21 February 2017

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 24 DECEMBER 2016

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 26 December 2015 and the three-month period ended 24 December 2016. Unless the context requires otherwise, references in this notice to (i) "third quarter 2016" and "third quarter 2017" shall mean the 13-week period ended 26 December 2015 and the 13-week period ended 24 December 2016, respectively and (ii) "fiscal 2016" and "fiscal 2017" shall mean the 52-week period ended 26 March 2016 and the 52-week period ending 25 March 2017, respectively.

Following the full implementation of the previously announced changes to our reporting structure, which shows the realignment of our operational divisions to accomplish the objectives laid out in our new strategic plan starting with the first quarter 2017, throughout these reports Edgars refers to the Edgars division, which comprises our Edgars stores, Discount refers to the Discount division, which comprises our Jet and Jet Mart stores, and the Specialty division comprises of our CNA, Red Square, Boardmans, Edgars Active, Edgars Shoe Gallery, Legit and our Mono-branded stores. As a result of the implementation of this new reporting structure, our divisional results for the third quarter 2017 are not directly comparable for our divisional results for fiscal year 2016.

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 2016, 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 2017 compared to the third quarter 2016:

- Debt Restructure finalised, new ownership, appointment of new board for newly formed Group and balance sheet no longer laden with debt
- Retail sales declined by 2.8% to R8,441 million
- Retail cash sales increased by 0.7%
- Retail credit sales decreased by 8.7%
- Controllable costs continue to be well managed
- Adjusted EBITDA decreased by 16.3% to R963 million
- Excluding the one-off net gain realised as a result of the Group's Exchange Offer concluded in the third quarter 2016, the net loss for the period would have decreased by R732 million from R1,092 million to R360 million

Introduction

The overall trading environment remained challenging during the current quarter as macro-economic factors continue to weigh on consumers, and the Group faced increased competition from established market participants and new market entrants. Furthermore, the Group's ability to grant new credit and increase credit limits of existing customers remains restricted as a result of the new credit affordability regulations which were implemented by the National Credit Regulator in fiscal 2016.

While adjusted EBITDA decreased by R188 million or, 16.3% from R1,151 million in the third quarter 2016, to R963 million in the third quarter 2017, the current quarter performance was not as weak as the first two trading quarters in fiscal year 2017 which were severely affected by the aggressive clearance of aged inventory. Retail sales decreased by 2.8% to R8,441 million in the third quarter 2017 from R8,685 million in the third quarter 2016. Credit sales decreased by 8.7% whilst cash sales increased by 0.7% compared to the third quarter 2016. Retail sales in October and November of the current quarter were below expectations whilst trading in December 2016 improved and was better than expected albeit still below the trading performance for the prior year. Ahead of the December trading period, we implemented peak trading initiatives which focused on boosting cosmetics sales, providing a competitive offering on back-to-school, accelerating store optimisations and improving in-store service levels. Additionally, our initiatives included aggressive marketing campaigns promoting our new strategic offering and service levels, special buys and store incentive initiatives to drive credit account openings, credit limit uptakes and utilisation which, all contributed to the December trading month retail sales performance.

As a result of our credit initiatives during the third quarter 2017 and following a revised arrangement with Absa whereby Absa is to book approximately 20% of new credit accounts with the balance of new credit accounts being funded by the Group, our in-house trade receivables book at 24 December 2016 was R330 million, up R153 million compared to the R177 million as at 24 September 2016 and up R185 million from R145 million as at 26 December 2015. Credit sales contributed 35.3% of total retail sales for the third quarter 2017, a decrease of 2.3%, from 37.6% in the third quarter 2016.

As a result of markdown activity in line with the third quarter 2016 and the introduction of competitive entry price points, the gross profit margin for the third quarter 2017 was 34.4%, down 310 bps from 37.5% in the third quarter 2016. This was a planned strategy to win back customers.

Following previous announcements, on 1 February 2017, the Group completed the court-sanctioned comprehensive restructuring (the "Restructuring") of its existing capital structure pursuant to which some of the Group's existing creditors exchanged their entire debt claims against the Group for a mix of new debt issued by the newly-formed holding companies of the new Group and shares in that Group. The Restructuring included a transfer of control over

the Group's operating companies from Edcon (BC) S.A.R.L, which was indirectly owned by the Group's former majority shareholder, Bain Capital, to certain of the Group's existing creditors.

Trading review

Key operational data

	(unaudited) Retail sales growth (%)				(unaudited) Gross profit margin (%)		
	Q3:FY16 Actual	*Q3:FY17 Actual*	*Q3:FY16 LFL[(1)]*	*Q3:FY17 LFL[(1)]*	*Q3:FY16 Actual*	*Q3:FY17 Actual*	*Pts change[(2)]*
Edgars	(2.0)	(2.5)	(3.2)	(3.1)	42.4	38.6	(3.8)
Discount	(2.1)	(4.9)	(3.3)	(3.8)	34.1	32.2	(1.9)
Specialty	(0.1)	(0.4)	(3.6)	(1.5)	33.2	29.2	(4.0)
Edgars Zimbabwe[(3)]	(6.1)	0.5	3.3	2.7	45.2	41.0	(4.2)
Total	(1.7)	(2.8)	(3.2)	(2.9)	37.5	34.4	(3.1)

	Q3:FY16 Actual	*Q3:FY17 Actual*	*% change*
Total number of stores	1 551	1 545	(0.4)
Average retail space ('000 sqm)	1 614	1 600	(0.9)
Customer credit accounts ('000s)[(4)]	3 273	2 891	(11.7)

(1) Like-for-like sales (same store sales).
(2) Q3:FY17 % change on Q3:FY16.
(3) On a constant currency basis retail sales decreased 7.1% and LFL growth was negative 7.1% in Q3:FY17.
(4) Excludes Edgars Zimbabwe customer credit accounts Q3:FY17 of 165 000 and Q3:FY16 of 175 000.

Edgars

Retail sales in the Edgars division decreased by R87 million or, 2.5% from R3,552 million in the third quarter 2016 to R3,465 million in the third quarter 2017. Despite tough trading conditions, retail sales were flat for the November and December 2016 periods, up from the negative 8.3% in October 2016 compared to the same periods in the third quarter 2016. Trading across all apparel categories improved when compared to the first half of the 2017 fiscal year. Edgars cash sales increased 4.8% over the third quarter 2016 whilst credit sales decreased by 10.2% over the same period. While credit sales in the Edgars division decreased compared to the third quarter 2016, the rate of decline has improved when compared to the first two quarters of the current financial period. Same store sales decreased by 3.1% compared to the third quarter 2016. The new strategies adopted are starting to show clear benefits to our customers and top line sales performance.

Average space decreased by 0.3% to 725,000 square meters when compared to the third quarter 2016. During the third quarter 2017 we opened 2 Edgars stores and closed 2 Edgars stores, bringing the total number of stores in the Edgars division to 206.

Gross margin was 38.6% for the third quarter 2017, a planned decrease from 42.4% for the third quarter 2016. The decrease is primarily due to a focus on competitive entry price points and discounts offered to customers in the form of a gift card during the month of December 2016 of which only approximately half of the discount cost had materialised in the form of sales by the end of the third quarter 2017 as a result of which, the gross margin was negatively affected by approximately 0.4%.

Discount

The Discount division continues to be negatively affected by declining credit sales as credit sales decreased by 9.2% compared to the third quarter 2016 whilst cash sales decreased by 3.0% due to customers in our Discount division being more susceptible to difficult macroeconomic circumstances. Total retail sales decreased by R151 million, or 4.9%, from R3,101 million in the third quarter 2016, to R2,950 million in the third quarter 2017. Same store sales decreased by 3.8%. Ladieswear grew positively when compared to the third quarter 2016 whilst the remaining categories continued to trade negatively.

Average space decreased by 1.7% to 579,000 square meters compared to the third quarter 2016. During the quarter, we opened 5 Jet stores and closed one Jet store, bringing the total number of stores in the Discount division to 522.

Gross profit margin decreased to 32.2% in the third quarter 2017 from 34.1% in the third quarter 2016 as better entry price points have not yet delivered the desired retail sales uplift in volume of units sold. However, we have significantly enhanced our price perception and consumer franchise. Markdown activity was in line with that of the third quarter 2016, negatively affecting the gross profit margin.

Specialty

Total retail sales for the third quarter 2017 was R1,838 million, a decrease of R7 million, or 0.4% compared to retail sales of R1,845 million in the third quarter 2016. Credit sales decreased by 4.7% whilst cash sales increased by 1.1%. Ladieswear, menswear, childrenswear, cosmetics and homewear reported positive sales growths compared to the third quarter 2016 whilst footwear, cellular, reading, stationery and entertainment and digital underperformed. Same store sales decreased by 1.5%.

Average store space decreased by 0.4% to 257,000 square meters compared to the third quarter 2016. During the quarter, we opened five Edgars Active stores, one Red Square store, two CNA stores (includes one Samsung store) and two mono-branded stores and closed one Edgars Active store, two Shoe Gallery stores, two Legit stores, five CNA stores and five mono-branded stores, bringing the total number of stores in the Specialty division to 768.

Aggressive markdown and clearance activity across the division's formats, particularly in Boardmans, CNA and mono-brands, resulted in a decrease in gross margin by 4.0% from 33.2% in the third quarter 2016 to 29.2% in the third quarter 2017 as the division faced aggressive competition pricing activity. Clearance activity in our mono-branded stores is in line with the Specialty division's strategic plan to exit non profitable international brands as well as providing for the related aged inventory with respect to the exit of those brands.

Africa

Sales from countries other than South Africa decreased by 1.4% compared to the third quarter 2016, and contributed 10.6% (8.6% excluding Zimbabwe) of retail sales for the third quarter 2017, slightly up from 10.5% (8.5% excluding Zimbabwe) in the third quarter 2016. Mozambique, Zambia and Ghana reported positive growths in their respective local currencies (but Mozambique negatively affected results once converted to Rand) whilst Zimbabwe remained flat compared to the third quarter 2016 and Botswana and Lesotho reported negative retail sales growth. Edcon now has 211 stores outside of South Africa (including 49 in Zimbabwe).

Credit and financial services

At 24 December 2016, excluding Edgars Zimbabwe, we had 382,000 fewer credit customers compared to the third quarter 2016. On a twelve month rolling basis, credit sales (excluding Zimbabwe) decreased from 39.0% of total retail sales in the third quarter 2016 to 36.5% in the third quarter 2017. The Group continued to be affected by the affordability regulations implemented in fiscal 2016 by the National Credit Regulator particularly with respect to

increasing credit limits with customers. During the third quarter 2017, the Group implemented its new arrangement with Absa whereby, Absa books approximately 20% of new accounts with the balance of credit accounts being funded by the Group. Edcon's in-house trade receivables book at 24 December 2016 was R330 million, up R185 million from R145 million as at 26 December 2015 and had increased by R153 million compared to the R177 million as at 24 September 2016. While our credit initiatives implemented in the third quarter 2017 were successful in increasing credit sales on new accounts opened, total credit sales was lower due to fewer existing customers making use of their available store card facilities. We believe that our new arrangement with Absa will take a period of time to drive new credit customers and number of credit accounts back to acceptable levels.

Edcon's share of the profits from the insurance business increased by R75 million or, 61.5% from R122 million for the third quarter 2016 to R197 million for the third quarter 2017. This increase is as a result of the R151 million early dividend which was received in the second quarter of fiscal 2016 which increased the profits from the insurance business in that quarter and reduced the profits in the third and fourth quarter of fiscal 2016. Excluding the impact of the early dividend, the profits from the insurance business increased by R18 million driven by new account openings over the third quarter 2017.

Financial review

Summary financial information

Rm	Third quarter (unaudited) 2016	2017	% change
Total revenues[(1)]	9 163	8 978	(2.0)
Retail sales	8 685	8 441	(2.8)
Gross profit	3 259	2 901	(11.0)
Gross profit margin (%)	37.5	34.4	(3.1 pnt)
Adjusted EBITDA[(2)]	1 151	963	(16.3)
Pro forma adjusted EBITDA[(2)]	1 089	900	(17.4)
Capital expenditure	167	236	41.3
Net debt including cash and derivatives	22 621	24 746	9.4
LTM adjusted EBITDA	2 623	1 561	(40.5)
LTM pro forma adjusted EBITDA	2 465	1 475	(40.2)
Net debt/LTM adjusted EBITDA (times)	8.6x	15.9x	7.3x
Net debt/LTM pro forma adjusted EBITDA (times)	9.2x	16.8x	7.6x

(1) Q3:FY16 has been re-presented as a result of ceasing to classify the trade receivables card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale.
(2) See table on page 9 which reconciles trading profit/loss to adjusted EBITDA and proforma adjusted EBITDA.

Revenues

Total revenues decreased by R185 million, or 2.0% from R9,163 million in the third quarter 2016 to R8,978 million in the third quarter 2017 due to weaker sales which decreased by R244 million compared to the prior period. Retail sales decreased primarily as a result of weak credit sales, which decreased by 8.7% compared to the prior period, while cash sales increased by 0.7%. Retail sales were negatively affected by the tough trading environment caused by adverse macro-economic conditions which continue to weigh on consumers. Additionally, the Group faced aggressive competition through additional promotional activities on offer. Club fees decreased by R13 million mainly in the Edgars division as the new club membership drive was insufficient to curb club membership exits. The Absa administration fee decreased by R17 million due to a lower number of credit accounts and finance charges on trade receivables declined slightly by R1 million due to a reduction in the interest rate charged. The decrease in retail sales, club fees and the Absa administration fee was offset by an increase of R75 million from the share of profits from the insurance business as a result of the R151 million early dividend which was received in the second quarter of fiscal 2016, a R7 million increase in finance income and an R8 million increase in sales to third parties by the Manufacturing division.

Retail gross profit

Gross profit margin declined by 310 bps from 37.5% in the third quarter 2016 to 34.4% in the third quarter 2017. The decline in the gross profit margin was due to planned better entry price points introduced across all divisions as well as additional discounts offered to Edgars customers during the quarter for which the full retail sales benefit will only be realised during the fourth quarter of 2017. Additionally, our margin was negatively affected by aggressive markdown and clearance activity in the Specialty division with the goal to clear international brands for exit in line with the Group's strategy as well as providing for the international brands aged inventory.

Pro forma adjusted EBITDA

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

	Third quarter (unaudited)		
Rm	*2016*	*2017*	*% change*
Trading profit[(1)]	781	253	(67.6)
Depreciation and amortisation	248	234	
Net asset write off[(2)]	3	10	
EBITDA losses/(gains) from Edgars Shoe Gallery[(3)]	(1)	1	
EBITDA losses from brands exited[(4)]	4	55	
Non-recurring costs[(5)]	116	410	
Adjusted EBITDA	1 151	963	(16.3)
EBITDA losses from brands planned to be exited[(6)]	4	9	
Legit EBITDA[(7)]	(66)	(72)	
Pro forma adjusted EBITDA	1 089	900	(17.4)

(1) Q3:FY16 has been re-presented as a result of ceasing to classify the trade receivable card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale.
(2) Relates to assets written off in connection with store conversions, net of related proceeds.
(3) The Group is exiting the Edgars Shoe Gallery retail format. This adjustment removes the EBITDA profit or loss generated from the Shoe Gallery formats.
(4) Adjustment to remove the EBITDA gain or loss from certain brands being Express, Geox, Lucky Brand, One Green Elephant, Tom Tailor and a number of other international brands which the Group is strategically exiting.
(5) Relates to transitional project related expenditure in Q3:FY17 of R55 million, strategic initiative costs in Q3:FY17 of R370 million of which, R319 million relates to the transaction with creditors (Q3:FY16: R78 million was incurred for strategic initiatives), a R42 million credit in Q3:FY17 which reverses a prior provision raised in fiscal 2016 relating to a penalty which has not materialised, R7 million in Q3:FY17 relating to brand penalty cost incurred and a non-recurring cost of R20 million incurred in respect of our agreement with Absa. In Q3:FY16, the non-recurring costs additionally included, R7 million head office restructure costs, a R33 million lease cost adjustment and an onerous lease credit of R2 million.
(6) The Group has strategically identified an additional international brand it has planned to exit. This adjustment reflects the EBITDA profit or loss associated with this brand.
(7) EBITDA relating to the Legit business which during the second quarter of 2017, the Group announced it has agreed to sell.

Pro-forma adjusted EBITDA is included in the table above to exclude the EBITDA gains or losses associated with the Legit business sale announced on 15 September 2016 as well as an additional brand identified for a planned exit.

As at 26 March 2016, the Group ceased to classify the trade receivables store card portfolio in Lesotho, Namibia, Botswana and Swaziland as held for sale on the Statement of Financial Position in the consolidated financial statements as a buyer could not be found at an acceptable price. Consequently, the Group no longer reports a pro-forma adjustment to EBITDA for discontinued operations, which reported normalised earnings on the basis of 100% of the trade receivables book accounted for as though all trade accounts receivable which were previously classified as held-for-sale had been sold and the Group had earned a fee similar to that under the Absa relationship. In addition, the Group has taken a strategic decision to exit certain international brands including Express, Geox, Lucky Brand, One Green Elephant, Tom Tailor and others. Adjusted EBITDA relating to each of these brands has been restated for the third quarter of 2016 to exclude the adjusted EBITDA relating to these brands.

The table below reconciles previously reported pro-forma adjusted EBITDA in the third quarter 2016 to pro-forma adjusted EBITDA reported above:

	Third quarter (unaudited)
Rm	*2016*
Pro-forma adjusted EBITDA previously reported[(1)]	1 127
Net income from previous card programme[(2)]	28
Net income from new card programme[(3)]	(7)
Adjusted EBITDA previously reported[(1)]	1 148
EBITDA losses from brands exited[(4)]	4
EBITDA gains from Edgars Shoe Gallery[(5)]	(1)
Adjusted EBITDA[(6)]	1 151

(1) Q3:FY16 has been re-presented as a result of ceasing to classify the trade receivables card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale.
(2) Net income/(loss) derived from 100% of the trade receivables including finance charges revenue, bad debts and provisions added back as no longer accounted for as a discontinued operation.
(3) Pro-forma fee earned by Edcon under the new arrangement with Absa, based on 100% of the trade receivables book, now excluded as the Group ceased to classify the trade receivables store card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale.
(4) Adjustment to remove the EBITDA gain or loss from certain brands being Express, Geox, Lucky Brand, One Green Elephant, Tom Taylor and other international brands which the Group is strategically committed to exit.
(5) The Group is exiting the Edgars Shoe Gallery retail format. This adjustment removes the EBITDA profit or loss generated from the Shoe Gallery formats.
(6) Adjusted EBITDA as reported above.

Costs

Rm	Third quarter (unaudited) 2016	2017	% change
Store costs	1 795	1 813	1.0
Other operating costs(1)	918	877	(4.5)
Store card credit administration costs(2)	111	62	(44.1)
Non-recurring costs(3)	116	410	253.5

(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 transitional project related expenditure in Q3:FY17 of R55 million, strategic initiative costs in Q3:FY17 of R370 million of which, R319 million relates to the transaction with creditors (Q3:FY16: R78 million was incurred for strategic initiatives), a R42 million credit in Q3:FY17 which reverses a prior provision raised in fiscal 2016 relating to a penalty which has not materialised, R7 million in Q3:FY17 relating to brand penalty cost incurred and a non-recurring cost of R20 million incurred in respect of our agreement with Absa. In Q3:FY16, the non-recurring costs additionally included, R7 million head office restructure costs, a R33 million lease cost adjustment and an onerous lease credit of R2 million.

Total store costs remain well managed with store costs increasing by only R18 million, or 1.0%, from R1,795 million in the third quarter 2016, to R1,813 million in the third quarter 2017. Manpower costs were up 8.4% compared to the third quarter 2016, primarily due to increases and staffing stores to achieve our strategic service delivery, whilst stock losses decreased by 19.4%, partially offsetting the increase in manpower costs. Rental and manpower costs constituted 62.6% of total costs for the third quarter of 2017.

Other operating costs, excluding non-recurring and store card credit administration costs, decreased by R41 million, or 4.5%, from R918 million in the third quarter 2016 to R877 million in the third quarter 2017. This decrease is attributable to a decrease in fees due to a Bain Capital affiliate which have not been incurred in the third quarter 2017 as well as lower manpower costs following the restructuring of our head office which we concluded in the fourth quarter of fiscal year 2016.

Non-recurring costs increased in the third quarter 2017 to R410 million, from R116 million for the third quarter 2016 due to various strategic initiatives during the quarter of which R319 million relates to costs incurred with respect to the transaction with creditors announced on 20 September 2016. For more details, refer to the table above.

Depreciation and amortisation

The depreciation and amortisation charge for the third quarter 2017 decreased by 5.7% to R234 million from R248 million in the third quarter 2016 due to a reduction in the depreciation charge to profit and loss relating to information technology (“IT”) capital expenditure which has declined over the past three years.

Net financing costs

Rm	Third quarter (unaudited) 2016	2017	% change
Interest received	16	23	
Financing costs	(958)	(958)	
Net financing costs	(942)	(935)	(0.7)

Net financing costs decreased by R7 million, or 0.7%, from R942 million in the third quarter 2016 to R935 million in the third quarter 2017. This decrease relates to additional interest income earned on cash deposits with banks over the third quarter of 2017. Financing costs were in line with that reported in the third quarter 2016. The financing costs were positively affected by the movement in exchange rates, the refinancing following completion of the Exchange Offer and the redemption of the ZAR1,010 million super senior floating rate notes on 4 January 2016. These positive affects have been negated by the bridging finance secured on 8 July 2016 as well as higher finance costs on the ZAR term loan as a result of interest capitalised thereon.

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 fluctuating Rand.

	Third quarter (unaudited)		
Rm	*2016*	*2017*	% change
Derivative losses	(159)	(5)	
Foreign exchange losses	(877)	455	
Fair value adjustment for put option	10		
Net movement	(1 026)	450	143.9

Edcon manages its foreign exchange risk on liabilities on an ongoing basis. At the end of the third quarter 2017, 29% of the Group's total gross debt is hedged by virtue of it being denominated in local currency, whilst 71% is unhedged. The net positive exchange movement during the third quarter 2017 is the result of the Rand appreciating against the Euro from EUR:R15.20 as at 24 September 2016 to EUR:R14.67 as at 24 December 2016 offset by the Rand depreciating against the U.S. dollar from USD:R13.55 to USD:R14.05 during the same period. The Rand has strengthened when compared to the third quarter 2016, appreciating against the Euro from EUR:R16.76 to EUR:R14.67 and against the U.S dollar from USD:R15.28 to USD:R14.05.

Cash flow

Operating cash inflow before changes in working capital decreased by R313 million from R842 million in the third quarter 2016 to R529 million in the third quarter 2017. The decrease is mainly due to a weaker trading performance, particularly in the October and November months, in the third quarter 2017 compared to the same months in the comparable quarter.

Cash inflow from working capital amounted to R1,260 million in the third quarter 2017, compared to an inflow of R582 million in the third quarter 2016, attributable to:

(i) an increase in trade receivables of R127 million as a result of our new arrangement with Absa in the third quarter 2017, compared to an increase of R26 million in the third quarter 2016 and proceeds received on the sale of certain trade receivables during the third quarter 2016 of R29 million;

(ii) an increase in sundry receivables and prepayments of R189 million in the third quarter 2017 compared to a decrease of R23 million in the third quarter 2016. The reduction in cash flow is due to an increase in amounts owing by strategic partners to the Group;

(iii) an increase in inventory of R35 million in the third quarter 2017 compared to an increase of R217 million in the third quarter 2016; and

(iv) an increase in trade and other payables of R1,611 million in the third quarter 2017 compared to an increase of R773 million in the third quarter 2016. The increase in cash flow is as a result of extended payment terms with suppliers introduced in the fourth quarter of fiscal year 2016.

Net cash inflow from operating activities increased by R306 million from an inflow of R1,107 million in the third quarter 2016 to an inflow of R1,413 million in the current quarter, mainly as a result of an increase in cash flows from working capital management as a result of extended payment terms introduced with suppliers.

Capital expenditure

Rm	Third quarter (unaudited)		
	2016[1]	*2017*	*% change*
Edgars	56	17	
Expansion[2]	*42*	*(7)*	
Refurbishment	*14*	*24*	
Discount	10	40	
Expansion[2]	*3*	*(4)*	
Refurbishment	*7*	*44*	
Specialty	30	*7*	
Expansion	*20*	*5*	
Refurbishment	*10*	*2*	
Edgars Zimbabwe	10	9	
IT	48	153	
Other corporate capex	13	10	
	167	236	41.3

(1) Q3:FY16 comparatives have been re-classified for the restructuring of the divisions.
(2) The credits in Q3:FY17 for the Edgars and Discount division expansions related primarily to contributions received from landlords received in the period exceeding expenditure incurred during the period.

Capital expenditure increased by R69 million to R236 million in the third quarter 2017, from R167 million in the third quarter 2016 mainly as a result of increased investments in our information systems infrastructure as the Group embarked on its strategy to simplify and upgrade its existing information technology infrastructure, partially offset by a lower investment in store expansions as a result of capital contributions towards store expenditure received from landlords during the quarter when compared to the third quarter of 2016. In the third quarter 2017, we opened 17 new stores which, combined with store refurbishments, resulted in investments in stores of R64 million (excluding Zimbabwe), compared to the third quarter 2016 during which we opened 33 new stores, resulting in an investment in stores of R96 million (excluding Zimbabwe). Edcon invested R153 million in information systems infrastructure in the third quarter 2017 compared to R48 million in the third quarter 2016.

The Group has planned total capital expenditure of approximately R600 – R700 million for fiscal year 2017.

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.

			Third quarter (unaudited)	
Rm[1]	**Cash**	**PIK**	*2016*	*2017*
Super senior debt				
ZAR Super Senior RCF Term Loan due 31 December 2017	*J+5.00%*	*3.00%*	3 417	3 347
EUR Super Senior Refinancing Facility due 31 December 2019[2]	*E+4.00%*	*8.00%*	1 955	1 903
ZAR Super Senior Hedging Debt due 31 December 2017	*JIBAR*	*8.00%*	657	702
EUR Super Senior Term Loan due 31 December 2017	*EURIBOR*	*8.00%*	606	576
EUR Super Senior PIK notes due 30 June 2019		*8.00%*	1 724	1 706
EUR Super Senior liquidity facility: Facility A1[3] *due 31 December 2017*	*E+4.00%*	*8.00%*		606
EUR Super Senior liquidity facility: Facility A3[3] *due 1 February 2017*	*E+4.00%*	*8.00%*		771
Senior secured debt				
ZAR term loan due 31 December 2017[4]	*J+7.00%*	*4.00%*[5]	2 976	3 460
EUR fixed rate note due 1 March 2018	*9.50%*		10 173	9 836
USD fixed rate note due 1 March 2018	*9.50%*		3 797	3 841
EUR Senior secured PIK Toggle notes due 30 June 2019	*9.75% (no toggle)*	*12.75% (toggle)*	401	477
Lease liabilities			347	315
Senior				
EUR fixed rate notes due 30 June 2022[6]		*5.00%*	48	44
Other loans[7]			402	277
Gross debt			26 503	**27 861**
Derivatives			(24)	
Cash and cash equivalents			(3 858)	(3 115)
Net debt			22 621	**24 746**

(1) FX rates at end Q3:FY16 were R15.28 :$ and R16.76:€ and at the end of Q3:FY17 were R14.05:$ (Q2:FY17 R13.55:$):and R14.67:€ (Q2:FY17 R15:20:€).
(2) Will spring to mature on the same date as the Super Senior RCF Term Loan and Super Senior LC Facility.
(3) The first and second tranche of bridge funding received, net of fees capitalised.
(4) The ZAR term loan was extended from 16 May 2017 to 31 December 2017 during fiscal year 2016.
(5) Increased from 3% to 4% from 30 June 2016.
(6) The maturity of the original 2019 Notes not tendered was extended to 30 June 2022 and the interest rate reduced to 5.0% as part of the amendments with respect to the Exchange Offer concluded in fiscal year 2016.
(7) The portion of this debt relating to Zimbabwe was R209 million in Q3:FY7 and R350 million in Q3:FY16.
(8) At the end of the period R244 million of a Super Senior LC facility was utilised for guarantees and LC's.

As at 24 December 2016, the Edcon Group reported net debt of R24,746 million, an increase of R2,125 million, from R22,621 million at 26 December 2015, mainly as a result of the Group securing bridge financing net of associated fees of R1,377 million as at 24 December 2016, denominated in U.S. dollars and Euros which was made available by a group of Noteholders and bank lenders in two tranches and a decrease in cash and cash equivalents of R743 million as at 24 December 2016 compared to cash and cash equivalents as at 26 December 2016.

Sale of Legit

On 15 September 2016, the Group agreed to the sale of its Legit business for R637 million (the "Legit Sale") to Retailability Proprietary Limited, a retail fashion holdings company which operates over 200 stores across South Africa, Namibia and Botswana (including Beaver Canoe and Style chains) and, in which Metier Private Equity is a material shareholder. The Group believes that the Legit sale is aligned with Edcon's strategic drive to create a simpler, more agile business that is focused on carefully selected offerings in which the Group believes it can add significant value.

The closing of the Legit Sale has received Competition Commission approval and all other customary closing conditions. The sale became effective on 29 January 2017.

Transaction with Creditors

Following previous announcements, on 1 February 2017, the Group completed the court-sanctioned comprehensive restructuring (the "Restructuring") of its existing capital structure pursuant to which some of the Group's existing creditors exchanged their entire debt claims against the Group for a mix of new debt issued by the newly-formed holding companies of the new Group and shares in that Group. Furthermore, the Restructuring involved a transfer of control over the Group's operating companies from Edcon (BC) S.A.R.L, which was indirectly owned by the Group's former majority shareholder, Bain Capital, to certain of the Group's existing creditors.

On 1 February 2017, the Restructuring and transfer of control, became effective following the various conditions precedent contemplated under the lock-up agreement, Restructuring and transfer of control contemplated therein. As a result, the debt in the operational company Edcon Limited within the Group post the transaction has reduced to approximately R7 billion.

Redemption of 5% PIK Senior Notes due 2022

On 1 February 2017, the 5% PIK Senior Notes due 2022 (formerly, 13.375% Senior Notes due 2019), were redeemed with a record date of 31 January 2017. The aggregate redemption price was €3,223,359.23 which comprised of the aggregate outstanding principal amount, accrued and unpaid interest and early redemption costs associated with the redemption. The redemption was conditional upon the completion of the Restructuring, which was concluded on 1 February 2017.

Consolidated Financial Statements

Edcon Holdings Limited ("Edcon")

Consolidated Statement of Financial Position (unaudited)

	2016 24 December Rm	2016 26 March Rm	2015 26 December Rm
ASSETS			
Non-current assets			
Properties, fixtures, equipment and vehicles	**3 098**	3 147	3 239
Intangible assets	**10 877**	11 054	15 859
Investment in associates	**-**	6	6
Deferred taxation	**21**	127	1 371
Employee benefit asset	**96**	96	90
Total non-current assets	**14 092**	14 430	20 565
Current assets			
Inventories	**4 750**	4 717	5 026
Trade receivables	**939**	966	590
Sundry receivables and prepayments	**1 342**	912	1 069
Derivative financial instruments			88
Cash and cash equivalents	**3 115**	1 693	3 858
	10 146	8 288	10 631
Assets classified as held-for-sale			353
Total current assets	**10 146**	8 288	10 984
Total assets	**24 238**	22 718	31 549
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Share capital & share premium	**2 155**	2 155	2 155
Warrants issued	**135**	135	135
Other reserves	**65**	66	87
Retained loss	**(25 023)**	(24 359)	(16 313)
Shareholder's loan derecognised in equity	**8 311**	8 311	8 311
	(14 357)	(13 692)	(5 625)
Non-controlling interests	**225**	254	210
Total equity	**(14 132)**	(13 438)	(5 415)
Non-current liabilities – shareholder's loan			
Shareholder's loan	**1 063**	982	828
Total equity and shareholder's loan	**(13 069)**	(12 456)	(4 587)
Non-current liabilities – third parties			
Interest-bearing debt	**25 977**	26 503	25 925
Finance lease liability	**273**	305	313
Lease equalisation	**675**	648	641
Onerous lease liability	**283**	145	95
Employee benefit liability	**125**	125	162
Deferred taxation	**73**	108	85
Deferred revenue	**61**	51	51
	27 467	27 885	27 272
Total non-current liabilities	**28 530**	28 867	28 100
Current liabilities			
Interest-bearing debt	**1 569**	179	231
Finance lease liability	**42**	35	34
Current taxation	**43**	68	44
Deferred revenue	**93**	103	93
Option liability		50	44
Derivative financial instruments			20
Trade and other payables	**8 093**	6 854	8 398
Total current liabilities	**9 840**	7 289	8 864
Total equity and liabilities	**24 238**	22 718	31 549
Total managed capital per IAS 1	**14 792**	14 566	21 916

Consolidated Quarterly Statement of Comprehensive Income (unaudited)

	Note	**2016 13 weeks to 24 December Rm**	2015 13 weeks to 26 December Rm
Total revenues	3	**8 978**	9 163
Revenue - retail sales		**8 441**	8 685
Cost of sales		**(5 540)**	(5 426)
Gross profit		**2 901**	3 259
Other income		**317**	340
Store costs		**(1 813)**	(1 795)
Other operating costs		**(1 349)**	(1 145)
Share of profits from associates and insurance business	4	**197**	122
Trading profit		**253**	781
Derivative losses		**(5)**	(159)
Foreign exchange gains/(losses)		**455**	(877)
Net gain on Exchange Offer			4 084
Fair value adjustment for put option			10
Impairment of intangible assets			(70)
Profit before net financing costs		**703**	3 769
Finance income		**23**	16
Profit before financing costs		**726**	3 785
Financing costs		**(958)**	(958)
(Loss)/profit before taxation		**(232)**	2 827
Taxation		**(128)**	165
(LOSS)/PROFIT FOR THE PERIOD		**(360)**	2 992
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**(28)**	44
Gain on cash flow hedges			2
Other comprehensive income for the period after tax		**(28)**	46
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(388)**	3 038
(Loss)/profit for the period attributable to:			
Owners of the parent		**(356)**	2 983
Non-controlling interests		**(4)**	9
		(360)	2 992
Total comprehensive income for the period attributable to:			
Owners of the parent		**(394)**	3 010
Non-controlling interests		**6**	28
		(388)	3 038

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

	Note	2016 39 weeks to 24 December Rm	2015 39 weeks to 26 December Rm
Total revenues	3	**21 779**	23 002
Revenue - retail sales		**20 175**	21 366
Cost of sales		**(13 287)**	(13 450)
Gross profit		**6 888**	7 916
Other income		**1 018**	1 048
Store costs		**(5 181)**	(4 950)
Other operating costs		**(3 869)**	(3 199)
Share of profits from associates and insurance business	4	**520**	547
Trading (loss)/profit		**(624)**	1 362
Derivative (losses)/gains		**(6)**	740
Foreign exchange gains/(losses)		**2 896**	(3 951)
Net gain on Exchange Offer			4 045
Fair value adjustment for put option		**(5)**	29
Impairment of intangible assets			(127)
Profit before net financing costs		**2 261**	2 098
Finance income		**61**	39
Profit before financing costs		**2 322**	2 137
Financing costs		**(2 828)**	(3 092)
Loss before taxation		**(506)**	(955)
Taxation		**(159)**	975
(LOSS)/PROFIT FOR THE PERIOD		**(665)**	20
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**(29)**	103
Gain on cash flow hedges			81
Other comprehensive income for the period after tax		**(29)**	184
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(694)**	204
(Loss)/profit for the period attributable to:			
Owners of the parent		**(664)**	5
Non-controlling interests		**(1)**	15
		(665)	20
Total comprehensive income for the period attributable to:			
Owners of the parent		**(665)**	140
Non-controlling interests		**(29)**	64
		(694)	204

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 28 March 2015	2 155	20	(76)	8	(16 318)	8 311	146	(5 754)
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 2016	2 290	74	5	8	(16 313)	8 311	210	(5 415)
Balance at 26 March 2016	**2 290**	**58**		**8**	**(24 359)**	**8 311**	**254**	**(13 438)**
Loss for the period					**(664)**		**(1)**	**(665)**
Other comprehensive income for the period		**(1)**					**(28)**	**(29)**
Total comprehensive income		**(1)**			**(664)**		**(29)**	**(694)**
Balance at 24 December 2016	**2 290**	**57**		**8**	**(25 023)**	**8 311**	**225**	**(14 132)**

Consolidated Quarterly Statement of Cash Flows (unaudited)

	2016 13 weeks to 24 December Rm	2015 13 weeks to 26 December Rm
Cash retained from operating activities		
(Loss)/profit before taxation	**(232)**	2 827
Finance income	**(23)**	(16)
Finance costs	**958**	958
Derivative losses	**6**	159
Deferred revenue – loyalty programme	**(17)**	8
Foreign exchange (gains)/losses	**(414)**	913
Fair value adjustment for put option	**(1)**	(10)
Amortisation of intangible assets	**60**	61
Impairment of intangible assets		70
Depreciation	**174**	187
Net loss on disposal of properties, fixtures, equipment and vehicles	**10**	3
Onerous leases	**(33)**	(2)
Net gain on Exchange Offer		(4 359)
Project fees accrued	**36**	
Losses from associates	**-**	-
Other non-cash items	**5**	43
Operating cash inflow before changes in working capital	**529**	842
Working capital movement	**1 260**	582
Decrease in inventories	**(35)**	(217)
Increase in trade accounts receivable	**(127)**	(26)
Proceeds from sale of trade accounts receivable		29
(Increase)/decrease in sundry receivables and prepayments	**(189)**	23
Increase in trade and other payables	**1 611**	773
Cash inflow from operating activities	**1 789**	1 424
Finance income received	**14**	13
Financing costs paid	**(355)**	(298)
Taxation paid	**(35)**	(32)
Net cash inflow from operating activities	**1 413**	1 107
Cash utilised in investing activities		
Investment in property, plant and equipment	**(263)**	(155)
Investment in associates		(1)
Net cash outflow from investing activities	**(263)**	(156)
Cash effects of financing activities		
Increase in current interest-bearing debt	**681**	(3 781)
Increase in non-current interest-bearing debt		4 833
Settlement of derivatives		1 330
Settlement of option premium	**(6)**	(997)
Settlement of option liability	**(14)**	
Decrease in finance lease liability	**7**	(12)
Net cash inflow from financing activities	**668**	1 373
Increase in cash and cash equivalents	**1 818**	2 324
Cash and cash equivalents at the beginning of the period	**1 297**	1 544
Currency adjustments	**-**	(10)
Cash and cash equivalents at the end of the period	**3 115**	3 858

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

	2016 39 weeks to 24 December Rm	2015 39 weeks to 26 December Rm
Cash retained from operating activities		
Loss before taxation from operations	**(506)**	(955)
Finance income	**(61)**	(39)
Finance costs	**2 828**	3 092
Derivative losses/(gains)	**6**	(740)
Deferred revenue – loyalty programme	**(11)**	13
Foreign exchange (gains)/losses	**(2 933)**	3 987
Fair value adjustment for put option	**5**	(29)
Amortisation of intangible assets	**178**	181
Impairment of intangible assets		127
Depreciation	**539**	567
Net loss on disposal of properties, fixtures, equipment and vehicles	**15**	11
Onerous leases	**111**	1
Net gain on Exchange Offer		(4 477)
Project fees accrued	**133**	
Losses from associates	**5**	2
Other non-cash items	**35**	83
Operating cash inflow before changes in working capital	**344**	1 824
Working capital movement	**1 158**	1 178
Increase in inventories	**(60)**	(550)
(Increase)/decrease in trade accounts receivable	**(29)**	3
Proceeds from sale of trade accounts receivable		29
Increase in sundry receivables and prepayments	**(376)**	(197)
Increase in trade and other payables	**1 623**	1 893
Cash inflow from operating activities	**1 502**	3 002
Finance income received	**51**	29
Financing costs paid	**(787)**	(1 527)
Taxation paid	**(106)**	(69)
Net cash inflow from operating activities	**660**	1 435
Cash utilised in investing activities		
Investment in property, plant and equipment	**(549)**	(510)
Investment in associates		(8)
Acquisition of subsidiaries		(7)
Net cash outflow from investing activities	**(549)**	(525)
Cash effects of financing activities		
Increase in current interest-bearing debt	**1 374**	(3 763)
Increase in non-current interest-bearing debt	**28**	5 172
Settlement of derivative		1 330
Settlement of option premiums	**(6)**	(1 047)
Settlement of option liability	**(56)**	
Decrease in finance lease liability	**(25)**	(25)
Net cash inflow from financing activities	**1 315**	1 667
Increase in cash and cash equivalents	**1 426**	2 577
Cash and cash equivalents at the beginning of the period	**1 693**	1 288
Currency adjustments	**(4)**	(7)
Cash and cash equivalents at the end of the period	**3 115**	3 858

1.1 Basis of preparation

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 26 March 2016 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 26 March 2016 as included in the 2016 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 26 March 2016, as follows:

- Annual Improvements to IFRS.

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

Reclassification and reclassification

Restatement
Commencing on 27 March 2016, the Group has implemented a restructuring of its internal divisions which affects its divisional reporting segments. The Edcon Group segments now comprise of the Edgars Division, Discount division, Speciality division, Edgars Zimbabwe, Manufacturing division, Credit and Financial Services and the Group Services divisions. These reporting segments show the realignment of our operational divisions to accomplish the objectives laid out in the Group's strategic plan. The Edgars division now comprises Edgars, the Discount division comprises Jet and Jet Mart and the Speciality division comprises CNA, Red Square, Boardmans, Edgars Active, Edgars Shoe Gallery, Legit and our mono-branded stores.

The comparative financial data in note 2 has been restated for the change in divisional reporting. As a result of this change in divisional reporting, the financial results for the third quarter 2017 are not directly comparable to the results for fiscal year 2016.

Reclassification
As a result of the restructure of divisions, an amount of R28 million has been reclassified from other operating costs to store costs for the 39 weeks ending 24 December 2016.

Reclassification

The equity investment in the insurance business was reported in investment of associates as at 26 December 2015 together with newly acquired investments in associates of the Group. The investment in the insurance business, has been reclassified back to sundry receivables and prepayments, where this investment was previously classified and which, is considered more correct, based on the nature of the investment in the insurance business. The amount of the reclassification is R49 million.

1.1 Basis of preparation *(continued)*

Reclassification *(continued)*

Operating cash inflow before changes in working capital is reclassified by an R8 million outflow, and the working capital movement for sundry receivables and prepayments is restated by an R8 million inflow respectively.

Re-presentation

As from 26 March 2016, the Group ceased to classify its trade receivables store card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale as no buyer could be found at an acceptable price and the Group concluded these store card portfolios were no longer deemed to be recovered through a highly probable sale transaction. Accordingly, the results of operations previously presented in discontinued operations in the consolidated statement of comprehensive income have been represented and included in income from continuing operations for all periods presented. These assets are no longer disclosed as held-for-sale in the statement of financial position and the comparative periods are not restated, in line with the requirements of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

Disclosures for the Statement of Comprehensive Income, Segmental results (note 2) and Revenues (note 3) is represented for the 13 weeks and 39 weeks ending 26 December 2015.

1.2 Significant movements in the Consolidated Statement of Financial Position

Sundry receivables and prepayments

Sundry receivables and prepayments have increased by R430 million from R912 million as at 26 March 2016 to R1 342 million as at 24 December 2016. The increase is primarily as a result of an increase in amounts due to the Group from transactions with strategic partners.

Cash and cash equivalents

Cash and cash equivalents increased by R1 422 million from R1 693 million as at 26 March 2016 to R3 155 million as at 24 December 2016. This increase is primarily as a result of increased sales over the Group's Christmas trading period not yet disbursed to trade creditors relating to purchases ahead of the peak trading period.

Trade and other payables

Trade and other payables increased by R1 239 million from R6 854 million as at 26 March 2016 to R8 093 million as at 24 December 2016. This increase is as a result of trade payables related to our peak trading period.

Interest bearing debt

Non-current interest bearing debt decreased by R526 million from R26 503 million as at 26 March 2016 to R25 977 million as at 24 December 2016. The decrease is mainly attributable to unrealised foreign exchange gains of R2 896 million, offset by the capitalisation of interest accrued and fees amortised on debt instruments of R2 332 million.

Current interest bearing debt increased by R1 390 million from R179 million as at 26 March 2016 to R1 569 million as at 24 December 2016. The increase is mainly due to the new bridging finance secured on 8 July 2016 for a combined R1.5 billion denominated in U.S Dollars and Euros, made available by a group of Noteholders and bank lenders in two tranches. The first tranche, a net of R651 million was received on 12 July 2016 and the second tranche was received on 24 October and 25 October 2016 for a total net amount received of R677 million.

1.3 Basis of accounting

The Consolidated Statement of Financial Position at 24 December 2016 reports share capital, share premium and warrants of R2 290 million (26 March 2016 and 26 December 2015: R2 290 million and R2 290 million respectively) in equity attributable to shareholders, other reserve of R65 million (26 March 2016: R66 million and 26 December 2015: R87 million) and a shareholder's loan which was derecognised in equity of R8,311 million (26 March 2016 and 26 December 2015: R8 311 million respectively), offset by an accumulated retained loss of R25 023 million (26 March 2016: R24 359 million and 26 December 2015: R16 313 million), resulting in negative equity attributable to shareholders at 24 December 2016 of R14 357 million (26 March 2016: R13 692 million and 26 December 2015: R5 625 million). After considering non-controlling interests of R225 million (26 March 2016: R254 million and 26 December 2015: R210 million), total equity of the Group is a deficit of R14 132 million (26 March 2016: R13 438 million and 26 December 2015: R5 415 million).

The shareholder's loan of R1 063 million (26 March 2016: R982 million and 26 December 2015: R828 million) has been subordinated to the claims of all the creditors of the Group and the total negative equity and shareholder's loan at 24 December 2016 is R13 069 million (26 March 2016: R12 456 million and 26 December 2015: R4 587 million).

The Group in its current form with Edcon Holdings Limited as the parent company thereof, is not expected to continue into the foreseeable future as a result of a lock-up agreement (the "LUA") signed between the Group and certain of its existing creditors agreeing the comprehensive Restructuring of the Group's capital structure. To give effect to the basis of consolidation required under IFRS 10, Consolidated Financial and to provide a consolidated view of the current Group on an appropriate accounting basis for Edcon Holdings Limited, presented as a single economic entity, the Consolidated Financial Statements have been prepared using the recognition and measurement criteria of IFRS which is consistent with those applied in the past.

In assessing using the recognition and measurement criteria as the accounting basis for the Consolidated Financial Statements, management has considered the following:

(i) On 8 July 2016, the Group secured a combined R1.5 billion in bridge financing denominated in U.S dollars and Euros, which was made available by a group of Noteholders and bank lenders in two tranches upon the satisfaction of certain conditions precedent. On 12 July 2016, the Group received the first tranche being a net amount of R651 million. On 24 October 2016 and 25 October 2016 the Group received a net amount of R574 million and R103 million respectively being the second tranche under the bridge financing.

(ii) On 20 September, 2016, certain entities in the Edcon Group and certain of the Group's creditors, accounting for at least 80% of the outstanding principal amount of the secured debt of the Group, provided signatures in respect of a LUA, pursuant to which the parties to the LUA agreed to the key terms of a comprehensive restructuring of the Edcon Group's entire capital structure (the "Restructuring"), including a significant decrease in the outstanding amount of third-party debt of Edcon Limited and a transfer of control over the Edcon Group's operating companies from Bain Capital to certain of the Edcon Group's existing creditors (the "Control Transfer"). The LUA became binding on 3 October 2016, and on 13 October 2016, the various conditions precedent to the occurrence of the effective date of the LUA were satisfied, such that, the LUA became binding on all parties thereto. On 13 December 2016, the Group announced the launch of the "compromise sanction process" for the proposed Restructuring and on 29 December 2016 the compromises were adopted at compromise meetings by Senior Secured Creditors and the Super Senior Third Ranking Creditors. Following thereon, the Group applied for court approval and sanction of compromise proposals which was obtained on 11 January 2017. The Restructuring became effective on 1 February 2017 and control over the Group was transferred from Bain Capital to certain of the Group's existing creditors.

(iii) Future sales growth, margin growth, expected operating costs, the tax settlement of the Group, the terms of the shareholder's loan and all guarantors and cross guarantors.

(iv) 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.

(v) The basis of accounting applied to the parent company Edcon Holdings Limited, its subsidiaries, Staff Empowerment Trust and Edgars Stores Limited Zimbabwe individually.

1.3 Basis of accounting *(continued)*

In addition to the implementation of the Restructuring and the measures listed in sub-clauses (i) through (v) above, management additionally monitors the Group's cash requirements on an ongoing basis for uncertainties which may arise and takes appropriate action where necessary. For example, such uncertainties include, economic uncertainties that may arise which may affect the businesses ability to meet its objectives in terms of sales growth, credit sales, improvement in gross margins, performance of our own credit book, various working capital initiatives and the timing thereof.

Management anticipates that repayments of debt within the Group's capital structure which will fall due over the following 12 months as presented in these consolidated financial statements, will be met out of operating cash flows, the bridge financing, and after taking into account and giving effect to the Restructuring and resulting cash flows. As a result of the Restructuring, the Group's gross third party debt is expected to decrease to approximately R7 billion at the Edcon Limited Group level (excluding newly issued debt at two newly-formed companies, Holdco 1 and Holdco 2). In reaching the conclusion using the principles of going concern as the basis of accounting to present these consolidated financial statements, and in mitigation of the uncertainties outlined above, management has taken into consideration the probability of a successful Restructuring, a need to have an adequate basis of consolidation applied on a consistent basis, the various working capital initiatives and ongoing management of cash requirements undertaken by the Group. There can however be no certainty as to whether such mitigants will be successful, nor the timing thereof.

Management acknowledges that uncertainty remains over the ability of the Group to meet its future 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, taking into account the bridge financing, the Restructuring, and ongoing liquidity management, that the Group will have adequate resources to meet obligation requirements as they fall due albeit in a newly formed Group of companies as a result of the Restructure.

If for any reason the companies which collectively comprise the Group, with emphasis on Edcon Limited within the current Group structure, are 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 amount stated in these consolidated financial statements.

		2016 39 weeks 24 December Rm	Restated 2015 39 weeks 26 December Rm
2.	**SEGMENTAL RESULTS**		
2.1	**Revenues**		
	Edgars	**8 403**	8 946
	Discount	**7 291**	7 780
	Specialty	**4 369**	4 516
	Edgars Zimbabwe[1]	**644**	658
	Manufacturing	**151**	152
	Credit and Financial Services	**860**	911
	Group Services	**61**	39
		21 779	23 002
2.2	**Retail sales**		
	Edgars	**8 155**	8 681
	Discount	**7 132**	7 618
	Specialty	**4 369**	4 516
	Edgars Zimbabwe[1]	**519**	551
		20 175	21 366
2.3	**Number of stores**		
	Edgars	**206**	206
	Discount	**522**	526
	Specialty	**768**	766
	Edgars Zimbabwe[1]	**49**	53
		1 545	1 551
2.4	**Operating profit before net financing costs**		
	Edgars	**48**	611
	Discount	**12**	331
	Specialty	**(329)**	(142)
	Edgars Zimbabwe[1]	**17**	65
	Manufacturing	**(28)**	11
	Credit and Financial Services	**617**	561
	Group Services[2]	**1 924**	661
		2 261	2 098

[1] Edgars Zimbabwe is disclosed as a separate segment as the business activities are measured separately.
[2] Included in the allocation to the Group Services segment is derivative gains or losses, foreign exchange gains or losses and non-recurring related expenditure.

		2016 39 weeks 24 December Rm	2015 39 weeks 26 December Rm
3.	**REVENUES**		
	Retail sales	**20 175**	21 366
	Club fees	**418**	437
	Finance charges on trade receivables	**242**	222
	Share of profits from insurance business	**525**	549
	Finance income	**61**	39
	Administration fee	**207**	237
	Manufacturing sales to third parties	**151**	152
		21 779	23 002
4.	**SHARE OF PROFITS OF ASSOCIATES AND INSURANCE BUSINESS**		
	Share of profits from insurance business	**525**	549
	Share of losses from other associates	**(5)**	(2)
		520	547

5. FINANCIAL INSTRUMENTS

The Group uses a three-level hierarchy to prioritise the inputs used in measuring fair value. Level 1 has the highest priority and level 3 has the lowest. Fair value is principally applied to financial assets and financial liabilities. These are measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which these measurements fall.

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

	Total Rm
24 December 2016	
Financial assets	
Option asset	-
Total financial assets	-
26 March 2016	
Financial liabilities	
Option liability	50
Total financial liabilities	50
26 December 2015	
Financial assets	
Foreign currency forward contracts	10
Foreign currency call options	78
Total financial assets	88
Financial liabilities	
Option liability	44
Foreign currency forward contracts	19
Cross currency swaps	1
Total financial liabilities	64

5. FINANCIAL INSTRUMENTS *(continued)*

The above instruments, excluding the option liability, were 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.

All financial instruments have been recognised in the Consolidated Statement of Financial Position and there are 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 thereafter are reported at the exchange rate ruling at the reporting date. The market values at 24 December 2016 for the listed notes was R2 958 million (26 March 2016: R6 540 million and 26 December 2015: R10 451 million) and have been determined based on the closing prices of the relevant stock exchange.

6. EVENTS AFTER THE REPORTING DATE

Sale of Legit

On 15 September 2016, the Group agreed to the sale of its Legit business for R637 million (the "Legit Sale") to Retailability Proprietary Limited, a retail fashion holdings company which operates over 200 stores across South Africa, Namibia and Botswana (including Beaver Canoe and Style chains) and, in which Metier Private Equity is a material shareholder. The Group believes that the Legit sale is aligned with Edcon's strategic drive to create a simpler, more agile business that is focused on carefully selected offerings in which the Group believes it can add significant value.

The closing of the Legit Sale has received Competition Commission approval and all other customary closing conditions. The sale became effective on 29 January 2017.

Transaction with Creditors

Following previous announcements, on 1 February 2017, the Group completed the court-sanctioned comprehensive restructuring (the "Restructuring") of its existing capital structure pursuant to which some of the Group's existing creditors exchanged their entire debt claims against the Group for a mix of new debt issued by the newly-formed holding companies of the new Group and shares in that Group. Furthermore, the Restructuring involved a transfer of control over the Group's operating companies from Edcon (BC) S.A.R.L, which was indirectly owned by the Group's former majority shareholder, Bain Capital, to certain of the Group's existing creditors.

On 1 February 2017, the Restructuring and transfer of control, became effective following the various conditions precedent contemplated under the lock-up agreement, Restructuring and transfer of control contemplated therein. As a result, the debt in the operational company Edcon Limited within the Group post the transaction has reduced to approximately R7 billion.

6. EVENTS AFTER THE REPORTING DATE *(continued)*

Redemption of 5% PIK Senior Notes due 2022

On 1 February 2017, the 5% PIK Senior Notes due 2022 (formerly, 13.375% Senior Notes due 2019), were redeemed with a record date of 31 January 2017. The aggregate redemption price was €3,223,359.23 which comprised of the aggregate outstanding principal amount, accrued and unpaid interest and early redemption costs associated with the redemption. The redemption was conditional upon the completion of the Restructuring, which was concluded on 1 February 2017.

Corporate Information

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

Non-executive directors
DM Poler* (Chairman, resigned as Chairman on 21 December 2016), EB Berk* (resigned 15 December 2016), ZB Ebrahim₸, RB Daniels*, M Osthoff*** (appointed 1 April 2015, resigned 15 December 2016), DH Brown₸ (resigned 31 December 2015), TF Mosololi₸ (resigned 15 December 2016), LL von Zeuner₸ (resigned 10 December 2015), J Schreiber*** (appointed as Non-executive director 18 August 2015; resigned with effect from 31 March 2016), KDM Warburton₸ (appointed 1 February 2016), A Alvarez III*₸ (appointed 21 April 2016), D Frauman*₸ (appointed 31 May 2016), PD Gilbert***** (appointed 19 December 2016).

Executive directors
BJ Brookes **** (Managing Director and Chief Executive Officer, appointed 30 September 2015 and appointed as Chairman on 22 December 2016), Dr U Ferndale (resigned as a director on 15 December 2016) and RB Daniels (interim joint Chief Executive Officers, appointed 15 August 2015, resigned 30 September 2015), J Schreiber***(resigned 15 August 2015), R Vaughan (Chief Financial Officer, appointed 14 June 2016), T Clerckx** (Chief Financial Officer, resigned 14 June 2016).

*USA ** BELGIUM ***GERMAN ****AUSTRALIAN *****UNITED KINGDOM
₸ Independent Non – Executive Director

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CM Vikisi

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