

26 February 2016

This notice is important and requires your immediate attention.

**EDCON HOLDINGS LIMITED (“EDCON”)**  
**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**AND QUARTERLY REPORT**  
**FOR THE NINE-MONTH PERIOD ENDED 26 DECEMBER 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 December 2014 and the three-month period ended 26 December 2015. Unless the context requires otherwise, references in this notice to (i) "third quarter 2015" and "third quarter 2016" shall mean the 13-week period ended 27 December 2014 and the 13-week period ended 26 December 2015, respectively and (ii) "fiscal 2015" and "fiscal 2016" shall mean the 52-week period ended 28 March 2015 and the 52-week period ending 26 March 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 third quarter 2016 compared to third quarter 2015:*

- ❖ Profit of R2,992 million on conclusion of the Exchange Offer
- ❖ Deleveraging of R4,548 million<sup>1</sup> €298 million on conclusion of the Exchange Offer
- ❖ Customer-centric strategic plan announced during the quarter
- ❖ Retail sales declined by 1.7% to R8,685 million
- ❖ Retail cash sales increased by 4.0%
- ❖ Retail credit sales decreased by 9.9%
- ❖ Controllable costs continue to be well managed
- ❖ Pro forma adjusted EBITDA decreased by 9.8% to R1,127 million
- ❖ Significant weakening of the Rand
- ❖ Identified opportunities for cost savings in the amount of approximately R500 million in fiscal 2017

<sup>1</sup> FX rate at 27 November 2015 of R15.27:€

### Introduction

In November 2015, the Group successfully reached an agreement with all of its bank lenders to extend the maturity of over R7.9 billion of bank debt. In addition, the Group secured a Super Senior Refinancing Facility of €123 million, which was utilised to refinance the R1 billion Floating rate notes due 4 April 2016 and the Super Senior Liquidity Facility due 30 September 2016. As a result, none of the Group's material debt obligations will mature for nearly two years.

The Exchange Offer launched in June 2015 for the Group's €425 million fixed rate notes which were due 30 June 2019 was concluded on 27 November 2015. The total deleveraging effect on the Group as a result of the Exchange Offer was €298 million, including a decrease in cash-pay leverage of approximately 25% and a reduction in the Group's annual net cash interest payments by approximately R1.0 billion. During the current quarter, the Group recognised an accounting net gain of R4,084 million which is excluded from pro forma adjusted EBITDA.

The primary focus of the Group continues to be the needs of its vast customer base and the return of the business to its leading position in the market. The strategic plan is customer-centric and focuses on, simplicity and people empowerment. A restructuring of management roles and reporting responsibilities at our head office has advanced for the delivery of these strategic objectives which are expected to be completed during the next quarter, having finalised the executive and senior management group during the current quarter.

The overall trading environment remained challenging during the current quarter primarily due to higher income taxes, rising unemployment, rising interest rates and a sharp depreciation in the Rand. Household income growth continued to be affected by these factors and consumer confidence declined close to its lowest point in 14 years during the quarter as reported by the Bureau for Economic Research. Cash sales growth increased by 4.0% in the current quarter compared to the third quarter 2015, while credit sales growth decreased by 9.9% impacting total retail sales which declined by 1.7% compared to the third quarter 2015. Credit sales were affected by the change in the affordability regulations during the quarter by approximately R195 million and contributed 37.6% of total sales in the third quarter 2016, a decrease from 41.0% in the third quarter 2015. Our in-house second look trade receivables book, although still small, has returned acceptance rates to a healthier level and is assisting to slow the decline in credit sales. Edcon will continue to supplement its Absa credit offering through the in-house second look credit solution. As at 26 December 2015, our second look trade receivables book has grown by 202% compared to 27 December 2014.

Pro forma adjusted EBITDA declined by 9.8% to R1,127 million as a result of weaker sales and margin.

Independent non-executive directors, Messrs LL von Zeuner and DH Brown resigned effective 10 December 2015 and 31 December 2015, respectively, as a result of increased time commitments from other companies they are involved with. Effective 1 February 2016, Keith Warburton was appointed as an independent non-executive director and member of the Audit and Risk Committee. With effect from 1 March 2016, Mr. Warburton will assume the role as Chairman of the Audit and Risk Committee. Mr. Warburton has broad retail experience, which includes serving as an executive director and chief operating officer at Clicks Group Limited.

## Trading review

### Key operational data

	(unaudited)				(unaudited)		
	Retail sales growth (%)				Gross profit margin (%)		
	Q3:FY15	Q3:FY16	Q3:FY15	Q3:FY16	Q3:FY15	Q3:FY16	Pts
	Actual	Actual	LFL <sup>(1)</sup>	LFL <sup>(1)</sup>	Actual	Actual	change <sup>(2)</sup>
Edgars	(0.8)	(0.2)	(5.1)	(2.7)	40.1	39.4	(0.7)
Discount	2.5	(2.0)	0.0	(3.4)	36.3	35.9	(0.4)
CNA	(7.3)	(9.4)	(5.3)	(8.3)	29.5	29.6	0.1
Edgars Zimbabwe <sup>(3)</sup>	28.6	(6.1)	29.9	3.3	47.5	45.2	(2.3)
Total	0.5	(1.7)	(2.6)	(3.2)	38.0	37.5	(0.5)

	Q3:FY15	Q3:FY16	%
	Actual	Actual	change
Total number of stores	1 505	1 551	3.1
Average retail space (‘000 sqm)	1 585	1 614	1.8
Customer credit accounts (‘000s) <sup>(4)</sup>	3 449	3 273	(5.1)

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

(2) Q3:FY16 % change on Q3:FY15.

(3) On a constant currency basis retail sales decreased 26.3% and LFL growth was negative 17.6% in Q3:FY16.

(4) Excludes Edgars Zimbabwe customer credit accounts Q3:FY16 of 249 000 and Q3:FY15 of 216 000.

### Edgars

Retail sales in the Edgars division declined slightly by 0.2% for the third quarter 2016 when compared to the third quarter 2015 as sales growths across all categories remained relatively flat. Total cash sales growth remained strong, increasing 8.2% whilst credit sales declined by 9.3% compared to the third quarter 2015. Same-store sales decreased by 2.7% compared to the third quarter 2015, primarily affected by subdued trading performance across all categories, negative credit sales growth and underperforming brands.

During the quarter ended 26 December 2015, we opened 1 Edgars store, 3 Boardmans stores, 7 Edgars Active stores, 4 Red Square stores, 1 Edgars sales store and 4 mono-branded stores and closed 1 Edgars store, 2 Edgars Actives stores, 1 Boardmans store and 3 mono-branded store, bringing the total number of stores in the Edgars division to 562.

Gross margin was 39.4% for the third quarter 2016, a decrease from 40.1% for the third quarter 2015, primarily as a result of the declining Rand which caused an increase in input costs as well as increased clearance markdowns.

### Discount

Total cash sales growth in the Discount division increased by 5.1%. However, at the same time, the Discount division was significantly affected by negative credit sales growth of 15.4%, resulting in overall retail sales decreasing by 2.0% for the third quarter 2016 compared to the third quarter 2015. Menswear, cellular and hardlines traded positively compared to the prior comparative quarter whilst footwear underperformed. Same store sales were 3.4% lower when compared to the third quarter 2015.

During the quarter ended 26 December 2015, we opened 5 Jet stores and 5 Legit stores and closed 1 Jet store and 1 Legit store, bringing the total number of stores in the Discount division to 736.

Gross profit margin, in the Discount Division was well-managed and only decreased slightly by 40bps to 35.9% during the quarter from 36.3% in the third quarter of 2015, primarily affected by increased input costs predominantly from the deteriorating Rand.

#### *CNA*

Total retail sales decreased by 9.4% and same store sales were 8.3% lower for the third quarter 2016 compared to the third quarter 2015. This decrease was due to a decrease in average space of 6.0%, negative cash and credit sales of 5.5% and 20.1% respectively, which impacted sales performance of stationery and books. Cellular performed well, whilst entertainment and digital remained broadly flat compared to the third quarter 2015. The total number of stores at the end of the period was 200 compared to 197 at 27 December 2014. Gross margin improved by 10bps to 29.6% for the third quarter 2016 from 29.5% in the third quarter 2015 mainly due to a change in product mix to categories with higher margin.

#### *Africa*

Sales from countries other than South Africa decreased by 3.1% over the third quarter 2016, and contributed 10.5% (8.5% excluding Zimbabwe) of retail sales for the third quarter 2016, slightly down from 10.6% (8.6% excluding Zimbabwe) in the third quarter 2015. Ghana, Zambia and Mozambique combined, reported an increase in retail sales of 7.9% in the third quarter 2016 compared to the third quarter 2015, which was negatively affected by the weaker Rand on consolidation. Total retail sales were negatively affected from the remaining countries outside South Africa, notably in Namibia and Zimbabwe as a result of credit tightening in Namibia following the sale of the Namibian book to Absa on 1 July 2014 and reduced consumer confidence in Zimbabwe, which are affected by economic factors in that country. Edcon now has 212 stores outside of South Africa (including 53 in Zimbabwe).

#### *Credit and financial services*

A total of R342 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 R590 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 R39 million over the quarter to R145 million as at 26 December 2015.

Edcon's share of the profits from the insurance business decreased by 27.8% from the prior period, to R122 million for the third quarter 2016. This decrease was largely the result of the early receipt of dividends as reported in the previous quarter.

## Financial review

### Summary financial information

Rm	Third quarter (unaudited)		
	2015	2016	% change
Total revenues <sup>(1)</sup>	9 275	9 138	(1.5)
Retail sales	8 834	8 685	(1.7)
Gross profit	3 360	3 259	(3.0)
Gross profit margin (%)	38.0	37.5	(0.5pnt)
Pro forma adjusted EBITDA <sup>(2)</sup>	1 250	1 127	(9.8)
Capital expenditure	301	167	(44.5)
Net debt including cash and derivatives	21 733	22 621	4.1
LTM pro forma adjusted EBITDA (reported)	2 694	2 634	(2.2)
Permanent adjustments <sup>(3)</sup>	318	313	
LTM pro forma adjusted EBITDA (inc. cost savings)	3 012	2 947	(2.2)
Net debt <sup>(4)</sup> /LTM pro forma adjusted EBITDA (inc. cost savings)	7.1	7.6	0.5x

(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:FY16 LTM pro forma adjusted EBITDA: Corporate and operational overhead reductions of R250 million (R272 million in Q3:FY15) and renegotiation of contracts in Q3:FY16 of R63 million (R46 million in Q3:FY15).

(4) Net debt has been adjusted by trade receivables still to be sold of R342 million in Q3:FY16 and R363 million in Q3:FY15.

### Revenues

Total revenues decreased by 1.5% on weaker sales as a result of the challenging trading environment, impacted by higher income taxes, rising unemployment, rising interest rates and a sharp depreciation in the Rand. Cash sales growth increased by 4.0% in the current quarter compared to the third quarter 2015, while credit sales growth decreased by 9.9% impacted by the change in the affordability regulations with total retail sales declining 1.7% compared to the third quarter 2015.

These negative revenue results were addressed in the strategic plan announced in December 2015.

### Retail gross profit

Gross profit growth decreased by 3.0% as a result of the decline in sales growth combined with increased input costs largely as a result of the devaluation of the Rand compared to prior comparative quarter.

### Pro forma adjusted EBITDA

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

Rm	Third quarter (unaudited)		
	2015	2016	% change
Trading profit	919	763	(17.0)
Depreciation and amortisation	257	248	
Net asset write off <sup>(1)</sup>	21	3	
Profit/(loss) from discontinued operations <sup>(2)</sup>	(20)	18	
Non-recurring costs <sup>(3)</sup>	67	116	
Adjusted EBITDA	1 244	1 148	(7.7)
Net (income)/loss from previous card programme <sup>(4)</sup>	4	(28)	
Net income from new card programme <sup>(5)</sup>	2	7	
Pro forma adjusted EBITDA	1 250	1 127	(9.8)

(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 Q3:FY16 amounting to R78 million, onerous lease credit of R2 million in Q3:FY16 (R2 million charge in Q3:FY15), restructuring costs of R7 million in Q3:FY16, lease adjustment of R33 million in Q3:FY16 (R49 million in Q3:FY15) and R16 million in costs associated with the trade receivables book in Q3: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	Third quarter (unaudited)		
	2015	2016	% change
Store costs	1 735	1 782	2.7
Other operating costs <sup>(1)</sup>	980	931	(5.0)
Store card credit administration costs <sup>(2)</sup>	96	104	8.3
Non-recurring costs <sup>(3)</sup>	67	116	73.1

(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 Q3:FY16 amounting to R78 million, onerous lease credit of R2 million in Q3:FY16 (R2 million charge in Q3:FY15), restructuring costs of R7 million in Q3:FY16, lease adjustment of R33 million in Q3:FY16 (R49 million in Q3:FY15) and R16 million in costs associated with the trade receivables book in Q3:FY15.

Total store costs remain well managed with store costs increasing by only R47 million, or 2.7%, from R1,735 million in the third quarter 2015, to R1,782 million in the third quarter 2016. This was achieved by a reduction in stock losses, reduced transactional fees and a decrease in asset write-offs as capital expenditure normalised. Rental and manpower constituted 62.0% of total costs for the third quarter of 2016.

Other operating costs, excluding non-recurring and store card credit administration costs, decreased by R49 million, or 5.0%, from R980 million in the third quarter 2015 to R931 million in the third quarter 2016. This decrease is attributable to lower depreciation charges for non-store assets and expenditure reductions from renegotiated contracts particularly relating to information technology costs.

Non-recurring costs increased in the third quarter 2016 to R116 million from R67 million for the third quarter 2015 due to various strategic initiatives during the quarter.

### Depreciation and amortisation

The depreciation and amortisation charge for the third quarter 2016 decreased by 3.5% to R248 million from R257 million in the third quarter 2015 as capital expenditure normalises.

### Net financing costs

Rm	Third quarter (unaudited)		
	2015	2016	% change
Interest received	4	16	
Financing costs	(860)	(958)	
Net financing costs	(856)	(942)	10.0

Net financing costs increased by R86 million, or 10.0%, from R856 million in the third quarter 2015 to R942 million in the third quarter 2016. This increase is primarily as a result of the devaluation of the Rand against the Euro and US dollar as well as financing costs incurred for the Exchange Offer and debt refinancing concluded in November and December 2015. The cash portion of finance costs likewise increased by R110 million to R298 million in the third quarter 2016, from R188 million in the third quarter 2015.



## 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	Third quarter (unaudited)		
	2015	2016	% change
Derivative losses	(129)	(159)	
Foreign exchange losses	(47)	(877)	
Fair value adjustment for put option	36	10	
Net movement	(140)	(1 026)	632.9

Edcon manages its foreign exchange risk on liabilities on an ongoing basis. At the end of the third quarter 2016, 29% 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 71% is unhedged. During the quarter ended 26 December 2015, the ZAR depreciated against the EUR from EUR:R15.60 to EUR:R16.76 (quarter ended 27 December 2014 from EUR:R13.60 to EUR:R14.12) and against the USD from USD:R13.92 to USD:R15.28 (quarter ended 27 December 2014 from USD:R10.02 to EUR:R11.60). The significant movement in the Rand equivalent of unhedged Euro denominated debt resulted in higher foreign exchange losses.

## Cash flow

Operating cash inflow before changes in working capital decreased by R421 million from R1,269 million in the third quarter 2015 to R848 million in the third quarter 2016.

Cash inflow from working capital amounted to R508 million in the third quarter 2016, compared to an inflow of R1,421 million in the third quarter 2015, attributable to:

- (i) an increase in trade receivables of R26 million in the third quarter 2016, offset by proceeds received on the sale of certain trade receivables during the quarter in an amount of R29 million compared to an increase of R84 million in the third quarter 2015;
- (ii) an increase in sundry receivables and prepayments of R51 million in the third quarter 2016 compared to a decrease of R52 million in the third quarter 2015. The reduction in cash flow is due to R110 million owing from an associate formed during fiscal 2016;
- (iii) an increase in inventory of R217 million in the third quarter 2016 compared to an increase of R224 million in the third quarter 2015; and
- (iv) an increase in trade and other payables of R773 million in the third quarter 2016 compared to an increase of R1,677 million in the third quarter 2015. The reduction in cash flow is as a result of a shift in the base for the quarter where trade payables were R791 million higher than the base for the third quarter 2015 as a result of higher purchases in the prior quarter and working capital initiatives.

Net cash inflow from operating activities decreased by R1,417 million from an inflow of R2,456 million in the third quarter 2015 to an inflow of R1,039 million in the current quarter, mainly as a result of a reduction in operating cash inflows before working capital impacted by fees paid totaling R465 million relating to the concluded Exchange Offer combined with weaker trading performance, offset by well managed and a reduction in working capital to R508 million in the third quarter 2016 from R1,421 million in the third quarter 2015.

Capital expenditure

Rm	Third quarter (unaudited)		
	2015	2016	% change
Edgars	186	78	
<i>Expansion</i>	112	58	
<i>Refurbishment</i>	74	20	
Discount	55	14	
<i>Expansion</i>	33	7	
<i>Refurbishment</i>	22	7	
CNA	7	4	
Edgars Zimbabwe	2	10	
IT	52	48	
Other corporate capex	-	13	
	302	167	(44.7)

Capital expenditure decreased by R135 million to R167 million in the third quarter 2016, from R302 million in the third quarter 2015 in line with lower overall capital expenditure guidance. In the third quarter 2016, we opened 33 new stores which, combined with store refurbishments, resulted in investments in stores of R96 million (excluding Zimbabwe), compared to the third quarter 2015 during which we opened 55 new stores, resulting in an investment in stores of R248 million (excluding Zimbabwe). Edcon invested R48 million in information systems infrastructure in the third quarter 2016 compared to R52 million in the third 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 amount of cash on hand is 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.

Rm <sup>(1)</sup>	Cash	PIK	Third quarter (unaudited)	
			2015	2016
<b>Super senior debt</b>				
ZAR Revolving credit facility			313	
ZAR Super Senior RCF Term Loan due 31 December 2017	J+5.00%	3.00%		3 417
EUR Super Senior Refinancing Facility due 31 December 2019 <sup>(2)</sup>	E+4.00%	8.00%		1 955
ZAR Super Senior Hedging Debt due 31 December 2017	JIBAR	8.00%		657
EUR Super Senior Term Loan due 31 December 2017	EURIBOR	8.00%		606
ZAR Floating rate notes due 4 April 2016	J+6.25%		1 003	
EUR Super Senior PIK notes due 30 June 2019		8.00%		1 724
<b>Senior secured debt</b>				
ZAR term loan due 31 December 2017 <sup>(3)</sup>	J+7.00%	3.00% <sup>(4)</sup>	4 064	2 976
EUR fixed rate note due 1 March 2018	9.50%		8 482	10 173
USD fixed rate note due 1 March 2018	9.50%		2 868	3 797
Deferred option premium			1 045	
Lease liabilities			375	347
EUR Senior secured PIK Toggle notes due 30 June 2019	9.75% (no toggle)	12.75% (toggle)		401
<b>Senior</b>				
EUR fixed rate notes due 30 June 2022 <sup>(5)</sup>		5.00%		48
EUR fixed rate notes due 30 June 2019 <sup>(5)</sup>	13.375%		5 797	
Other loans <sup>(6)</sup>			226	402
<b>Gross debt</b>			<b>24 173</b>	<b>26 503</b>
Derivatives			(923)	(24)
Cash and cash equivalents			(1 517)	(3 858)
<b>Net debt</b>			<b>21 733</b>	<b>22 621</b>

(1) FX rates at end Q3:FY15 were R11.60 :\$ and R14.12:€ and at the end of Q3:FY16 were R15.28:\$ (Q2:FY16 R13.92:\$):and R16.76:€ (Q2:FY16 R15:60:€).

(2) Will spring to mature on the same date as the Super Senior RCF Term Loan and Super Senior LC Facility.

(3) The ZAR term loan was extended from 16 May 2017 to 31 December 2017 during the current quarter.

(4) Rising to 4.00% from 30 June 2016.

(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 with respect to the Exchange Offer.

(6) The portion of this debt relating to Zimbabwe was R350 million in Q3:FY16 and R208 million in Q3:FY15.

(7) At the end of the period R258 million of a Super Senior LC facility were utilised for guarantees and LC's.

As at 26 December 2015, the Edcon Group reported net debt of R22,621 million, a decrease of R4,478 million, from R27,099 million at 26 September 2015, driven mainly by the conclusion of the Exchange Offer on 27 November 2015. The Exchange Offer had a total deleveraging effect on the Group of €298 million. Additionally, cash-pay leverage was reduced by approximately 25% as well as a reduction in the Group's annual net cash interest payments by approximately R1.0 billion.

During November 2015, the Group secured a Super Senior Refinancing Facility of €123 million which was utilised to refinance the R1 billion Floating rate notes due 4 April 2016 and the Super Senior Liquidity Facility due 30

September 2016. As a result of the successful debt restructuring with bank lenders of the ZAR Revolving Credit Facility, ZAR Term Loan and deferred option premiums, none of the Group's material debt obligations will mature for nearly two years.

Net debt reported has been significantly impacted by the devaluation of the Rand against the Euro and US Dollar during the quarter; however given the debt refinancing undertaken during the quarter, no foreign debt falls due until 31 December 2017.

Notwithstanding the completion of the refinancing of a portion of our capital structure on 27 November 2015, which has reduced our cash interest expense and extended out maturity profile, management continues to monitor cash requirements on an on-going basis for any uncertainties that may arise and takes appropriate action as necessary. We plan to pay obligations falling due out of operating cash flows and working capital initiatives and from alternative forms of capital raising. Other capital raising or strategic initiatives may include sales of non-core assets, privately negotiated transactions with current or future debt-holders, securitisations, sale and leaseback transactions, sales of business divisions, outsourcing, strategic alliances or additional borrowings, some of which we have considered from time to time or are currently considering. There can however be no assurance that the Group could raise new funding or conclude any of these transactions, on favourable terms, or at all. In such a scenario, our liquidity position could become constrained. From time to time, we and our majority shareholder have been approached by interested parties to consider the potential sale of certain core assets or our business as a whole. We evaluate such proposals in light of the Group's capital structure, liquidity, valuation, strategic attractiveness and other factors. However, there is no assurance that any such proposal would be feasible and/or acceptable.

The strategic plan announced in mid-December provided a roadmap to address the declining sales and profit of the Group. It includes (i) a leaner head office; (ii) restructuring to provide chain management profit and loss responsibility; (iii) customer focused operations and; (iv) a simpler business focus.

In connection with the strategic plan, the Group has identified opportunities for cost reductions in the amount of R500 million over the next 12 months, including from a rebalancing of, and increased efficiencies in, our head office as well as reductions in goods not for resale (e.g. tendering) and associated costs. The Group plans to reinvest some of the savings in customer service, E-commerce and private label development.

#### *Events after the reporting period*

Independent non-executive director, DH Brown resigned effective 31 December 2015 as a result of increased time commitments from other companies.

Effective 1 February 2016, Keith Warburton was appointed as an independent non-executive director and member of the Audit and Risk Committee.

During January 2016, R171 million of the ZAR Super Senior RCF term loan was paid.

**Consolidated Financial Statements**  
**Edcon Holdings Limited (“Edcon”)**

## Consolidated Statement of Financial Position (unaudited)

	2015 26 December Rm	2015 28 March Rm	2014 27 December Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Properties, fixtures, equipment and vehicles	3 239	3 337	3 388
Intangible assets	15 859	16 146	16 206
Investment in associates	55	57	63
Derivative financial instruments			374
Deferred taxation	1 371	330	714
Employee benefit asset	90	110	113
<b>Total non-current assets</b>	<b>20 614</b>	<b>19 980</b>	<b>20 858</b>
<b>Current assets</b>			
Inventories	5 026	4 392	4 632
Trade receivables	590	473	386
Sundry receivables and prepayments	1 020	748	592
Derivative financial instruments	88	816	645
Cash and cash equivalents	3 858	1 288	1 517
	<b>10 582</b>	<b>7 717</b>	<b>7 772</b>
Assets classified as held-for-sale	353	393	390
<b>Total current assets</b>	<b>10 935</b>	<b>8 110</b>	<b>8 162</b>
<b>Total assets</b>	<b>31 549</b>	<b>28 090</b>	<b>29 020</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders</b>			
Share capital, share premium and warrants	2 290	2 155	2 155
Other reserves	87	(48)	55
Retained loss	(16 313)	(16 318)	(15 626)
Shareholder's loan – equity	8 311	8 311	8 311
	<b>(5 625)</b>	<b>(5 900)</b>	<b>(5 105)</b>
Non-controlling interests	210	146	110
<b>Total equity</b>	<b>(5 415)</b>	<b>(5 754)</b>	<b>(4 995)</b>
<b>Non-current liabilities – shareholder's loan</b>			
Shareholder's loan	828	841	819
<b>Total equity and shareholder's loan</b>	<b>(4 587)</b>	<b>(4 913)</b>	<b>(4 176)</b>
<b>Non-current liabilities – third parties</b>			
Interest-bearing debt	25 925	21 486	22 365
Deferred option premium			1 002
Finance lease liability	313	331	338
Lease equalisation	641	578	617
Onerous lease liability	95	129	
Derivative financial instruments			17
Employee benefit liability	162	155	183
Option liability		73	27
Deferred taxation	85	90	76
Deferred revenue	51	52	48
	<b>27 272</b>	<b>22 894</b>	<b>24 673</b>
<b>Total non-current liabilities</b>	<b>28 100</b>	<b>23 735</b>	<b>25 492</b>
<b>Current liabilities</b>			
Interest-bearing debt	231	2 964	388
Deferred option premium		1 076	43
Finance lease liability	34	33	37
Current taxation	44	19	11
Deferred revenue	93	77	91
Option liability	44		
Derivative financial instruments	20	103	52
Trade and other payables	8 398	5 837	7 901
<b>Total current liabilities</b>	<b>8 864</b>	<b>10 109</b>	<b>8 523</b>
<b>Total equity and liabilities</b>	<b>31 549</b>	<b>28 090</b>	<b>29 020</b>
<b>Total managed capital per IAS 1</b>	<b>21 916</b>	<b>19 901</b>	<b>18 952</b>

## Consolidated Quarterly Statement of Comprehensive Income (unaudited)

	Note	2015 13 weeks to 26 December Rm	2014 13 weeks to 27 December Rm
<b>Continuing operations</b>			
<b>Total revenues</b>		<b>9 138</b>	9 275
<b>Revenue - retail sales</b>		<b>8 685</b>	8 834
Cost of sales		<b>(5 426)</b>	(5 474)
<b>Gross profit</b>		<b>3 259</b>	3 360
Other income		315	268
Store costs		<b>(1 782)</b>	(1 735)
Other operating costs		<b>(1 151)</b>	(1 143)
Share of profits of associates		<b>122</b>	169
<b>Trading profit</b>		<b>763</b>	919
Derivative losses		<b>(159)</b>	(129)
Foreign exchange losses		<b>(877)</b>	(47)
Fair value adjustment for put option		10	36
Net gain on Exchange Offer		<b>4 084</b>	
Impairment of intangibles		<b>(70)</b>	
<b>Profit before net financing costs</b>		<b>3 751</b>	779
Finance income		<b>16</b>	4
<b>Profit before financing costs</b>		<b>3 767</b>	783
Financing costs		<b>(958)</b>	(860)
<b>Profit/(loss) before taxation from continuing operations</b>		<b>2 809</b>	(77)
Taxation		<b>170</b>	(85)
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>2 979</b>	(162)
<b>Discontinued operations</b>			
Profit/(loss) after tax for the period from discontinued operations	5	<b>13</b>	(15)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>2 992</b>	(177)
<b>Other comprehensive income after tax:</b>			
Exchange differences on translating foreign operations		<b>44</b>	12
Gain/(loss) on cash flow hedges		<b>2</b>	(15)
<b>Other comprehensive income for the period after tax</b>		<b>46</b>	(3)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>3 038</b>	(180)
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the parent		<b>2 983</b>	(188)
Non-controlling interests		<b>9</b>	11
		<b>2 992</b>	(177)
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the parent		<b>3 010</b>	(191)
Non-controlling interests		<b>28</b>	11
		<b>3 038</b>	(180)

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

		2015 39 weeks to 26 December Rm	2014 39 weeks to 27 December Rm
	Note		
<b>Continuing operations</b>			
<b>Total revenues</b>	3	<b>22 922</b>	22 917
<b>Revenue - retail sales</b>		<b>21 366</b>	21 585
Cost of sales		<b>(13 450)</b>	(13 552)
<b>Gross profit</b>		<b>7 916</b>	8 033
Other income		<b>968</b>	806
Store costs		<b>(4 922)</b>	(4 708)
Other operating costs		<b>(3 188)</b>	(3 228)
Share of profits of associates	4	<b>547</b>	514
<b>Trading profit</b>		<b>1 321</b>	1 417
Derivative gains/(losses)		<b>740</b>	(414)
Foreign exchange (losses)/gains		<b>(3 951)</b>	38
Fair value adjustment for put option		<b>29</b>	40
Net gain on Exchange Offer		<b>4 045</b>	
Impairment of intangibles		<b>(127)</b>	
<b>Profit before net financing costs</b>		<b>2 057</b>	1 081
Finance income		<b>39</b>	12
<b>Profit before financing costs</b>		<b>2 096</b>	1 093
Financing costs		<b>(3 092)</b>	(2 555)
<b>Loss before taxation from continuing operations</b>		<b>(996)</b>	(1 462)
Taxation		<b>986</b>	165
<b>LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>(10)</b>	(1 297)
<b>Discontinued operations</b>			
Profit after tax for the period from discontinued operations	5	<b>30</b>	2
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>20</b>	(1 295)
<b>Other comprehensive income after tax:</b>			
Exchange differences on translating foreign operations		<b>103</b>	26
Gain/(loss) on cash flow hedges		<b>81</b>	(88)
<b>Other comprehensive income for the period after tax</b>		<b>184</b>	(62)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>204</b>	(1 357)
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the parent		<b>5</b>	(1 312)
Non-controlling interests		<b>15</b>	17
		<b>20</b>	(1 295)
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the parent		<b>140</b>	(1 374)
Non-controlling interests		<b>64</b>	17
		<b>204</b>	(1 357)



## Consolidated Statement of Changes in Equity (unaudited)

	Share capital, share Premium and warrants 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)/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)
<b>Balance at 28 March 2015</b>	<b>2 155</b>	<b>20</b>	<b>(76)</b>	<b>8</b>	<b>(16 318)</b>	<b>8 311</b>	<b>146</b>	<b>(5 754)</b>
Profit for the period					5		15	20
Other comprehensive income for the period		54	81				49	184
Total comprehensive income		54	81		5		64	204
Warrants issued	135							135
Balance at 26 December 2015	2 290	74	5	8	(16 313)	8 311	210	(5 415)

## Consolidated Quarterly Statement of Cash Flows (unaudited)

	2015 13 weeks to 26 December Rm	2014 13 weeks to 27 December Rm
<b>Cash retained from operating activities</b>		
Profit/(loss) before taxation from continuing operations	2 809	(77)
Profit/(loss) before taxation from discontinued operations	18	(20)
Finance income	(16)	(4)
Finance costs	958	860
Impairment of intangibles	70	
Derivative losses	159	129
Deferred revenue – loyalty programme	8	(7)
Foreign exchange losses <sup>1</sup>	913	40
Fair value adjustment for put option	(10)	(36)
Amortisation of intangible assets	61	59
Depreciation	187	198
Net loss on disposal of properties, fixtures, equipment and vehicles	3	21
Onerous leases	(2)	2
Net gain on Exchange Offer	(4 359)	
Losses/(gains) from associates	6	(8)
Other non-cash items	43	112
<b>Operating cash inflow before changes in working capital</b>	<b>848</b>	<b>1 269</b>
Working capital movement	508	1 421
Increase in inventories	(217)	(224)
Increase in trade accounts receivable	(26)	(84)
Proceeds from sale of trade accounts receivable	29	
(Increase)/decrease in sundry receivables and prepayments	(51)	52
Increase in trade and other payables	773	1 677
<b>Cash inflow from operating activities</b>	<b>1 356</b>	<b>2 690</b>
Finance income received	13	-
Financing costs paid	(298)	(188)
Taxation paid	(32)	(46)
<b>Net cash inflow from operating activities</b>	<b>1 039</b>	<b>2 456</b>
<b>Cash utilised in investing activities</b>		
Investment in property, plant and equipment	(155)	(370)
Investment in associates	67	
Other investing activities		(1)
<b>Net cash outflow from investing activities</b>	<b>(88)</b>	<b>(371)</b>
<b>Cash effects of financing activities</b>		
Decrease in current interest-bearing debt	(3 781)	(1 297)
Increase in non-current interest-bearing debt	4 833	24
Settlement of derivatives	1 330	826
Settlement of deferred option premium	(997)	(599)
Decrease in finance lease liability	(12)	(8)
<b>Net cash inflow from financing activities</b>	<b>1 373</b>	<b>(1 054)</b>
<b>Increase in cash and cash equivalents</b>	<b>2 324</b>	<b>1 031</b>
Cash and cash equivalents at the beginning of the period	1 544	492
Currency adjustments	(10)	(6)
<b>Cash and cash equivalents at the end of the period</b>	<b>3 858</b>	<b>1 517</b>

<sup>1</sup> Includes realised foreign exchange losses of R 36 million for the period ended 26 December 2015 (27 December 2014 :R5 million)

## Consolidated Year-to-Date Statement of Cash Flows (unaudited)

	2015 39 weeks to 26 December Rm	2014 39 weeks to 27 December Rm
<b>Cash retained from operating activities</b>		
Loss before taxation from continuing operations	(996)	(1 462)
Profit before taxation from discontinued operations	41	3
Finance income	(39)	(12)
Finance costs	3 092	2 555
Impairment of intangibles	127	
Derivative (gains)/losses	(740)	414
Deferred revenue – loyalty programme	13	(52)
Foreign exchange losses/(gains) <sup>1</sup>	3 987	(60)
Fair value adjustment for put option	(29)	(40)
Amortisation of intangible assets	181	185
Depreciation	567	598
Net loss on disposal of properties, fixtures, equipment and vehicles	11	27
Onerous leases	1	55
Net gain on Exchange Offer	(4 477)	
Losses/(gains) from associates	10	(32)
Other non-cash items	83	174
<b>Operating cash inflow before changes in working capital</b>	<b>1 832</b>	<b>2 353</b>
Working capital movement	1 170	2 048
Increase in inventories	(550)	(176)
Decrease/(increase) in trade accounts receivable	3	(97)
Proceeds from sale of trade accounts receivable	29	314
(Increase)/decrease in sundry receivables and prepayments	(205)	37
Increase in trade and other payables	1 893	1 970
<b>Cash inflow from operating activities</b>	<b>3 002</b>	<b>4 401</b>
Finance income received	29	6
Financing costs paid	(1 527)	(1 827)
Taxation paid	(69)	(114)
<b>Net cash inflow from operating activities</b>	<b>1 435</b>	<b>2 466</b>
<b>Cash utilised in investing activities</b>		
Investment in property, plant and equipment	(510)	(813)
Proceeds on disposal of property, fixtures, equipment and vehicles		132
Investment in associates	(8)	
Acquisition of subsidiaries	(7)	(2)
Other investing activities		(1)
<b>Net cash outflow from investing activities</b>	<b>(525)</b>	<b>(684)</b>
<b>Cash effects of financing activities</b>		
Decrease in current interest-bearing debt	(3 763)	(886)
Increase in non-current interest-bearing debt	5 172	28
Settlement of derivatives	1 330	826
Settlement of deferred option premium	(1 047)	(599)
Decrease in finance lease liability	(25)	(34)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>1 667</b>	<b>(665)</b>
<b>Increase in cash and cash equivalents</b>	<b>2 577</b>	<b>1 117</b>
Cash and cash equivalents at the beginning of the period	1 288	410
Currency adjustments	(7)	(10)
<b>Cash and cash equivalents at the end of the period</b>	<b>3 858</b>	<b>1 517</b>

<sup>1</sup>. Includes realised foreign exchange losses of R 36 million for the period ended 26 December 2015 (27 December 2014 :R21 million)

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

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### **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 28 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 December 2014, a contract in terms of which the nature and arrangement thereof, relating to inventories, was assessed as being "off-balance sheet". 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 December 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 December 2015, inventories and trade and other payables have been restated by R108 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 39-weeks ended 27 December 2014 have likewise been restated by R26 million and R108 million respectively.

##### **Reclassifications**

Consumables previously were reported in sundry receivables and prepayments. These are now reported in inventories as at 26 December 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 R17 million and R19 million as at 27 December 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 39-weeks ended 27 December 2014 have likewise been restated by R1 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 December 2014 and 28 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 December 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 R63 million and R57 million as at 27 December 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 39-weeks ended 27 December 2014 have likewise been restated by R8 million and R32 million respectively.

**Significant movements in the Consolidated Statement of Financial Position**

**Trade and other payables**

Trade and other payables increased by R2,561 million from R5,837 million at 28 March 2015 to R8,558 million at 26 December 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 R336 million relating to fees received not yet recognised in profit and loss.

**Derivative financial instruments**

The Group's net derivative financial instruments at 26 December 2015 were an asset of R68 million compared to an asset of R713 million at 28 March 2015. The decrease is as a result of the debt refinancing initiative executed in November and December 2015, which resulted in certain derivative instruments being early amended or terminated with proceeds of R1,330 million realised.

**Interest-bearing debt**

The current interest-bearing debt decreased by R2,733 million from R2,964 million at 28 March 2015 to R231 million at 26 December 2015 due to increased cash on hand during the peak trading period.

Non-current interest-bearing debt increased by R4,439 million from R21,486 million at 28 March 2015 to R25,925 million at 26 December 2015 mainly due to the Revolving Credit Facility being converted to a Super Senior RCF term loan of R3,417 million, due 31 December 2017.

The Exchange Offer was concluded on 27 November 2015 which reduced non-current interest-bearing debt by R4,548 billion, offset by significant exchange losses incurred during the period to 26 December 2015.

The R1,010 million floating rate notes due 4 April 2016, were settled as well as the Super Senior Liquidity Facility through the raising of EUR123 million Super Senior Refinancing Facility due 31 December 2019, as part of the debt refinancing concluded during November and December 2015.

Certain deferred option premiums were settled during December 2015 and the remainder accounted for as a ZAR Super Senior Hedging debt of R657 million within non-current interest-bearing debt, due 31 December 2017.

**1. Basis of preparation *(continued)***

**Going concern**

The Consolidated Statement of Financial Position at 26 December 2015 reports share capital, share premium and warrants of R2,290 million (28 March 2015 and 27 December 2014: R2,155 million respectively) in equity attributable to shareholders and a shareholder's loan recognised in equity of R8,311 million (28 March 2015 and 27 December 2014: R8,311 million) offset by an accumulated retained loss of R16,313 million (28 March 2015: R16,318 million and 27 December 2014: R15,626 million) and a net credit of R87 million (28 March 2015: net debit of R48 million and 27 December 2014: net credit of R55 million) in other reserves, resulting in negative equity attributable to shareholders at 26 December 2015 of R5,625 million (28 March 2015: R5,900 million and 27 December 2014: R5,105 million). After considering non-controlling interests of R210 million (28 March 2015: R146 million and 27 December 2014: R110 million), total equity of the Group is a deficit of R5,415 million (28 March 2015: R5,754 million and 27 December 2014: R4,995 million).

The shareholder's loan of R9,139 million (28 March 2015: R9,152 million and 27 December 2014: 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 at 26 December 2015 is R4,587 million (28 March 2015: R4,913 million and 27 December 2014: 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 exceeds the liabilities.

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. Other capital raising or strategic initiatives may include sales of non-core assets, privately negotiated transactions with current or future debt holders, securitisations, sale and leaseback transactions, sales of business divisions, outsourcing, strategic alliances or additional borrowings. Management takes into consideration the available funding capacity under the super senior borrowing basket, senior secured borrowing basket, securitisation borrowing basket and general debt basket; the ability of the Group to sell 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 Group's ability to realise assets at their recognised values, in particular goodwill and other intangible assets and to extinguish liabilities in the normal course of business at the amounts stated in these Interim Consolidated Financial Statements.

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

	2015 39 weeks 26 December Rm	2014 39 weeks 27 December Rm
<b>2. SEGMENTAL RESULTS</b>		
<b>2.1 Revenues</b>		
Edgars	11 325	11 263
CNA	1 354	1 488
Discount	8 563	8 718
Edgars Zimbabwe <sup>1</sup>	658	555
Manufacturing	152	123
Credit and Financial Services	831	758
Group Services	39	12
	<b>22 922</b>	<b>22 917</b>
<b>2.2 Retail sales</b>		
Edgars	11 060	11 020
CNA	1 354	1 487
Discount	8 401	8 557
Edgars Zimbabwe <sup>1</sup>	551	521
	<b>21 366</b>	<b>21 585</b>
<b>2.3 Number of stores</b>		
Edgars	562	535
CNA	200	197
Discount	736	720
Edgars Zimbabwe <sup>1</sup>	53	53
	<b>1 551</b>	<b>1 505</b>
<b>2.4 Operating profit from continuing operations</b>		
Edgars	995	1 166
CNA	(112)	5
Discount	920	1 029
Edgars Zimbabwe <sup>1</sup>	65	58
Manufacturing	11	(9)
Credit and Financial Services	874	771
Group Services <sup>2</sup>	(1 023)	(1 939)
	<b>1 730</b>	<b>1 081</b>

<sup>1</sup> Edgars Zimbabwe is disclosed as a separate segment as the business activities are measured separately.

<sup>2</sup> 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 39 weeks 26 December Rm	2014 39 weeks 27 December Rm
<b>3. REVENUES</b>		
Retail sales	21 366	21 585
Club fees	437	403
Finance charges on trade receivables	142	70
Share of profits from insurance business	549	514
Finance income	39	12
Administration fee	237	210
Manufacturing sales to third parties	152	123
	<b>22 922</b>	<b>22 917</b>
<b>4. SHARE OF PROFITS OF ASSOCIATES</b>		
Share of profits from insurance business	549	514
Share of losses from other associates	(2)	
	<b>547</b>	<b>514</b>
<b>5. DISCONTINUED OPERATIONS</b>		

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

The 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. During November 2015, the Group concluded the sale of various debtors for R29 million of which approximately 30% of such trade debtors were previously classified as held-for-sale.

The results of the discontinued operation are as follows:

	2015 13 weeks 26 December Rm	2014 13 weeks 27 December Rm	2015 39 weeks 26 December Rm	2014 39 weeks 27 December Rm
<b>Total revenues</b>	<b>25</b>	24	<b>80</b>	97
Income from credit	25	24	80	97
Expenses from credit	(7)	(44)	(39)	(94)
<b>Trading profit before taxation</b>	<b>18</b>	(20)	<b>41</b>	3
Taxation	(5)	5	(11)	(1)
<b>Profit for the period</b>	<b>13</b>	(15)	<b>30</b>	2



**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:

	<b>Total Rm</b>
<b>26 December 2015</b>	
<b>Financial assets</b>	
Foreign currency forward contracts	<b>10</b>
Foreign currency call options	<b>78</b>
<b>Total financial assets</b>	<b>88</b>
<b>Financial liabilities</b>	
Option liability	<b>44</b>
Foreign currency forward contracts	<b>19</b>
Cross currency swaps	<b>1</b>
<b>Total financial liabilities</b>	<b>64</b>
<b>28 March 2015</b>	
<b>Financial assets</b>	
Foreign currency call options	816
<b>Total financial assets</b>	<b>816</b>
<b>Financial liabilities</b>	
Option liability	73
Foreign currency forward contracts	24
Cross currency swaps	79
<b>Total financial liabilities</b>	<b>176</b>
<b>27 December 2014</b>	
<b>Financial assets</b>	
Cross currency swaps	13
Foreign currency call options	1 006
<b>Total financial assets</b>	<b>1 019</b>
<b>Financial liabilities</b>	
Option liability	27
Foreign currency forward contracts	7
Cross currency swaps	62
<b>Total financial liabilities</b>	<b>96</b>

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 initially recognised at fair value and are reported at the exchange rate ruling at the reporting date. The market values at 26 December 2015 for the listed notes was R10,451million (28 March 2015: R9,833 million and 27 December 2014: R11,312 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 December 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 December 2015.

**7. EVENTS AFTER THE REPORTING DATE**

Independent non-executive director, DH Brown resigned effective 31 December 2015, as a result of increased time commitments from other companies.

KDM Warburton has been appointed as an independent non-executive director, effective 1 February 2016.

During January 2016, R171 million of the ZAR Super Senior RCF term loan was paid.

## Corporate Information

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### 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 Ebrahim<sup>†</sup>, RB Daniels\*, M Osthoff\*\*\* (appointed 1 April 2015), DH Brown<sup>†</sup> (resigned 31 December 2015), TF Mosololi<sup>†</sup>, LL von Zeuner<sup>†</sup> (resigned 10 December 2015), J Schreiber\*\*\* (with effect from 18 August 2015), KDM Warburton<sup>†</sup> (with effect from 1 February 2016).

### Executive directors

BJ Brookes \*\*\*\* (Managing Director and Chief Executive Officer, appointed 30 September 2015), Dr U Ferndale and RB 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

<sup>†</sup> Independent Non – Executive Director

### Group Secretary

CM Vikisi

### Registered office

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Fax: +27 11 837-5019  
Web site: [www.edcon.co.za](http://www.edcon.co.za)

### Postal address

PO Box 100, Crown Mines, 2025

### Auditors

Deloitte & Touche  
Buildings 1 and 2, Deloitte Place, The Woodlands  
20 Woodlands Drive, Woodmead, 2052  
Private Bag X6, Gallo Manor, 2052  
Telephone: +27 11 806-5000  
Fax: +27 11 806-5111

### Trustee, Transfer Agent and Principal Paying Agent

The Bank of New York Mellon Limited  
1 Canada Square  
London E14 5AL  
United Kingdom

### Listing Agent & Irish Paying Agent

The Bank of New York Mellon (Ireland) Limited  
Hanover Building,  
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Telephone: + 353 1 900 6991