	81
Total financial liabilities	81

The above are classified as level 2 inputs. No financial instruments at 27 December 2014, 29 March 2014 and 28 December 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 27 December 2014 was R11 312 million (29 March 2014 R16 869 million and 28 December 2013 R18 034 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 27 December 2014. Foreign currency forward contracts, foreign currency call options, cross currency swaps and interest rate 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 27 December 2014.

6. EVENTS AFTER THE REPORTING PERIOD

Edcon has initiated a process to eliminate operational inefficiencies. This includes the streamlining of roles and responsibilities, the consolidation of certain functions, the elimination of duplications and the leveraging of technological opportunities. This process will result in a reduction of headcount within Edcon's head office.

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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