

19 November 2015

This notice is important and requires your immediate attention.

EDCON HOLDINGS LIMITED (“EDCON”)
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AND QUARTERLY REPORT
FOR THE SIX-MONTH PERIOD ENDED 26 SEPTEMBER 2015

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 27 September 2014 and the three-month period ended 26 September 2015. Unless the context requires otherwise, references in this notice to (i) “second quarter 2015” and “second quarter 2016” shall mean the 13-week period ended 27 September 2014 and the 13-week period ended 26 September 2015, respectively and (ii) “fiscal 2015” and “fiscal 2016” shall mean the 52-week period ended 28 March 2015 and the 53-week period ending 2 April 2016, 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, some of which are described in more detail in our annual report for fiscal 2015, which we recommend you review in connection with this quarterly report. Our actual results may differ materially from those contained in or implied by any forward looking statements.

Management discussion and analysis of financial performance

Key features

Pertaining to the second quarter 2016 compared to second quarter 2015:

- ❖ Pro forma adjusted EBITDA growth of 3.1% to R501 million – the 5th consecutive quarter of growth
- ❖ Strong underlying margin offset partially by aggressive clearance of winter stock in Edgars
- ❖ Controllable costs continue to be well managed
- ❖ Retail cash sales up 5.6%
- ❖ Retail credit sales down 7.6%
- ❖ Successfully closed exchange offer with 97.34% acceptance
- ❖ Sound working capital management

Introduction

Pro forma adjusted EBITDA grew for the fifth consecutive quarter increasing by 3.1% to R501 million. A decision to clear winter stock early, impacted gross profit margin declining to 35.4% from 35.8% in the prior comparative quarter partially offset by increasing first margins¹ before clearance. Discount margins again expanded. Cost management efforts continued to be supportive of overall profitability and positively benefitted pro forma adjusted EBITDA in a cyclically small quarter.

The Edcon Group experienced sound cash sales growth, increasing 5.6% compared to the second quarter 2015, while total retail sales declined by 0.1% mainly as a result of credit sales, which decreased 7.6% during the quarter. Our second look trade receivables book has returned acceptance rates to a healthier level and is gradually assisting to slow the decline in credit sales, currently contributing approximately 3% of the total Absa and second look credit book. Credit sales contributed 40.3% of total sales in the second quarter 2016, a decrease from 43.5% in the second quarter 2015 and 41.8% in the first quarter 2016. Edcon will continue to supplement its Absa credit offering through the in-house second look credit solution.

The overall trading environment remains weak as economic growth forecasts were again revised downwards. Furthermore, the broader credit environment remains constrained and currency weakness and higher utility costs weigh on the consumer. These factors tend to affect lower income earners, as evidenced by the decline in the wage bill for the lowest income category while the middle and upper wage category bill continued to increase.

The Group successfully concluded its exchange offer with respect to its €425,000,000 Senior Notes due 2019 (the “Notes”), with holders of approximately 97.34% of the principal amount, or €413,699,000, having tendered their notes for settlement on 29 July 2015. Of those holders that participated in the exchange offer, approximately 45.3% of the noteholders selected Option A and 54.7% of the noteholders selected Option B, which includes an equity exposure.

As a result, the Group’s net cash interest payment obligations will decrease by approximately R1 billion a year on an LTM basis, and the Group’s net indebtedness at the end of the second quarter 2016 adjusted for the implementation of the exchange offer will decrease by R4,851 million, excluding costs.

As previously announced, Bernard “Bernie” Brookes joined the Group as CEO as planned on 30 September 2015. His immediate priority is to determine the Group’s strategic direction based on, *inter alia*, substantial customer research, store visits and more than a dozen internal focus groups formed when joining Edcon. While the details of key strategic

¹First margin is the margin before promotional and clearance markdowns.

changes will be announced before the end of fiscal 2016 following timely and inclusive internal engagement, the main drivers of this revised strategy have already been set and include: putting the customer at the centre of all decisions, rebalancing Edcon's own loved brands with the global brands introduced, simplifying the business model and focusing on store space productivity while emphasising digital retail. While the option of selling certain non-core assets, excluding stores, remains available to the Group, the overall focus is enhancing the customer experience and strengthening the business performance.

Trading review

Key operational data

	(unaudited) Retail sales growth (%)				(unaudited) Gross profit margin (%)		
	Q2:FY15	Q2:FY16	Q2:FY15	Q2:FY16	Q2:FY15	Q2:FY16	pts
	<i>Actual</i>	<i>Actual</i>	<i>LFL⁽¹⁾</i>	<i>LFL⁽¹⁾</i>	<i>Actual</i>	<i>Actual</i>	<i>change⁽²⁾</i>
Edgars	3.0	(0.3)	(1.7)	(2.6)	38.2	36.9	(1.3)
Discount	2.0	(0.1)	(1.0)	(2.0)	32.7	33.5	0.8
CNA	(3.7)	(4.3)	(4.6)	(5.6)	30.8	28.8	(2.0)
Edgars Zimbabwe ⁽³⁾	33.3	10.5	27.3	10.5	45.0	46.2	1.2
Total	2.9	(0.1)	(1.0)	(2.2)	35.8	35.4	(0.4)

	Q2:FY15	Q2:FY16	%
	<i>Actual</i>	<i>Actual</i>	<i>change</i>
Total number of stores	1 458	1 527	4.7
Average retail space ('000 sqm)	1 554	1 607	3.4
Customer credit accounts ('000s) ⁽⁴⁾	3 481	3 311	(4.9)

(1) Like-for-like sales (same store sales).

(2) Q2:FY16 % change on Q2:FY15.

(3) On a constant currency basis retail sales decreased 5.3% and LFL growth was negative 5.3% in Q2:FY16.

(4) Excludes Edgars Zimbabwe customer credit accounts Q2:FY16 of 173 000 and Q2:FY15 of 205 000.

Edgars

Total cash sales growth in the Edgars division remained strong, increasing by 6.0%. However credit sales growth declined by 6.7%, which resulted in total retail sales decreasing by 0.3% for the second quarter 2016 when compared to the second quarter 2015. Same-store sales decreased by 2.6% compared to the second quarter 2015 impacted by lower credit sales.

During the quarter ended 26 September 2015, we opened two Edgars stores, one Edgars Active store and two mono-branded stores and closed four Edgars stores and one mono-branded store, bringing the total number of stores in the Edgars division to 549.

To ensure a healthy aged stock profile we introduced an early aggressive winter clearance which resulted in a gross margin of 36.9%, a 130bps reduction for the quarter, when compared to the prior comparative quarter. The underlying first margins remain sound and we believe that the Edgars division now has a cleaner stock base and fresher inputs for peak trading.

Discount

Total cash sales growth in the Discount division was solid, increasing by 6.1%. However, at the same time, the Discount division was significantly affected by negative credit sales growth of 10.7%, resulting in retail sales decreasing by 0.1% for the second quarter 2016 when compared to the second quarter 2015. Same store sales were 2.0% lower when compared to the second quarter 2015.

During the quarter ended 26 September 2015, we opened four Jet stores and two Jet Mart stores (including one conversion) and closed five Jet stores (including one conversion) and one Jet Mart, bringing the total number of stores in the Discount division to 728.

Gross profit margin sustained its positive trajectory in the quarter, increasing by 80bps to 33.5% from 32.7% in the second quarter of 2015. We believe our stock levels are well managed across most merchandise areas ahead of the peak trading period.

CNA

Total retail sales decreased by 4.3% for the second quarter 2016 as total space decreased with the optimisation project. Likewise, same store sales decreased by 5.6% over the same period. The total number of stores at the end of the period was 197 compared to 193 at the end of the prior comparative period. Gross margin declined by 200bps to 28.8% for the second quarter 2016 from 30.8% in the second quarter 2015 due mainly to product mix.

Africa

Sales from countries other than South Africa grew by 2.5% over the second quarter 2016, and contributed 12.7% (9.5% excluding Zimbabwe) of retail sales for the second quarter 2016, up from 12.4% (9.5% excluding Zimbabwe) in the prior comparative period. Total sales were positively impacted by expansion in Zambia and Ghana as well as the impact of the weaker Rand on the conversion of Zimbabwe retail sales, but were offset by a more cautious consumer across the continent. Edcon now has 207 stores outside of South Africa (including 53 in Zimbabwe).

Credit and financial services

A total of R350 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 still to be sold or collected. Management remains committed to a plan to sell the remaining book. The separately classified R519 million in trade accounts receivable relates both to the Zimbabwean book and our second look book. As stated in previous quarters, Edcon remains optimistic about the continuing roll out of its own in-house, National Credit Act compliant, credit solution to customers. The in-house second look credit book grew by approximately R16 million over the quarter to R106 million, which though still relatively small, is positively impacted by overall approval rates.

Edcon's share of the profits from the insurance business increased by 58.3% from the prior period to R266 million for the second quarter 2016. This increase was driven by an increase in insurance sales resulting from strong in-store and telesales insurance contract executions and further assisted by increased volume from the in-house second look program combined with the early receipt of dividends from the insurance business.

Financial review

Summary financial information

Rm	Second quarter (unaudited)		
	2015	2016	% change
Total revenues ⁽¹⁾	6 639	6 818	2.7
Retail sales	6 190	6 181	(0.1)
Gross profit	2 215	2 187	(1.3)
Gross profit margin (%)	35.8	35.4	(0.4pnt)
Pro forma adjusted EBITDA ⁽²⁾	486	501	3.1
Capital expenditure	270	157	(41.9)
Net debt including cash and derivatives	23 555	27 099	15.0
LTM pro forma adjusted EBITDA (reported)	2 644	2 757	4.3
Permanent adjustments ⁽³⁾	193	237	
LTM pro forma adjusted EBITDA (inc. cost savings)	2 837	2 994	5.5
Net debt ⁽⁴⁾ /LTM pro forma adjusted EBITDA (inc. cost savings)	8.2x	8.9x	0.7x
Pro forma net debt ⁽⁵⁾ /LTM pro forma adjusted EBITDA (inc. cost savings)		7.3x	

(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 Q2:FY16 LTM pro forma adjusted EBITDA: Corporate and operational overhead reductions of R152 million (R110 million in Q2:FY15) and renegotiation of contracts of R85 million (R83 million in Q2:FY15).

(4) Net debt has been adjusted by trade receivables still to be sold of R350 million in Q2:FY16 and R368 million in Q2:FY15.

(5) Pro forma net debt of R22,248 million based on the anticipated conversion as a result of the exchange offer (page 11) adjusted by trade receivables still to be sold of R350 million in Q2:FY16.

Revenues

Total revenues increased by 2.7%, supported by the performance of the financial services offering revenue. Credit sales, which decreased by 7.6%, continued to negatively affect overall performance. The credit sales decline is less pronounced compared to the previous quarter, in part due to seasonal changes but also due to the contribution from our in-house second look credit solution.

Retail gross profit

While first margin increased across both the Edgars and Discount divisions, gross profit decreased by 1.3% to R2,187 million as group margin was impacted by the managed clearance of winter stock in Edgars stores. Gross profit margin declined by 40 bps to 35.4%.

Pro forma adjusted EBITDA

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

Rm	Second quarter (unaudited)		
	2015	2016	% change
Trading profit	135	118	(12.6)
Depreciation and amortisation	263	251	
Net asset write off ⁽¹⁾	3	3	
Profit from discontinued operations ⁽²⁾	25	4	
Non-recurring costs ⁽³⁾	93	133	
Adjusted EBITDA	519	509	(1.9)
Net income from previous card programme ⁽⁴⁾	(35)	(36)	
Net income from new card programme ⁽⁵⁾	2	28	
Pro forma adjusted EBITDA	486	501	3.1

(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 various strategic initiatives in Q2:FY16 of R119 million, onerous lease charges of R14 million in Q2:FY16 (R53 million in Q2:FY15), restructuring credit of R1 million in Q2:FY16 (R6 million charge in Q2:FY15), lease cancellation costs of R1 million in Q2:FY16 and R34 million in costs associated with the trade receivables book in Q2:FY15.

(4) Net loss/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, based on 100% of the trade receivables book.

Costs

Rm	Second quarter (unaudited)		
	2015	2016	% change
Store costs	1 506	1 565	3.9
Other operating costs ⁽¹⁾	813	901	10.8
Store card credit administration costs ⁽²⁾	113	93	(17.7)
Non-recurring costs ⁽³⁾	93	133	43.0

(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 various strategic initiatives in Q2:FY16 of R119 million, onerous lease charges of R14 million in Q2:FY16 (R53 million in Q2:FY15), restructuring credit of R1 million in Q2:FY16 (R6 million charge in Q2:FY15), lease cancellation costs of R1 million in Q2:FY16 and R34 million in costs associated with the trade receivables book in Q2:FY15.

Total costs remain well managed with store costs increasing by only R59 million, or 3.9%, from R1,506 million in the second quarter 2015 to R1,565 million in the second quarter 2016. This was achieved by limiting the increase in manpower costs, lower transactional fees and stock losses below the rate of inflation and space growth. Manpower costs in stores increased by only 2.6%. However, security, utility and rental costs continued to increase above inflation. Rental costs increased by 12.4%, a function of space and contractual lease agreements. Rental and manpower constituted 62.0% of total costs for the second quarter of 2016.

Other operating costs, excluding non-recurring and store card credit administration costs, increased by R88 million, or 10.8%, from R813 million in the second quarter 2015 to R901 million in the second quarter 2016 due to enhanced benefits and membership acquiring costs relating to our club programme as well as higher operating costs on consolidation of Edgars Zimbabwe as a result of the weakening Rand.

Income of R119 million from Absa including the fee for administering the net trade receivables book, which we have now outsourced, is included in other income while store card administration costs detailed above include all costs associated with providing the administration service, including the outsource costs.

Non-recurring costs increased during the quarter mainly due to costs incurred in connection with the previously-announced exchange offer and consent solicitation commenced by Edcon Holdings Limited and Edcon Bondco Limited on 30 June 2015 (the "Exchange Offer"), and other strategic initiatives.

Depreciation and amortisation

The depreciation and amortisation charge for the second quarter 2016 decreased by 4.6% to R251 million due to certain intangible assets now being fully amortised as well as reduced capital expenditure in the quarter thereby reducing the depreciation charge when compared to the prior comparative period.

Net financing costs

Rm	Second quarter (unaudited)		
	2015	2016	% change
Interest received	4	12	
Financing costs	(853)	(1 270)	
Net financing costs	(849)	(1 258)	48.2

Net financing costs increased by R409 million, or 48.2%, from R849 million in the second quarter 2015 to R1,258 million in the second quarter 2016. This increase is primarily as a result of accelerated fees amortised to financing costs of R193 million as a result of the derecognition of the €425,000,000 13.375% Senior Notes due 2019

which were the subject of the Exchange Offer, and higher debt levels. The cash portion of finance costs will reduce by approximately R1 billion on an LTM basis, mainly as a result of the completion of the Exchange Offer.

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.

Rm	Second quarter (unaudited)		
	2015	2016	% change
Derivative gains/(losses)	(87)	952	
Foreign exchange (losses)/gains	37	(2 491)	
Fair value adjustment for put option	10	(12)	
Net movement	(40)	(1 551)	n/a

Edcon manages its foreign exchange risk on liabilities on an ongoing basis. At the end of the second quarter 2016, 73% of the Group's total gross debt is hedged by virtue of it being denominated in local currency or through hedging with foreign currency call options and cross currency swaps, whilst 27% is unhedged. Of the fixed rate senior secured notes maturing in 2018, 9% are unhedged. During the quarter ended 26 September 2015, the ZAR depreciated against the EUR from EUR:R13.64 to EUR:R15.60 and against the USD from USD:R12.20 to USD:R13.92. The significant movement in the Rand equivalent of unhedged Euro denominated debt resulted in the significantly higher foreign exchange losses. These are unrealised losses and we expect to reverse a significant portion of these losses on the conversion date of the exchange offer relating to the €425 000 000 Senior Notes due 2019.

Cash flow

Operating cash inflow before changes in working capital decreased by R122 million from R482 million in the second quarter 2015 to R360 million in the second quarter 2016.

Cash inflow from working capital amounted to R455 million in the second quarter 2016, compared to an inflow of R321 million in the second quarter 2015, attributable to:

- (i) A net increase in trade receivables of R11 million in the second quarter 2016 compared to an increase of R28 million in the second quarter 2015, mainly due to an increase in Zimbabwe credit sales in the second quarter 2015;
- (ii) Proceeds from the sale of the trade accounts receivable in the second quarter 2015 of R314 million relating to the Namibian book sold, while there were no proceeds in the second quarter 2016;
- (iii) A decrease in sundry receivables and prepayments of R49 million in the second quarter 2016 compared to an increase of R28 million in the second quarter 2015;
- (iv) An increase in inventory of R296 million in the second quarter 2016 compared to an increase of R19 million in the second quarter 2015; and
- (v) An increase in trade and other payables of R811 million in the second quarter 2016 compared to an increase of R82 million in the second quarter 2015 due to increased purchases in the second quarter 2016 compared to the second quarter 2015, income received in advance of R331 million relating to fees received not yet recognised in profit and loss and the impact from other working capital initiatives.

Net cash outflow from operating activities improved by R323 million from an outflow of R522 million in the second quarter 2015 to an outflow of R199 million in the current quarter, mainly as a result of a R278 million reduction in finance costs paid as the interest payable on 30 June 2015 on the €425,000,000 13.375% Senior Notes due 2019 was not cash settled but converted to new notes pursuant to the Exchange Offer.

Capital expenditure

Rm	Second quarter (unaudited)		
	2015	2016	% change
Edgars	171	81	
<i>Expansion</i>	35	63	
<i>Refurbishment</i>	136	18	
Discount	42	31	
<i>Expansion</i>	8	22	
<i>Refurbishment</i>	34	9	
CNA	2	5	
Edgars Zimbabwe	5	6	
IT	50	24	
Other corporate capex	-	10	
	270	157	(41.9)

Capital expenditure decreased by R113 million to R157 million in the second quarter 2016, from R270 million in the second quarter 2015 in line with lower overall capital expenditure guidance. In the second quarter 2016, we opened 12 new stores (excluding one conversion) which, combined with store refurbishments, resulted in investments in stores of R117 million (excluding Zimbabwe), compared to the second quarter 2015 during which we opened 37 new stores, resulting in an investment in stores of R215 million (excluding Zimbabwe). Edcon invested R24 million in information systems infrastructure in the second quarter 2016 compared to R50 million in the second quarter 2015.

The Group has planned to normalise capital expenditure to around R600 – R700 million for fiscal year 2016 of which approximately half is expected to be in expansion.

Net debt, liquidity and capital resources

The primary source of short-term liquidity is cash on hand, the revolving credit facility and the recently raised super senior liquidity 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 its various facilities and other initiatives.

Second quarter (unaudited)

Rm ⁽¹⁾		2015	2016	Pro forma ⁽²⁾
Super senior secured				
<i>ZAR Revolving credit facility⁽³⁾</i>		1 601	3 144	3 144
<i>ZAR Floating rate notes due 4 April 2016</i>	<i>J+625bps</i>	1 002	1 007	1 007
<i>EUR Super senior PIK notes due 30 June 2019</i>	<i>8.0%</i>		338	1 806
Senior secured				
<i>ZAR term loan due 16 May 2017</i>	<i>J+700bps</i>	4 036	4 147	4 147
<i>EUR fixed rate note due 1 March 2018</i>	<i>9.5%</i>	8 536	9 440	9 440
<i>USD fixed rate note due 1 March 2018</i>	<i>9.5%</i>	2 772	3 455	3 455
<i>EUR Senior secured PIK notes due 30 June 2019⁽⁴⁾</i>	<i>9.75%</i>			564
<i>Deferred option premium</i>		1 178	1 077	1 077
<i>Lease liabilities</i>		382	359	359
Senior				
<i>EUR fixed rate notes due 30 June 2022⁽⁵⁾</i>	<i>5.0%</i>	5 835	52	52
<i>Option A EUR fixed rate PIK notes due 30 June 2019</i>	<i>13.375%</i>		3 120	
<i>Option B EUR fixed rate PIK notes due 30 June 2019</i>	<i>13.375%</i>		3 763	
Other loans ⁽⁶⁾		203	369	369
Gross debt		25 545	30 271	25 420
Derivatives		(1 498)	(1 628)	(1 628)
Cash and cash equivalents		(492)	(1 544)	(1 544)
Net debt		23 555	27 099	22 248
			Lower	4 851

- (1) FX rates at end Q2:FY15 were R11.22 :\$ and R14.24:€ and at the end of Q2:FY16 were R13.92:\$ (Q1:FY16 R12.20:\$);and R15.60:€ (Q1:FY16 R13.64: €)
- (2) Pro forma for implementation of the exchange offer including conversion of the Option A and B notes to new super senior PIK notes and new senior secured PIK notes (excluding fees estimated at EUR26 million). All EUR notes are converted at the FX rates at the end of Q2:FY16.
- (3) 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 Q2:FY16 was R3 206 million. At the end of the period R437 million of the facilities were utilised for guarantees and LC's. A R1 billion super senior liquidity facility is also in place, but not drawn as at 26 September 2015, with an initial termination date of 30 September 2016, subject to exercise of an extension option up to the earlier of six months following the initial termination date and the termination date in respect of the revolving credit facility.
- (4) The notes are 9.75% cash pay with a toggle option to 12.75% PIK.
- (5) The maturity of the original 2019 Notes not tendered has been extended to 30 June 2022 and the interest rate reduced to 5.0% as part of the amendments. In Q2:FY15, the EUR Fixed rate notes had a maturity of 30 June 2019 and cash pay interest of 13.375% prior to the exchange offer.
- (6) The portion of this debt relating to Zimbabwe was R343 million in Q2:FY16 and R184 million in Q2:FY15.

At the end of the second quarter 2016 the Group is in a comfortable position with reduced cash pay interest obligations and access to both cash and facilities. Cash and cash equivalents were R1,544 million and there was R1,136 million available for borrowing on a combined basis under the revolving credit facility and the super senior liquidity facility. The total net debt increased 12%, or R2,906 million, from the end of the first quarter 2016 mainly due to currency movements on the unhedged Senior notes. This is an unrealised exchange loss which we believe should be substantially reversed at the time the Option A and Option B Senior Notes are exchanged before the end of December.

The exchange offer relating to the original €425 000 000 Senior Notes due 2019 has reduced cash pay interest during the quarter by R387 million. The cash portion of finance costs will reduce by approximately R1 billion on an LTM basis. When the net debt at the end of the second quarter 2016 is adjusted for the implementation of the exchange offer there will be a R4,851 million reduction in debt, as reflected in the pro forma column above, excluding costs.

Events after the reporting period

Bernard "Bernie" Brookes became CEO of the Group, effective 30 September 2015. As part of the Group's newly adopted fast-track process, the roles and responsibilities of the Group's senior executive have been redefined. Further detail will be provided once this process is complete.

Consolidated Financial Statements
Edcon Holdings Limited (“Edcon”)

Consolidated Statement of Financial Position (unaudited)

	2015 26 September Rm	2015 28 March Rm	2014 27 September Rm
ASSETS			
Non-current assets			
Properties, fixtures, equipment and vehicles	3 246	3 337	3 293
Intangible assets	15 987	16 146	16 264
Investment in associates	128	57	55
Derivative financial instruments			134
Deferred taxation	1 138	330	683
Employee benefit asset	110	110	690
Total non-current assets	20 609	19 980	21 119
Current assets			
Inventories	4 787	4 392	4 400
Trade receivables	519	473	270
Sundry receivables and prepayments	1 267	748	683
Derivative financial instruments	1 682	816	911
Cash and cash equivalents	1 544	1 288	492
	9 799	7 717	6 756
Assets classified as held-for-sale	369	393	404
Total current assets	10 168	8 110	7 160
Total assets	30 777	28 090	28 279
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Share capital and premium	2 155	2 155	2 155
Other reserves	60	(48)	58
Retained loss	(19 296)	(16 318)	(15 438)
Shareholder's loan – equity	8 311	8 311	8 311
	(8 770)	(5 900)	(4 914)
Non-controlling interests	182	146	99
Total equity	(8 588)	(5 754)	(4 815)
Non-current liabilities – shareholder's loan			
Shareholder's loan	845	841	798
Total equity and shareholder's loan	(7 743)	(4 913)	(4 017)
Non-current liabilities – third parties			
Interest-bearing debt	24 503	21 486	22 303
Deferred option premium			936
Finance lease liability	326	331	345
Lease equalisation	604	578	547
Onerous lease liability	110	129	
Derivative financial instruments			5
Employee benefit liability	160	155	181
Option liability		73	63
Deferred taxation	66	90	56
Deferred revenue	48	52	56
	25 817	22 894	24 492
Total non-current liabilities	26 662	23 735	25 290
Current liabilities			
Interest-bearing debt	4 332	2 964	1 682
Deferred option premium	1 077	1 076	242
Finance lease liability	33	33	37
Current taxation	29	19	15
Deferred revenue	87	77	90
Option liability	54		
Derivative financial instruments		103	28
Trade and other payables	7 091	5 837	5 710
Total current liabilities	12 703	10 109	7 804
Total equity and liabilities	30 777	28 090	28 279
Total managed capital per IAS 1	21 451	19 901	20 350

Consolidated Quarterly Statement of Comprehensive Income (unaudited)

	Note	2015 13 weeks to 26 September Rm	2014 13 weeks to 27 September Rm
Continuing operations			
Total revenues		6 818	6 639
Revenue - retail sales		6 181	6 190
Cost of sales		(3 994)	(3 975)
Gross profit		2 187	2 215
Other income		359	277
Store costs		(1 565)	(1 506)
Other operating costs		(1 127)	(1 019)
Share of profits of associates		264	168
Trading profit		118	135
Derivative gains/(losses)		952	(87)
Foreign exchange (losses)/gains		(2 491)	37
Fair value adjustment for put option		(12)	10
Impairment of intangibles		(57)	
(Loss)/profit before net financing costs		(1 490)	95
Finance income		12	4
(Loss)/profit before financing costs		(1 478)	99
Financing costs		(1 270)	(853)
Loss before taxation from continuing operations		(2 748)	(754)
Taxation		601	117
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(2 147)	(637)
Discontinued operations			
Profit after tax for the period from discontinued operations	5	3	18
LOSS FOR THE PERIOD		(2 144)	(619)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		48	12
Gain/(loss) on cash flow hedges		45	(26)
Other comprehensive income for the period after tax		93	(14)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(2 051)	(633)
Loss for the period attributable to:			
Owners of the parent		(2 153)	(627)
Non-controlling interests		9	8
		(2 144)	(619)
Total comprehensive income for the period attributable to:			
Owners of the parent		(2 084)	(641)
Non-controlling interests		33	8
		(2 051)	(633)

Consolidated Half-year Statement of Comprehensive Income (unaudited)

	Note	2015 26 weeks to 26 September Rm	2014 26 weeks to 27 September Rm
Continuing operations			
Total revenues	3	13 784	13 642
Revenue - retail sales		12 681	12 751
Cost of sales		(8 024)	(8 078)
Gross profit		4 657	4 673
Other income		653	538
Store costs		(3 140)	(2 973)
Other operating costs		(2 076)	(2 085)
Share of profits of associates	4	425	345
Trading profit		519	498
Derivative losses gains/(losses)		899	(285)
Foreign exchange (losses)/gains		(3 074)	85
Fair value adjustment for put option		19	4
Impairment of intangibles		(57)	
(Loss)/profit before net financing costs		(1 694)	302
Finance income		23	8
(Loss)/profit before financing costs		(1 671)	310
Financing costs		(2 134)	(1 695)
Loss before taxation from continuing operations		(3 805)	(1 385)
Taxation		816	250
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(2 989)	(1 135)
Discontinued operations			
Profit after tax for the period from discontinued operations	5	17	17
LOSS FOR THE PERIOD		(2 972)	(1 118)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		59	14
Gain/(loss) on cash flow hedges		79	(73)
Other comprehensive income for the period after tax		138	(59)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(2 834)	(1 177)
Loss for the period attributable to:			
Owners of the parent		(2 978)	(1 124)
Non-controlling interests		6	6
		(2 972)	(1 118)
Total comprehensive income for the period attributable to:			
Owners of the parent		(2 870)	(1 183)
Non-controlling interests		36	6
		(2 834)	(1 177)

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 29 March 2014	2 155	10	99	8	(14 314)	8 290	93	(3 659)
Loss for the period					(1 124)		6	(1 118)
Other comprehensive income for the period		14	(73)					(59)
Total comprehensive income		14	(73)		(1 124)		6	(1 177)
Reclassification in shareholder loan						21		21
Balance at 27 September 2014	2 155	24	26	8	(15 438)	8 311	99	(4 815)
Balance at 28 March 2015	2 155	20	(76)	8	(16 318)	8 311	146	(5 754)
Loss for the period					(2 978)		6	(2 972)
Other comprehensive income for the period		29	79				30	138
Total comprehensive income		29	79		(2 978)		36	(2 834)
Balance at 26 September 2015	2 155	49	3	8	(19 296)	8 311	182	(8 588)

Consolidated Quarterly Statement of Cash Flows (unaudited)

	2015 13 weeks to 26 September Rm	2014 13 weeks to 27 September Rm
Cash retained from operating activities		
Loss before taxation from continuing operations	(2 748)	(754)
Profit before taxation from discontinued operations	4	25
Finance income	(12)	(4)
Finance costs	1 270	853
Impairment of intangibles	57	
Derivative (gains)/losses	(952)	87
Deferred revenue – loyalty programme	6	(22)
Foreign exchange losses/(gains) ¹	2 494	(39)
Fair value adjustment for put option	12	(10)
Amortisation of intangible assets	60	59
Depreciation	191	204
Net loss on disposal of properties, fixtures, equipment and vehicles	3	3
Onerous leases	14	53
Gain on bond exchange	(118)	
Losses/(gains) from associates	49	(11)
Other non-cash items	30	38
Operating cash inflow before changes in working capital	360	482
Working capital movement	455	321
Inventories	(296)	(19)
Trade accounts receivable	(11)	(28)
Proceeds from sale of trade accounts receivable		314
Sundry receivables and prepayments	(49)	(28)
Trade and other payables	811	82
Cash inflow from operating activities	815	803
Finance income received	6	4
Financing costs paid	(999)	(1 277)
Taxation paid	(21)	(52)
Net cash outflow from operating activities	(199)	(522)
Cash utilised in investing activities		
Investment in property, plant and equipment	(185)	(198)
Proceeds on disposal of property, fixtures, equipment and vehicles		16
Investment in associates	(75)	
Acquisition of subsidiaries	(7)	(2)
Net cash outflow from investing activities	(267)	(184)
Cash effects of financing activities		
Increase in interest-bearing debt	325	714
Settlement of option premium	(50)	
Decrease in finance lease liability	(7)	(23)
Net cash inflow from financing activities	268	691
Decrease in cash and cash equivalents	(198)	(15)
Cash and cash equivalents at the beginning of the period	1 733	496
Currency adjustments	9	11
Cash and cash equivalents at the end of the period	1 544	492

¹ Includes realised foreign exchange losses of R3 million for the quarter ended 26 September 2015 (27 September 2014 :R2 million)

Consolidated Half-year Statement of Cash Flows (unaudited)

	2015 26 weeks to 26 September Rm	2014 26 weeks to 27 September Rm
Cash retained from operating activities		
Loss before taxation from continuing operations	(3 805)	(1 385)
Profit before taxation from discontinued operations	23	23
Finance income	(23)	(8)
Finance costs	2 134	1 695
Impairment of intangibles	57	
Derivative (gains)/losses	(899)	285
Deferred revenue – loyalty programme	5	(45)
Foreign exchange losses/(gains) ¹	3 074	(100)
Fair value adjustment for put option	(19)	(4)
Amortisation of intangible assets	120	126
Depreciation	380	400
Net loss on disposal of properties, fixtures, equipment and vehicles	8	6
Onerous leases	3	53
Gain on bond exchange	(118)	
Losses/(gains) from associates	4	(24)
Other non-cash items	40	62
Operating cash inflow before changes in working capital	984	1 084
Working capital movement	662	627
Inventories	(333)	48
Trade accounts receivable	29	(13)
Proceeds from sale of trade accounts receivable	-	314
Sundry receivables and prepayments	(154)	(15)
Trade and other payables	1 120	293
Cash inflow from operating activities	1 646	1 711
Finance income received	16	6
Financing costs paid	(1 229)	(1 639)
Taxation paid	(37)	(68)
Net cash inflow from operating activities	396	10
Cash utilised in investing activities		
Investment in property, plant and equipment	(355)	(443)
Proceeds on disposal of property, fixtures, equipment and vehicles		132
Investment in associates	(75)	
Acquisition of subsidiaries	(7)	(2)
Net cash outflow from investing activities	(437)	(313)
Cash effects of financing activities		
Increase in interest-bearing debt	357	415
Settlement of option premium	(50)	
Decrease in finance lease liability	(13)	(26)
Net cash inflow from financing activities	294	389
Increase in cash and cash equivalents	253	86
Cash and cash equivalents at the beginning of the period	1 288	410
Currency adjustments	3	(4)
Cash and cash equivalents at the end of the period	1 544	492

¹ Includes realised foreign exchange gains of Rnil for the period ended 26 September 2015 (27 September 2014 :R16 million)

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 28 March 2015 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 28 March 2015 as included in the 2015 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 certain amendments to IFRS standards and interpretations effective as of 29 March 2015, as follows:

- Defined Benefit Plans: Employee Contributions - Amendments to IAS 19;
- Annual Improvements to IFRS.

These amendments have had no material impact on the Financial Statements.

Restatement

At 27 September 2014, a contract in terms of which the nature and arrangement thereof, relating to inventories, was assessed as being "off-balance sheet" for the first three quarters of the prior financial period. The contract was amended, concluded and finalised during the fourth quarter of the prior period at which time the arrangement was re-assessed and considered to be "on-balance sheet". To present the Consolidated Statement of Financial Position, as well as the Consolidated Statement of Cash Flows, at 27 September 2014 using the same accounting principles and methods of computation as applied in the Audited Group Consolidated Financial Statements of Edcon Holdings Limited at 28 March 2015, as well as the Unaudited Group Consolidated Financial Statements at 26 September 2015, inventories and trade and other payables have been restated by R82 million respectively. The working capital movements for inventories and trade and other payables in the Consolidated Statement of Cash Flows for the 13-weeks ended and the 26-weeks ended 26 September 2014 have likewise been restated by R121 million and R82 million respectively.

Reclassifications

Consumables previously were reported in sundry receivables and prepayments. These are now reported in inventories at 26 September 2015. The comparatives for inventories and sundry receivables and prepayments have been reclassified to present the Statement of Financial Position on a comparable basis at 27 September 2014 and as at 28 March 2015.

Inventories and sundry receivables and prepayments in the Consolidated Statement of Financial Position have been reclassified with R16 million and R19 million as at 27 September 2014 and 28 March 2015 respectively. The working capital movements for inventories and sundry receivables and prepayments in the Consolidated Statement of Cash Flows for the 13-weeks ended and the 26-weeks ended 26 September 2014 have likewise been restated by R2 million respectively.

1. Basis of preparation *(continued)*

Comparability *(continued)*

Reclassifications *(continued)*

The investment in the insurance business was previously reported in sundry receivables and prepayments at 27 September 2014 and March 2015 due to the investment not being material to the Statement of Financial Position at those dates. The investment has now been reported in the investment in associates line as this investment collectively with investments in associates made during the current period are now considered material for disclosure purposes. The comparatives for sundry receivables and prepayments and investment in associates lines have been reclassified to present the Statement of Financial Position on a comparable basis at 27 September 2014 and as at 28 March 2015.

Sundry receivables and prepayments and investment in associates in the Consolidated Statement of Financial Position have been reclassified with R55 million and R57 million as at 27 September 2014 and 28 March 2015 respectively. The working capital movements for sundry receivables and prepayments and the cash flows from operations in the Consolidated Statement of Cash Flows for the 13-weeks ended and the 26-weeks ended 26 September 2014 have likewise been restated by R11 million outflow and R24 million outflow respectively.

Significant movements in the Consolidated Statement of Financial Position

Sundry receivables and prepayments

Sundry receivables and prepayments increased by R519 million from R748 million at 28 March 2015 to R1 267 million at 26 September 2015. The increase is primarily due to a receivable recognised of R338 million as a result of the Super Senior 8.0% PIK notes issued on 29 July 2015 as early consent consideration to Eligible Holders who had tendered their €425 000 000 Senior Notes due 2019 as part of the bond exchange transaction launched 30 June 2015. The receivable will be realised once the note conversions are completed.

Trade and other payables

Trade and other payables increased by R1 254 million from R5 837 million at 28 March 2015 to R7 091 million at 26 September 2015. The increase was primarily due to increased purchases leading towards the peak trading period combined with working capital initiatives as well as, an increase in income received in advance of R331 million relating to fees received not yet recognised in profit and loss.

Interest-bearing debt and Derivative financial instruments

The current interest-bearing debt increased by R1 368 million from R2 964 million at 28 March 2015 to R4 332 million at 26 September 2015 mainly due to the reclassification of the super senior secured notes with a carrying value of R1 007 million, maturing 4 April 2016, from non-current interest-bearing debt to current interest-bearing debt.

Non-current interest-bearing debt increased by R3 017 million from R21 486 million at 28 March 2015 to R24 503 million at 26 September 2015 mainly due to unrealised foreign exchange losses of R3 087 million. The significant foreign exchange loss is due to the continued weakening of the Rand against the US Dollar and the Euro. The unrealised foreign exchange losses was partly offset by an increase in the Group's net derivative financial instruments of R969 million, which partially hedge the coupons and principal of the notes in issue, from a net asset of R713 million at 28 March 2015 to an asset of R1 682 million at 26 September 2015.

Going concern

The Consolidated Statement of Financial Position at 26 September 2015 reports share capital and premium of R2 155 million (28 March 2015 and 27 September 2014: R2 155 million) in equity attributable to shareholders and a shareholder's loan recognised in equity of R8 311 million (28 March 2015 and 27 September 2014: R8 311 million) offset by an accumulated retained loss of R19 296 million (28 March 2015: R16 318 million and 27 September 2014: R15 438 million) and a net credit of R60 million (28 March 2015: net debit of R48 million and 27 September 2014: net credit of R58 million) in other reserves, resulting in negative equity attributable to shareholders at 26 September 2015 of R8 770 million (28 March 2015: R5 900 million and 27 September 2014: R4 914 million). After considering non-controlling interests of R182 million (28 March 2015: R146 million and 27 September 2014: R99 million), total equity of the Group is a deficit of R8 588 million (28 March 2015: R5 754 million and 27 September 2014: R4 815 million).

1. Basis of preparation *(continued)*

Going concern *(continued)*

The shareholder's loan of R9 156 million (28 March 2015: R9 152 million and 27 September 2014: R9 109 million) has been subordinated to the claims of all the creditors of the Group and the total negative equity and shareholder's loan at 26 September 2015 is R7 743 million (28 March 2015: R4 913 million and 27 September 2014: R4 017 million).

These financial statements have been prepared on the going concern basis.

In assessing 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 shareholder's loan, all guarantors and cross guarantors, the fair values of the Group's assets and liabilities and all maturities relating to liabilities for the following 12 months in assessing its ability to trade against its operating budget.

Management additionally monitors cash requirements on an ongoing basis for any uncertainties which may arise and takes appropriate action where necessary.

Management anticipate repayments of obligations falling due, will be met out of operating cash flows or from alternative forms of capital raising if necessary, such as further asset sales or borrowings. Management takes into consideration the facility available under the revolving credit facility; the super senior liquidity facility; 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 and various working capital initiatives.

Management acknowledges that uncertainty remains over the ability of the Group 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 has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, it would have an impact on the Groups 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 Interim Consolidated Financial Statements.

Condensed notes to the Consolidated Financial Statements (unaudited) *continued*

	2015 26 weeks 26 September Rm	2014 26 weeks 27 September Rm
2. SEGMENTAL RESULTS		
2.1 Revenues		
Edgars	6 701	6 640
CNA	814	891
Discount	5 079	5 164
Edgars Zimbabwe	433	342
Manufacturing	92	73
Credit and Financial Services	642	524
Group Services	23	8
	13 784	13 642
2.2 Retail sales		
Edgars	6 531	6 481
CNA	814	891
Discount	4 971	5 056
Edgars Zimbabwe	365	323
	12 681	12 751
2.3 Number of stores		
Edgars	549	510
CNA	197	193
Discount	728	702
Edgars Zimbabwe	53	53
	1 527	1 458
2.4 Operating (loss)/profit from continuing operations		
Edgars	394	609
CNA	(52)	(13)
Discount	447	520
Edgars Zimbabwe	35	27
Manufacturing	6	(17)
Credit and Financial Services	665	492
Group Services ¹	(3 189)	(1 316)
	(1 694)	302

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 projects related expenditure.

Condensed notes to the Consolidated Financial Statements (unaudited) *continued*

	2015 26 weeks 26 September Rm	2014 26 weeks 27 September Rm
3.REVENUES		
Retail sales	12 681	12 751
Club fees	285	267
Finance charges on trade receivables	88	38
Share of profits from insurance business	427	345
Finance income	23	8
Administration fee	188	160
Manufacturing sales to third parties	92	73
	13 784	13 642
4.SHARE OF PROFITS/(LOSSES) OF ASSOCIATES		
Share of profits from insurance business	427	345
Share of losses from other associates	(2)	
	425	345

5.DISCONTINUED OPERATIONS

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 card portfolio in Lesotho, Botswana, Swaziland and the remaining portfolio in Namibia, classified as held-for-sale, is still expected to be sold and management remains committed to a plan and programme to sell. Accordingly, the provision of credit relating to the portion of the trade accounts receivables classified as held-for-sale has been disclosed as a discontinued operation.

The results of the discontinued operation are as follows:

	2015 13 weeks 26 September Rm	2014 13 weeks 27 September Rm	2015 26 weeks 26 September Rm	2014 26 weeks 27 September Rm
Total revenues	27	31	55	73
Income from credit	27	31	55	73
Expenses from credit	(23)	(6)	(32)	(50)
Trading profit before taxation	4	25	23	23
Taxation	(1)	(7)	(6)	(6)
Profit for the period	3	18	17	17

Condensed notes to the Consolidated Financial Statements (unaudited) *continued*

6. 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 Rm
26 September 2015	
Financial assets	
Cross currency swaps	5
Foreign currency forward contracts	4
Foreign currency call options	1 673
Total financial assets	1 682
Financial liabilities	
Option liability	54
Total financial liabilities	54
28 March 2015	
Financial assets	
Foreign currency call options	816
Total financial assets	816
Financial liabilities	
Option liability	73
Foreign currency forward contracts	24
Cross currency swaps	79
Total financial liabilities	176
27 September 2014	
Financial assets	
Cross currency swaps	616
Foreign currency call options	978
Total financial assets	1 594
Financial liabilities	
Option liability	63
Cross currency swaps	33
Total financial liabilities	96

The above instruments, excluding the option liability, are classified as level 2 inputs. 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.

The option liability is classified as level 3 inputs. The fair value under level 3 is 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.

6. 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 (excluding notes issued): 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 26 September 2015 for the listed notes was R8 866 million (28 March 2015: R9 833 million and 27 September 2014: R11 801 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 26 September 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 26 September 2015.

7. EVENTS AFTER THE REPORTING DATE

Bernard Brookes was appointed as the new CEO of the Group, effective 30 September 2015.

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* (resigned 31 March 2015), ZB EbrahimT, RB Daniels*, M Osthoff*** (appointed 1 April 2015), DH BrownT, TF MosololiT, LL von ZeunerT, J Schreiber*** (appointed 18 August 2015)

Executive directors

B Brookes **** (Managing Director and Chief Executive Officer, appointed 30 September 2015), Dr U Ferndale and R Daniels (interim joint Chief Executive Officers, appointed 18 August 2015, resigned 30 September 2015), J Schreiber*** (resigned 18 August 2015), T Clerckx** (Chief Financial Officer), Dr U Ferndale (Chief Operations Officer).

*USA ** BELGIUM ***GERMAN ****AUSTRALIAN
T Independent Non – Executive Director

Group Secretary

CM Vikisi

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Fax: +27 11 806-5111

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United Kingdom

Listing Agent & Irish Paying Agent

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JSE Debt Sponsor

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Cnr Fredman and Rivonia Road
Sandton
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Telephone: +27 11 282-8118